ANNUAL REPORT 2010

elixir
petroleum limited

ABN 51 108 230 995

Corporate Directory

Directors
Mr Jonathan Stewart – Non–Executive Chairman
Mr Andrew Ross – Managing Director
Mr Iain Knott – Executive Director, Exploration
Dr John Robertson – Non-Executive Director

Company Secretary
Ms Julie Foster (Appointed 23 October 2009)

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Stock Exchange Listing
Australian Securities Exchange
Home Exchange: Perth, Western Australia
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ANNUAL REPORT 2010

"THE PROSPECTS FOR UNCONVENTIONAL GAS POTENTIAL IN EUROPE ARE COMPELLING"

elixir
petroleum limited

CHAIRMAN'S LETTER

Dear Shareholder

I am pleased to report that Elixir has made considerable progress in the 2010 financial year in advancing its oil and gas exploration and production business. This has been achieved during a difficult period across markets generally. In particular, we are very enthused by the Company's acquisition in April 2010 of the Moselle Permit located in north-eastern France, which gives us significant exposure to Europe's exciting unconventional gas prospectivity.

The acquisition of Moselle saw a deliberate expansion of Elixir's exploration strategy to include the pursuit of unconventional hydrocarbon resource opportunities onshore in Europe. This additional area of interest increases the type and number of opportunities available to the Company and is complementary to Elixir's existing conventional hydrocarbon exploration strategy in the UK North Sea. Moselle was acquired following an extensive and continuing effort to identify and acquire attractive unconventional oil and gas opportunities in Europe.

The successful development of a number of gas shales in North America, particularly in the past ten years, has more recently turned international attention to Europe where a significant domestic market exists and a number of attractive regions have been identified, including the East Paris Basin. The Moselle permit is aerially significant at over 1.3 million acres and offers numerous prospective targets.

Elixir's technical team have assembled an extensive geological database of 2D seismic, core samples and well data and are undertaking geochemical and petrophysical studies to better define the prospectivity of the permit. The results of our early work give us confidence that Moselle will hold a significant and valuable gas resource that will prove attractive to potential partners.

You will see from our more detailed Operations Report following that we have also been active across the balance of our international portfolio.

In the Gulf of Mexico, production from the Pompano Field has been steady, but US domestic gas prices remain low. At the High Island field, production continues to be inhibited due to a lack of available compression facilities on the third party owned processing platform. We are working together with the operator and the platform owner in an effort to remedy this situation and return the field to substantially higher production rates.

In the UK, Elixir holds interests in two licences in the UK North Sea following the relinquishment of the Leopard block in late 2009. Efforts continue to progress our Mulle project including the potential to work with participants in discoveries in adjacent acreage. We have completed our technical studies on the Tiger prospect in Block 211/12b and commenced marketing activities. There has been good interest shown in the prospect and a number of parties are currently in the data-room. Whilst confident we will be able to advance these opportunities, we remain mindful of the challenging farm-out conditions in the UK.

"ELIXIR HAS MADE CONSIDERABLE PROGRESS IN THE 2010 FINANCIAL YEAR"

The prevailing US domestic gas market has impacted on revenue for the reporting period, but at balance date Elixir had in excess of $5 million on hand with no debt. We believe Elixir is adequately funded for the various activities planned in the coming year which we expect to generate value for shareholders.

On behalf of the Board of Elixir I would like to thank shareholders for their support and trust and our employees, consultants and partners for their efforts during the year.

Yours sincerely,

Jonathan Stewart
Non-Executive Chairman
October 2010

REVIEW OF OPERATIONS

Strategy

Elixir is an internationally focused upstream oil and gas company with a diversified portfolio of offshore petroleum interests across the exploration, appraisal, development and production lifecycle.

Elixir's business strategy is to acquire interests in exploration licences with high impact potential, to work up prospects internally and to farm these out to industry to drill, typically on a promoted carry basis. Currently, Elixir is pursuing this exploration strategy in Europe with interests in licences offshore the UK North Sea and onshore in France.

Complementing this exploration strategy is the addition of lower risk oil and gas development projects with appraisal upside. These projects typically demonstrate a short cycle time to production and provide cashflow for the Elixir Group. Acquisitions to date in furtherance of this component of our strategy have been made in the shallow waters of the Gulf of Mexico.

The Board of Elixir considers it important to remain flexible in the pursuit of new business opportunities which are judged to be complementary to its existing business activities and able to deliver superior growth in shareholder value.

An update on the Group's operations follows.

Development and Production Review

High Island Project – HIA-268 (EXR – 30% WI)

Elixir Petroleum has participated in the High Island project since the discovery of the field through the drilling of the original exploration well in January 2007. The field is located offshore the Gulf of Mexico, approximately 65 kilometres south-east of Houston. The discovery well encountered two target horizons and a field development plan was approved and implemented immediately thereafter. A second development well was drilled in July 2007 and a simple unmanned tripod platform installed and an export pipeline laid during Q3, 2007. Following commissioning, production commenced from the two wells in September 2007. Both wells have since produced from the deeper of the two reservoirs encountered in each well. In total, the field produced 297 mmscf of gas and 60,600 bbls of condensate over the reporting period (100% project).

Production was initially at sufficient pressure to allow flow directly to the export pipeline. As the reservoir pressure in each zone depleted over time through production, it became necessary to utilise gas compression facilities which are located on the third party owned processing platform from which production is exported. Process modifications to allow this to occur took place in July 2009 and production resumed from the field in the same month. The third party operator of the processing facility has preferential rights to use the compression on the platform under the terms of the processing contract. Following a successful workover on one of platform owner's own wells in October 2009, the platform owner elected to exercise this right. This has created processing capacity constraints with respect to High Island production and as a consequence, production has been limited from the High Island field over the last nine months.

Each well remains capable of being recompleted on the shallower horizons which were penetrated and logged during the drilling of each well. As the new zones will be at virgin reservoir pressure, it is expected that the field will again be capable of exporting directly to sales without relying on export compression. The operator is presently waiting until sufficient further depletion has occurred in the existing horizons before seeking the approval of the Bureau of Ocean Energy Management, Regulation and Enforcement (formerly the Minerals Management Service) to justify the temporary abandonment of these deeper zones.

In total, the field has produced 3.95 Bcf of gas and 146,580 bbls of condensate from first production to the end of the reporting period. During the financial year, the average price achieved for gas sales was approximately US$3.24/mscf and for condensate was approximately US$68.99/bbl.

Pompano – Brazos Block 446-L – (EXR – 25% WI)

The Pompano field is located in shallow waters some 11 kilometres offshore from the Texas coastline. The field was originally discovered in the mid–1960's and produced approximately 120 Bcf of gas before being shut-in in 2003. Following the evaluation of a new 3D seismic data set, Elixir elected to participate in the project with a 25% working interest. In early 2008, two development wells were drilled and quickly tied into production using the existing caissons, flowlines and processing platform that had remained in place. A third well, ATO #3, was drilled in September 2008, but it failed to find sufficient commercial hydrocarbons in the target horizons and was suspended as a future sidetrack candidate.

The two production wells initially produced concurrently, using dual string completions, from two zones in each well. In late 2008, the deeper zone in Well ATO #1, named the B sand, produced sufficient sand to bridge off the completion and halt production from that zone. A similar problem also occurred with the less prolific shallower 6700 sand in the ATO#1 well.

A workover of the ATO#1 well took place in September 2009 that was able to remediate the root causes of sand production in each reservoir and the well was brought back into production in October 2009. The B sand in well ATO#1 has now become the largest contributor to field production and the workover can be considered a success. The remediation attempts on the shallower 6700 sand were not successful and that horizon again bridged off shortly after trying to re-establish flow from the well.

Production for the reporting period totalled 1,826 mmscf of gas and 800 bbls condensate (100% project). In total, the field has produced from early 2008 to the end of the reporting period 5.26 Bcf of gas and 5,500 bbls condensate.

The owner of the field prior to its acquisition by the existing joint venture remains responsible for the abandonment of any infrastructure within the licence area that Elixir and its joint venture partners elect not to utilise. The former owners are presently preparing for the abandonment of certain of that infrastructure in Q4, 2010. The ATO #3 well was drilled from a small platform that the joint venture does not currently use and a decision will need to be made by the Pompano joint venture participants as to whether to allow the abandonment of the platform by the prior owners of the field, and consequently the ATO#3 wellbore, or to take responsibility for the infrastructure and associated pipelines.

There remains one further infill well for the Pompano joint venture to consider, being a large exploration target within the Pompano field and a second exploration target on the southern edge of the Pompano structure that lies within an adjacent block owned by the joint venture participants (N/2 of the NE/4 of Brazos 479-L), which is known as the Redfish prospect. Elixir continues to liaise with the operator and joint venture partners in considering these operations.

Over the financial year the average price achieved for gas sales from Pompano was approximately US$4.19/mscf and condensate prices were consistent with the High Island field at approximately US$68.46/bbl.

Exploration and Appraisal Review

France

Moselle Permit (EXR 100%, Operator)

Elixir acquired the Moselle Permit in France in April 2010 following the acquisition of the East Paris Petroleum Development Limited ("EPPDL"). The Moselle Permit is approximately 5,360 km2 in area, or approximately 1.32 million acres, making it the largest single exploration block onshore France. The Permit was awarded to EPPDL in January 2009 for an initial five year term. EPPDL is required to spend €3 million on exploration activities within the Permit during the initial term, of which a proportion had already been expended by EPPDL during the 2009 calendar year. Folllowing the acquisition of EPPDL, the company was renamed Elixir Petroleum (Moselle) Limited.

The Moselle Permit offers a mix of unconventional and conventional hydrocarbon prospectivity, and the main focus since acquisition to date has been the technical evaluation of the unconventional gas shale prospectivity on the permit, particularly focusing on the Carboniferous interval. The existing database on the permit consists of 2,145 kilometres of digital 2D seismic data of varying vintages, together with data from twenty four wells drilled in the Permit area between 1954 and 1995, of which eleven have oil and/or gas shows. These statistics exclude wells also contained within the Permit area on the now abandoned Forcelles shallow oil field which produced 96,000 barrels of light, high quality crude oil from a depth of approximately 250 metres over a 20 year period from 1978 to 1997.

The main unconventional gas prospectivity identified within the Moselle Permit is contained within Carboniferous aged sediments deposited in the Saar Lorraine Grabben. The Carboniferous section is in excess of 5,500 metres thick and consists of interbedded shales, sands and coals. From historical data, the interval lies within the oil and gas windows at the current time. The Carboniferous subcrop depth varies across the Permit generally being deeper in the west and shallower in the east, but averages approximately 1,200 metres in depth.

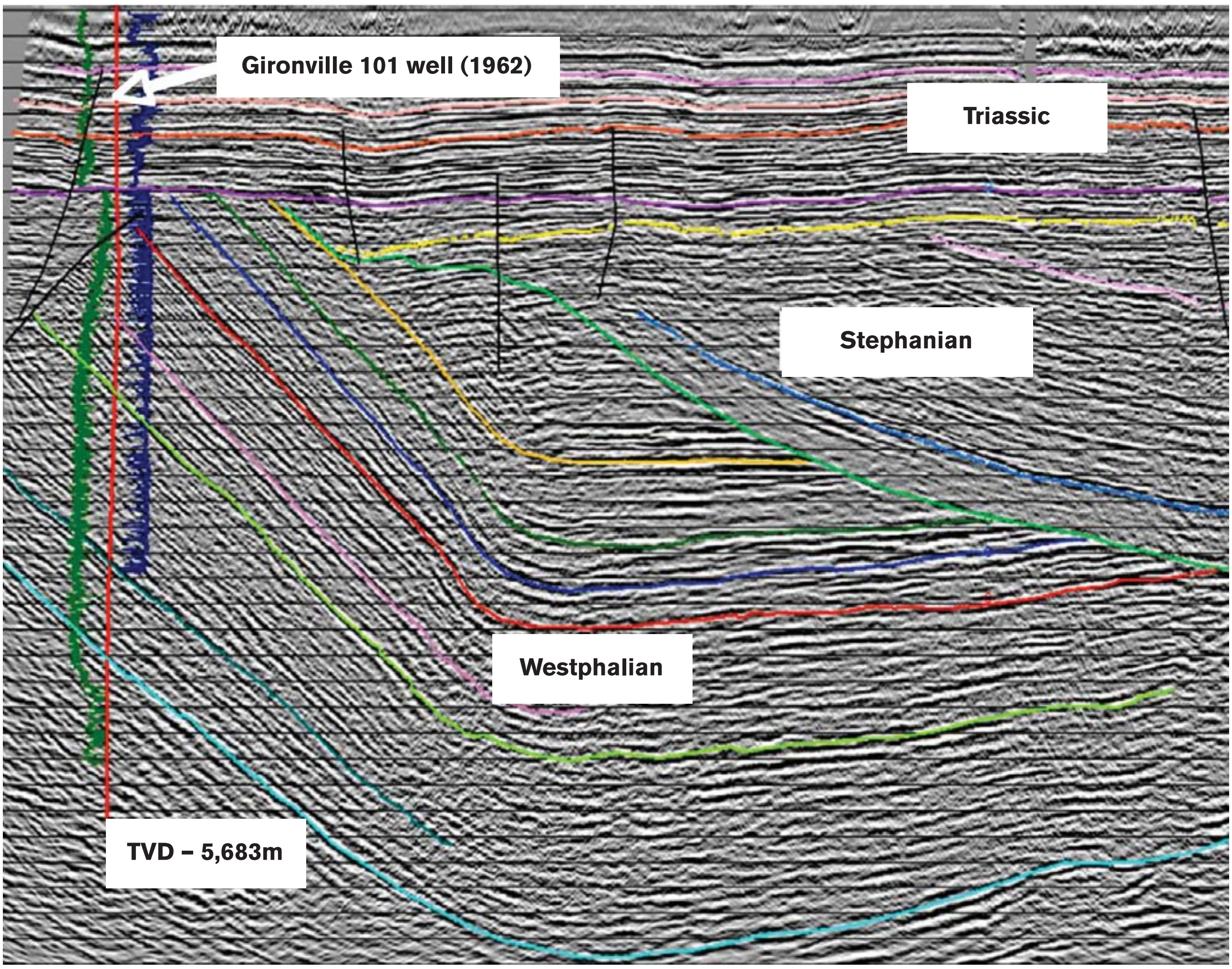


Figure 1. – Seismic cross section through Moselle Permit (NW-SE) showing the Gironville 101 Well to the left

A sub-regional 2D seismic dataset consisting of 543 line kilometres are currently being reprocessed by GES in Hungary and six wells have been sampled for detailed technical studies by Integrated Reservoir Solutions (a division of Core Laboratories) which specialises in the evaluation of unconventional resources. It is anticipated that the technical evaluation of the unconventional gas prospectivity within the Moselle Permit will be completed in Q4, 2010, following which a resource certification exercise will be undertaken prior to introducing the opportunity to participate in the exploration of the permit to industry partners.

UKCS

Elixir retains two licences in the Northern sector of the UK North Sea. The licences offer a mix of high quality exploration and appraisal projects, which we are confident will be enhanced further by drilling.

Northern North Sea

Block 211/22b & 27d, licence P1067 (EXR 40%)

Block 211/22b was awarded in the 21st Licensing Round as a traditional licence. The block contains the Mulle oil discovery in a Brent Group reservoir, adjacent to the Causeway Field. The technical work undertaken on Mulle has revealed an attractive project which requires an appraisal well and production test to confirm commerciality prior to the development of the field.

The operator of Block 211/22b, DNO UK Limited, published in May 2008 the following unrisked contingent recoverable resource estimate for the field.

Mulle Field	P90 *(MMboe)*	P50 *(MMboe)*	P10 *(MMboe)*
Oil in Place *(100%)*	16	57	111
Project *(100%)*	4	17	36
Elixir *(40%)*	1.6	6.8	14.4

Table 2: Mulle Contingent Resource Estimate

A dataroom exercise was undertaken in Q4, 2008 by the Mulle joint venture in which a partner was sought to assist with the cost of drilling an appraisal well on the Mulle structure. The dataroom process attracted significant interest, but given market conditions, ultimately did not yield a partner to participate in the project.

In November 2008, the joint venture was informed by DECC that it had been successful in its application for Block 211/27d in the 25th UKCS Seaward Licensing Round. Block 211/27d contains a mapped southern extension to the Mulle field. Completion of the award of the licence occurred in February 2009 and is likely to result in an increase to the recoverable resource estimate attributable to the project.

The joint venture is in the process of executing an agreed work programme for 2010 with an emphasis on reducing the development costs with a view to farming out or divesting the opportunity to industry in 2011.

Block 211/12b, licence P1602 (EXR 100%, Operator)

Elixir was notified in November 2008 that it had been successful in its application for Block 211/12b in the 25th UKCS Seaward Licensing Round. Completion of the award of the licence occurred in February 2009. A drill-or-drop decision is required to be made on Block 211/12b by early 2013.

Block 211/12b contains an Upper Jurassic prospect named Tiger. The prospect is located adjacent to the 1.5 billion barrel Magnus Field which is operated by BP Plc. The Tiger prospect is thought to share many similar geological characteristics to that of the Magnus field.

The Tiger prospect lies updip of a well drilled in 1992 which reported hydrocarbon shows. An unrisked contingent recoverable resource estimate has been generated for the Tiger prospect which is set out in the table below.

Tiger Prospect	Low *(MMbbls)*	Most Likely *(MMbbls)*	High *(MMbbls)*
Oil in Place *(100%)*	29.1	180.3	377.3
Contingent Resource *(100%)*	11.6	90.2	226.4

Table 3: Tiger Contingent Resource Estimate

Additional technical work has progressed throughout the year focusing on de-risking the prospect. Farm-out activities have now commenced with an aim to conclude the farmout to an industry participant(s) by year end.

Relinquishments

Block 211/18b, licence P1381 (EXR 56%, Operator)

Block 211/18b is a traditional licence, awarded in the 23rd UKCS Seaward Licensing Round ("23rd Licensing Round") and contains the large undrilled Leopard oil prospect. The technical analysis of Leopard was completed in 2007 and was subject to a successful farmout of a 30% working interest to RWE Dea UK in mid-2007. Continuous efforts to farmout the balance of the unfunded portion of the proposed Leopard exploration well were made during the reporting period under difficult market conditions. At the conclusion of the licence term a further partner to share the cost of drilling an appraisal well was not able to be secured and hence the licence was relinquished in December 2009.

Block 13/25a, licence P1459 and 13/24d, licence P1404 (EXR 12.5% both)

Blocks 13/25a and 13/24d were also awarded in the 23rd Licensing Round and were operated by PetroCanada. In Q3, 2009 the joint venture agreed to relinquish the block on the basis that modelling conducted by the operator indicated that if a discovery were made at Fat Cat, it was likely to be a heavy oil field in a ponded structural setting, which would not in the foreseeable future be economic to develop. The licence was formally relinquished in December 2009.

Mineral Interests

As a result of the merger with Gawler Resources in November 2007, Elixir acquired interests in five mineral exploration licences, which included two mineral exploration licences in the Northern Territory. Recognising that mineral licences are non-core to Elixir's oil and gas exploration and production business, the Northern Territory licences were not renewed at the end of their term in February 2010. Following this relinquishment, Elixir no longer holds any interests in mineral exploration licences in Australia or elsewhere.

Elixir's Petroleum Interests

Gulf of Mexico

Name	Lease	Working Interest	Interest after Back-in	Area (km²)	Grant Date
High Island	High Island Block A-268	30%	N/A	23	01 Dec 2000
Pompano	Brazos Block 446-L, SE/4 and SW/4	25%	19.5%#	6	01 July 2003
Redfish	Brazos Block 479-L, N/2 and NE/4	25%	23.6%^	3	1 April 2008

– Interest subject to back-in in favour of Operator following full cost recovery, plus 20%

^ – Interest subject to back-in in favour of Operator following full cost recovery

Table 4: Gulf of Mexico Lease Interests

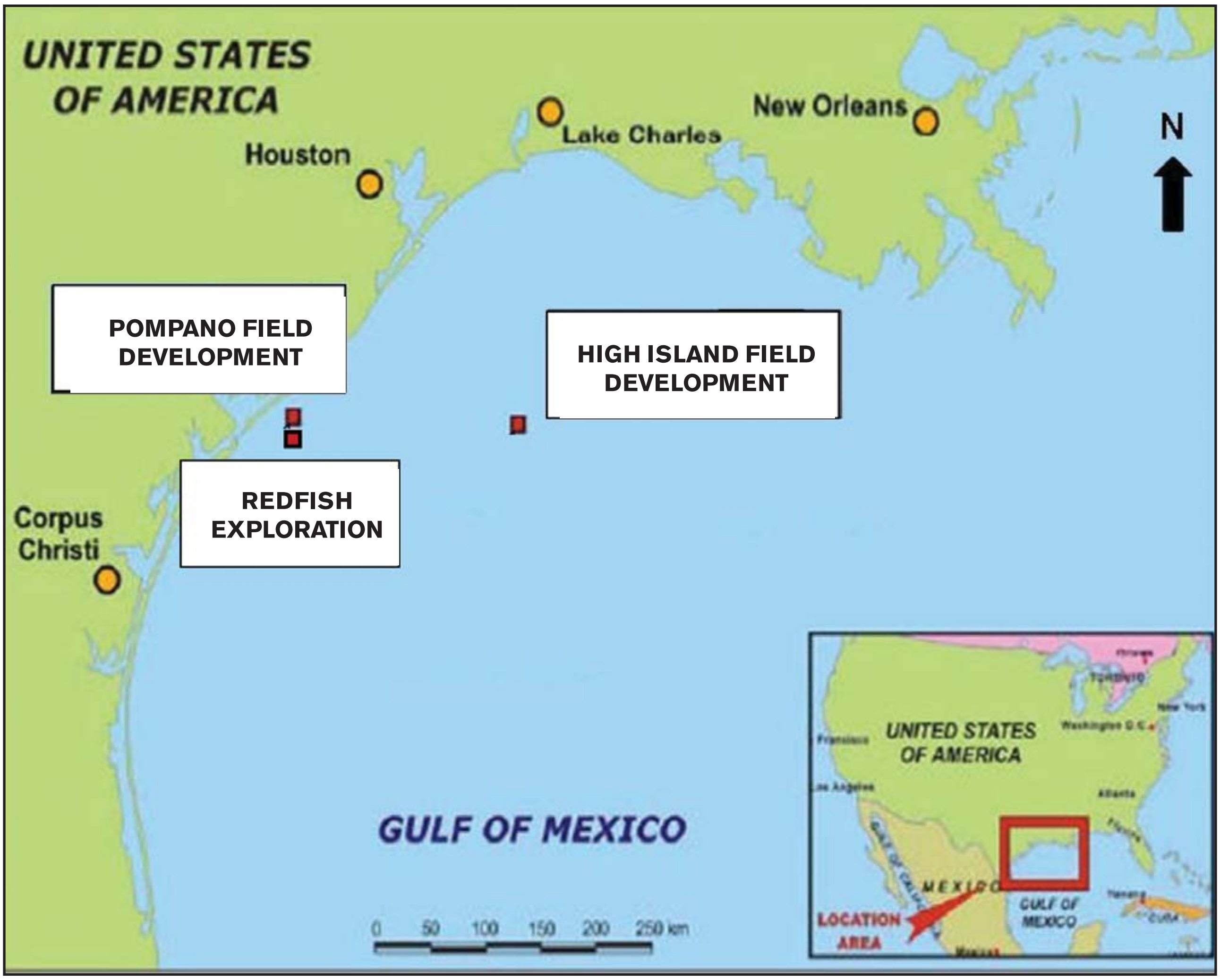


Fig. 2 – Gulf of Mexico Lease Locations

UK North Sea

Name	Licence	Block	Interest	Area (km2)	Licensing Round	Licence Type	Grant Date
Mulle	P1067	211/22b & 211/27b	40.0%	50	21st	Traditional	01 Oct 03
Tiger	P1602	211/12b	100.0%	50	25th	Traditional	12 Feb 09

Table 5: UK North Sea Licence Interests

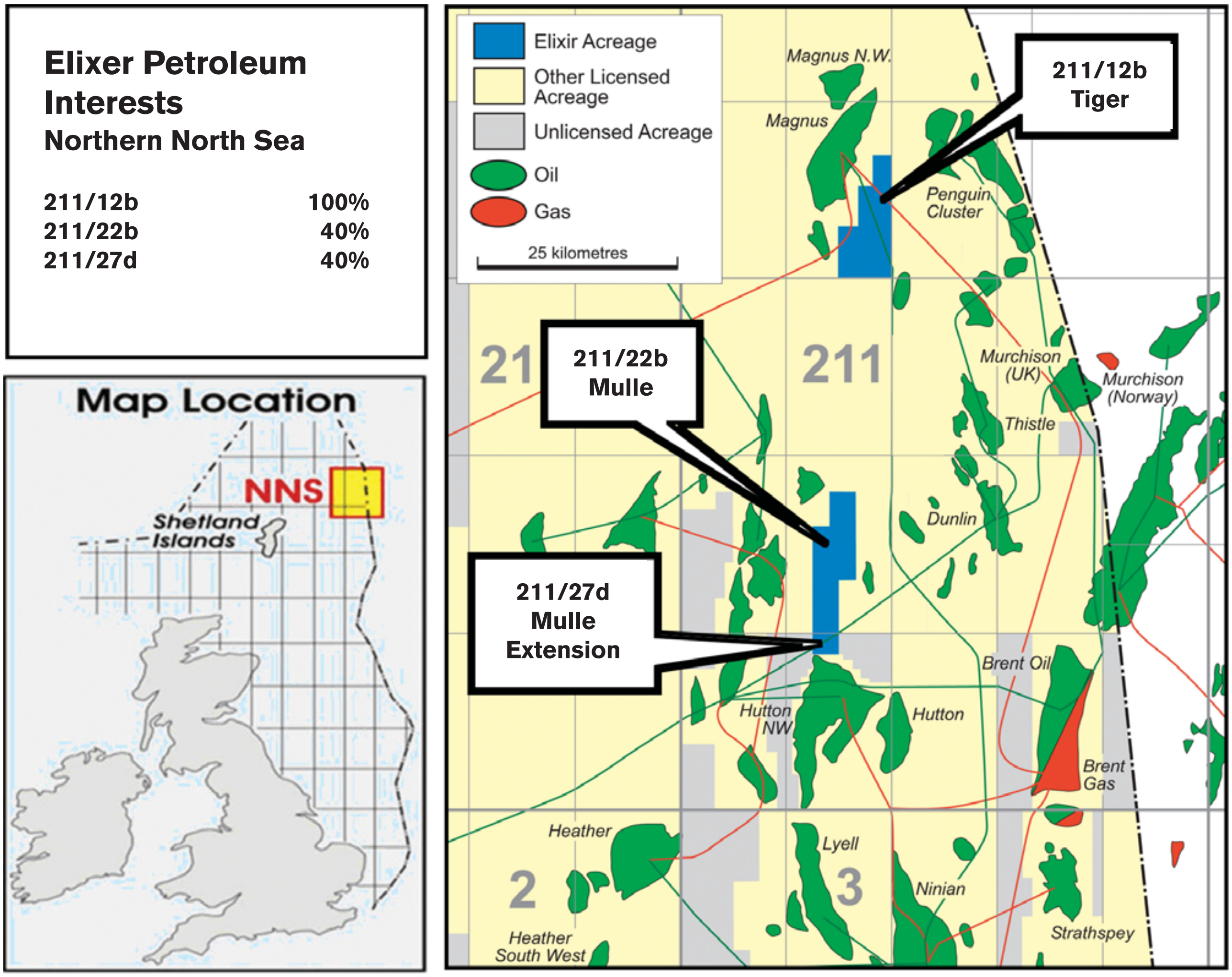


Fig.2 – Northern North Sea Licence Locations

Directors' Report

The Directors present their report on the consolidated entity consisting of Elixir Petroleum Limited ("Company" or "Elixir") and the entities it controlled during the financial year ended 30 June 2010 ("Consolidated Entity" or "Group").

Directors

The names of the Directors of the Company in office during the financial year and at the date of this report are:
Mr Iain Knott
Dr John Robertson
Mr Andrew Ross
Mr Jonathan Stewart

Unless otherwise stated, each director held office from 1 July 2009 until the date of this report.

Principal activities

The principal activity of the Company during the financial year was oil and gas exploration and production.

Summary review of operations

Results

For the financial year ended 30 June 2010, the Consolidated Entity recorded a net loss after tax of $5,695,000 (2009: $28,564,000) after charging as expenses, amortisation costs of $3,231,000 (2009: $8,835,000), exploration and evaluation costs of $2,002,000 (2009: $1,187,000). There were no impairment expenses (2009: $18,386,000) or discontinued operations losses (2009: $1,215,000) during the year.

The Consolidated Entity had no financing debt during the reporting period.

Gulf of Mexico

During the financial year the Company maintained production from four wells at two projects located in the Gulf of Mexico.

At the High Island Project, where Elixir holds a 30% working interest, process modifications were undertaken in July 2009 in an attempt to remedy compressor capacity constraints which were restricting gas production from well ATO#2. The modifications were successfully completed in the same month, however additional gas production from a workover of a well owned by the third party platform owner resulted in similar capacity constraints arising once more. These capacity constraints have had the effect of limiting production from High Island over the last 9 months.

Each well at High Island remains capable of being recompleted on a shallower horizon that has been penetrated and logged. As the new zones will be at virgin reservoir pressure, it is expected that the field will again be capable of exporting directly to sales without relying on export compression. The operator has sought and obtained joint venture approval to the work over of the wells with operational planning presently underway. It is expected the workovers will occur in 2H, 2010.

Production achieved from the High Island Project during the reporting period totalled 297 mmscf of gas and 60,600 bbls of condensate. In total, the field has produced over 3.95 Bcf of gas and 146,580 bbls of condensate.

At the Pompano project where Elixir maintains a 25% working interest, a remedial workover to restore production from well ATO#1 commenced in September 2009. The workover was successfully completed in October 2009 and the well placed back into production. Production achieved from the Pompano Project for the reporting period totalled 1,826 mmscf of gas and 800 bbls of condensate (100% project). In total, the field has produced over 5.26 Bcf of gas and 5,500 bbls of condensate.

No safety incidents were reported at either project during the financial year.

Elixir's share of sales revenue from these projects for the year to 30 June 2010 was $2,522,000 (2009: $5,556,000). The lower revenues for the financial period were due largely to the extended period of restricted gas production at the High Island Project and the decline in natural gas prices achieved during the year relative to the 2009 financial year.

North Sea

Elixir's objective in the North Sea is to acquire interests in exploration licences which are considered to have high prospectivity, to work-up attractive prospects in a cost-effective manner and to farm these prospects out to drill.

During the financial year Block 211/18b which contained the Leopard prospect was relinquished at the conclusion of the licence's five year term. Farmout activities continued with respect to the Mulle accumulation in Block 211/22b. Technical studies were completed on the Tiger prospect in Block 211/12b and marketing activities to industry commenced in August 2010.

France

In May 2010, Elixir acquired 100% of the interests in the Moselle Permit which is located in the East Paris Basin, onshore France. The permit is over 5,500 km2 in area and is thought to be prospective for both conventional and unconventional hydrocarbons. Elixir has commenced a detailed technical review of existing data over the Permit, which includes the processing and re-interpretation of over 500kms of 2D seismic data and the geochemical analysis of a number of cores and cuttings from existing oil and gas wells.

Significant changes in state of affairs

Other than those events noted above, there were no other significant changes in the state of affairs of the Group during the year that requires separate disclosure.

Financial Position

The net assets of the consolidated group have decreased by $5,825,000 from 30 June 2009 to be $8,575,000 at 30 June 2010. This is primarily as a result of the loss incurred for the year.

The group's working capital, being current assets less current liabilities, has decreased from $7,921,000 at 30 June 2009 to $5,974,000 at 30 June 2010.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Directors

Mr. Jonathan Stewart – Non-Executive Chairman

Qualification – B.Com, CA

Board Committees: Member of Remuneration and Nomination Committees and Audit Committee

Mr. Stewart was appointed a director of the Company on 12 November 2007. Mr. Stewart began his career as a Chartered Accountant and since leaving the profession has held several executive management positions working in a number of countries in several industries. Mr. Stewart has extensive experience in the international oil and gas sector.

Mr. Stewart holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants.

Other current directorships of Australian listed public companies:

Aurora Oil & Gas Limited.

Former directorships (of Australian listed public companies) in last three years:

Gawler Resources Ltd.

Interests in shares and options over shares in Group companies:

281,250 fully paid ordinary shares, and 2,500,000 share options in Elixir Petroleum Ltd (excludes 24,000,000 Fully Paid Ordinary Shares held by Aurora Oil & Gas Limited)

Mr Andrew Ross – Managing Director

Qualifications – LLB, B.Com, GAICD

Board Committees: Member of Audit Committee

Mr. Ross was appointed Managing Director of the Company on 12 November 2007 following the successful completion of the merger between Elixir and Gawler Resources Limited. From 2003 to 2007, Mr. Ross was Managing Director and co-founder of the privately owned oil and gas group, Cape Energy. Prior to establishing Cape, Mr. Ross spent several years as a Director - Corporate Finance of a private merchant banking group based in London where he worked on a range of M&A transactions, public listings and fundraisings for clients in the upstream oil and gas industry as well as other industry sectors. Mr. Ross also acted as In-house Counsel for Sibir Energy Plc, working in the UK and Russia.

Mr. Ross is a qualified lawyer as well has holding a Bachelor of Commerce. Mr. Ross is a graduate of the Australian Institute of Company Directors and a member of the Society of Petroleum Engineers.

Other current directorships of Australian listed public companies:

Nil.

Former directorships (of Australian listed public companies) in last three years:

Nil.

Interests in shares and options over shares in Group companies:

35,000 fully paid ordinary shares and 2,500,000 share options in Elixir Petroleum Ltd.

Mr Iain Knott – Executive Director

Qualifications – BSc (Hons), MSc

Mr Knott is a Petroleum Geologist who has over 26 years of North Sea and international oil and gas experience. After graduating from Kingston University in 1983, Mr Knott was employed in a number of geological roles by Core-Lab, Paleoservices and British Gas. Since 1996 he has held senior roles in the oil and gas and investment banking industries, firstly as an Assistant Director with NatWest Markets – Wood Mackenzie, then as Technical Director responsible for Northwest Europe for Burlington Resources, and most recently as Technical Director of Ingen.

Mr. Knott holds a Bachelor of Science (Hons) and a Master of Science degree.

Other current directorships of Australian listed public companies:

Nil

Former directorships (of Australian listed public companies) in last three years:

Nil

Interests in shares and options over shares in Group companies:

2,500,000 share options in Elixir Petroleum Ltd.

Dr John Robertson – Non-Executive Director

Qualifications – BSc (Hons), PhD

Board Committees: Member of Audit, Remuneration and Nomination Committees

Dr. Robertson was appointed as a Non-Executive Director in May 2006, and held the position of Non-Executive Chairman until November 2007. He has a wealth of experience in the finance and oil and gas industries. Dr. Robertson joined the corporate banking department of Schroder's, a London merchant bank, in 1970 before working in corporate finance at Cannon Street Investments. Subsequently, he accrued over 14 years experience in senior management positions in Canada, the US and the UK with Ultramar, a leading UK independent oil company. He returned to the UK in the early 1990's and became a Director of Corporate Finance at Durlacher. From 1995 to June 2005 Dr. Robertson was a Director of Nabarro Wells, a London-based independent corporate advisory firm where he provided capital raising and corporate advice to private and quoted companies, particularly in the oil and gas and mining sectors.

Dr. Robertson holds a Bachelor of Science (Eng.) (Hons) and a PhD in Engineering.

Other current directorships of Australian listed public companies:
Nil

Former directorships (of Australian listed public companies) in last three years:
Bonaparte Diamond Mines NL.

Interests in shares and options over shares in Group companies:
425,000 fully paid ordinary shares and 250,000 share options in Elixir Petroleum Ltd.

Company Secretary

Ms Julie Foster

Qualifications – BA(Hons), ACA (ICAEW), ACIS

Ms Foster was appointed Company Secretary on 23 October 2009. Ms Foster has a degree in Accounting and Finance and is a Chartered Accountant (UK) and an associate member of Chartered Secretaries Australia. She is also currently Company Secretary for ASX Listed Aurora Oil & Gas Limited and Imugene Limited. Ms Foster previously worked for Chartered Accounting firms in both the UK and Perth.

Interests in shares and options over shares in Group companies:
Nil

Mr David Lim (ceased 23 October 2009)

Qualifications – B.Bus, CPA

Interests in shares and options over shares in Group companies:
Nil

Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2010, and the number of meetings attended by each director.

	Directors' Meetings		Committee Meetings	
	Eligible to attend	Attended	Audit	Remuneration
Mr. Iain Knott	5	5	*	*
Dr. John Robertson	5	5	1	-
Mr. Andrew Ross	5	5	1	*
Mr. Jonathan Stewart+	5	5	1	-

* Not a member of the relevant committee.
+ Appointed a member of the audit committee on 19 August 2009.

Share options

At the date of this report the following unlisted options have been granted over unissued capital.

Type	Number	Exercise Price	Expiry Date	Date Granted
ESOP Tranche 1 (EXRAI)	1,750,000	$0.250	31-Mar-11	26 June 2008*
ESOP Tranche 2 (EXRAI)	3,250,000	$0.300	31-Mar-12	26 June 2008*
ESOP Tranche 3 (EXRAI)	2,750,000	$0.350	31-Mar-13	26 June 2008*
	7,750,000			

* In accordance with applicable AASB 2, the deemed grant date disclosed above is the date of shareholder approval for the grant of these options under the Elixir Employee Share Option Plan, rather than the actual dates of Offer and Acceptance under the Plan.

Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent company and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, asset managers and secretaries of the Parent and the Group.

Details of key management personnel (including the five highest paid executives of the Company and the Group)

(i) Directors

Jonathan Stewart	Non-Executive Chairman
Andrew Ross	Managing Director
Iain Knott	Executive Director, Exploration
John Robertson	Non-Executive Director

(ii) Executives

Julie Foster	Company Secretary (appointed 23 October 2009)
David Lim	Company Secretary (ceased 23 October 2009)

Remuneration committee

The remuneration committee of the board of directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executives. The remuneration committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration philosophy

The performance of the Company, among other things, depends upon the quality of its management. To prosper, the Company must attract, motivate and retain highly skilled directors and executives. To this end, the charter adopted by the remuneration committee aims to align rewards with achievement of strategic objectives. The remuneration framework applied provides for a mixture of fixed and variable pay and a blend of short and long term incentives as appropriate.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive directors

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. The Company's policy is to remunerate non-executive directors at market rates (for comparable companies) for time, commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the Company. However to align directors' interests with shareholders' interests, directors are encouraged to hold shares in the Company. Non-executive directors are eligible to participate in the Elixir Employee Share Option Plan.

Retirement benefits and allowances

No retirement benefits or allowances are paid or payable to directors of the Company (other than statutory or mandatory superannuation contributions, where applicable).

Executives – Base pay

Executives are offered a competitive level of base pay which comprises the fixed (unrisked) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness. There is no guaranteed base pay increases included in any senior executives' contracts.

Short term incentives

Payment of short term incentives is dependent on the achievement of key performance milestones as determined by the remuneration committee. These milestones require performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods.

Short-term bonus payments may be adjusted up or down in line with under or over achievement relative to target performance levels at the discretion of the remuneration committee. For the year ended 30 June 2010 no short term bonus payments were paid or payable to key management personnel of the Group (2009: Nil). There have been no forfeitures of bonuses by key management personnel during the current or prior periods and no cash bonuses remained unvested at year end.

Long term Incentive – Share-based compensation

Options over shares in the Company are granted under the Elixir Employee Share Option Plan ("ESOP") which was approved by shareholders at a general meeting on 26 June 2008. The ESOP is designed to provide long-term incentives for the Company's directors, employees and consultants to deliver long-term shareholder returns. Under the ESOP, participants are granted options subject to vesting conditions set by the Board. The terms may be related to periods of service or achievement of certain performance standards. Participation in the ESOP is at the board's discretion and no individual has a contractual right to participate in the ESOP or to receive any guaranteed benefits.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date*	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
26-Jun-08	01-Jul-08	31-Mar-11	$0.250	$0.0965
26-Jun-08	31-Mar-09	31-Mar-12	$0.300	$0.1070
26-Jun-08	31-Mar-10	31-Mar-13	$0.350	$0.1202

* In accordance with applicable accounting standards, the deemed grant date above is the date upon which shareholders approved the grant of the relevant options, not the actual date of offer, acceptance or the record date.

Options granted under the ESOP carry no dividend or voting rights.

The ESOP rules at present contain no restriction on participants entering into transactions to remove the "at risk" aspect of the unvested equity instruments granted to them. During the year the board of directors resolved that future issues of options by the Consolidated Entity under an employee share option Plan will be structured to prevent the removal of the at risk component of the options without the approval of the board.

Details of options over ordinary shares in the Company provided as remuneration to each director and each of the key management personnel of the Consolidated Entity are set out below. When exercisable, each option is convertible into one ordinary share of the Company. Further information on the options is set out in notes 21 and 25 of the Financial Statements.

Group performance

At present, remuneration for key management personnel is not directly linked to common financial measures of the Consolidated Entity's performance such as share price, earnings per share or dividends.

The table set out below shows various commonly used measures of performance for the 2007 to 2010 financial years:

	Year ended 30 June			
	2007	2008	2009	2010
	$'000	$'000	$'000	$'000
Revenues and finance income	459	9,289	5,886	2,795
Loss after tax	3,085	6,414	27,349	5,695
	$	$	$	$
Share price at start of year	0.39	0.27	0.26	0.05
Share price at end of year	0.27	0.26	0.05	0.05
Change	(0.12)	(0.01)	(0.21)	(0.00)
Loss per share	(0.04)	(0.05)	(0.15)	(0.03)
Total Shareholder Return (TSR)[(i)]	(0.16)	(0.06)	(0.36)	(0.03)

(i) Defined as the net change in share price (opening share price less the closing share price for the year), plus the loss per share for the year.

Service agreements

Remuneration and other terms of agreement for the Executive Chairman are formalised in a consultancy agreement with Epicure Capital Pty Ltd, an associated company of Mr. Jonathan Stewart. Material terms of the contract with Epicure Capital Pty Ltd are as follows:

- Term of agreement – indefinite.
- Consultancy fee inclusive of superannuation and taxes, but excluding GST, currently $80,000 per annum, to be reviewed annually by the board.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months consultancy fees.

Remuneration and other terms of employment for Mr. Iain Knott are formalised in a contract of employment, the material terms of which are as follows:

- Term of agreement – indefinite.
- Notice period or termination benefit in lieu of notice, other than for gross misconduct, on a sliding scale based on years of service, twelve months and one week as at report date.

Remuneration and other terms of employment for Mr Andrew Ross are formalised in a contract of employment, the material terms of which are as follows:

- Term of agreement – indefinite
- Notice period or termination benefit in lieu of notice, other than for gross misconduct, equal to three months salary and superannuation.

Remuneration and other terms of agreement with other named executives are not formalised in service agreements.

Remuneration of key management personnel and the five highest paid executives of the Company and Consolidated Entity

2010	Short term benefits				Post employment benefits		Share-based payment		
	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Other $	Super-anuation $	Retire-ment benefits $	Options $	Total $	Perf-ormance related %
Non-executive directors									
Current									
John Robertson	26,759	-	-	-	-	-	-	26,759	-
Sub-total non-executive directors	**26,759**	**-**	**-**	**-**	**-**	**-**	**-**	**26,759**	
Executive directors									
Current									
Jonathan Stewart*	80,000	-	-	-	-	-	38,335	118,335	-
Andrew Ross	186,697	-	-	-	16,803	-	63,891	267,391	-
Iain Knott	303,608	-	-	-	-	-	38,335	341,943	-
Sub-total executive directors	**570,305**	**-**	**-**	**-**	**16,803**	**-**	**140,561**	**727,669**	
Other Executives									
Julie Foster (1)	-	-	-	-	-	-	-	-	-
David Lim (2)	-	-	-	-	-	-	-	-	-
James Stockley (3)	79,631							79,631	-
Sub-total other executives	**79,631**	**-**	**-**	**-**	**-**	**-**	**-**	**79,631**	**-**
Total Key Management Personnel	**676,695**	**-**	**-**	**-**	**16,803**	**-**	**140,561**	**834,059**	

(1) Ms Foster was appointed Company Secretary on 23 October 2009
(2) Mr Lim resigned as Company Secretary on 23 October 2009
(3) Mr Stockley resigned 30 September 2009
* Mr. Stewart held an Executive position for the year ended 30 June 2010. Subsequent to year end Mr. Stewart assumed the position of Non-Executive Chairman.

2009	Short term benefits				Post employment benefits		Share-based payment		
	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Other [4] $	Super-anuation $	Retire-ment benefits $	Options $	Total $	Perf-ormance related %
Non-executive directors									
Current									
John Robertson	30,943	-	-	-	-	-	-	30,943	-
Former									
Trevor Benson [1]	27,523	-	-	-	2,477	-	-	30,000	-
Sub-total non-executive directors	**58,466**	**-**	**-**	**-**	**2,477**	**-**	**-**	**60,943**	
Executive directors									
Current									
Jonathan Stewart	80,004	-	-	-	-	-	156,708	236,712	-
Andrew Ross	186,697	-	-	(1,887)	16,803	-	217,241	418,854	-
Iain Knott	344,401	-	-	5,855	-	-	156,708	506,964	-
Sub-total executive directors	**611,102**	**-**	**-**	**3,968**	**16,803**	**-**	**530,657**	**1,162,530**	
Other Executives									
David Lim [3]	-	-	-	-	-	-	-	-	-
Alex Neuling [2]	-	-	-	-	-	-	-	-	-
James Stockley	266,150	-	-	(6,817)	-	-	-	259,333	-
Sub-total other executives	**266,150**	**-**	**-**	**(6,817)**	**-**	**-**	**-**	**259,333**	
Total Key Management Personnel	**935,718**	**-**	**-**	**(2,849)**	**19,280**	**-**	**530,657**	**1,482,806**	

(1) Mr. Benson resigned as director on 30 June 2009.
(2) Mr. Neuling ceased being an executive of the Consolidated Entity on 9 April 2009.
(3) Mr. Lim commenced as an executive of the Consolidated Entity on 28 April 2009.
(4) "Other" short term benefits include current year movements in leave and termination benefits

Compensation options: granted and vested during the year

No compensation options were granted during the financial reporting period ended 30 June 2010 (2009: Nil).

Options granted as part of remuneration

No share options were granted during the financial reporting period ended 30 June 2010 (2009: Nil).

This is the end of the audited remuneration report.

Dividends

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2010 (2009: Nil).

Subsequent events

There are no events subsequent to the balance date that require disclosure.

Likely developments

Due to the nature of the Consolidated Entity's business activities, the Directors are not able to state:

- likely developments in the entities' operations; or
- the expected results of these operations, as to do so would result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity has a policy of exceeding or at least complying with its environmental performance obligations. During the financial year, the Consolidated Entity was not aware of any material breach of any particular or significant Commonwealth, State, Territory or other regulation in respect to environmental management.

Indemnification and insurance of Officers and Auditors

During the year, the Company paid a premium in respect of a contract insuring the directors of Elixir and the Company Secretary, Ms Julie Foster, against liabilities incurred as such a director or officer of the Company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the insured liabilities and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the Company or to intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Non-audit services

The Board of Directors is satisfied that the provision of non-audit services performed during the year by the entity's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

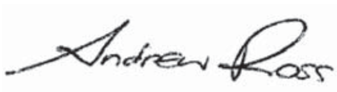
The Auditor's independence declaration is included on page 26 of the financial report.

Rounding of amounts to the nearest thousand dollars

The Company satisfies the requirements of Class Order 98/0100 issued by the Australian Investments and Securities Commission relating to "rounding off" of amounts in the Directors' Report and the Financial Report to the nearest thousand dollars. Amounts have been rounded off in the Financial Report in accordance with that Class Order.

Signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors



ANDREW ROSS
Managing Director
Perth, Western Australia

24 September 2010

MACK & CO.
CHARTERED ACCOUNTANTS
GROWTH SUCCESS WEALTH

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ELIXIR PETROLEUM LTD

I declare that to the best of my knowledge and belief during the year ended 30 June 2010 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Mack and Co.

MACK & CO

S S FERMANIS
PARTNER
WEST PERTH

DATE: 24 SEPTEMBER 2010

MACK & CO.
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELIXIR PETROLEUM LTD

Report on the Financial Report

We have audited the accompanying financial report of Elixir Petroleum Ltd (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration, of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes complies 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. These Auditing 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 judgment, 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 entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Auditor's Opinion
In our opinion:

a. the financial report of Elixir Petroleum Ltd is in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on Remuneration Report
We have audited the Remuneration Report included in pages 17 to 22 of the director's report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion the remuneration report of Elixir Petroleum Ltd for the year ended 30 June 2010, complies with Section 300A of the Corporations Act 2001.

Mack and Co.

MACK & CO

S S FERMANIS
PARTNER
WEST PERTH

DATE: 24 SEPTEMBER 2010

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 30 to 73, are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable, and

(c) the financial statements and accompanying notes are presented in compliance with IFRS and interpretations adopted by the International Accounting Standards Board.

(d) the remuneration disclosures set out in the Directors' report (as part of the audited remuneration report) for the year ended 30 June 2010 comply with section 300A of the Corporations Act 2001; and

(e) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 27.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

Andrew Ross
Managing Director
Perth, Western Australia

24 September 2010

Consolidated statement of comprehensive income for the year ended 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Revenue from continuing operations			
Revenue from oil and gas sales	(4)	**2,592**	5,574
Other income	(5)	-	392
Total revenue		**2,592**	5,966
Operating and production costs		**(1,097)**	(1,846)
General and administrative costs	(6)	**(1,884)**	(2,576)
Other costs	(7)	**(246)**	(611)
Total operating expense		**(3,227)**	(5,033)
EBITDAX[1]		**(635)**	933
Depreciation, depletion and amortisation expense	(6)	**(3,261)**	(8,845)
Exploration, evaluation and development costs expensed	(6)	**(2,002)**	(1,187)
Impairment of oil and gas properties	(6)	-	(18,386)
EBIT[2]		**(5,898)**	(27,485)
Finance income	(4)	**203**	312
Finance costs	(6)	-	(176)
Loss before income tax		**(5,695)**	(27,349)
Income tax expense	(8)	-	-
Loss from continuing operations		**(5,695)**	(27,349)
Loss from discontinued operations		-	(1,215)
Net loss attributable to members of the Company		**(5,695)**	(28,564)
Other comprehensive income			
Foreign currency translation differences		**(270)**	726
Other comprehensive income for the year		**(270)**	726
Total comprehensive income for the year		**(5,965)**	(27,838)
Loss per share			
Basic loss per share (cents per share)	(9)	**(3.0)**	(15.1)
Diluted loss per share (cents per share)	(9)	**(3.0)**	(15.1)

[1] EBITDAX: Earnings before Interest, tax, depreciation, depletion and amortisation, Exploration and evaluation costs written off and provisions against group borrowings.
[2] EBIT: Earnings before Interest and tax

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position as at year ended 30 June 2010

	Note	Consolidated 2010 $'000	2009 $'000
Assets			
Current assets			
Cash and cash equivalents	(10)	**5,084**	8,081
Trade and other receivables	(11)	**1,686**	667
Total current assets		**6,770**	8,748
Non-current assets			
Oil and gas properties	(12)	**3,177**	6,581
Other plant and equipment	(13)	**39**	87
Deferred exploration and evaluation expenditure	(14)	**778**	1,295
Total non-current assets		**3,994**	7,963
Total assets		**10,764**	16,711
Liabilities			
Current liabilities			
Trade and other payables	(15)	**488**	557
Provisions	(17)	**308**	270
Total current liabilities		**796**	827
Non-current liabilities			
Provisions	(17)	**1,393**	1,484
Total non-current liabilities		**1,393**	1,484
Total liabilities		**2,189**	2,311
Net Assets		**8,575**	14,400
Equity			
Contributed equity	(18)	**60,644**	60,644
Reserves	(19)	**2,590**	2,720
Accumulated losses	(19)	**(54,659)**	(48,964)
Total parent entity interest in equity		**8,575**	14,400

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

Consolidated statement of changes in equity for the year ended 30 June 2010

Consolidated	Share Capital $'000	Option Premium Reserve $'000	Share Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Accum-ulated Losses $'000	Total $'000
Balance as at 1 July 2008	58,609	1,773	200	(510)	(20,400)	39,672
Loss for the year	-	-	-	-	(28,564)	(28,564)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	-	726	-	726
Total comprehensive income for the year	-	-	-	726	(28,564)	(27,838)
Transactions with owners, in their capacity as owners						
Share option expense	-	-	531	-	-	531
Issue of ordinary shares	2,125	-	-	-	-	2,125
Cost of share issue	(90)	-	-	-	-	(90)
	2,035	-	531	-	-	2,566
Balance as at 30 June 2009	**60,644**	**1,773**	**731**	**216**	**(48,964)**	**14,400**
Loss for the year	-	-	-	-	(5,695)	(5,695)
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	-	(270)	-	(270)
Total comprehensive income for the year	-	-	-	(270)	(5,695)	(5,965)
Transactions with owners, in their capacity as owners						
Share option expense	-	-	140	-	-	140
	-	-	140	-	-	140
Balance as at 30 June 2010	**60,644**	**1,773**	**871**	**(54)**	**(54,659)**	**8,575**

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

Consolidated statement of cash flows for the year ended 30 June 2010

	Note	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from sales		**2,479**	8,301
Payments to suppliers and employees		**(4,891)**	(6,646)
Net cash (outflow)/inflow from operating activities	(23)	**(2,412)**	1,655
Cash flows from investing activities			
Proceeds from sale of projects		**-**	326
Payments for capitalised exploration, evaluation and development		**(800)**	(3,015)
Interest received		**237**	275
Cash flows from discontinued operations	(33)	**-**	(991)
Net cash (outflow) from investing activities		**(563)**	(3,405)
Cash flows from financing activities			
Proceeds from issues of shares		**-**	1,607
Convertible note		**-**	(3,000)
Interest paid		**-**	(177)
Share issue costs		**-**	(90)
Net cash (outflow) from financing activities		**-**	(1,660)
Net (decrease) in cash and cash equivalents		**(2,975)**	(3,410)
Cash and cash equivalents at 1 July		**8,081**	10,604
Effect of change in exchange rates		**(22)**	887
Cash and cash equivalents at 30 June	(10)	**5,084**	8,081

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

Notes to the financial statements for the year ended 30 June 2010

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The financial report consists of consolidated financial statements for Elixir Petroleum Limited and its subsidiaries ("Group" or "Consolidated Entity").

Elixir Petroleum Limited is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Going concern

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

Compliance with International Financial Reporting Standards

The consolidated financial statements comply with Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention. Expenditure is initially recognised at cost and revalued to fair value when required to do so by the application of Australian Accounting Standards.

Critical accounting estimates and significant judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Financial statement preparation

The Group has applied revised AASB 101 Presentation of Financial Statements, which became effective as of 1 July 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the consolidated statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on loss per share.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Elixir Petroleum Limited and its subsidiaries as at 30 June 2010 and the financial performance of the Company and its subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the assets transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the Company.

(ii) Joint ventures

Jointly controlled assets

The Group's proportionate interests in the assets, liabilities and expenses of a joint venture activity are incorporated in the financial statements under the appropriate headings. Details of joint ventures are set out in note 24.

(c) Segment reporting

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision makers.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

1. Summary of significant accounting policies (cont'd)

Management has determined, based on the reports reviewed by the Board of Directors and used to make strategic decisions, that the Group has one reportable segment being oil & gas exploration and production. The Group's management and administration office is located in Australia. There has been no other impact on the measurement of the company's assets and liabilities. Comparative information has been restated.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Aurora's functional and presentation currency.

The functional currency of US subsidiary has changed. As from 1 July 2009 the functional currency was changed to USD, primarily because the trend in the source currency of the majority of US subsidiaries costs, from AUD to USD, was not considered temporary. Cash receipts from the US operations are received in USD, and the majority of US subsidiary payments, including operating expenses and income tax, are also payable in USD.

The change was implemented by translating the assets and liabilities of the US subsidiaries at spot rates at the date of the change and application of accounting for subsidiaries with a different functional currency being applied prospectively.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Group companies

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position',
- income and liabilities for each statement of comprehensive income are translated at average exchange rates', and
- exchange differences arising on translation of intercompany payables and/or receivables of foreign operations, in a currency that is not the same as the parent's functional currency, are recognised in the foreign currency translation reserve, as a separate component of equity. These differences are only recognised in the profit or loss upon disposal of the foreign operations.

(e) Revenue recognition

(i) Sale of goods

Revenue from the sale of goods and disposal of other assets is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

(ii) Other revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Service income

Revenue from the provision of services is recognised when the Consolidated Entity has a legally enforceable right to receive payment for services rendered.

(f) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income / (loss) based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax base of investments in controlled entities where the Company 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 and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other

1. Summary of significant accounting policies (cont'd)

assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have been previously impaired are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less.

(i) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

(ii) 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 of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(iii) Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Recognition and de-recognition

Regular purchases and sales of financial assets 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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from sale of investment securities.

Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost less impairment using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Any changes in fair value are recognised directly in other comprehensive income. No further impairment of the available for sale asset will be recognised.

Details on how the fair value of financial instruments is determined are disclosed in note 29.

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(j) Property, plant and equipment (other than oil & gas properties)
Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write down the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

Fixtures and fittings	5 years
Plant and equipment	5 - 15 years

1. Summary of significant accounting policies (cont'd)

(k) Non-operator interests in oil & gas properties

Exploration & evaluation expenditure

The Consolidated Entity's accounting policy for the cost of exploring and of evaluating discoveries is based on the "successful efforts" method.

This approach is strongly linked to the Group's oil and gas reserves determination and reporting process and is considered to most fairly reflect the results of the Group's exploration and evaluation activity because only assets with demonstrable value are carried on the balance sheet.

Once a decision has been made to develop an oil or gas prospect, accumulated exploration and evaluation costs for that prospect are transferred from Deferred Exploration, Evaluation to Development Projects. Once production commences capitalised costs associated with the producing well are transferred to Oil and Gas Properties and are amortised or depreciated over the useful life of the asset.

This method allows the costs of discovery, evaluation and development of a prospect to be aggregated on the balance sheet and matched against the benefits derived from production once this commences.

Costs

Exploration and evaluation expenditure is accounted for in accordance with the area of interest method. Exploration licence acquisition costs relating to greenfields oil and gas exploration provinces are expensed as incurred while these costs incurred in relation to established or recognised oil and gas exploration provinces are initially capitalised and then amortised over the shorter term of the licence or the expected life of the project.

All other exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are charged as expenses as incurred except where:

- the expenditure relates to an area of interest that, at balance date, no assessment of the existence of economically recoverable reserves has been made; or

- where there exists an economically recoverable reserve and it is expected that the capitalised expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

Areas of interest are recognised at the field level. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are initially capitalised. Each area of interest is reviewed at least bi-annually to determine whether economic quantities of reserves exist or whether further exploration and evaluation work is required to support the continued carry forward of capitalised costs.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons. To the extent it is considered that the relevant expenditure will not be recovered, it is immediately expensed.

Transfer to development projects

Upon a decision being made to commercially develop an area of interest, accumulated expenditure for the area of interest is transferred to Oil & Gas Properties and amortised or depreciated over the useful life of the project.

Producing projects

Exploration, evaluation and development costs are initially capitalised as deferred exploration, evaluation and development expenditure and upon commencement of commercial operations are transferred to Oil & Gas Properties. Operating costs of projects in commercial production are expensed as incurred.

Prepaid drilling and completion costs

Where the Group has a non-operator interest in an oil or gas property, it may periodically be required to make a cash contribution for its share of the operator's drilling and / or completion costs, in advance of these operations taking place. Where these contributions relate to a prepayment for exploratory or early stage drilling activity, prior to a decision on the commerciality of a well having been made, the costs are capitalised as prepaid drilling costs within Deferred Exploration, Evaluation and Development Expenditure.

Where these contributions relate to a prepayment for well completion, these costs are capitalised as prepaid completion costs within Deferred Exploration, Evaluation and Development Expenditure.

As the operator notifies the Company as to how funds have been expended, the costs are reclassified from prepaid costs to the appropriate expenditure category.

Once a decision has been made to proceed with completion of a well, all costs are transferred from Exploration and Evaluation to Oil and Gas Properties, including any prepaid amounts.

Amortisation of producing projects

Upon commencement of production, the Consolidated Entity amortises the accumulated costs for the relevant area of interest over the life of the area according to the rate of depletion of the economically recoverable quantities of reserves. Estimates of recoverable reserve quantities include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Amortisation charged for the year to 30 June 2010 was $3,231,000 (2009: $8,835,000).

Future restoration costs

The Consolidated Entity's aim is to avoid or minimise environmental impact resulting from its operations.

Work scope and cost estimates for restoration are reviewed annually and updated at least every three years.

Provision is made in the balance sheet for restoration of operating locations. The estimated costs are capitalised as part of the cost of the related project where recognition occurs upon acquisition of an interest in the operating locations. The costs are then recognised as an expense on a units of production basis during the production phase of the project.

1. Summary of significant accounting policies (cont'd)

The costs are based on the latest estimated future costs, determined on a discounted basis, which are re-assessed regularly and exclude any allowance for potential changes in technology or material changes in legislative requirements.

The Group accounts for changes in cost estimates on a prospective basis.

(l) Trade and other payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services. They are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

(m) Employee benefits

Provision is made for benefits accruing to employees in respect of employee entitlements when it is probable that settlement will be required and these benefits can be measured reliably.

Provisions made in respect of employee entitlements expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

(n) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the obligation can be reliably estimated.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

An onerous contract is considered to exist where the Consolidated Entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Provision for restoration and rehabilitation

Provision is made in the balance sheet for restoration of operating locations. The estimated restoration and rehabilitation costs are initially recognised as part of the capitalised cost of the relevant project which gave rise to the future obligation. During the production phase of the project the capitalised restoration costs is amortised using the units of production method. Any actual costs incurred by the Consolidated Entity are allocated against the provision.

The provision for restoration and rehabilitation are based on the latest estimated future costs, determined on a discounted basis, which are re-assessed regularly and exclude any allowance for potential changes in technology or material changes in legislative requirements.

(o) Contributed equity

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid, including any directly attributable incremental costs (net of income taxes) are recognised directly in equity.

(p) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except to the extent which they are directly attributable to the acquisition, construction or production of an asset and it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably.

(q) Good and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(r) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other 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.

1. Summary of significant accounting policies (cont'd)

(s) Share-based payments

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest.

(t) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the class order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(u) New accounting standards and interpretations

The following Australian Accounting Standards have been issued or amended but are not yet effective. The Consolidated Entity has decided against early adoption of these standards. A discussion of the future requirements of the amendments and their impact on the financial accounts of the Consolidated Entity follows:

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions *[AASB 2] (effective from 1 January 2010)*

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless if which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues *[AASB 132] (effective from 1 February 2010)*

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation, which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The group will apply the amended standard from 1 July 2010. As the performance rights issue made by the group is denominated in the groups functional currency (AUD), the amendment will not have any effect on the group's financial statements.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 *(effective from 1 January 2013)*

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised $15,000 of such gains in other comprehensive income. The group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards *(effective from 1 January 2011)*
In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standards from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transaction between its subsidiaries. However, it has yet to put systems in place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 *(effective from 1 July 2010)*
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the results that the liability is extinguished by the debtor issuing its own equity instrument to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

2. Critical accounting estimates & judgments
In preparing this financial report the Consolidated Entity has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

(a) Significant accounting judgements
In the process of applying the Consolidated Entity's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Functional currency of US-based subsidiary operations
The functional currency of US subsidiary has changed. As from 1 July 2009 the functional currency was changed to USD, primarily because the trend in the source currency of the majority of US subsidiaries costs, from AUD to USD, was not considered temporary. Cash receipts from the US operations are received in USD, and the majority of US subsidiary payments, including operating expenses and income tax, are also payable in USD.

Exploration, evaluation and development expenditure (Oil & Gas Properties)
The Group's accounting policy for exploration, evaluation and development is set out at note 1(k). Application of this policy

2. Critical accounting estimates & judgments (cont'd)

necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves exist. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, management conclude that it is unlikely that capitalised expenditure will be recovered by future exploitation or sale, the relevant capitalised amount will be written off to the income statement. As at 30 June 2010 the carrying amount of Oil & Gas Properties is $3,177,000 (2009: $6,581,000).

Deferred tax assets

The Consolidated Entity has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the appropriate jurisdictions.

In addition, the Consolidated Entity's interests in jointly controlled oil & gas operations are held through the Company's wholly-owned US entities (note 22 (b)). Taxation of oil & gas activities in the US allows a number of alternative treatments which are not available under Australian taxation legislation. In particular, companies may elect to:

- claim an immediate deduction for Intangible Drilling Costs ("IDC"); and

- must use either the cost or percentage depletion method, whichever yields the largest tax deduction, when calculating applicable tax deductions in relation to the entities economic interest in it oil and gas properties.

The election to expense IDC applies to all expenditures incident to and necessary for the drilling of wells and the preparation of wells for the production of oil or gas. Once the election to expense IDC is made, the election is binding upon the taxpayer for the first taxable year for which it is effective and for all subsequent taxable years.

At balance date a determination had not been made as to whether the cost or percentage depletion method would apply for the current years US income tax calculation. The directors have not recognised a deferred tax asset or liability in respect of this potential difference in the tax base of these properties as they do not believe it is capable of being reliably estimated at balance date.

(b) Critical accounting estimates

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Amortisation

Upon commencement of production, the Company amortises the accumulated costs for the relevant area of interest over the life of the area according to the rate of depletion of the economically recoverable quantities of reserves. Estimates of recoverable reserve quantities include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of the quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Amortisation charge for the year ended 30 June 2010 was $3,231,000 (2009: $8,835,000).

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial model, using the assumptions detailed in note 21.

Rehabilitation obligations

The Consolidated Entity estimates its share of the future removal and remediation costs of oil and gas platforms, production facilities, wells and pipelines at the time of acquisition or installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of remediation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of provision for rehabilitation refer to note 1(k). As at 30 June 2010 rehabilitation obligations have a carrying value of $1,393,000 (2009: $1,484,000).

Impairment of assets

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimates of the present value of future cashflows using asset-specific discount rates. For oil & gas properties, these estimates are based on assumptions concerning reserves, future production profiles and costs. As at 30 June 2010, the carrying value of oil & gas properties is $3,177,000 (2009: $6,581,000).

3. Segment Information

Management has determined, based on the reports reviewed by the Board of Directors that are used to make strategic decisions, that the Group has one reportable segment being oil & gas exploration and production.

The Board of Directors review internal management reports on a monthly basis is consistent with the information provided in the statement of comprehensive income, statement of financial position and cash flow statement. As a result no reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Revenue from external sources	**2,593**	5,577
Reportable segments loss	**(4,013)**	(25,474)
Reportable segments assets	**5,675**	8,841
Reconciliation of reportable segment loss		
Reportable segment loss	**(4,013)**	(25,474)
Unallocated:		
Other income	**202**	701
Corporate expenses	**(1,884)**	(2,576)
Loss before income tax	**(5,695)**	(27,349)

4. Revenue from continuing operations

	Consolidated	
	2010	2009
	$'000	$'000
Revenue from oil & gas sales	**2,592**	5,574
Interest received	**203**	312
	2,795	5,886

5. Other income

	Consolidated	
	2010	2009
	$'000	$'000
Unrealised foreign exchange gain	**-**	392

6. Expenses

Loss before income tax is arrived at after deducting the following expenses:

	Consolidated	
	2010	2009
	$'000	$'000
Amortisation of oil & gas properties	**3,231**	8,835
Depreciation of plant and equipment	**30**	10
	3,261	8,845
Employee benefits expense (excluding share-based payment)	**834**	1,748
Borrowing costs	**-**	176
Exploration expenditure expensed	**2,002**	1,187
Impairment of oil and gas properties	**-**	18,386

7. Other expenses

	Consolidated	
	2010	2009
	$'000	$'000
Share based payments (note 21)	**140**	608
Foreign exchange loss	**106**	3
	246	611

8. Income tax

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Prima facie tax benefit on loss at 30% (2009: 30%)	**(1,708)**	(8,205)
Add tax effect of:		
Foreign/overseas tax losses not recognised	**1,537**	7,178
Revenue losses not recognised	**293**	633
Effect of lower tax rate on overseas losses	**(49)**	(12)
Share based payments	**42**	182
Other non-allowable items	**53**	32
Less tax effect of:		
Other allowable items	**168**	192
Income tax (benefit) / expense	**-**	-

The following deferred tax balances have not been recognised:

(a) Deferred tax assets

Tax losses	**7,382**	6,217
Capital raising costs	**59**	115
Provisions and accruals	**39**	110
Total deferred tax assets	**7,480**	6,442
Less set off of deferred tax liabilities under set-off provisions (b)	**-**	(10)
	7,480	6,432
Deferred tax assets not brought to account	**(7,480)**	(6,432)
	-	-

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the Group derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised;

(b) the Group continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company utilising the benefits.

(b) Deferred tax liabilities

Oil & gas properties	-	-
Other	-	10
Total deferred tax liabilities	-	10
Less set off of deferred tax assets under set-off provisions (a)	-	(10)
Amounts recognised in equity	-	-

9. Loss per share

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Loss used in calculation of basic / diluted loss per share		
Loss attributable to the ordinary equity holders of the company	**(5,695)**	(28,564)
Weighted average number of ordinary shares used as the denominator in calculating basic / diluted loss per share	**188,988,472**	188, 853,375
	Cents	Cents
Basic / diluted loss per share		
Loss attributable to the ordinary equity holders of thtany	**(3.0)**	(15.1)

The options on issue (note 20) represent potential ordinary shares but are not dilutive as they would decrease the loss per share. Accordingly they have been excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.

10. Cash and cash equivalents

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Cash at bank and in hand	**1,409**	3,081
Deposits at call	**3,675**	5,000
	5,084	8,081

Cash at bank bears interest at market rate (floating). Short term deposits are made for varying periods of between one day and three months depending on forecast cash requirements of the Consolidated Entity and earn interest at the respective short term deposit rates.

11. Trade and other receivables

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Trade receivables	**590**	428
Other receivables and prepayments	**1,096**	239
	1,686	667

Trade and other receivables are non-interest bearing and are normally settled on 30 days terms. Amounts receivable from group entities are non interest bearing, with no fixed terms of repayment.

12. Oil and gas properties

	Consolidated	
	2010	2009
	$'000	$'000
Producing projects		
At cost	**23,995**	40,958
Less amortisation	**(20,935)**	(18,379)
Impairment	**-**	(16,119)
	3,060	6,460
Development projects		
At cost	**117**	3,471
Impairment	**-**	(2,266)
Written off	**-**	(1,084)
	117	121
Total	**3,177**	6,581

12. Oil and gas properties (cont'd)

A reconciliation of movements in oil & gas properties during the year is as follows:

	Tangible Costs $'000	Intangible Costs $'000	Prepaid Drilling & Completion Costs $'000	Total $'000
Producing Projects				
2010				
At Cost				
At 1 July 2009	3,004	20,339	12	23,355
Additions during the year	-	339	-	339
Transfer to accumulated amortisation[1.]	-	344	-	344
Net movement in prepaid	-	-	(2)	(2)
Foreign exchange movement	(183)	(1,252)	-	(1,435)
At 30 June 2010	2,821	19,770	10	22,601
Associated future restoration costs capitalised				
At 1 July 2009	-	1,484	-	1,484
Foreign exchange movement	-	(90)	-	(90)
At 30 June 2010	-	1,394	-	1,394
Accumulated amortisation				
At 1 July 2009	(700)	(17,679)	-	(18,379)
Amortisation for the year	-	(3,261)	-	(3,261)
Transfer from impairment1.	-	(344)	-	(344)
Foreign exchange movement	43	1,006	-	1,049
At 30 June 2010	(657)	(20,278)	-	(20,935)
Net carrying value				
At 1 July 2009	2,304	4,144	12	6,460
At 30 June 2010	2,164	886	10	3,060

	Tangible Costs $'000	Intangible Costs $'000	Prepaid Drilling & Completion Costs $'000	Total $'000
2009				
At Cost				
At 1 July 2008	3,013	36,616	-	39,629
Additions during the year	(9)	(158)		(167)
Impairment for the year	-	(16,119)	-	(16,119)
Net movement in prepaid	-	-	12	12
At 1 July 2009	3,004	20,339	12	23,355
Associated future restoration costs capitalised				
At 1 July 2008	-	1,484	-	1,484
At 1 July 2009	-	1,484	-	1,484
Accumulated amortisation				
At 1 July 2008	(700)	(8,844)	-	(9,544)
Amortisation for the year	-	(8,835)	-	(8,835)
At 1 July 2009	(700)	(17,679)	-	(18,379)
Net carrying value				
At 1 July 2008	2,313	29,256	-	31,569
At 30 June 2009	2,304	4,144	12	6,460
Development projects				
Cost				
At 1 July 2009	19	102	-	121
Additions during the year	-	3	-	3
Foreign exchange movement	(1)	(6)	-	(7)
At 30 June 2010	18	99	-	117
At 1 July 2008	-	-	-	-
Additions during the year	19	3,452	-	3,471
Impairment for the year	-	(2,266)	-	(2,266)
Written off	-	(1,084)	-	(1,084)
At 30 June 2009	19	102	-	121
Total oil & gas properties				
At 1 July 2009	2,323	4,246	12	6,581
At 30 June 2010	**2,182**	**985**	**10**	**3,177**

13. Plant and equipment

	Consolidated	
	2010	2009
	$'000	$'000
Plant and equipment at cost	87	10
Additions during the year	-	112
Accumulated depreciation	(30)	(34)
Foreign exchange movement	(18)	(1)
Carrying value at 30 June	39	87

14. Deferred exploration & evaluation expenditure

	Consolidated	
	2010	2009
	$'000	$'000
Balance at 1 July	1,295	1,286
Amount capitalised during the year	460	439
Written-off during the year	(791)	(376)
Foreign exchange movements	(186)	(54)
Balance at 30 June	778	1,295

The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and exploitation, or alternatively sale, or the respective area of interest.

15. Trade and other payables

	Consolidated	
	2010	2009
	$'000	$'000
Trade payables [1]	465	513
Other payables [2]	23	44
	488	557

[1] Trade payables are non interest-bearing and are normally settled on 30 day terms.
[2] Other payables are non interest-bearing and are normally settled on 30 day terms.

16. Borrowings

During the 2009 financial year convertible notes were redeemed at cost for $3,000,000. Interest payable on the convertible notes up until the redemption date is included in finance costs on the income statement for the year ended 30 June 2009.

17. Provisions

	Consolidated 2010 $'000	Consolidated 2009 $'000
Current		
Provision for annual leave	**20**	49
Provision for termination benefits	**288**	221
	308	270
Non-current		
Provision for restoration costs	**1,393**	1,484

The Consolidated Entity's policy with regard to providing for its share of future restoration costs for jointly controlled assets is documented in note 1(k). Movements in this provision during the current and prior year are as follows:

Non-current		
Opening balance	**1,484**	1,484
Foreign exchange movement	**(91)**	-
Closing balance	**1,393**	1,484

18. Contributed equity

Share capital	**2010 No.**	2009 No.	**2010 $'000**	2009 $'000
Fully paid ordinary shares	**188,988,472**	188,988,472	**60,644**	60,644

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote. Upon a poll every holder is entitled to one vote per share held.

Movements in share capital during the current and prior financial year are as follows:

Description	**Date**	**Number of shares**	**Issue Price**	**$'000**
Balance at 1 July 2008	01 Jul 08	181,117,922		58,609
Right issue	01 Jul 08	1,950,550	$0.270	527
Placement	08 Jul 08	5,920,000	$0.270	1,598
Less: transaction costs				(90)
Balance 30 June 2009	30 Jun 09	188,988,472		60,644
Balance at 30 June 2010	30 Jun 10	**188,988,472**		**60,644**

18. Contributed equity (cont'd)

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders, and maintain a capital structure appropriate to the size, stage and nature of its activities whilst reducing the cost of capital where possible.

In order to maintain or adjust the capital structure, the Company may issue new shares, adjust future dividend payments, return capital to shareholders or sell assets.

During the 2009 financial year the Consolidated Entity retired $3,000,000 of debt, in the form of convertible notes, through the cash settlement of the outstanding amount borrowed. At balance date the Consolidated Entity had no debt facilities in place (2009: Nil). In future periods the Consolidated Entity may seek to increase gearing levels if required.

The Company and its subsidiaries are not subject to any externally imposed capital requirements.

19. Reserves and accumulated losses

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Option premium reserve		
Opening balance	**1,773**	1,773
Balance 30 June	**1,773**	1,773
Foreign currency translation reserve		
Opening balance	**216**	(510)
Currency translation differences arising during the year	**(270)**	726
Balance 30 June	**(54)**	216
Share-based payment reserve		
Opening balance	**731**	200
Share-based payment expense	**140**	531
Balance 30 June	**871**	731
Accumulated losses		
Opening balance	**(48,964)**	(20,400)
Net loss for the year	**(5,695)**	(28,564)
Balance 30 June	**(54,659)**	(48,964)

The option premium reserve is used to record any premium received upon grant of options.

The share-based payment reserve is used to record the deferred expense in relation to share based payments.

The foreign currency translation reserve is used to record exchange differences arising on consolidation of subsidiaries with different functional currencies from the Company.

With respect to the payment of dividends (if any) by the Company in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months. No dividends were paid or declared during the current financial year.

20. Options

As at balance date, the Company and Consolidated Entity have the following classes of options on issue:

Type	2010 Number	2009 Number	Exercise Price ($)	Expiry
Ambrian Options (EXRAO)	-	637,148	0.600	16-May-10
ESOP Tranche 1 (EXRAI)	**1,750,000**	2,000,000	0.250	31-Mar-11
ESOP Tranche 2 (EXRAI)	**3,250,000**	3,250,000	0.300	31-Mar-12
ESOP Tranche 3 (EXRAI)	**2,750,000**	2,750,000	0.350	31-Mar-13
	7,750,000		8,637,148	

These options are unlisted and carry no dividend or voting rights. Upon exercise, each option is convertible into one ordinary share to rank *pari passu* in all respects with the Company's existing fully paid ordinary shares.

Movements in the number of options on issue during the year are as follows:

Date	Number 2010	Number 2009
Opening balance	**8,637,148**	8,637,148
Expired during the year		
ESOP Tranche 1 (EXRAI)	**(250,000)**	-
Ambrian Options (EXRAO)	**(637,148)**	-
At 30 June	**7,750,000**	8,637,148

21. Share-based payments

No options were granted or forfeited during the current financial year (2009: Nil).

Employee Share Option Plan

The granting of up to 15,000,000 options under the Elixir Employee Share Option Plan ("Plan") was approved by shareholders at a general meeting held on 26 June 2008. Under the terms of the Plan the Board may offer options to eligible persons (as determined by the Board) at such times and on such terms as the Board considers appropriate.

The fair value of options granted was calculated using the binomial option pricing model. An expense is recognised on a pro rata basis over the period from grant date to vesting date.

22. Parent entity information

The following details information related to the parent entity, Elixir Petroleum Limited, at 30 June 2010. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Company	
	2010	**2009**
	$'000	**$'000**
Current assets	**4,138**	5,582
Non-current assets	**5,023**	9,371
Total assets	**9,161**	14,953
Current liabilities	**586**	553
Total liabilities	**586**	553
Contributed equity	**60,644**	60,644
Share-based payment reserve	**871**	731
Option premium reserve	**1,773**	1,773
Accumulated losses	**(54,713)**	(48,748)
Total equity	**8,575**	14,400
Loss for the year	**(5,966)**	(27,838)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(5,966)**	(27,838)

At balance date amounts receivable from controlled entities at cost totalled $13,975,788 (2009: $15,357,194). The amounts receivable were fully impaired at 30 June 2010 and 30 June 2009. The transactions were made interest free with no fixed terms for repayment.

(a) Wholly-owned Group

Details of interests in wholly-owned controlled entities are set out at part (b) of this note. Details of dealings with controlled entities are as follows:

Inter-company Account

Elixir Petroleum Limited provides working capital to its controlled entities. Transactions between Elixir Petroleum Limited and other controlled entities in the Consolidated Entity during the year ended 30 June 2010 consisted of:

(i) Working capital advanced by Elixir Petroleum Limited.
(ii) Provision of services by Elixir Petroleum Limited.
(iii) Expenses paid by Elixir Petroleum Limited on behalf of its controlled entities.

The above transactions were made interest free with no fixed terms for the repayment of amounts advanced by Elixir Petroleum Limited.

Details of transactions with controlled entities during the year are as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Sale of goods and services		
Management fees & recharges to subsidiaries	**383**	627
Loans to subsidiaries		
Balance at 1 July	**15,357**	19,582
Loans written off	**(1,381)**	(4,225)
Balance at 30 June	**13,976**	15,357

(b) Investments in controlled entities

Name of Entity	Country of incorporation	Class of shares	Equity holding	
			2010	2009
Elixir Petroleum (Australia) Pty Ltd	Australia	Ordinary	**100%**	100%
Transition Resources Ltd	Australia	Ordinary	**100%**	100%
Globe Resources Pty Ltd	Australia	Ordinary	**100%**	100%
Elixir Petroleum (Europe) Ltd	United Kingdom	Ordinary	**100%**	100%
Elixir Petroleum				
(Technical Services) Ltd (1)	United Kingdom	Ordinary	**100%**	100%
Elixir Petroleum (Moselle) Ltd(2)	United Kingdom	Ordinary	**100%**	-
Cottesloe Oil & Gas LLC	USA	Ordinary	**100%**	100%
Cottesloe Oil & Gas Inc	USA	Ordinary	**100%**	100%

(1) Incorporated during the 2009 financial year.
(2) Acquired during the 2010 financial year.

(c) Ultimate Parent Company

Elixir Petroleum Limited, an ASX listed public company incorporated and domiciled in Australia, is the ultimate parent of the Group.

(d) Corporate restructure

During the current financial year the Consolidated Entity completed the acquisition of the entire issued share capital of Elixir Petroleum (Moselle) Limited ("EPM"), formerly East Paris Petroleum Development Limited. EPM is the 100% interest holder and operator of the Moselle Permit, a 5,360 km^2 oil and gas exploration permit located in the East Paris Basin, onshore north-eastern France.

22. Parent entity information (cont'd)

The Moselle Permit is the largest single exploration block onshore France and was awarded in January 2009 to EPM for an initial five year term. The Permit is prospective for a number of different play types including conventional oil and gas, unconventional gas (i.e. tight sand and shale gas) and coal bed methane.

During the 2009 financial year the Consolidated Entity undertook a restructure of its UK and African exploration assets. The restructure resulted in the incorporation of a new UK registered entity, Elixir Petroleum (Technical Services) Limited. A decision was also made to sell Elixir Petroleum (UK) Limited, along with its interest in the Sierra Leone exploration licence, Block SL-4. Prior to the sale of Elixir Petroleum (UK) Limited, all assets and liabilities of the entity which were not related to the Block SL-4 licence were sold to other members of the Consolidated Entity as part of the Sale and Purchase Agreement between Elixir Petroleum Limited and Prontinal Ltd. At the date of sale, being 30 April 2010, Elixir Petroleum (UK) Ltd ceased to be a member of the Consolidated Entity as it no longer met the consolidation requirements of AASB 127 Consolidated and Separate Financial Statements. Financial information in relation to Elixir Petroleum (UK) Limited can be found in the discontinued operations information disclosed in note 33.

23. Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Operating loss from continuing operations after tax	**(5,695)**	(27,349)
Non-cash items		
Impairment write down of oil and gas properties	**-**	18,386
Depreciation, depletion & amortisation	**3,261**	8,835
Exploration & evaluation costs written down	**791**	1,187
Share-based payment	**140**	530
Net exchange rate differences	**303**	(445)
Non-operating cashflows		
Finance costs	**-**	176
Interest income	**(203)**	(279)
Movement in assets and liabilities		
(Decrease) in current liabilities	**(69)**	(2,261)
(Increase) / decrease in current assets	**(902)**	2,605
(Decrease) / increase / in provisions	**(38)**	270
Net cash (outflow) / inflow from operating activities	**(2,412)**	1,655

24. Jointly controlled assets

At the balance date, the Consolidated Entity has working interests in joint operating agreements for the following projects:

Project	Blocks	Activity	Location	Working Interest 2010	Working Interest 2009
High Island Project	268A	Oil & Gas field, production project	USA	30%	30%
Pompano Project	446-L SE/4	Oil & Gas field, production project	USA	25%	25%
Red Fish Prospect	479-L N/2 & NE/4	Oil & Gas, exploration project	USA	25%	25%
Mulle Prospect	211/22b, 211/27d	Oil & Gas, appraisal project	UK	40%	40%
Tiger Prospect	211/12b	Oil & Gas, exploration project	UK	100%	100%
Moselle Permit(1)	Moselle	Oil & Gas, exploration project	France	100%	-
Leopard Prospect(2)	211/18b	Oil & Gas, exploration project	UK	-	56%
Fat Cat Prospect(3)	13/25	Oil & Gas, exploration project	UK	-	12.5%

(1) Moselle Permit – The acquisition of this permit was completed in April 2010.
(2) Leopard Prospect – The licence was relinquished in December 2009.
(3) Fat Cat Prospect – The licence was relinquished in April 2010.

Details of capital commitments in respect of these jointly controlled assets are disclosed in note 31.

25. Key management personnel disclosures

(a) The directors of Elixir Petroleum Limited during the year were:

Mr Jonathan Stewart – Non-Executive Chairman

Mr Andrew Ross – Managing Director

Mr Iain Knott – Executive Director

Dr John Robertson – Non-Executive Director

(b) Other key management personnel

Ms Julie Foster – Chief Financial Officer & Company Secretary (appointed 23 October 2009).

Mr David Lim – Chief Financial Officer & Company Secretary (resigned 23 October 2009).

(c) Key management personnel compensation

	Consolidated 2010 $'000	Consolidated 2009 $'000
Short term employee benefits	**677**	933
Post-employment benefits	**17**	19
Share-based payments	**140**	531
	834	1,483

25. Key management personnel disclosures (cont'd)
(d) Equity instrument disclosures relating to Key Management Personnel

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Elixir Petroleum Limited and other key management personnel of the Consolidated Entity, including their personally related parties, are set out below.

	Balance at 1 July	Granted as compensation	Exercised during the year	Net other change	Balance when ceased to be a director	Balance at 30 June
2010						
Directors						
Current						
Jonathan Stewart	2,500,000	-	-	-	-	2,500,000
Andrew Ross[1]	2,500,000	-	-	-	-	2,500,000
Iain Knott	2,500,000	-	-	-	-	2,500,000
John Robertson	250,000	-	-	-	-	250,000
Other executives						
Julie Foster[2]	-	-	-	-	-	-
David Lim[3]	-	-	-	-	-	-
2009						
Directors						
Current						
Jonathan Stewart	2,500,000	-	-	-	-	2,500,000
Andrew Ross	2,500,000	-	-	-	-	2,500,000
Iain Knott	2,500,000	-	-	-	-	2,500,000
Trevor Benson[4]	250,000	-	-	-	(250,000)	-
John Robertson	250,000	-	-	-	-	250,000
Other executives						
David Lim[3]	-	-	-	-	-	-
Alex Neuling[5]	-	-	-	-	-	-

(1) Mr. Ross was appointed Company Secretary on 9 April 2009 and resigned on 12 May 2009
(2) Ms. Foster was appointed as Company Secretary on 23 October 2009.
(3) Mr. Lim was appointed as Company Secretary on 12 May 2009 and resigned on 23 October 2009.
(4) Mr. Benson resigned being a Director on 30 June 2009.
(5) Mr. Neuling resigned as Company Secretary on 9 April 2009

Details of options provided as remuneration and shares issued on exercise of such options, together with the terms and conditions of the options, can be found in the section of the Directors' Report titled "Remuneration Report".

Share holdings

The numbers of shares in the Company held during the financial year by each director of Elixir Petroleum Limited and other Key Management Personnel of the Consolidated Entity, including their personally related parties, are set out below. No shares were granted as compensation during the current reporting period.

	Balance at 1 July	Initial held when appointed	Exercised during the year	Net other change	Balance when ceased to be a director	Balance at 30 June
2010						
Directors						
Current						
Jonathan Stewart[1]	281,250	-	-	-	-	281,250
Andrew Ross	35,000	-	-	-	-	35,000
Iain Knott	-	-	-	-	-	-
John Robertson	425,000	-	-	-	-	425,000
Other executives						
Julie Foster[2]	-	-	-	-	-	-
David Lim[4]	-	-	-	-	-	-
2009						
Directors						
Current						
Jonathan Stewart[1]	281,250	-	-	-	-	281,250
Andrew Ross	35,000	-	-	-	-	35,000
Iain Knott	-	-	-	-	-	-
Trevor Benson[3]	-	-	-	-	-	-
John Robertson	425,000	-	-	-	-	425,000
Other executives						
David Lim[4]	-	-	-	-	-	-
Alex Neuling[5]	-	-	-	-	-	-

(1) The holding above excludes the 24,000,000 shares held by Aurora Oil & Gas Ltd (ASX:AUT). Mr. Stewart is Chairman of Aurora Oil & Gas Ltd which is not a related party under the Corporations Act.
(2) Ms Foster appointed as CFO and Company Secretary on 23 October 2009
(3) Mr. Benson ceased being a Director on 30 June 2009.
(4) Mr. Lim was appointed as CFO and Company Secretary 12 May 2009 and resigned on 23 October 2009.
(5) Mr. Neuling resigned as Company Secretary on 9 April 2009

26. Related party transactions

Transactions with controlled entities are disclosed in note 22(a). Compensation and equity transactions with Key Management Personnel are disclosed in note 25 and in the section of the Directors' Report titled "Remuneration Report".

Details of other transactions with related parties during the current and prior financial year are set out below:

		Consolidated	
		2010	**2009**
	Note	**$'000**	**$'000**
Payments for services	(i)	**165,441**	163,492

(i) During the year an amount of $165,441 (2009: $163,492) was paid on commercial terms for office accommodation (rental and outgoings), car parking & office equipment to Epicure Administration Pty Ltd, a company of which Mr. Jonathan Stewart, Chairman, is also a director and beneficial shareholder. The outstanding balance payable at year end was $31,142 (2009: $40,873).

27. Deed of cross guarantee

Elixir Petroleum Limited and Elixir Petroleum (Australia) Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Consolidated income statements and a summary of movements in consolidated retained earnings

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Elixir Petroleum Limited, they also represent the "Extended Closed Group".

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2010 of the Closed Group consisting of Elixir Petroleum Limited and Elixir Petroleum (Australia) Pty Ltd.

(i) Income Statement for the year ended 30 June 2010

	Closed Group	
	2010	**2009**
	$'000	**$'000**
General and administrative costs	**(1,458)**	(2,628)
Share based payment expenses	**(140)**	(605)
Other Costs	**(2,021)**	-
Other income	**383**	810
EBITDAX	**(3,236)**	(2,423)
Exploration & evaluation costs written off	**(10)**	18
Provision against loans to Elixir Group companies (outside the Closed Group / Extended Closed Group)	**-**	(4,120)
EBIT	**(3,246)**	(6,525)
Finance income	**202**	312
Finance costs	**-**	(176)
Loss before income tax	**(3,044)**	(6,389)
Income tax expense	**-**	-
Net loss attributable to members of Closed Group	**(3,044)**	(6,389)
Movement in accumulated losses for the year end 30 June		
Closed Group accumulated losses at 1 July	**(27,376)**	(20,987)
Net loss of Closed Group for the year to 30 June	**(3,044)**	(6,389)
Closed Group accumulated losses as at 30 June	**(30,420)**	(27,376)

27. Deed of cross guarantee (cont'd)

(ii) Balance sheet for the period ended 30 June 2010

	Closed Group	
	2010	2009
	$'000	$'000
Assets		
Current assets		
Cash and cash equivalents	**4,133**	7,337
Trade and other receivables	**5**	47
Total current assets	**4,138**	7,384
Non-current assets		
Receivables	**6,542**	6,174
Investment in subsidiaries	**22,775**	22,775
Total non-current assets	**29,317**	28,949
Total assets	**33,455**	36,333
Liabilities		
Current liabilities		
Trade and other payables	**279**	291
Provisions	**308**	270
Total liabilities	**587**	561
Net assets	**32,868**	35,772
Equity		
Contributed equity	**60,644**	60,644
Reserves	**2,644**	2,504
Accumulated losses	**(30,420)**	(27,376)
Total parent entity interest in equity	**32,868**	35,772

28. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of the Consolidated Entity, its related practices and non-related audit firms:

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Mack & Co for:		
an audit or review of financial reports and other audit work under the Corporations Act 2001	**68**	68
taxation services	**3**	-
MacIntyre Hudson LLP for:		
an audit of UK subsidiary accounts	**51**	29
Total remuneration for audit services	**122**	97

29. Financial risk management

The Consolidated Entity's board of directors ("Board") performs the duties of a risk management committee in identifying and evaluating sources of financial and other risks. The Board seeks to balance the potential adverse effects of financial risks on the Consolidated Entity's financial performance and position with the "upside" potential made possible by exposure to these risks. The Board manages the risks facing the Consolidated Entity by regularly monitoring the various risks affecting the business and regularly reviewing the entities operating activities, financial performance and position both prospectively and retrospectively.

These risks include financial risks such as market risks (including currency risk, fair value interest rate risk and commodity price risk), credit risk & liquidity risk. These disclosures are not, nor are they intended to be an exhaustive list of risks to which the Consolidated Entity is exposed.

(a) Market risk

(i) Commodity price risk

As a result of its operations, the Consolidated Entity is exposed to commodity price risk arising due to fluctuations in the prices of natural gas and crude oil. The demand for, and prices of, natural gas and crude oil are dependent on a variety of factors, including:

- Supply and demand;
- The level of consumer product demand;
- Weather conditions;
- The price and availability of alternative fuels;
- Actions taken by governments and international cartels; and,
- Global economic and political developments.

29. Financial risk management (cont'd)

During the year the Board decided that it would not be beneficial for the Consolidated Entity to purchase forward contracts or other derivative financial instruments to hedge its commodity price risk. Factors which the Board considered in arriving at this position included the expense of purchasing such instruments, the low spot price of gas and the inherent difficulties associated with forecasting future production levels. The Board regularly monitors oil and gas prices and market factors that affect these prices. In future periods the Board may decide to enter into hedges to manage the Consolidated Entity's exposure to commodity price risk if it is beneficial to do so.

(ii) Foreign exchange risk

The Consolidated Entity's management is based in Australia, its shares are listed on the Australian Securities Exchange and the Consolidated Entity reports its financial performance and position in Australian dollars ($A). The Consolidated Entity maintains a UK office and, as its activities include operations in the south of the USA, it also has significant United States dollar ($US) denominated cash flows. As a result of these factors, the Consolidated Entity is exposed to foreign exchange risk arising from fluctuations in the $A / $US and $A / £GBP exchange rates.

On the 1 July 2009 the functional currency of US subsidiaries changed to USD, primarily because the trend in the source currency of the majority of the costs of the US subsidiaries from AUD to USD, was not considered temporary. As a result of the change in US subsidiaries functional currency, the Group is now only exposed to USD foreign exchange risk arising from fluctuations in the $A / $US exchange rate at parent entity level.

During the year the Board decided that it would not be beneficial for the Consolidated Entity to purchase forward contracts or other derivative financial instruments to hedge its foreign exchange risk. Factors which the board considered in arriving at this position included, the expense of purchasing such instruments, the inherent difficulties associated with forecasting the timing and quantum of $US cash inflows and outflows, the natural hedge provided by $US denominated production and the Consolidated Entity's $US cash holdings. The Board regularly monitors the Consolidated Entity's foreign exchange requirements and its foreign exchange risk. The Board may in future periods enter into transactions to hedge its foreign exchange risk if it is beneficial to do so.

The Consolidated Entity's exposure to foreign currency risk at the reporting date was as follows:

	2010		2009	
	US$'000	**£'000**	**US$'000**	**£'000**
Cash	**250**	**231**	1,635	264
Trade and other receivables	**-**	**620**	318	110
Trade payables	**-**	**(47)**	(95)	(73)
	250	**804**	1,858	301

Group sensitivity

Based on the financial instruments held at reporting date, with all other variables assumed to be held constant, the table below sets out the notional effect on consolidated loss after tax for the year and equity at reporting date under varying hypothetical fluctuations in prevailing exchange rates:

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Hypothetical 20%[(1)] strengthening of AU$ relative to US$ and £		
Increase / (decrease) in loss after tax	**284**	266
Increase / (decrease) in equity	**(284)**	(266)
Hypothetical 20%[(1)] weakening of AU$ relative to US$ and £		
Increase / (decrease) in loss after tax	**(426)**	(325)
Increase / (decrease) in equity	**426**	325

[(1)] Management has determined that the above hypothetical outcomes are the most appropriate estimation of share price movements given the current market and economic conditions (2009: 10%).

(iii) Interest rate risk

As at, and during the year ended on balance date, the Consolidated Entity had no significant interest-bearing assets or liabilities other than liquid funds on deposit and convertible notes (fixed rate). As such, the Consolidated Entity's income and operating cash flows (other than interest income from funds on deposit) are substantially independent of changes in market interest rates. The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below.

		Consolidated	
		2010	**2009**
		$'000	**$'000**
Financial Assets			
Cash assets	Floating rate	**5,084**	8,081

Weighted average effective interest rate 4.31% (2009: 2.8%).

29. Financial risk management (cont'd)

Group sensitivity

Based on the financial instruments held at reporting date, with all other variables assumed to be held constant, the table below sets out the notional effect on consolidated loss after tax for the year and equity at reporting date under varying hypothetical changes in prevailing interest rates:

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Hypothetical 90[(1)] basis point increase		
Increase / (decrease) in loss after tax	**(46)**	(65)
Increase / (decrease) in equity	**46**	65
Hypothetical 90[(1)] basis point decrease		
Increase / (decrease) in loss after tax	**46**	65
Increase / (decrease) in equity	**(46)**	(65)

(1) A hypothetical change of 90 basis points was used to calculate the Group's sensitivity to future interest rate movements as this figure approximates the movement in bond yields published by the Reserve Bank of Australia for bonds with a 12 month maturity (2009: 0.80%).

(b) Credit risk

The Consolidated Entity seeks to trade only with recognised, trustworthy third parties and it is the Consolidated Entity's policy to perform credit verification procedures in relation to any customers wishing to trade on credit terms with the Consolidated Entity.

Notwithstanding the above, the Consolidated Entity is exposed to level of credit risk arising from the fact that a large proportion of its receivables and non-current oil & gas assets relate to its interests in projects operated by private companies.

The Board are of the opinion that the credit risk arising as a result of this concentration of the Consolidated Entity's assets is more than offset by the potential benefits to be gained through continuing to build on the Consolidated Entity's relationship with the operators of its existing projects.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised below, none of which are impaired. The Group has a number of recourse options available in the event of counterparty default, including but not limited to de facto security over jointly held assets.

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Trade and other receivables	**1,686**	667
Total	**1,686**	667

Credit risk also arises from cash and cash equivalents and deposits with financial institutions. For banks and financial institutions, only independently rated parties with minimum rating of 'A' are accepted.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash at bank and short-term bank deposits		
AA Rated	**4,697**	7,336
A Rated	**387**	745
	5,084	8,081

(c) Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the Board to ensure that the Consolidated Entity is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, and ensuring that the Consolidated Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules.

Maturities of financial liabilities

As at reporting date the Consolidated Entity had total financial liabilities of $488,454 (2009: $557,289), comprised of non interest-bearing trade creditors and accruals with a maturity of less than 6 months.

(d) Net fair value

The carrying amount of financial assets and liabilities recorded in the financial statements approximate their fair value as at 30 June 2010.

30. Subsequent events

There are no significant events that have occurred since balance date requiring separate disclosure.

31. Commitments and contingencies

The Consolidated Entity has no contingent assets or liabilities at balance date and has no firm contractual commitments for expenditure not reflected in the financial statements other than:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Capital commitments		
Within one year	**356**	-
Total	**356**	-
Non-cancellable operating lease commitments		
Within one year	**77**	77
More than one year but less than five years	**154**	232
Total	**231**	309

During the previous financial year a rental lease to which Elixir Petroleum (UK) Ltd (discontinued operation) was party, was assigned to Elixir Petroleum (Technical Services) Ltd. At balance date the remaining lease term was 3 years (2009: 4 years).

32. Dividends

No dividends have been proposed or paid during the year (2009: Nil).

33. Discontinued operations

During the 2009 financial year Elixir Petroleum (UK) Limited together with its interest in exploration licence, Block SL-4, located in Sierra Leone was sold. The decision to divest this licence was made on the basis that the continued involvement with the license was not in the best interest of the Consolidated Entity. Sale of Elixir Petroleum (UK) Limited, which held the interest in Block SL-4, to Prontinal Limited was completed on 30 April 2009. Prior to the sale of Elixir Petroleum (UK) Limited to Prontinal Ltd, interests held in exploration licences other than Block SL-4, along with various assets and liabilities held by the disposal company were acquired by other members of the Consolidated Entity.

The financial performance and cash flows from the discontinued operation, Elixir Petroleum (UK) Limited, are set out below.

(i) Financial performance of discontinued operation

The financial performance information presented is for the 10 months to 30 April 2009. This is the period when the Consolidated Entity controlled the discontinued operation.

	Consolidated	
	2010	2009
	$'000	$'000
Revenue from discontinued operation		
Interest earned	-	4
Gain on sale of assets	-	850
Unrealised foreign exchange gains	-	112
Total Revenue	-	966
Expenses		
Other expenses	-	(930)
Exploration & evaluation costs written off	-	(317)
Loss on disposal of subsidiary	-	(934)
	-	(2,181)
Loss before income tax	-	(1,215)
Income tax expense	-	-
Loss from discontinued operation	-	(1,215)
Earnings / (loss) per share		
Basic loss per share (cents per share)	-	(0.64)
Diluted loss per share (cents per share)	-	(0.64)

(ii) Cash flows from discontinued operation

	Consolidated	
	2010	2009
	$'000	$'000
Cash flows from operating activities		
Payments to suppliers	-	(1,282)
Net cash flows from operations	-	(1,282)
Cash flows from investing activities		
Payment for property, plant and equipment	-	(88)
Payment for exploration, evaluation and development	-	(647)
Interest received	-	4
Net cash outflows from investing activities	-	(731)
Cash flows from financing activities		
Loans - related entities	-	608
Finance costs	-	(1)
Net cash inflows from financing activities	-	607
Effect of exchange rates on cash	-	415
Net decrease in cash and cash equivalents	-	(991)
Cash and cash equivalent at beginning of period	-	1,004
Cash and cash equivalent at end of period	-	13

Additional Securities Exchange Information

Corporate Governance Statement

Elixir Petroleum Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices
Summary Statement

	ASX P & R[2]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6[3]	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3[3]	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3[3]	n/a	n/a
Recommendation 4.2		✓			

[1] Indicates where the Company has followed the Principles & Recommendations.
[2] Indicates where the Company has provided "if not, why not" disclosure.
[3] Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.elixirpetroleum.com, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the recommendations to which they relate, are set out below.

	Recommendation(s)
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities	3.2, 3.3
Code of Conduct (Summary)	3.1, 3.3
Policy on Continuous Disclosure and Compliance Procedures	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy	7.1, 7.4

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year ("**Reporting Period**").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The Board Charter can be found on the Company website.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Board is responsible for evaluating the performance of senior executives. The Board evaluates the senior executives informally as required.

Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1.

Disclosure:

As there are no senior executives in the Company, there were no performance evaluations held for senior executives in the Reporting Period.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

Notification of Departure:

The Board does not have a majority of independent directors.

Explanation for Departure:

The Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The sole independent non-executive director is John Robertson. The remaining directors on the Board are executive directors: Jonathon Stewart; Andrew Ross and Iain Knott. Mr Knott is an executive director as he is responsible for the day-to-day running of the Company in the UK. Following the conclusion of the Reporting Period, Mr Stewart assumed the role of Non-Executive Chair, as described below.

Recommendation 2.2:

The Chair should be an independent director.

Notification of Departure:

The Chair of the Board is not an independent director.

Explanation for Departure:

During the Reporting Period, Mr Stewart was the Executive Chair of the Company. Subsequent to the Reporting Period, Mr Stewart has assumed the role of Non-Executive Chair to more accurately reflect his current involvement in the day-to-day running of the Company. The Company notes that Mr Stewart does not meet the criteria of an independent director as set out in the Company's Policy on Assessing Independence due to his former executive role with the Company and his current position as an executive director of a substantial shareholder of the Company. Whilst the Company recognises the benefit of having an independent director as Chair, the Board believes that the current composition of the Board is appropriate when the current size and structure of the Company is taken into consideration. Mr Stewart's experience as

Chair of companies in the oil and gas industry makes him the most suitable director to chair the current Board. A lead independent director has been elected by the Board to assume the role of chair in situations where Mr Stewart is unable to act as chair.

Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Managing Director of the Company is Andrew Ross who is not Chair of the Board.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

The Board has established a Nomination Committee.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board Committees. During the reporting period, the Managing Director, Andrew Ross had an interview with the Chair, Jonathon Stewart. All other evaluations are undertaken on an informal basis as required.

Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

Disclosure:

Skills, Experience, Expertise and term of office of each Director
A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report. The term of appointment for each Director is as follows:

Name	Appointed
J Stewart (Chair)	12/11/07
A Ross	12/11/07
I. Knott	13/01/05
J Robertson	05/04/05

Identification of Independent Directors

The sole independent director of the Company is John Robertson. Mr Robertson is independent as he is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds for reviewing independence for a director are as detailed in principle 1.1 above. The materiality threshold for reviewing independence for a director who is an associate of a business that has a contractual relationship with the Company is 10% of revenue or net assets for either party.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The Nomination Committee did not meet during the Reporting Period. The members of the Nomination Committee are John Robertson (Chair) and Jonathon Stewart.

Performance Evaluation

During the Reporting Period an evaluation of the Board, its committees, and individual directors took place in accordance with the process disclosed at Recommendation 2.5.

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. A summary of the Code of Conduct can be found on the Company website.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

Recommendation 3.3:

Companies should provide the information indicated in the Guide to reporting on Principle 3.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1:

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board has at least three members.

Notification of Departure:

The Audit Committee does not meet the compositional requirements of Recommendation 4.2.

Explanation for Departure:

Given the current structure of the Board the Audit Committee is unable to comply with all the compositional requirements of Recommendation 4.2. However, the Company has established a separate Audit Committee which comprises three members - Jonathon Stewart, Andrew Ross and John Robertson (Chair).

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter which can be found on the Company website.

Recommendation 4.4:

Companies should provide the information indicated in the Guide to reporting on Principle 4.

Disclosure:

The Audit Committee held two meetings during the Reporting Period. The members of the Audit Committee, Jonathon Stewart, Andrew Ross and John Robertson, attended both meetings held during the Reporting Period.

Details of each member of the Audit Committee qualifications are set out in the Directors' Report

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee and any recommendations are made to the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the Guide to reporting on Principle 5.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the Guide to reporting on Principle 6.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter he believes appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

A report by management on the effectiveness of the internal financial control and risk management systems is provided to the Audit Committee on an annual basis

A report on the effectiveness of the risk management system in managing material business risks is prepared by management and provided to the Board on an annual basis.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established financial control procedures to manage expenditure commitments and approval of payments for both capital and operational expenditure;
- preparation and approval of an annual budget;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

In October 2009, the Company implemented a formal system for managing its material business risks. This system includes a risk register which is prepared by management to identify the Company's material business risks and risk management strategies for these risks. The risk register is reviewed quarterly and updated, as required. Management reports to the Board on material business risks at each Board meeting. As part of the preparation of the risk register, the following strategic and operational risks were reviewed: fluctuations in commodity prices; fluctuations in exchange rates; insurable and replacement values for offshore installations; depletion of reserves; OH & S issues; and counter party risks.

The categories of risk identified as part of the Company's risk management system are:

- Financial risks;
- Operational;
- Technological;
- Economic cycle;
- Reputation; and
- Legal and compliance.

Prior to October 2009, the Company managed its material business risks using a range of previously implemented informal policies and procedures.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the material business risks of the Company. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Managing Director and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Managing Director and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

The Company has established a Remuneration Committee.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time-to-time the Company may grant options to non-executive directors.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Remuneration Committee and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.3:

Companies should provide the information indicated in the Guide to reporting on Principle 8.

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The Remuneration Committee did not meet during the Reporting Period.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Policy for Trading in Company Securities prohibits transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. The Policy for Trading in Company Securities can be found on the Company website.

The shareholder information set out below was applicable as at 30 September 2010.

1. Twenty largest shareholders

Ordinary shares	Number	Percentage
Aurora Oil & Gas Ltd	24,000,000	12.70%
HSBC Custody Nominees (Australia) Limited	8,656,042	4.58%
Macquarie Bank Ltd - Metals & Energy Capital Division	6,447,000	3.41%
Cleland Projects Pty Ltd <CT A/C>	5,600,000	2.96%
JP Morgan Nominees Australia Limited <Cash Income A/c>	5,044,092	2.67%
National Nominees Ltd	3,838,822	2.03%
Mr Henry John De Burgh <RA & DJ Broun A/C>	3,500,000	1.85%
Henry John De Burgh <The Rockton A/C>	3,500,000	1.85%
Henry John De Burgh <TJ Deburgh A/C>>	3,500,000	1.85%
Argonaut Capital Ltd	3,020,000	1.60%
Beacon Exploration Pty Ltd	3,000,000	1.59%
Citicorp Nominees Pty Ltd	2,561,176	1.36%
J P Morgan Nominees Australia Ltd	2,358,460	1.25%
SDMO Australia Pty Ltd <The Botica Super Fund A/C>	2,000,500	1.06%
AFM Perseus Fund Limited	1,733,000	0.92%
Floteck Consultants Ltd	1,722,907	0.91%
Craig Burton <Burton Super Fund A/C>	1,600,000	0.85%
Beelong Pty Ltd <Johnson Super Fund A/C>	1,500,000	0.79%
Caroline De Mori	1,500,000	0.79%
Pata Nominees Pty Ltd <The LMST Masel A/C>	1,400,000	0.74%
Total top 20	**86,481,999**	**45.76%**
Other	102,506,472	54.24%
Total ordinary shares on issue	**188,988,471**	**100.00%**

2. Substantial shareholders

Set out below are the names of the substantial holders and the number of equity securities held by those substantial holders (including those equity securities held by their associates), as disclosed in the substantial holding notices given to the company:

Shareholder	Number of shares	Percentage
Aurora Oil and Gas Limited	24,000,000	12.70%
Mr Henry John De Burgh	9,994,049	5.29%

3. Distribution of equity securities

	Ordinary shares	Unlisted options
1 – 1,000	89	-
1,001 – 5000	274	-
5,001 – 10,000	213	-
10,001 – 100,000	638	-
100,001 – and above	246	9
	1,460	9

4. Unquoted securities

The names of the holders holding more than 20% of each class of unlisted securities are set out below:

	Class	Number
Mr Iain Knott	Tranche 1	750,000
JK & CA Stewart <Epicure Super Fund A/C>	Tranche 1	750,000
R11 Capital Pty Ltd <R11 Consulting A/C>	Tranche 2	1,250,000
Mr Iain Knott	Tranche 2	1,000,000
K & CA Stewart <Epicure Super Fund A/C>	Tranche 2	1,000,000
R11 Capital Pty Ltd <R11 Consulting A/C>	Tranche 3	1,250,000
Mr Iain Knott	Tranche 3	750,000
K & CA Stewart <Epicure Super Fund A/C>	Tranche 3	750,000

5. Voting rights

Refer notes 18 and 20 to the Financial Statements.

6. On-market buy back

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

7. Company secretary, registered and principal administrative office and share registry

Details can be found in the Corporate Directory at the beginning of the Annual Report.

8. List of interests in petroleum leases

Details of the Company's interests in petroleum leases can be found in Note 24 to the Financial Statements.

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