elixir
petroleum limited

2011 | Annual Report

2011

Corporate Directory

Directors
Mr Jonathan Stewart – Non–Executive Chairman

Mr Andrew Ross – Managing Director

Mr Iain Knott – Executive Director, Exploration
(resigned 22 July 2011)

Dr John Robertson – Non-Executive Director

Mr Michael Price – Non-Executive Director
(appointed 13 January 2011)

Company Secretary
Ms Julie Foster

Registered and Principal Administration Office
Level 20, 77 St Georges Terrace
Perth 6000
Western Australia
Telephone: (+61) 8 9440 2650
Facsimile: (+61) 8 9440 2699

UK Office
8 The Courtyard
Eastern Road
Bracknell
Berkshire RG12 2XB
United Kingdom
Telephone: (+44) 1344 423 170
Facsimile: (+44) 1344 360 268

Share Registry
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: (+61) 8 9323 2000

Bankers
National Australia Bank Limited
Ground Floor, 100 St Georges Terrace
Perth WA 6000

Barclays Bank plc
5 The North Colonnade
Canary Wharf
London E14 4BB

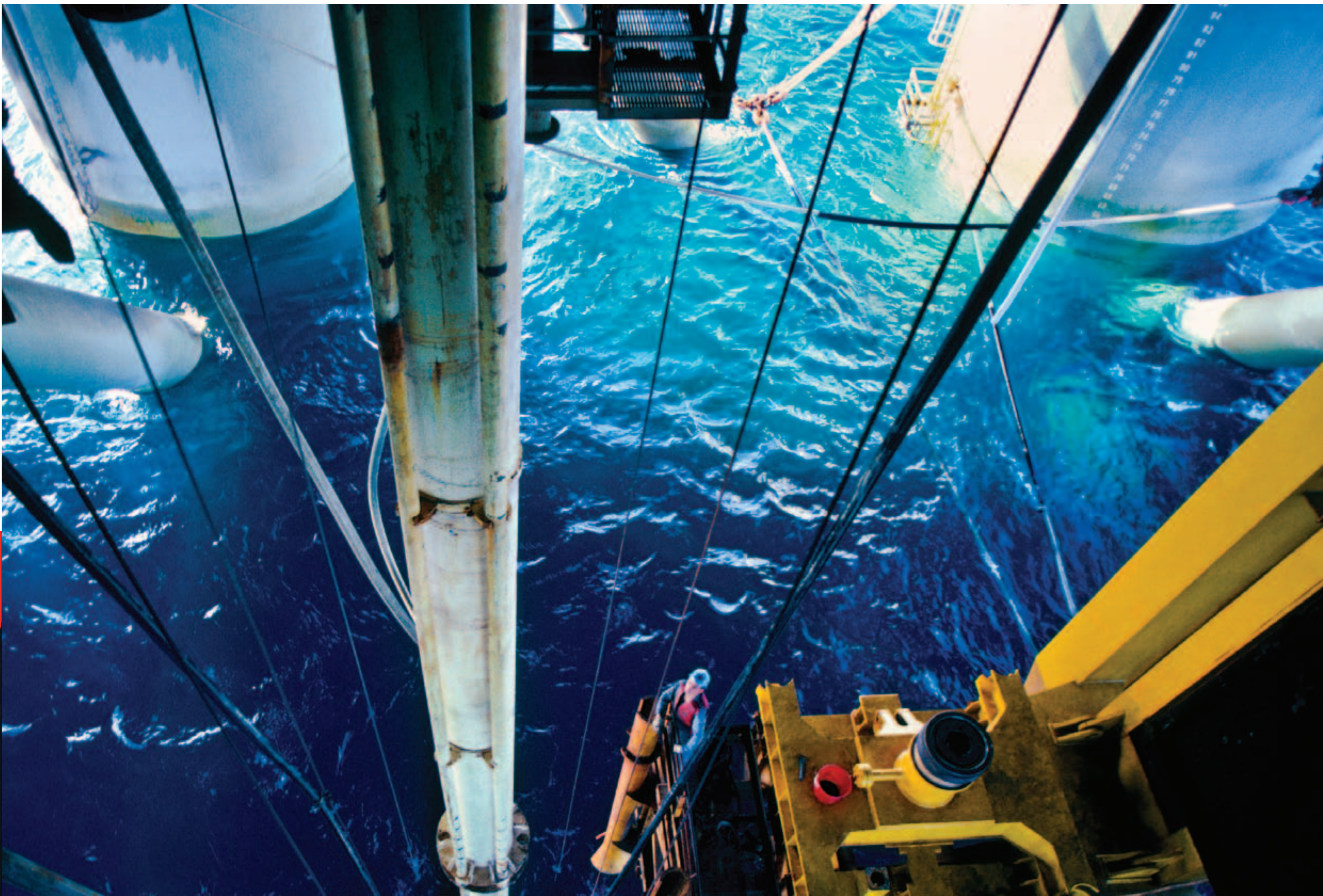
Auditors - Australia
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Auditors - UK
MacIntyre Hudson LLP
New Bridge Street House
30-34 New Bridge Street
London EC4V 6BJ

Stock Exchange Listing
Australian Securities Exchange
Code: EXR

Website and Email
www.elixirpetroleum.com
info@elixirpetroleum.com

CONTENTS



CHAIRMAN'S LETTER

Dear Shareholder

Last year I reported that we were very enthused by the Company's acquisition in April 2010 of the Moselle Permit located in north-eastern France, which we considered offered us significant exposure to Europe's exciting unconventional gas prospectivity.

The Moselle permit is aerially significant at 1.3 million acres and offers numerous prospective targets. The acquisition was a deliberate expansion of Elixir's exploration strategy to include the pursuit of unconventional hydrocarbon resource opportunities onshore in Europe.

During the past year Elixir's technical team have undertaken significant technical work on Moselle and have defined a major conventional and unconventional hydrocarbon resource. The results of our work are supported by an independent report by leading reserves evaluator Netherland Sewell & Associates, Inc and gives us confidence that Moselle will hold a significant and valuable resource that will prove attractive to potential partners.

The decision by the French authorities in July 2011 to ban the use of fracture stimulation, the most common technique applied internationally to enhance productivity from tight reservoirs including shales, has meant our focus is on the significant conventional prospects identified. We would like to move to further evaluation of these prospects via the drill bit in the second half of 2012, most likely in conjunction with farm-in partners.

Outlined in the detailed Operations Report following are activities across the balance of our international portfolio.

We were pleased to be awarded Block 30/25a in the Central UK North Sea in January 2011a and we are in the process of working up prospects for farmout later this calendar year.

A conditional farmout of Block 211/22b containing Tiger Prospect was also achieved on attractive terms. We are currently awaiting approval from the UK authorities for the farminee to take on operatorship of the Block.

In the USA it remains a difficult environment with the prevailing low price US domestic gas market impacting revenue. We have been frustrated by our Joint Ventures inability to workover the High Island wells during the financial year due to local rulings by authorities. We are hopeful that with the production rate on well 1 declining towards the stipulated threshold rate, these workovers will be approved by BOEMRE by the end of the 2011 calendar year.

In the current environment it is management's view that Pompano is at the end of its productive life having produced over 6.3Bcf and 6,000 bbls of condensate. The decision was made to not participate in recent unsuccessful workovers undertaken by the joint venture and we await the operator's recommendations as to future of the project

Since year end we have undertaken a modest placing with clients of Black Swan Securities and Argonaut Capital Limited raising [$1 million]. We believe Elixir is adequately funded for the various activities planned in the coming year which are focussed on progressing the introduction of partners to Moselle and hopefully drilling of the Tiger Prospect.

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.

Yours sincerely,

Jonathan Stewart
Non-Executive Chairman
October 2011

STRATEGY

Elixir Petroleum is an internationally focused upstream oil and gas company with a diversified portfolio of 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 which hold 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.

Details on Elixir's assets and operations can be found at www.elixirpetroleum.com and www.asx.com.au. A summary update on the Group's operations during the 2011 financial year follows.

REVIEW OF OPERATIONS

EXPLORATION REVIEW

France

Moselle Permit (EXR 100%, Operator)

The Moselle Permit is located in north-eastern France and was acquired by Elixir in April 2010. Moselle is approximately 5,360 km^2 in area, or approximately 1.32 million acres, making it the largest single exploration block onshore France. The Moselle Permit also represents the largest acreage position of any company currently operating in the Paris Basin and one of the largest unconventional acreage positions in Western Europe.The Permit was awarded in January 2009 for an initial five year term. There are no well commitments associated with the Permit, although Elixir is required to spend €3 million on exploration activities within the Permit during the initial term. Up to the end of the reporting period, Elixir had incurred exploration costs of approximately €1,200,000 associated with the Permit.

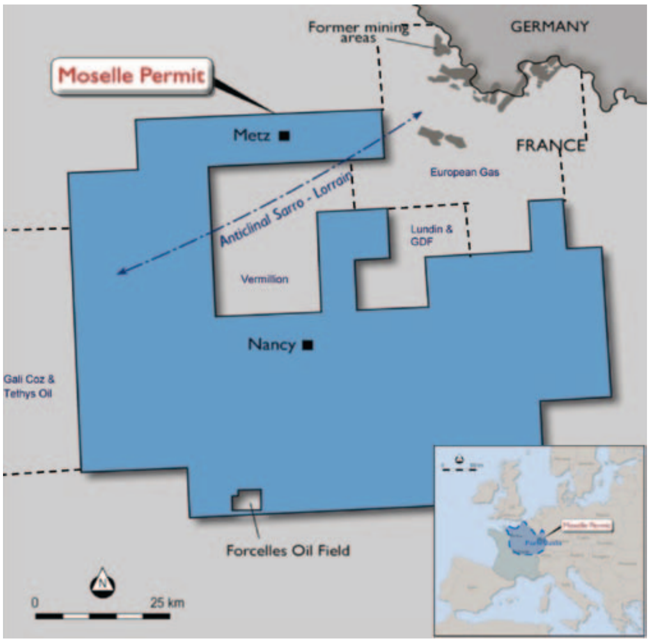


Figure 1: Map of the Moselle Permit

During the course of the financial year, Elixir continued its efforts in assembling the largest geological database of any participant in the Eastern portion of the Paris Basin. The Moselle database currently includes:

- 2,500km of digital 2D seismic data
- 25km^2 of 3D seismic data
- 450km of well log data
- 28,000km^2 of land based magnetics and gravity data
- 600+ core and cuttings samples from existing wells
- 750+ geochemical samples from IFP Geochemical database

A number of proprietary studies across a variety of technical disciplines were progressed at Moselle to their successful completion during the reporting period. The study work conducted was associated with the technical evaluation of the conventional and unconventional hydrocarbon prospectivity on the Moselle permit, particularly focusing on the upper part of the Carboniferous interval.

The studies included the detailed petrophysical analysis of over 20 wells located in, and adjacent to, the Moselle Permit, the full geochemical analysis of 6 key wells, seismic reprocessing and interpretation to create a sub-regional 2D seismic dataset of approximately 1,000 line kilometres, chemostratigraphy analysis of over 300 core and cuttings samples, sedimentology assessments and basin history and thermal maturity modelling.

The culmination of the 15 month technical evaluation of Moselle led to the publication of an independent in-place volumetric assessment of the conventional and unconventional hydrocarbons within the permit which is described below.

Moselle In-place Volumetric Estimate

On 16 September 2011, Elixir announced the results of an independent assessment which had been undertaken by Netherland Sewell & Associates Inc. ("NSAI") of the in-place hydrocarbon volumes contained within the Moselle Permit. The estimate was prepared in accordance with the guidelines and definitions set forth in the 2007 Petroleum Resource Management System approved by the Society of Petroleum Engineers.

The work undertaken by NSAI involved reviewing well logs, geologic maps, seismic data and models, technical reports, public data and other non-confidential files of NSAI pertinent to Moselle. NSAI provided an in-place volumetric estimate of unconventional hydrocarbons within the permit area and a separate estimate of conventionally reservoired hydrocarbons contained within 19 separate structures identified from the reprocessed 2D seismic data set.

The following table summarise the undiscovered in-place volumetric estimates from NSAI with respect to unconventional hydrocarbons contained within the Moselle Permit:

	Undiscovered Gross (100 Percent) OOIP (MMBBL)			**Undiscovered Gross (100 percent) OGIP (BCF)**		
Window/Lithology	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Oil						
Carboniferous Shale	13,551	42,223	118,836	10,554	39,345	124,733
Carboniferous Sand	53,965	121,846	272,415	40,940	115,335	292,048
Condensate						
Carboniferous Shale	61	297	1,402	30,858	94,894	266,491
Carboniferous Sand	90	374	1,530	53,656	120,084	263,538
Dry Gas						
Carboniferous Shale	-	-	-	37,872	116,012	327,665
Carboniferous Sand	-	-	-	74,496	164,037	359,289
Total (1)	**67,667**	**164,739**	**394,182**	**248,376**	**649,707**	**1,633,764**

(1) *Totals may not add because of rounding. Totals are the arithmetic sum of multiple probability distributions*

The main unconventional hydrocarbon prospectivity identified within the Moselle Permit is contained within Carboniferous aged sediments deposited in the Saar Lorraine Graben. The Carboniferous Section is in excess of 5,500 metres thick and consists of interbedded shales, sands and coals. From historic data, it has been determined that the interval lies within the oil and gas windows at the current time and has significant hydrocarbon generative capacity. This was also confirmed by NSAI in its report. The Carboniferous subcrop depth varies across the Permit, with it generally being deeper in the west and shallower in the east, but averages approximately 1,200 metres TVDs across the Permit.

The following two tables summarise the alternative oil and gas estimated distributions of undiscovered in-place conventional hydrocarbons between prospects and leads located in the Triassic and Carboniferous Sections:

If oil:

Reservoir	No of Targets	Depth to Top Structure (TVDss/m)	Undiscovered Gross (100%) OOIP (MMBbls) Low Estimate (P90)	Best Estimate (P50)	Mean	High Estimate (P10)
Triassic	4	460 - 800	36.0	109.2	160.7	334.5
Top Carboniferous	7	600 - 1,300	146.3	560.9	1,081.6	2,349.6
C5	4	1,250 - 2,200	33.2	239.4	657.3	1,496.9
C4	4	1,700 - 2800	18.5	97.6	217.1	485.8
Total [1]	**19**		**234.0**	**1,007.10**	**2,116.7**	**4,666.8**

Or, if gas:

Reservoir	No of Targets	Depth to Top Structure (TVDss/m)	Undiscovered Gross (100%) OGIP (Bcf) Low Estimate (P90)	Best Estimate (P50)	Mean	High Estimate (P10)
Triassic	4	460 - 800	20.5	61.0	88.5	182.4
Top Carboniferous	7	600 - 1,300	127.9	440.3	775.5	1,670.0
C5	4	1,250 - 2,200	46.0	335.2	951.6	2,179.3
C4	4	1,700 - 2800	30.1	160.3	366.9	804.2
Total [1]	**19**		**224.7**	**996.60**	**2,182.5**	**4,836.1**

[1] Totals may not add because of rounding. Totals are the arithmetic sum of multiple probability distributions

The source of hydrocarbon charge for these conventional, structurally defined prospects and leads is the deeper Carboniferous Section. It has been assumed that the prospects and leads have an equal likelihood of being charged with oil or gas. As a consequence, the tables above describe two independent outcomes (that is, either oil charged, or alternatively, gas charged) and therefore the results described in each table are not additive and should not be combined.

Importantly, two multi-horizon groups of prospects and one multi-horizon group of leads have been mapped. This will allow single wells to be drilled into each of the groups of targets to examine their prospectivity, rather than requiring multiple wells to test each identified horizon.

Whilst there has been no production to date from the Top Carboniferous Section of the Moselle Permit, two wells have tested hydrocarbon gas at surface from the Top Carboniferous Section during earlier drilling operations conducted in the area. This result gives confidence that the play, although currently not producing, is prospective within the Moselle Permit.

Regulatory position regarding Hydraulic Fracture Stimulation

In mid-July 2011 legislation was enacted by the French Parliament prohibiting the use of hydraulic fracture stimulation (“fracing”) as a well completion technique in France. One aspect of the legislation required all permit holders in France to submit a report to the regulator outlining the proposed exploration activities being conducted and seeking confirmation as to whether fracing was to be undertaken as a part of those exploration activities. Consistent with this requirement, Elixir submitted a report to the regulator in September 2011.

Following consideration of the reports submitted by permit holders, the French Government announced that three exploration permits were to be abrogated under the provisions of the fracing legislation. These permits are located in the south of France and are held by Total SA and Schuepbach Energy LLC. This decision was gazetted in France on 13 October 2011.

The validity of the remaining 61 exploration permits, which includes the Moselle Permit, have been confirmed by the Government. The French Government also initiated, during the reporting period, a review of the existing Mining Code (which governs oil and gas exploration in France) with a view to it being updated and modernised to better regulate activities such as unconventional hydrocarbon exploration.

Forward Programme

The Moselle Permit offers a compelling mix of conventional and unconventional hydrocarbon prospectivity. Elixir's exploration efforts at Moselle for the remainder of 2011 and into 2012 will concentrate on the portfolio of 19 conventional prospects and leads that have been identified during the past 15 months of study work.

Elixir has commenced well planning, procurement and permitting activities in respect of a Phase 1 drilling programme, expected to comprise up to three wells to be drilled in the second half of 2012 (subject to receipt of final permitting approvals and rig and equipment availability).

The Phase 1 programme will target high graded conventional prospects with a certified combined mean in-place resource of 1.6 BBbls of oil or, alternatively, 1.5Tcf of gas, which represents approximately 78% of the total mean in-place oil, and 70% of the total mean in-place gas volumes certified by NSAI.

At present, only approximately 35% of the Moselle Permit is covered by 2D seismic data, and it is from this data that the 19 conventional prospects and leads have been developed. The Carboniferous sequence which provides the hydrocarbon source for these conventional structural targets is essentially present across the entire Moselle Permit. Consequently, further seismic data will be required to evaluate the conventional prospectivity in the remaining part of the Moselle Permit not currently covered by 2D data. The conventional leads identified by Elixir will also require further seismic imaging to better define them and elevate them to prospect status prior to consideration for drilling.

In addition to preparations for the Phase 1 drilling programme, Elixir will be investigating the possible acquisition of an airborne gravity/magnetics gradiometry survey and the acquisition of additional seismic data in order to map further conventional targets and to work up its current inventory of leads.

Elixir has also commenced discussions with industry partners to determine whether there may be interest in working with Elixir in advancing its exploration ambitions at Moselle.

The Moselle Permit represents a significant opportunity for Elixir and its shareholders and we look forward to continuing progress being made at Moselle in the coming years.

REVIEW OF OPERATIONS

UK North Sea

At the conclusion of the reporting period, Elixir held interests in three licences located in the UK North Sea. Subsequent to the end of the financial year, Licences P1067 (Block 211/22b and 27d) was relinquished at the expiry of its 5 year term.

The remaining two licences held by Elixir offer high quality exploration potential, which we are confident will be enhanced further by drilling.

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

In February 2009, Elixir was awarded Block 211/12b following a successful bid in the 25th UKCS Seaward Licensing Round. Block 211/12b is located in the Northern portion of the UK North Sea and is held under a Traditional Licence, with a drill-or-drop decision required to be made by early 2013.

Block 211/12b contains the large, Upper Jurassic, Tiger oil prospect. 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 also lies updip of a well drilled in the early 1990's which reported hydrocarbon shows. An unrisked contingent recoverable resource estimate has been generated by Elixir 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 1: Tiger Unrisked Contingent Recoverable Resource Estimate

In July 2011, Elixir announced that it had entered into a conditional farm-out agreement with a third party on terms that would see Elixir receive a cash contribution to back costs and be carried on a partially promoted basis through the drilling of a firm exploration well and a contingent appraisal well. In the event of a discovery, Elixir was also provided an option to be fully carried by the farminee through the development of any discovery.

Completion of the farm-out is conditional on the receipt by the farminee of the approval of the UK Department of Energy and Climate Change (DECC) to the assignment and the appointment of the farminee as operator of the licence. The period of exclusivity afforded the farminee to achieve the condition precedent expired on 14 October 2011 without the approval of DECC having been achieved. Elixir is continuing to work with the potential farminee as well as other parties to achieve a farmout of the Tiger exploration well.

Block 30/25a, licence P1882 (EXR 100%, Operator)

Block 30/25a was offered to Elixir in October 2010 under the 26th UK Seaward Licensing Round, with a commencement date for the licence of 10 Jan 2011. Block 30/25a has been granted as a promote licence to Elixir as operator and 100% interest holder for a period of 2 years with a drill-or-drop decision to be made prior to licence expiry.

The block is located in the Eastern margin of the Central UK North Sea and is adjacent to the Ardmore field (formerly named Argyll), being the first offshore oil field produced in the UK.

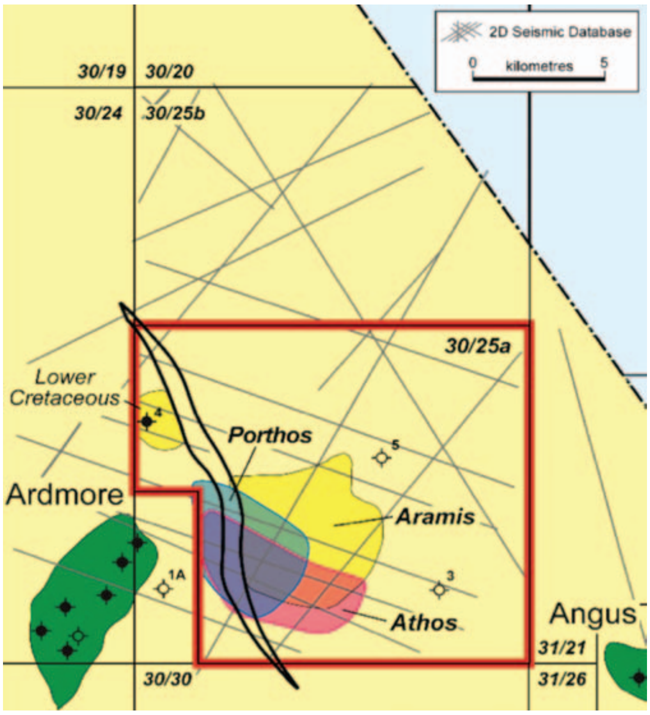


Figure 2: Map of Block 30/25a, existing wells, seismic lines and surrounding fields

Three prospects have been identified in the Lower Cretaceous and Upper Cretaceous sections within Block 30/25a. All prospects are stratigraphic traps with closure provided by pinchout onto the Argyll Ridge to the South-west. Shales and carbonates of the Kimmeridge Clay and Cromer Knoll Group and intraformational clean “tight” limestones and chalk provide the top, bottom and lateral seals. The regionally extensive Kimmeridge Clay is considered to be the source rock. The reservoirs are predicted to consist of Lower Cretaceous sands and Upper Cretaceous resedimented chalks.

A number of vintage 2D seismic surveys in addition to 225 line kilometres of modern long offset 2D seismic were used to identify the prospects on the Block. Three wells were drilled in the licence area by former licensees in the mid-1980’s to the mid-1990’s, with moderate reservoir quality and good oil shows encountered in one of the wells.

Following the award of the licence in January 2011, an existing 3D seismic data set over the licence was purchased and further refinement and de-risking of the identified prospects has occurred during the course of the reporting period. The prospects are being worked up to drill-ready status and Elixir remains on track to commence farmout activities on the licence in Q4, 2011.

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

Block 211/22b and 27d are traditional licences, originally awarded in the 21st UKCS Seaward Licensing Round ("Licensing Round") in 2003. In 2006, Elixir participated in the drilling of the Jaguar well on the permit which, although not successful in the primary objective, displayed oil shows in the Middle Jurassic Brent sequence which then led to a re-evaluation of the earlier Mulle oil discovery within the permit boundary.

Significant new technical and commercial evaluations of the Mulle oil discovery were undertaken during the reporting period in an effort to attract an additional partner to the joint venture to participate in the drilling of an appraisal well. Despite these efforts, a further participant in the licence could not be secured ahead of the expiry of the licence on 30 September 2011. The licence has now been formally relinquished by the joint venture.

DEVELOPMENT AND PRODUCTION REVIEW

Gulf of Mexico

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 field was discovered through the drilling of a well in January 2007 which encountered hydrocarbons in two reservoir horizons comprising the primary objectives for the well. A field development plan was approved by the joint venture and implemented immediately following the initial discovery, which saw the drilling of a second successful development well in July 2007 and the installation of a simple unmanned tripod platform and export pipeline during Q3, 2007. Following commissioning, production commenced from the two wells in September 2007.

Over the course of the last four years the wells have continued to produce from the deeper of the two reservoirs encountered on each well. As reservoir pressure has depleted through production, it has become necessary to utilise artificial lift to flow the wells. During the course of the reporting period, this resulted in the gas production from well #2 being used to lift the oil production from well #1, enabling increased oil flow rates.

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 intention of the joint venture has been for some time to recomplete the two wells, however to receive the approval of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) to allow the temporary abandonment of the currently producing oil zone, the zone must be producing less than 50 barrels of oil per day. Although steadily declining, the oil production rate from well #1 was in excess of this threshold amount throughout the whole of the reporting period. It is anticipated that the production rate from well #1 will drop below 50 barrels a day through natural decline in the coming months. At that time, it is hoped BOEMRE approval will be obtained to undertake the workovers to re-establish higher rates of gas production from the shallower sands within each well.

In total, the field produced 120 mmscf of gas and 21,600 bbls of condensate during the reporting period and achieved an uptime of 81%. The field has delivered cumulatively 4.07 Bcf of gas and 164,000 bbls of condensate from the date of first production to the end of the reporting period. During the financial year, the average price achieved for gas sales was approximately US$4.12/mscf and for condensate was approximately US$79.07/bbl.

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

The Pompano field is located in shallow waters some 11km 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 and was suspended to allow further evaluation.

In December 2010, the decision was made to abandon well ATO#3 in order to achieve cost savings associated with the use of work vessels in the field undertaking abandonment operations on behalf of a third party. The abandonment of the well ATO#3 was completed in January 2011.

As previously reported, the two production wells at Pompano have suffered from issues associated with sand production and bridging within the completions which has resulted in workovers of the wells being undertaken in the past. During the course of the year, sand bridging events again occurred which resulted in the minor amounts of existing production from the wells ceasing completely. In August 2011 the operator initiated workover activities on the two wells to attempt to re-establish production. Elixir elected not to participate in these activities and we understand that the efforts have not been successful in re-establishing production from the field. We are currently awaiting the operator's recommendation in terms of next steps with the Pompano field, but it is unlikely Elixir will elect to participate further in the Pompano Project.

Production for the reporting period totalled 1,054 mmscf of gas and 935 bbls condensate (100% project). In total, the field has produced from early 2008 to the end of the reporting period 6.31 Bcf of gas and 6,435 bbls condensate. During the financial year, the average price achieved for gas sales was approximately US$3.99/mscf and for condensate was approximately US$71.65/bbl.

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

Table 2: Gulf of Mexico Licence Interests

- 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

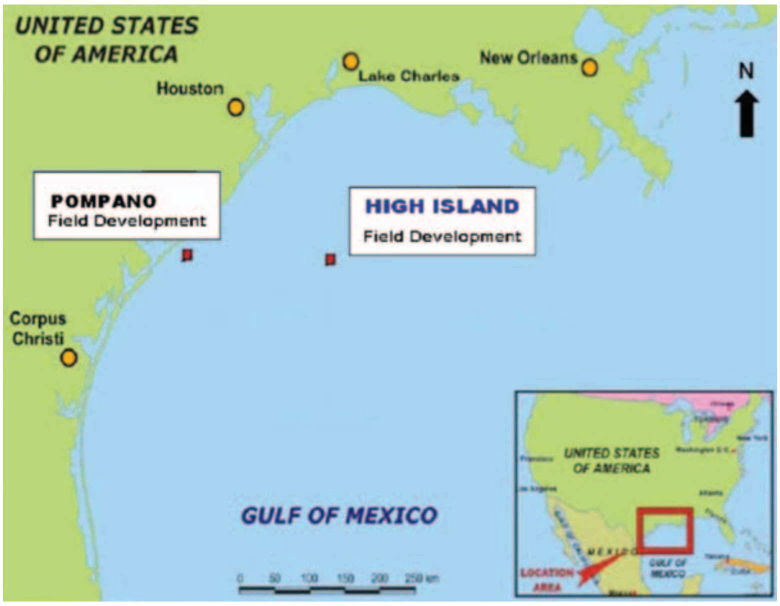


Figure 3: Gulf of Mexico lease locations

UK North Sea

Name	Licence	Block	Interest	Area (km²)	Licensing Round	Licence Type	Grant Date
Dumas	P1882	30/25a	100.0%	50	26th	Promote	10 Jan 11
Tiger	P1602	211/12b	100.0%	50	25th	Traditional	12 Feb 09

Table 3: UK North Sea Licence Interests

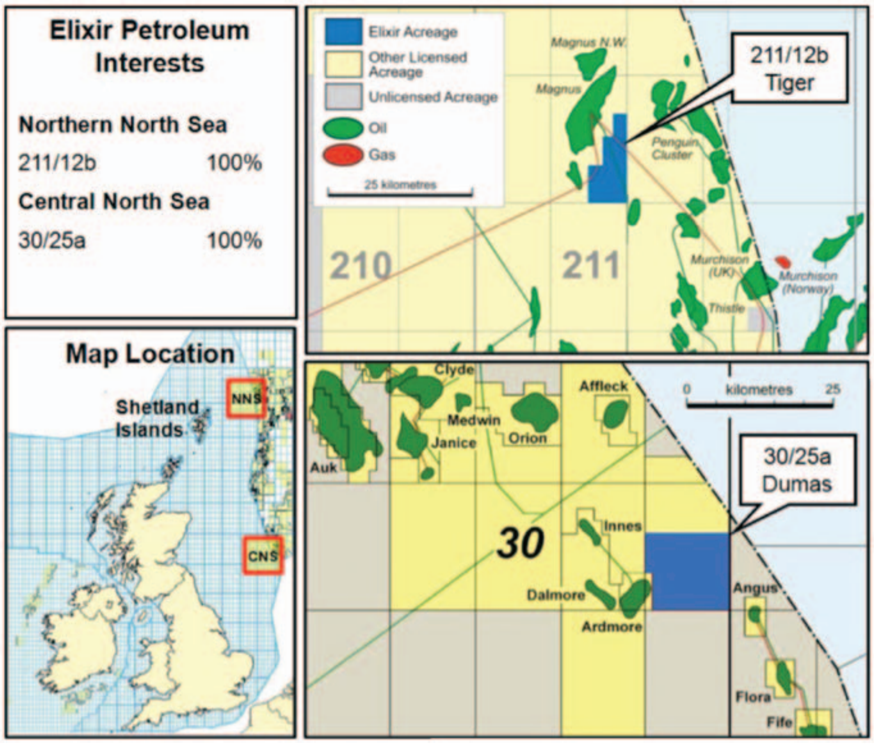


Figure 4: UK North Sea Licence Locations

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 2011 ("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 Jonathan Stewart
Dr John Robertson
Mr Andrew Ross
Mr Iain Knott (resigned 22 July 2011)
Mr Michael Price (appointed 13 January 2011)

Other than as stated above, each director held office from 1 July 2010 until the date of this report.

Principal Activities

Elixir Petroleum is an upstream oil and gas exploration and production parent entity whose primary purpose is to secure, find, develop, produce and sell hydrocarbons. These activities are undertaken either solely or via unincorporated joint venture arrangements. There was no significant change in the nature of these activities during the year.

Summary Financial and Operating Review

Operating Results
For the financial year ended 30 June 2011, the Consolidated Entity recorded a net loss after tax of $3,363,441 (2010: $5,695,287) after charging as expenses, amortisation costs of $461,089 (2010: $3,229,347) and exploration and evaluation costs of $1,164,337 (2010: $2,002,570).

Corporate and Financial
The Consolidated Entity had no financing debt during the reporting period. At 30 June 2011, the Consolidated Entity held cash totalling $1,320,069 (2010: $5,084,315).

Summary Review of Operations
During the year ended 30 June 2011, the Group produced oil and gas from the High Island project and the Pompano project, both located in the US Gulf of Mexico. Gross production from the projects in that period totalled 30,002 barrels of oil (2010: 61,400 barrels) and 641.6 mmscf of gas (2010: 2,123 mmscf). The net production volume attributable to the Group generated $1,119,865 of sales revenue for the period (2010: $2,591,736).

The Group conducted exploration activities in respect of licences located offshore in the UK North Sea and onshore in the Eastern part of the Paris Basin, France. Significant progress was made in the year with respect to the Moselle Permit. Extensive technical studies and the reprocessing and reinterpretation of approximately 1,000 line kilometres of 2D seismic data resulted in a number of conventional oil and gas prospects and leads being defined within the Permit. Added confidence was also gained with respect to the unconventional hydrocarbon potential within the permit area.

On 11 July 2011, the Company announced that it had entered into a conditional farmout agreement with a third party with respect to Block 211/12b located in the UK North Sea, which contains the large Tiger oil prospect.

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.

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 has held a number of executive management positions in listed and unlisted companies in Australia, Canada, the United Kingdom, Russia and Azerbaijan. Those companies had operations in Australia, Europe, North America, Asia and the Former Soviet Union. In that time he was involved in taking a number of companies public on the stock exchanges of Australia, the United Kingdom and Canada. He has considerable experience in the structuring and financing of transactions and the broader strategic development of companies.

Mr. Stewart is also the Executive Chairman of Aurora Oil & Gas Limited, a company listed on the ASX.

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:
1,281,250 fully paid ordinary shares, and 1,750,000 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

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 as 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:
390,000 fully paid ordinary shares and 2,500,000 share options in Elixir Petroleum Ltd.

Mr Iain Knott – Executive Director (resigned 22 July 2011)
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:
1,750,000 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 in Elixir Petroleum Ltd.

Mr Michael Price – Non-Executive Director (appointed 13 January 2011)
Qualifications – BEcon, MBA, Grad Dip Appl Finance & Invest, FAICD
Board Committees: Chair of Audit and Member of Remuneration Committee

Mr Price has broad commercial experience resulting from an extensive career in the finance sector with responsibility for business and risk portfolio. Mr Price was the Chief Operating Officer for one of Australia's largest property funds management businesses prior to its sale in 2005 and is currently the Chief Operating Officer for an Investment Bank with operations in Australia and Asia.

Mr Price holds a Bachelor of Economics and a MBA (UWA), Graduate Diploma in Applied Finance & Investment from the Financial Services Institute of Australasia and is a Fellow of the Australian Institute of Company Directors.

Other current directorships of Australian listed public companies:
Nil

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

Interests in shares and options over shares in Group companies:
400,000 fully paid ordinary shares

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

Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2011, and the number of meetings attended by each director.

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr. Iain Knott	5	5	-	-	-	-
Dr. John Robertson	5	5	2	2	2	2
Mr. Andrew Ross(1)	5	5	1	1	-	-
Mr. Jonathan Stewart	5	5	2	2	2	2
Mr. Michael Price(2)	2	2	1	1	2	2

(1) Resigned from the audit committee on 10 March 2011.
(2) Appointed a member of the relevant committee 13 January 2011.

Share options

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

	Year Ended 30 June 2011		Year Ended 30 June 2010		
Grant Date*	Number	Exercise Price	Number	Exercise Price	Expiry
26-Jun-08	-		1,750,000	A$0.25	31-Mar-11
26-Jun-08	3,250,000	A$0.30	3,250,000	A$0.30	31-Mar-12
26-Jun-08	2,750,000	A$0.35	2,750,000	A$0.35	31-Mar-13
Total	6,000,000		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.

No shares were issued in respect of options that expired during the year ended 30 June 2011 (2010: nil). The options that expired during the year ended 30 June 2011 had of value of A$245,000 at expiry date.

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 (resigned 22 July 2011)
John Robertson	Non-Executive Director
Michael Price	Non-Executive Director (appointed 13 January 2011)

(ii) Executives

Julie Foster	Company Secretary
John Anderson	Senior Geoscientist (appointed 17 January 2011)

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. At the Company's Annual General Meeting held on the 23 November 2010, the shareholders of the Company approved that the aggregate amount of Director fees payable to non-executive directors of the Company be set at $500,000 per annum in total.

The Consolidated Entity'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 Consolidated Entity. 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 at the sole and absolute discretion of the remuneration committee. The remuneration committee assess the achievement of key performance milestones as determined by the remuneration committee to determine bonus payments. 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 2011 short term bonus payments to key management personnel of the Group of $30,000 (2010: Nil) were paid as follows:

		Performance related cash bonus				
	Grant date	Contractual performance bonus $	Discretionary performance bonus $	Total $	Paid	Forfeited
Executive directors						
Andrew Ross	Jan 11	-	30,000	30,000	100%	-

The discretionary bonus paid during the financial year ended 30 June 2011 to Mr. Ross was specifically related to the progress of establishing the Consolidated Entity's onshore interests in France.

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	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 18 and 23 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 2011 financial years:

	Year ended 30 June				
	2007	2008	2009	2010	2011
	$	$	$	$	$
Revenues and finance income	459,470	9,288,970	5,885,942	2,795,261	1,163,371
(Loss) after tax	(3,084,813)	(6,414,503)	(27,349,136)	(5,695,287)	(3,363,441)
Share price at start of year	0.39	0.27	0.26	0.05	0.05
Share price at end of year	0.27	0.26	0.05	0.05	0.05
Change	(0.12)	(0.01)	(0.21)	(0.00)	(0.00)
Loss per share	(0.04)	(0.05)	(0.15)	(0.03)	(0.02)
Total Shareholder Return (TSR) [(i)]	(0.16)	(0.06)	(0.36)	(0.03)	(0.02)

(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 Non-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.
- Base salary, inclusive of health insurance for the year ended 30 June 2011 of £150,000, to be reviewed annually by the Board.
- 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
- Base salary, inclusive of superannuation for the year ended 30 June 2011 of $275,000, to be review annually by the Board.
- 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 employment for Mr John Anderson are formalised in a contract of employment, the material terms of which are as follows:

- Term of agreement – indefinite.
- Base salary, inclusive of health insurance for the year ended 30 June 2011 of £120,000, and a 10% pension contribution, to be reviewed annually by the Board.
- Notice period or termination benefit in lieu of notice, other than for gross misconduct, equal to three months salary and pension contribution.

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

2011	Short-term benefits				Post-employment benefits		Share-based payment		
	Cash salary and fees	Cash payment	Non-monetary benefits	Other [2]	Super-annuation[3]	Retirement benefits	Options	Total	Performance related
	$	$	$	$	$	$	$	$	%
Non-executive directors									
John Robertson	50,000	-	-	-	-	-	-	50,000	-
Michael Price[1]	21,456	-	-	-	1,931	-	-	23,387	-
Jonathan Stewart*	80,000	-	-	-	-	-	-	80,000	-
Sub-total non-executive directors	**151,456**	**-**	**-**	**-**	**1,931**	**-**	**-**	**153,387**	-
Executive directors									
Andrew Ross#	215,995	30,000	-	-	19,440	-	-	265,435	11%
Iain Knott#	266,003	-	-	-	-	-	-	266,003	-
Sub-total executive directors	**481,998**	**30,000**	**-**	**-**	**19,440**	**-**	**-**	**531,438**	**-**
Other executives									
Julie Foster	-	-	-	-	-	-	-	-	-
John Anderson[4]#	99,885	-	-	-	8,864	-	-	108,749	-
Sub-total other executives	**99,885**	**-**	**-**	**-**	**8,864**	**-**	**-**	**108,749**	**-**
Total Key Management Personnel	**733,339**	**30,000**	**-**	**-**	**30,235**	**-**	**-**	**793,574**	**-**

(1) Mr. Price was appointed Non-Executive director on 13 January 2011.
(2) "Other" short term benefits include current year movements in leave and termination benefits.
(3) Includes pension scheme contributions for UK based executives.
(4) Mr. Anderson was appointed an executive on 17 January 2011.
# Denotes one of the 5 highest paid executives of the Consolidated Entity, as required to be disclosed under the Corporations Act 2001.
* 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.

2010	Short-term benefits				Post-employment benefits		Share-based payment		
	Cash salary and fees	Cash payment	Non-monetary benefits	Other [2]	Super-annua-tion[3]	Retirement benefits	Options	Total	Perfor-mance related
	$	$	$	$	$	$	$	$	%
Non-executive directors									
John Robertson	26,759	-	-	-	-	-	-	26,759	-
Sub-total non-executive directors	**26,759**	**-**	**-**	**-**	**-**	**-**	**-**	**26,759**	
Executive directors									
Jonathan Stewart*#	80,000	-	-	-	-	-	38,335	118,335	32%
Andrew Ross#	186,697	-	-	-	16,803	-	63,891	267,391	23%
Iain Knott#	303,608	-	-	-	-	-	38,335	341,943	11%
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

(4) "Other" short term benefits include current year movements in leave and termination benefits

# Denotes one of the 5 highest paid executives of the Consolidated Entity, as required to be disclosed under the Corporations Act 2001.

* 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.

Compensation options: granted and vested during the year

No compensation options were granted during the financial reporting period ended 30 June 2011 (2010: Nil).

Options granted as part of remuneration

No share options were granted during the financial reporting period ended 30 June 2011 (2010: 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 2011 (2010: Nil).

Subsequent events

The following events occurred subsequent to the end of the year:

On 13 July 2011 legislation came into effect in France which prohibits the hydraulic fracture stimulation ("fracing") of hydrocarbon reservoirs following drilling. The legislation also required all permit holders to submit a report to the French regulator stating whether it was anticipated that fracing would be undertaken by the permit holder in the course of its future exploration activities. Elixir Petroleum (Moselle) Limited submitted a report to the regulator on 11 September 2011 confirming that it was not its intention to undertake any form of fracing to advance its exploration objectives at the Moselle Permit in France.

On 11 July 2011, Elixir announced that it had entered into a conditional farm out of an interest in Block 211/12b located in the Northern Sector of the UK North Sea. The farmout is conditional upon the receipt of the approval of the Secretary of the UK Department of Energy and Climate Change.

On 22 July 2011 Mr Iain Knott resigned as an executive director of the Elixir board. Mr Knott continues to work for Elixir in the role of Exploration Manager based in Elixir's UK office.

On 19 September 2011, Elixir announced an independent estimate of the unrisked in-place hydrocarbon volumes for conventional and unconventional plays located within the Moselle Permit in France.

The two existing production wells at the Pompano field, Well 103230 #1 and Well 103229 #1, ceased production during August 2011 due to a combination of water breakthrough and sand bridging combined with depleted reservoir pressures from production. As a result, the operator proposed workovers on each well. On 26 August 2011 and 29 August 2011, Elixir advised the operator of the Pompano Field that it would not be participating in the two respective workovers. The workovers were undertaken in September and were unsuccessful in re-establishing production from each well. We are advised that a further acid treatment is currently being undertaken on Well 103229 #1 in an effort to re-establish production. Elixir is not participating in this operation.

Other than as disclosed above, no events have occurred since 30 June 2011 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

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 under section 5237 of the *Corporations Act 2001* 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 Consolidated Entity was not a party to any such proceedings during the year.

Non-audit services

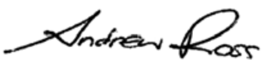
No non-audit services were provided by the Consolidated Entity's auditors during the year (or by any other person or firm on the auditors' behalf) and accordingly the directors are satisfied that the auditor has complied with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Auditor's Independence Declaration

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

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
30 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2011

The Board of Directors
Elixir Petroleum Limited
Level 20, 77 St Georges Tce
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF ELIXIR PETROLEUM LIMITED

As lead auditor of Elixir Petroleum Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Elixir Petroleum Limited and the entities it controlled during the period.

Peter Toll
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ELIXIR PETROLUEM LIMITED

We have audited the accompanying financial report of Elixir Petroleum Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Elixir Petroleum Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Elixir Petroleum Limited is in accordance with the *Corporations Act 2001*, including:

(a) the financial report of Elixir Petroleum Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the group incurred a net loss of $3,363,441 and had a net cash outflow from operations of $1,255,403 during the year ended 30 June 2011. The ability of the group to continue as a going concern is dependant upon the successful completion of a future capital raising. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and whether it will be to realise its assets and extinguished its liabilities at amounts detailed in these financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report for the year ended 30 June 2011. 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 Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 30th day of September 2011

In the Directors' opinion:

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

a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
b. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
c. 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
d. the financial statements and accompanying notes are presented in compliance with IFRS and interpretations adopted by the International Accounting Standards Board.
e. the remuneration disclosures set out in the Directors' report (as part of the audited remuneration report) for the year ended 30 June 2011 comply with section 300A of the *Corporations Act 2001; and*
f. at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 25 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 25.

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*.

On behalf of the Directors

Andrew Ross

Andrew Ross
Managing Director
Perth, Western Australia
30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue from oil and gas sales	(4)	**1,119,865**	2,591,736
Operating and production costs		**(587,887)**	(1,097,483)
General and administrative costs		**(890,173)**	(1,883,796)
Share-based payment expense	(6)	**-**	(140,561)
Foreign exchange loss	(6)	**(250,841)**	(105,425)
EBITDAX[1]		**(609,036)**	(635,529)
Depreciation, depletion and amortisation expense	(5)	**(482,886)**	(3,260,713)
Exploration, evaluation and development costs expensed	(5)	**(1,164,337)**	(2,002,570)
Impairment expense	(5)	**(1,150,688)**	-
EBIT[2]		**(3,406,947)**	**(5,898,812)**
Finance income	(4)	**43,506**	203,525
Loss before income tax		**(3,363,441)**	(5,695,287)
Income tax expense	(7)	**-**	-
Net loss attributable to owners of Elixir Petroleum Limited for the year		**(3,363,441)**	(5,695,287)
Other comprehensive income			
Foreign currency translation differences		**(890,592)**	(271,032)
Other comprehensive income for the year		**(890,592)**	**(271,032)**
Total comprehensive income for the year attributable to owners of Elixir Petroleum Limited		**(4,254,033)**	**(5,966,319)**
(Loss) per share			
Basic and diluted (loss) per share (cents per share)	(8)	**(1.78)**	(3.01)

[1] EBITDAX: Earnings before interest, tax, depreciation, depletion and amortisation, exploration and evaluation costs written off.
[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 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Assets			
Current assets			
Cash and cash equivalents	(9)	**1,320,069**	5,084,315
Trade and other receivables	(10)	**784,633**	1,685,520
Total current assets		**2,104,702**	6,769,835
Non-current assets			
Oil and gas properties	(11)	**2,265,618**	3,177,275
Other plant and equipment	(12)	**17,179**	39,418
Deferred exploration and evaluation expenditure	(13)	**1,769,126**	778,276
Total non-current assets		**4,051,923**	3,994,969
Total assets		**6,156,625**	10,764,804
Liabilities			
Current liabilities			
Trade and other payables	(14)	**402,084**	488,454
Provisions	(15)	**307,209**	308,011
Total current liabilities		**709,293**	796,465
Non-current liabilities			
Provisions	(15)	**1,126,344**	1,393,318
Total non-current liabilities		**1,126,344**	1,393,318
Total liabilities		**1,835,637**	2,189,783
Net Assets		**4,320,988**	8,575,021
Equity			
Contributed equity	(16)	**60,644,366**	60,644,366
Reserves	(17)	**1,699,254**	2,589,846
Accumulated losses	(17)	**(58,022,632)**	(54,659,191)
Total equity		**4,320,988**	8,575,021

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

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended 30 June 2011

	Share Capital	Option Premium Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$	$
Consolidated						
Balance as at 1 July 2009	60,644,366	1,773,184	730,739	216,394	(48,963,904)	14,400,779
(Loss) for the year	-	-	-	-	(5,695,287)	(5,695,287)
Exchange differences on translation of foreign operations	-	-	-	(271,032)	-	(271,032)
Total comprehensive income for the year	-	-	-	(271,032)	(5,695,287)	(5,966,319)
Transactions with owners, in their capacity as owners						
Share option expense	-	-	140,561	-	-	140,561
	-	-	140,561	-	-	140,561
Balance as at 30 June 2010	**60,644,366**	**1,773,184**	**871,300**	**(54,638)**	**(54,659,191)**	**8,575,021**
(Loss) for the year	**-**	**-**	**-**	**-**	**(3,363,441)**	**(3,363,441)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(890,592)**	**-**	**(890,592)**
Total comprehensive income for the year	**-**	**-**	**-**	**(890,592)**	**(3,363,441)**	**(4,254,033)**
Transactions with owners, in their capacity as owners	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at 30 June 2011	**60,644,366**	**1,773,184**	**871,300**	**(945,230)**	**(58,022,632)**	**4,320,988**

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 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Receipts from sales		**1,362,350**	2,478,736
Payments to suppliers and employees		**(2,617,753)**	(4,890,513)
Net cash (outflow) from operating activities	(21)	**(1,255,403)**	(2,411,777)
Cash flows from investing activities			
Payments for capitalised oil & gas properties		**(607,900)**	-
Payments for capitalised exploration, evaluation and development		**(1,704,381)**	(800,469)
Payment for property, plant & equipment		**(3,745)**	-
Interest received		**58,024**	237,525
Net cash (outflow) from investing activities		**(2,258,002)**	(562,944)
Net (decrease) in cash and cash equivalents		**(3,513,405)**	(2,974,721)
Cash and cash equivalents at 1 July		**5,084,315**	8,081,479
Effect of change in exchange rates		**(250,841)**	(22,443)
Cash and cash equivalents at 30 June	(9)	**1,320,069**	5,084,315

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

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.

The Group incurred a net loss of $3,363,441 for the year ended 20 June 2011 and had net cash outflow from operations of $1,255,403 for the year. Notwithstanding this, the financial report has been prepared on a going concern basis.

The ability of the consolidated entity to continue as a going concern is dependent upon a successful future capital raising. As at the date of this report Elixir expect to successfully raise capital in the future to supplement working capital requirements. However, should the entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities at amounts different from those stated in the financial statements.

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.

(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 2011 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.

1. Summary of significant accounting policies (continued)

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 business combinations 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 22.

(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.

Management has determined, based on the reports reviewed by the Board of Directors that are used to make strategic decisions, that the Group has three reportable segments being oil and gas exploration and production in the United Kingdom (UK), oil and gas exploration and production in France and oil and gas exploration and production in the United States of America (USA). The Group's management and administration office is located in Australia.

The Board of Directors review internal management reports on a monthly basis that are consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cashflows.

(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 Elixir's functional and presentation currency.

(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.

1. Summary of significant accounting policies (continued)

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.

(iv) 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.

1. Summary of significant accounting policies (continued)

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 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.

1. Summary of significant accounting policies (continued)

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 27.

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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(j) Property, plant and equipment (other than oil and 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 (continued)

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

Exploration & evaluation expenditure
The Consolidated Entity's accounting policy for expenditure on exploration and of evaluation is accounted for in accordance with the area of interest 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 statement of financial position.

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 statement of financial position and matched against the benefits derived from production once this commences.

Costs
Exploration licence acquisition costs relating to greenfields oil and gas exploration provinces are expensed as incurred while the 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 reporting 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 and 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 and Gas Properties. Operating costs of projects in commercial production are expensed as incurred.

1. Summary of significant accounting policies (continued)

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 2011 was $461,089 (2010: $3,229,347).

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 statement of financial position 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.

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.

1. Summary of significant accounting policies (continued)

(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 the 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 statement of financial position 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.

1. Summary of significant accounting policies (continued)

(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) is recognise 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 (GST) and Value Added Tax (VAT)

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

- where the amount of GST or VAT 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 or VAT.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST or VAT 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.

(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.

1. Summary of significant accounting policies (continued)

(t) 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 has chosen not to early-adopt any accounting standards that have been issued, but are not yet effective. Set out below is a summary of issued accounting standards, relevant to the Consolidated Entity, which are not yet effective and a description of their expected effect on the Group's financial statements (if any).

AASB 2010-4 *Amendments to Australian Accounting Standards – Financial Instruments: Disclosures* [AASB 7] (effective 1 January 2011)

In June 2010 the AASB issued an amendment to AASB 7 *Financial Instruments: Disclosures*, which deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held. There will be

no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

AASB 2010-4 *Amendments to Australian Accounting Standards – Presentation of Financial Statements* [AASB 101] (effective 1 January 2011)

In June 2010 the AASB issued an amendment to AASB 101 *Presentation of Financial Statements*, which allows that a detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements. There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

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 Consolidated Entity will apply the amended standards from 1 July 2011. When the amendments are applied, the Consolidated Entity 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 to the related party disclosures.

1. Summary of significant accounting policies (continued)

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (effective from Periods commencing on or after 1 January 2013)

Issued December 2010, the following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9. These include the requirements relating to:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective from annual reporting periods commencing on or after 1 July 2011)

Issued November 2010 requires additional disclosures for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

AASB 13 *Fair Value Measurement* (effective from 1 January 2013)

Issued May 2011 requires additional disclosures for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, for example land and buildings and investment properties.

When this standard is adopted for the first time on 1 July 2012, additional disclosures will be required about fair values.

AASB 10 *Consolidated Financial Statements* (effective for annual reporting periods commencing on or after 1 January 2013)

Issued May 2011, IFRS 10 introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice)
- Exposure, or rights, to variable returns from investee
- Ability to use power over investee to affect the entity's returns from investee.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.

AASB 1054 *Australian Additional Disclosure* (effective annual report periods commencing on or after 1 July 2011)

Issued May 2011, AASB 1054 moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. This standard removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories).

When this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054

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:

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 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 2011 the carrying amount of deferred exploration and evaluation expenditure is $1,769,126 (2010: $778,276).

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 and gas operations are held through the Company's wholly-owned US entities (note 22).

Taxation of oil and 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:

(i) claim an immediate deduction for Intangible Drilling Costs («IDC»); and
(ii) 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 its 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.

2. Critical accounting estimates & judgments (continued)

At reporting 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 reporting 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 Group 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 charged for the year ended 30 June 2011 was $461,089 (2010: $3,229,347).

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 19.

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 2011 rehabilitation obligations have a carrying value of $1,126,344 (2010: $1,393,818).

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 2011, the carrying value of oil & gas properties is $2,265,618 (2010: $3,177,275).

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 three reportable segments being oil and gas exploration and production in the United Kingdom (UK), oil and gas exploration and production in France and oil and gas exploration and production in the United States of America (USA). The Group's management and administration office is located in Australia.

The Board of Directors review internal management reports on a monthly basis that are 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.

3. Segment Information (continued)

Reportable segment revenue
Revenue, including interest income, is disclosed below based on the reportable segment:

	2011 $	2010 $
Revenue from oil and gas exploration and production - UK	**-**	69,561
Revenue from oil and gas exploration and production - France	**-**	-
Revenue from oil and gas exploration and production – USA	**1,119,865**	2,522,174
Revenue from other corporate activities	**43,506**	203,541
	1,163,371	2,795,276

Reportable segment assets
Assets are disclosed below based on the reportable segment:

	2011 $	2010 $
Asset from oil and gas exploration and production – UK	**291,455**	601,770
Asset from oil and gas exploration and production – France	**1,511,517**	1,266,869
Asset from oil and gas exploration and production – USA	**2,903,218**	3,767,250
Assets from other corporate activities:		
Cash and cash equivalents	**1,320,069**	5,084,315
Other corporate assets	**130,366**	44,600
	6,156,625	10,764,804

Reportable segment loss
Loss is disclosed below based on the reportable segment:

	2011 $	2010 $
Loss from oil and gas exploration and production – UK	**(773,317)**	(1,811,587)
Loss from oil and gas exploration and production – France	**(1,003,888)**	-
Loss from oil and gas exploration and production – USA	**(435,632)**	(1,957,944)
Loss from other corporate activities	**(1,150,604)**	(1,925,756)
	(3,363,441)	(5,695,287)

4. Revenue from continuing operations

	Consolidated	
	2011	2010
	$	$
Revenue from oil & gas sales	**1,119,865**	2,591,736
Interest received	**43,506**	203,525
	1,163,371	2,795,261

5. Expenses

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

	Consolidated	
	2011	2010
	$	$
Amortisation of oil & gas properties	**461,089**	3,229,347
Depreciation of plant and equipment	**21,797**	31,366
	482,886	3,260,713
Impairment of oil and gas properties	**506,520**	-
Impairment of deferred exploration and evaluation expenditure	**644,168**	-
	1,150,688	-
Exploration expenditure expensed	**1,164,337**	2,002,570

6. Other expenses

	Consolidated	
	2011	2010
	$	$
Share based payments	**-**	140,561
Foreign exchange loss	**250,841**	105,425
	250,841	245,986

7. 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	
	2011	2010
	$	$
Prima facie tax benefit on loss at 30% (2010: 30%)	(1,009,032)	(1,708,586)
Add tax effect of:		
Foreign/overseas tax losses not recognised	316,566	1,537,289
Revenue losses not recognised	187,768	292,480
Effect of foreign tax differential	24,191	(48,899)
Share based payments	-	42,168
Other non-allowable items	453,227	53,029
Less tax effect of:		
Other allowable items	(27,280)	167,481
Income tax (benefit) / expense	-	-

The following deferred tax balances have not been recognised

Deferred tax assets		
Tax losses	**6,563,757**	7,382,555
Capital raising costs	**31,273**	59,139
Provisions and accruals	**90,679**	38,860
Total deferred tax assets	**6,685,709**	7,480,554
Deferred tax liability		
Oil and gas properties	**(1,288,322)**	(1,329,963)
Total deferred tax liability	**(1,288,322)**	(1,329,963)
Net deferred tax asset not recognised	**5,397,387**	6,150,591

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.

8. Loss per share

	Consolidated	
	2011	2010
	$	$
Loss used in calculation of basic / diluted loss per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(3,363,441)**	(5,695,287)
Weighted average number of ordinary shares used as the denominator in calculating basic / diluted loss per share	**188,988,472**	188,988,472
	Cents	Cents
Basic / diluted loss per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity	**(1.78)**	(3.01)

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.

9. Cash and cash equivalents

	Consolidated	
	2011	2010
	$	$
Cash at bank and in hand	**1,273,073**	1,409,675
Deposits at call	**46,996**	3,674,640
	1,320,069	5,084,315

Information about the Consolidated Entity's exposure to foreign exchange risk and interest rate risk in relation to cash and cash equivalents is provided in note 27.

10. Trade and other receivables

	Consolidated 2011 $	Consolidated 2010 $
Trade receivables	**262,924**	589,974
Other receivables and prepayments	**521,709**	1,095,546
	784,633	1,685,520

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.

(a) Fair value

Due to the short-term nature of these receivables, their carrying value approximates fair value.

(b) Credit risk – refer to note 27

(c) Impaired trade receivables

No Consolidated Entity trade receivables were past due or impaired as at 30 June 2011 (2010: nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business.

11. Oil and gas properties

	Consolidated 2011 $	Consolidated 2010 $
Producing projects		
At cost	**31,628,998**	38,813,827
Accumulated amortisation	**(17,090,740)**	(20,934,218)
Impairment provision	**(12,272,640)**	(14,818,209)
Net carrying amount	**2,265,618**	3,061,400
Development projects		
At cost	**1,814,338**	2,244,385
Impairment provision	**(1,814,338)**	(2,128,510)
Net carrying amount	**-**	115,875
Total	**2,265,618**	3,177,275

11. Oil and gas properties (continued)

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

	Tangible Costs	Intangible Costs	Prepaid Drilling & Completion Costs	Total
	$	$	$	$
Producing Projects				
At Cost				
At 1 July 2009	3,003,876	36,460,634	12,260	39,476,770
Additions	-	346,641	-	346,641
Net movement in prepaid		-	(1,800)	(1,800)
Foreign exchange movement	(182,800)	(2,218,802)	-	(2,401,602)
At 30 June 2010	2,821,076	34,588,473	10,460	37,420,009
Additions	-	52,064	-	52,064
Net movement in prepaid	-	-	(10,460)	(10,460)
Foreign exchange movement	(540,546)	(6,971,864)	-	(7,512,410)
At 30 June 2011	**2,280,530**	**27,668,673**	**-**	**29,949,203**
Associated future restoration costs capitalised				
At 1 July 2009	-	1,483,602	-	1,483,602
Foreign exchange movement	-	(89,784)	-	(89,784)
At 30 June 2010	**-**	1,393,818	-	1,393,818
Additions	-	553,450	-	553,450
Foreign exchange movement	-	(267,473)	-	(267,473)
At 30 June 2011	**-**	**1,679,795**	**-**	**1,679,795**

11. Oil and gas properties (continued)

	Tangible Costs $	Intangible Costs $	Prepaid Drilling & Completion Costs $	Total $
Accumulated amortisation				
At 1 July 2009	(700,233)	(17,678,574)	-	(18,378,807)
Amortisation for the year	-	(3,260,713)	-	(3,260,713)
Transfer from impairment provision	-	(344,372)	-	(344,372)
Foreign exchange movement	43,697	1,005,977	-	1,049,674
At 30 June 2010	(656,536)	(20,277,682)	-	(20,934,218)
Amortisation for the year	-	(428,834)	-	(428,834)
Foreign exchange movement	120,536	4,151,776	-	4,272,312
At 30 June 2011	**(536,000)**	**(16,554,740)**	**-**	**(17,090,740)**
Impairment Provision				
At 1 July 2009	(1,204,298)	(14,917,497)	-	(16,121,795)
Transfer to accumulated amortisation	-	344,372	-	344,372
Foreign exchange movement	73,287	885,927	-	959,214
At 30 June 2010	(1,131,011)	(13,687,198)	-	(14,818,209)
Impairment	(28,419)	(348,995)	-	(377,414)
Foreign exchange movement	216,713	2,706,270	-	2,922,983
At 30 June 2011	**(942,717)**	**(11,329,923)**	**-**	**(12,272,640)**
Net carrying value				
At 1 July 2010	1,033,529	2,017,411	10,460	3,061,400
At 30 June 2011	**801,813**	**1,463,805**	**-**	**2,265,618**
Development projects				
Cost				
At 1 July 2009	19,031	2,368,245	-	2,387,276
Additions during the year	-	2,386	-	2,386
Foreign exchange movement	(1,158)	(144,119)	-	(145,277)
At 30 June 2010	17,873	2,226,512	-	2,244,385
Foreign exchange movement	(3,425)	(426,622)	-	(430,047)
At 30 June 2011	**14,448**	**1,799,890**	**-**	**1,814,338**

11. Oil and gas properties (continued)

	Tangible Costs	Intangible Costs	Prepaid Drilling & Completion Costs	Total
	$	$	$	$
Impairment Provision				
At 1 July 2009	-	(2,266,433)	-	(2,266,433)
Foreign exchange movement	-	137,923	-	137,923
At 30 June 2010	-	(2,128,510)	-	(2,128,510)
Impairment	(14,448)	(79,224)	-	(93,672)
Foreign exchange movement	-	407,844	-	407,844
At 30 June 2011	**(14,448)**	**(1,799,890)**	**-**	**(1,814,338)**
Net carrying value				
At 1 July 2010	17,873	98,002	-	115,875
At 30 June 2011	**-**	**-**	**-**	**-**

12. Plant and equipment

	Consolidated	
	2011	2010
	$	$
Plant and equipment at cost	**70,664**	77,867
Accumulated depreciation	**(53,485)**	(38,449)
Total plant and equipment	**17,179**	39,418
A reconciliation of movements in property, plant and equipment is as follows:		
Carrying amount at the beginning of the year	**39,418**	86,624
Additions	**3,745**	-
Depreciation expense	**(21,797)**	(31,366)
Foreign exchange movement	**(4,187)**	(15,840)
Carrying amount at the end of year	**17,179**	39,418

13. Deferred exploration & evaluation expenditure

	Consolidated	
	2011	2010
	$	$
Balance at 1 July	**778,276**	1,295,047
Amount capitalised during the year	**1,704,381**	446,160
Written-off during the year	**-**	(777,139)
Impairment	**(644,168)**	-
Foreign exchange movements	**(69,363)**	(185,792)
Balance at 30 June	**1,769,126**	778,276

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

14. Trade and other payables

	Consolidated	
	2011	2010
	$	$
Trade payables	**367,850**	465,538
Other payables	**34,234**	22,916
	402,084	488,454

Trade payables and other payables are non interest-bearing and are normally settled on 30 day terms.

Information about the Consolidated Entity's exposure to foreign exchange risk in relation to trade and other payables is provided in note 27.

15. Provisions

	Consolidated	
	2011	2010
	$	$
Current		
Provision for annual leave	**19,361**	20,162
Provision for termination benefits	**287,848**	287,849
	307,209	308,011
Non-current		
Provision for restoration costs	**1,126,344**	1,393,318

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(n). Movements in this provision during the current and prior year are as follows:

Non-current		
Opening balance	**1,393,318**	1,483,602
Foreign exchange movement	**(266,974)**	(90,284)
Closing balance	**1,126,344**	1,393,318

16. Contributed equity

	2011	2010	**2011**	2010
	No.	No.	**$**	$
Fully paid ordinary shares	**188,988,472**	188,988,472	**60,644,366**	60,644,366

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:

	Number of shares	$
Balance at 1 July 2009	188,988,472	60,644,366
Balance 30 June 2010	188,988,472	60,644,366
Balance at 30 June 2011	**188,988,472**	**60,644,366**

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.

16. Contributed equity (continued)

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.

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

17. Reserves and accumulated losses

	Consolidated	
	2011	2010
	$	$
Option premium reserve		
Opening balance	**1,773,184**	1,773,184
Closing balance	**1,773,184**	1,773,184
Foreign currency translation reserve		
Opening balance	**(54,638)**	216,394
Currency translation differences arising during the year	**(890,592)**	(271,032)
Closing balance	**(945,230)**	(54,638)
Share-based payment reserve		
Opening balance	**871,300**	730,739
Share-based payment expense	**-**	140,561
Closing balance	**871,300**	871,300
Total reserves	**1,699,254**	2,589,846
Accumulated losses		
Opening balance	**(54,659,191)**	(48,963,904)
Net loss for the year	**(3,363,441)**	(5,695,287)
Closing balance	**(58,022,632)**	(54,659,191)

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.

18. Options

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

Type	2011 Number	2010 Number	Exercise Price $	Expiry
ESOP Tranche 1 (EXRAI)	-	1,750,000	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
	6,000,000	7,750,000		

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.

During the year ended 30 June 2011 1,750,000 options expired without being exercised (2010: 887,148 options).

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

	Number 2011	Number 2010
Opening balance	**7,750,000**	8,637,148
Expired during the year		
ESOP Tranche 1 (EXRAI)	**(1,750,000)**	(250,000)
Ambrian Options (EXRAO)	-	(637,148)
Closing balance	**6,000,000**	**7,750,000**

19. Share-based payments

During the year ended 30 June 2011 1,750,000 ESOP Tranche 1 options expired without being exercised (2010: 250,000 ESOP Tranche 1 options). No options were granted or forfeited during the current financial year (2010: 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.

20. Parent entity information

The following information related to the parent entity, Elixir Petroleum Limited, at 30 June 2011. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Company	
	2011	2010
	$	$
Current assets	**940,705**	4,138,120
Non-current assets	**3,683,582**	5,022,895
Total assets	**4,624,287**	9,161,015
Current liabilities	**364,894**	585,992
Total liabilities	**364,894**	585,992
Contributed equity	**60,644,366**	60,644,366
Share-based payment reserve	**871,300**	871,300
Option premium reserve	**1,773,184**	1,773,184
Accumulated losses	**(59,029,457)**	(54,713,827)
Total equity	**4,259,393**	8,575,023
Loss for the year	**(4,315,630)**	(5,966,316)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(4,315,630)**	(5,966,316)

At reporting date amounts receivable from controlled entities at cost totalled $13,700,742 (2010: $13,975,789). The amounts receivable were fully impaired at 30 June 2011 and 30 June 2010. The transactions were made interest free with no fixed terms for repayment.

At reporting date the parent entity has no commitments or contingencies. Information about a deed of cross guarantee to which the parent entity and Elixir Petroleum (Australia) Pty Ltd are parties is provided in note 25.

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:

20. Parent entity information (continued)

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 2011 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	
	2011	2010
	$	$
Sale of goods and services		
Management fees & recharges to subsidiaries	**266,003**	383,234
Loans to subsidiaries		
Balance at 1 July	**13,975,789**	15,357,195
Loans written off	**(280,578)**	(1,381,406)
Balance at 30 June	**13,695,211**	13,975,789

(b) Investments in controlled entities

Name of Entity	Country of incorporation	Class of shares	Equity holding 2011	Equity holding 2010
Elixir Petroleum (Australia) Pty Ltd	Australia	Ordinary	**100%**	100%
Transition Resources Ltd [1]	Australia	Ordinary	**-**	100%
Globe Resources Pty Ltd [1]	Australia	Ordinary	**-**	100%
Elixir Petroleum (Europe) Ltd	United Kingdom	Ordinary	**100%**	100%
Elixir Petroleum (Technical Services) Ltd	United Kingdom	Ordinary	**100%**	100%
Elixir Petroleum (France) Ltd	United Kingdom	Ordinary	**100%**	100%
Elixir Petroleum (Moselle) Ltd	United Kingdom	Ordinary	**100%**	100%
Elixir Petroleum (Meuse) Ltd[2]	United Kingdom	Ordinary	**100%**	-
Elixir Petroleum (Thionville) Ltd[2]	United Kingdom	Ordinary	**100%**	-
Cottesloe Oil & Gas LLC	USA	Ordinary	**100%**	100%
Cottesloe Oil & Gas Inc	USA	Ordinary	**100%**	100%

(1) Transition Resources Ltd and Globe Resources Pty Ltd were wound up during the year ended 30 June 2011.
(2) Elixir Petroleum (Meuse) Ltd and Elixir Petroleum (Thionville) Ltd were incorporated as UK registered entities during the year ended 30 June 2011.

20. Parent entity information (continued)

(c) Ultimate Parent Company

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

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

	Consolidated	
	2011	2010
	$	$
Operating loss from continuing operations after tax	**(3,363,441)**	(5,695,287)
Non-cash items		
Impairment write down of oil and gas properties	**1,150,688**	-
Depreciation, depletion & amortisation	**482,886**	3,260,713
Exploration & evaluation costs written down	**-**	777,139
Share-based payment	**-**	140,561
Net exchange rate differences	**(28,771)**	317,344
Non-operating cashflows		
Interest income	**(43,506)**	(203,525)
Movement in assets and liabilities		
(Decrease) in current liabilities	**(86,370)**	(68,835)
(Increase) / decrease in current assets	**900,887**	(902,381)
(Decrease) / increase in provisions	**(267,776)**	(37,506)
Net cash (outflow) / inflow from operating activities	**(1,255,403)**	(2,411,777)

22. Jointly controlled assets

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

Project	Blocks	Activity	Location	Working Interest	
				2011	**2010**
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%	100%

[1] Moselle Permit – The acquisition of this permit was completed in April 2010.

Details of capital commitments in respect of these jointly controlled assets are disclosed in note 29.

23. 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
Mr. Michael Price	Non-Executive Director

(b) Other key management personnel and executives

Ms. Julie Foster	Chief Financial Officer and Company Secretary
Mr. John Anderson	Senior Geoscientist
Mr. James Stockley	Commercial Manager

(c) Key management personnel compensation

	Consolidated	
	2011	2010
	$	$
Short term employee benefits	**763,339**	676,695
Post-employment benefits	**30,235**	16,803
Share-based payments	**-**	140,561
	793,574	834,059

23. Key management personnel disclosures (continued)

(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 start of the year	Granted as compensation	Exercised during the year	Net other change	Balance at end of year	Vested and exercisable	Unvested
2011							
Directors of Elixir Petroleum Limited							
Jonathan Stewart	2,500,000	-	-	(750,000)	1,750,000	1,750,000	-
Andrew Ross	2,500,000	-	-	-	2,500,000	2,500,000	-
Iain Knott	2,500,000	-	-	(750,000)	1,750,000	1,750,000	-
John Robertson	250,000	-	-	(250,000)	-	-	-
Michael Price	-	-	-	-	-	-	-
Other key management personnel and executives							
Julie Foster	-	-	-	-	-	-	-
John Anderson[3]	-	-	-	-	-	-	-
2010							
Directors of Elixir Petroleum Limited							
Jonathan Stewart	2,500,000	-	-	-	2,500,000	2,500,000	-
Andrew Ross	2,500,000	-	-	-	2,500,000	2,500,000	-
Iain Knott	2,500,000	-	-	-	2,500,000	2,500,000	-
John Robertson	250,000	-	-	-	250,000	250,000	-
Other key management personnel and executives							
Julie Foster[1]	-	-	-	-	-	-	-
David Lim[2]	-	-	-	-	-	-	-
James Stockley[4]	-	-	-	-	-	-	-

(1) Ms. Foster was appointed as Company Secretary on 23 October 2009.
(2) Mr. Lim resigned as Company Secretary on 23 October 2009.
(3) Mr. Anderson was appointed an executive on 17 January 2011.
(4) Mr. Stockley resigned 30 September 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 start of the year	Acquired	Net other change	Balance at the end of the year
2011				
Directors of Elixir Petroleum Limited				
Jonathan Stewart[(1)]	281,250	1,000,000	-	1,281,250
Andrew Ross	35,000	355,000	-	390,000
Iain Knott	-	-	-	-
John Robertson	425,000	-	-	425,000
Michael Price[(4)]	-	-	400,000	400,000
Other key management personnel and executives				
Julie Foster	-	-	-	-
John Anderson[(5)]	-	-	-	-
2010				
Directors of Elixir Petroleum Limited				
Jonathan Stewart[(1)]	281,250	-	-	281,250
Andrew Ross	35,000	-	-	35,000
Iain Knott	-	-	-	-
John Robertson	425,000	-	-	425,000
Other key management personnel and executives				
Julie Foster[(2)]	-	-	-	-
David Lim[(3)]	-	-	-	-
James Stockley[(6)]	-	-	-	-

(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. Lim resigned as CFO and Company Secretary on 23 October 2009.
(4) Mr. Price was appointed as a non-executive director on 13 January 2011.
(5) Mr. Anderson was appointed an executive on 17 January 2011.
(6) Mr. Stockley resigned 30 September 2009.

24. Related party transactions

Transactions with controlled entities are disclosed in note 20(a). Compensation and equity transactions with Key Management Personnel are disclosed in note 23 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	
		2011	2010
	Note	**$**	$
Payments for services	(i)	**100,136**	165,441

(i) During the year an amount of $100,136 (2010: $165,441) was expensed on commercial terms for office accommodation (rental and outgoings), car parking and 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 $18,281 (2010: $31,142).

25. 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 statement of comprehensive income 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 statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2011 of the Closed Group consisting of Elixir Petroleum Limited and Elixir Petroleum (Australia) Pty Ltd.

25. Deed of cross guarantee (continued)

(a) Statement of comprehensive income for the year ended 30 June 2011

	Closed Group	
	2011	2010
	$	$
General and administrative costs	**(1,094,256)**	(1,457,902)
Share based payment expenses	**-**	(140,561)
Other Costs	**(2,434,706)**	(2,021,021)
Other income	**266,003**	383,256
EBITDAX	**(3,262,959)**	(3,236,228)
Exploration & evaluation costs written off	**(30,650)**	(10,829)
EBIT	**(3,293,609)**	(3,247,057)
Finance income	**43,506**	202,352
Loss before income tax	**(3,250,103)**	(3,044,705)
Income tax expense	**-**	-
Net loss attributable to members of Closed Group	**(3,250,103)**	(3,044,705)
Movement in accumulated losses for the year end 30 June		
Closed Group accumulated losses at 1 July	**(30,419,885)**	(27,375,180)
Net loss of Closed Group for the year to 30 June	**(3,250,103)**	(3,044,705)
Closed Group accumulated losses as at 30 June	**(33,669,988)**	(30,419,885)

25. Deed of cross guarantee (continued)

(b) Statement of financial position as at 30 June 2011

	Closed Group	
	2011	2010
	$	$
Assets		
Current assets		
Cash and cash equivalents	**922,234**	4,132,938
Trade and other receivables	**-**	5,183
Total current assets	**922,234**	4,138,121
Non-current assets		
Receivables	**6,266,926**	6,542,190
Investment in subsidiaries	**22,774,797**	22,774,646
Other plant and equipment	**1,328**	-
Total non-current assets	**29,043,051**	29,316,836
Total assets	**29,965,285**	33,454,957
Liabilities		
Current liabilities		
Trade and other payables	**50,171**	277,983
Provisions	**296,253**	308,010
Total liabilities	**346,424**	585,993
Net assets	**29,618,861**	32,868,964
Equity		
Contributed equity	**60,644,365**	60,644,365
Reserves	**2,644,484**	2,644,484
Accumulated losses	**(33,669,988)**	(30,419,885)
Total parent entity interest in equity	**29,618,861**	32,868,964

26. 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	
	2011	2010
	$	$
(a) BDO Audit (WA) Pty Ltd for:		
(i) Audit and assurance services		
Audit and review of financial statements	**48,000**	-
(ii) Other services		
Independent accounting treatment advice	**-**	1,000
Total remuneration of BDO Audit (WA) Pty Ltd	**48,000**	1,000
(b) Mack & Co for:		
(i) Audit and assurance services		
Audit and review of financial statements	**-**	68,000
(ii) Taxation services		
Taxation disclosure	**-**	3,250
Total remuneration of Mack & Co	**-**	71,250
(c) MacIntyre Hudson LLP for:		
(i) Audit and assurance services		
Audit of UK subsidiary accounts	**34,894**	51,000
Total remuneration for audit services	**82,894**	123,250

27. 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.

27. Financial risk management (continued)

(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.

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 ($A). The Consolidated Entity maintains a UK office and, as its activities include operations in the south of the USA and France, it also has United States dollar ($US) and Euro 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, $A / £GBP and $A / Euro exchange rates.

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:

	2011			2010	
	US$	**£**	**Euro**	US$	£
Cash	**1,104,227**	**124,327**	**7,637**	249,890	230,615
Trade and other receivables	**675,674**	**97,278**	**-**	-	619,958
Trade payables	**(146,226)**	**(141,635)**	**-**	-	(46,802)
	1,633,675	**79,970**	**7,637**	249,890	803,771

27. Financial risk management (continued)

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	
	2011	2010
	$	$
Hypothetical 20%[1] strengthening of AU$ relative to US$ and £		
Increase / (decrease) in loss after tax	**277,082**	284,392
Increase / (decrease) in equity	**(277,082)**	(284,392)
Hypothetical 20%[1] weakening of AU$ relative to US$ and £		
Increase / (decrease) in loss after tax	**(415,623)**	(426,588)
Increase / (decrease) in equity	**415,623**	426,588

(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 (2010: 20%).

(iii) Interest rate risk

As at, and during the year ended on reporting 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	
		2011	2010
		$	$
Financial Assets			
Cash assets	Floating rate*	**1,320,069**	5,084,315

Weighted average effective interest rate 0.27% (2010: 4.31%).

27. Financial risk management (continued)

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	
	2011	**2011**
	$	**$**
Hypothetical 90[1] basis point increase		
Increase / (decrease) in loss after tax	**(11,881)**	(45,759)
Increase / (decrease) in equity	**11,881**	45,759
Hypothetical 90[1] basis point decrease		
Increase / (decrease) in loss after tax	**11,881**	45,759
Increase / (decrease) in equity	**(11,881)**	(45,759)

(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 (2010: 0.90%).

(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	
	2011	2010
	$	$
Trade and other receivables	**784,633**	1,685,520

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.

27. Financial risk management (continued)

	Consolidated	
	2011	2010
	$	$
Cash at bank and short-term bank deposits		
AA Rated	**1,115,078**	4,697,127
A Rated	**204,991**	387,188
	1,320,069	5,084,315

(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 $402,084 (2010: $488,454), 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 2011.

28. Subsequent events

The following events occurred subsequent to the end of the year:

(a) On 13 July 2011 legislation came into effect in France which prohibits the hydraulic fracture stimulation (“fracing”) of hydrocarbon reservoirs following drilling. The legislation also required all permit holders to submit a report to the French regulator stating whether it was anticipated that fracing would be undertaken by the permit holder in the course of its future exploration activities. Elixir Petroleum (Moselle) Limited submitted a report to the regulator on 11 September 2011 confirming that it was not its intention to undertake any form of fracing to advance its exploration objectives at the Moselle Permit in France.

(b) On 11 July 2011, Elixir announced that it had entered into a conditional farm out of an interest in Block 211/12b located in the Northern Sector of the UK North Sea. The farmout is conditional upon the receipt of the approval of the Secretary of the UK Department of Energy and Climate Change.

(c) On 22 July 2011 Mr Iain Knott resigned as an executive director of the Elixir board. Mr Knott continues to work for Elixir in the role of Exploration Manager based in Elixir’s UK office.

(d) On 19 September 2011, Elixir announced an independent estimate of the unrisked in-place hydrocarbon volumes for conventional and unconventional plays located within the Moselle Permit in France.

28. Subsequent events (continued)

(e) The two existing production wells at the Pompano field, Well 103230 #1 and Well 103229 #1, ceased production during August 2011 due to a combination of water breakthrough and sand bridging combined with depleted reservoir pressures from production. As a result, the operator proposed workovers on each well. On 26 August 2011 and 29 August 2011, Elixir advised the operator of the Pompano Field that it would not be participating in the two respective workovers. The workovers were undertaken in September and were unsuccessful in re-establishing production from each well. We are advised that a further acid treatment is currently being undertaken on Well 103229#1 in an effort to re-establish production. Elixir is not participating in this operation.

Other than as disclosed above, no events have occurred since 30 June 2011 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements (including the Directors' Report).

29. Commitments and contingencies

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

	Consolidated	
	2011	2010
	$	$
Capital commitments		
Within one year	**94,365**	116,732
More than one year but less than five years	**-**	116,732
Total	**94,365**	233,464
Non-cancellable operating lease commitments		
Within one year	**57,013**	66,341
More than one year but less than five years	**52,483**	127,153
Total	**109,496**	193,494
Total commitments	**203,861**	426,958

The rental lease is held by Elixir Petroleum (Technical Services) Ltd. At reporting date the remaining lease term was 2 years (2010: 3 years).

30. Dividends

No dividends have been proposed or paid during the year (2010: Nil).

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 the resulting policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition ("**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.

Further information about the Company's corporate governance practice may be found on the Company's website at www.elixirpetroleum.com, under the section marked Corporate Governance.

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year ("**Reporting Period**"). The Principles & Recommendations were amended in 2010 and these amendments apply to the Company's first financial year commencing on or after 1 January 2011. Accordingly, disclosure against the Principles & Recommendations as amended in 2010 will be made in relation to the Company's financial year ending 30 June 2012. The report below is made against the Principles & Recommendations prior to their amendment in 2010.

Board of Directors

Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1 & 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives 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.

Senior executives are responsible for supporting 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.

The Board Charter is available on the Company's website.

Skills, experience, expertise and period of office of each Director (Recommendation 2.6)

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	Term	Resigned
Jonathan Stewart (Chair)	12/11/07	Indefinitely	
Andrew Ross	12/11/07	Indefinitely	
Michael Price	13/01/11	Indefinitely	
Iain Knott	13/01/05	Indefinitely	22/07/11
John Robertson	05/04/05	Indefinitely	
Alan Watson	10/10/2011	Indefinitely	

Mr Watson was appointed to as a non-executive director on 10 October 2011 subsequent to the end of the Reporting Period.

Director independence (Recommendations: 2.1, 2.2, 2.3 & 2.6)

The Board does not have a majority of directors who are independent. The Board considers that its current composition 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. On 22 July 2011, Iain Knott resigned from the Board and the Board now has an equal number of independent and non-independent directors.

The independent directors of the Company are John Robertson and Michael Price (appointed 13 January 2011). These directors are independent as they are non-executive directors who are not members of management and who are 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 their 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 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 non-independent directors of the Company are Jonathan Stewart, Andrew Ross and Iain Knott (resigned 22 July 2011).

The non-independent Chair of the Board is Jonathon Stewart. Mr Steward 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 within 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. John Robertson has been appointed the lead independent director and assumes the role of chair in situations where Mr Stewart is unable to act as chair.

The Managing Director of the Company is Andrew Ross.

Independent professional advice (Recommendation: 2.6)

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 responsibilities 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.

Selection and (Re)Appointment of Directors (Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular the Nomination Committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance as well as 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.

The Company's Policy and Procedure for the Selection and (Re)/Appointment of Directors available on the Company's website.

Board committees

Nomination Committee (Recommendations: 2.4 & 2.6)

The Board has established a Nomination Committee. The members of the Nomination Committee are John Robertson (Chair), Jonathon Stewart and Michael Price (joined 13 January 2011).

The Nomination Committee held one meeting during the Reporting Period. All Nomination Committee members were in attendance.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. A copy of the Nomination Committee Charter is available on the Company's website.

Audit Committee (Recommendations: 4.1, 4.2, 4.3 & 4.4)

The Company has established an Audit Committee.

For part of the Reporting Period the Audit Committee was not structured in compliance with Recommendation 4.2. Until the appointment of Michael Price on 13 January 2011, the Audit Committee comprised of John Robertson (independent non-executive director), Jonathon Stewart (non-independent non-executive director) and Andrew Ross (Managing Director). Given the composition of the Board at the time, the formation of an Audit Committee in accordance with Recommendation 4.2 was not possible. However, with the appointment of Michael Price, an independent, non-executive director to the Committee during the Reporting Period, Mr Ross was able to resign from the Audit Committee on the 10 March 2011, the composition is now in compliance with Recommendation 4.2.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

The Audit Committee held two meetings during the Reporting Period. Details of the directors' attendance at the Audit Committee meetings are set out in the Directors' Report.

Details of each of the director's 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.

This Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website.

Remuneration Committee (Recommendations: 8.1, 8.2 & 8.3)

The Company has established a Remuneration Committee. The members of the Remuneration Committee are John Robertson (Chair), Jonathon Stewart and Michael Price (joined 13 January 2011).

The Remuneration Committee held two meetings during the Reporting Period. Details of the directors' attendance at the Remuneration Committee meetings are set out in the Directors' Report.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report. The Company's policy is to remunerate non-executive directors 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. The grant of options is designed to recognise and reward efforts as well as to provide non-executive directors with additional incentive to continue those efforts for the benefit of the Company. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by the shareholders at general meeting.

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. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

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

The Company's Remuneration Committee Charter includes a statement regarding the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested elements under any equity based remuneration schemes.

The Company's Remuneration Charter is available on the Company's website.

Performance evaluation

Senior executives (Recommendations: 1.2 & 1.3)

The Board is responsible for evaluating the performance of senior executives. The Board evaluates the performance of senior executives annually on a formal basis.

During the Reporting Period the Company appointed Mr John Anderson as a senior executive. Prior to Mr Anderson's appointment on 17 January 2011, there were no senior executives in the Company. An informal evaluation of the senior executive took place at the completion of the three month probation period. A formal evaluation will be conducted upon completion of one year's employment with the Company, and subsequently on an annual basis.

Board, its committees and individual directors (Recommendations: 2.5 & 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board Committees and individual directors. The Nomination Committee is responsible for evaluating the Managing Director via a formal interview process. All other evaluations are undertaken on an informal basis as required. The practice in this area is considered sufficient as the Company has a very small Board with little change in membership.

During the Reporting Period no evaluation of the Board, its committees, or individual directors took place.

Ethical and responsible decision making

Code of Conduct (Recommendations: 3.1 & 3.3)

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 obligations and the reasonable expectations of their stakeholders, and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website.

Policy for Trading in Company Securities (Recommendations: 3.2 & 3.3)

The Company has established a Policy for Trading in Company Securities by directors, officers and employees.

A copy of the Company's Policy for Trading in Company Securities is available on the Company's website.

Continuous Disclosure
(Recommendations: 5.1 & 5.2)

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

A copy of the Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website.

Shareholder Communication
(Recommendations: 6.1 & 6.2)

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

A copy of the Company's Shareholder Communication Policy is available on the Company's website.

Risk Management
(Recommendations: 7.1, 7.2, 7.3 & 7.4)

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 and authority limits for management, if proposed to be exceeded, requires prior Board approval;
- 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

ADDITIONAL SECURITIES EXCHANGE INFORMATION

The Company’s system for managing its material business risks 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 half yearly and updated, as required. Management reports to the Board on material business risks at each Board meeting.

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

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

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. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Chief Financial Officer 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 risks.

A summary of the Company’s Risk Management Policy is available on the Company’s website.

The shareholder information set out below was applicable as at 30 September 2011.

1. Twenty largest shareholders

Ordinary shares	Number	Percentage
Aurora Oil & Gas Ltd	24,000,000	12.70%
JP Morgan Nominees Australia Limited <Cash Income A/C>	16,141,899	8.54%
HSBC Custody Nominees (Australia) Limited	8,108,711	4.29%
National Nominees Ltd	6,201,663	3.28%
Citicorp Nominees Pty Ltd	5,489,538	2.90%
Argonaut Equity Partners Pty Limited	5,139,715	2.72%
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%
Macquarie Bank Limited Metals & Energy Capital Division	3,375,000	1.79%
HSBC Custody Nominees (Australia) Limited – A/C 2	3,322,586	1.76%
Beacon Exploration Pty Ltd	3,000,000	1.59%
Cleland Projects Pty Ltd <CT A/C>	3,000,000	1.59%
J P Morgan Nominees Australia Ltd	2,676,423	1.42%
SDMO Australia Pty Ltd <The Botica Super Fund A/C>	2,000,500	1.06%
Mr P Grenville Schoch	2,000,000	1.06%
Reef Investments Pty Ltd <T D Nairn Super Fund A/C>	1,500,000	0.79%
Hazardous Investments Pty Ltd	1,426,075	0.75%
Mr Jonathan Kingsley Stewart & Mrs Carolyn Ann Stewart <Epicure Super Fund A/C>	1,281,250	0.68%
Evolution Securities Nominees Limited <Y003745 A/C>	1,150,000	0.61%
Total top 20	**100,313,360**	**53.08%**
Other	88,675,111	46.92%
Total ordinary shares on issue	**188,988,471**	**100.00%**

ADDITIONAL SECURITIES EXCHANGE INFORMATION

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	94	-
1,001 - 5000	263	-
5,001 - 10,000	207	-
10,001 - 100,000	668	-
100,001 - and above	218	3
	1,450	3

4. Unquoted securities

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

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

5. Voting rights

Refer notes 16 and 18 to the Financial Statements.

6. On-market buy back

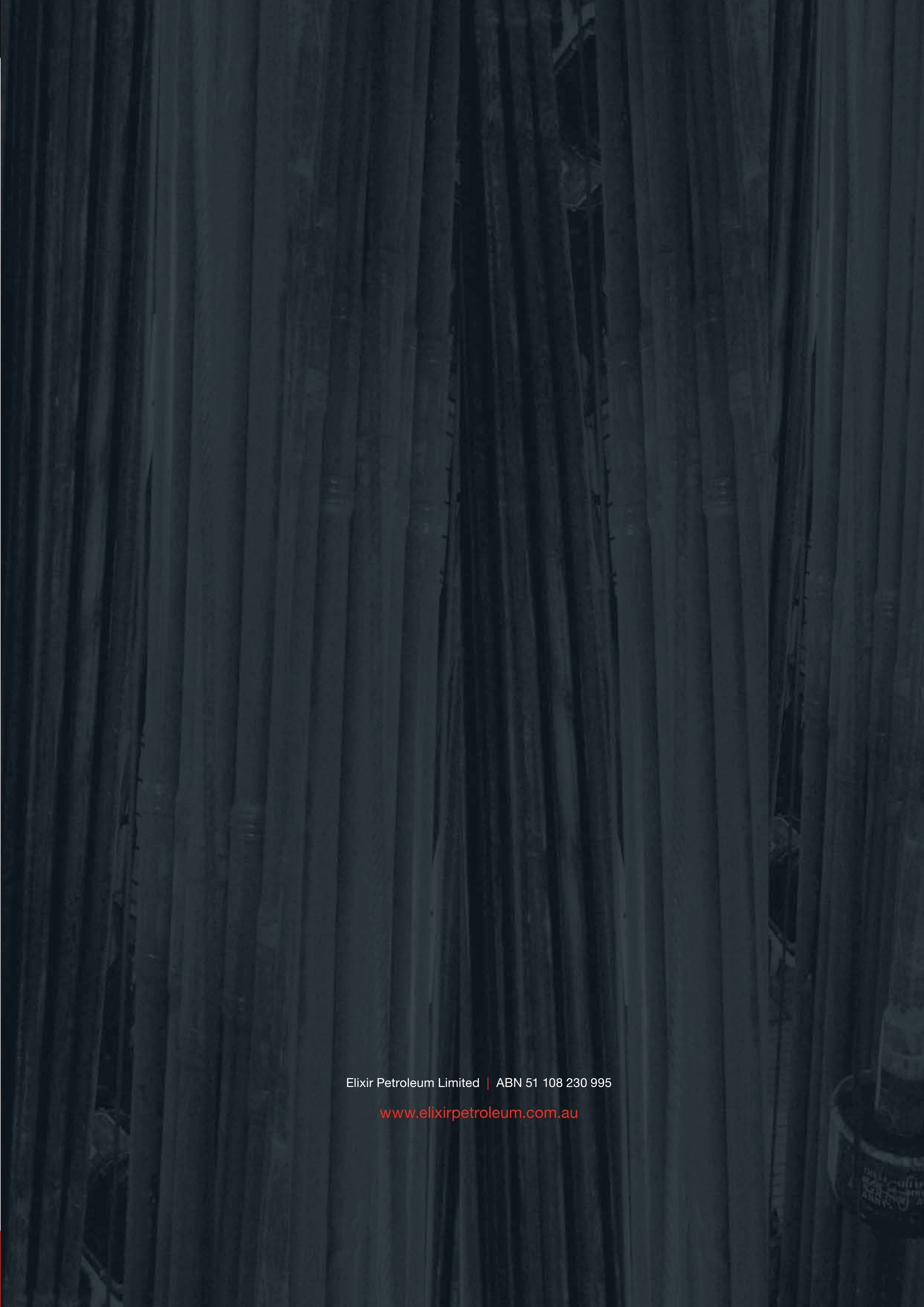
There is currently no on-market buy back program for any of Elixir's listed securities.

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 22 to the Financial Statements.



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