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ABN 51 108 230 995



Annual Report **2017**

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Directors

Mr Ray Barnes	Non-Executive Chairman
Mr Dougal Ferguson	Managing Director
Mr Sam Willis	Non-Executive Director
Mr Scott Patrizi	Non-Executive Director

Company Secretary

Mr Dougal Ferguson

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Auditors - Australia

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Auditors - UK

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Stock Exchange Listing

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Code: EXR

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Chairman's Letter

Dear Shareholder

It is with pleasure that I write to you during this very exciting week for the Company. Not only has your Company secured an exclusive option over an exciting new opportunity in Mongolia, it has also attracted significant new interest from investors which has seen the Company's share price increase significantly following the announcement of the transaction.

The announcement also provided Elixir with the catalyst to further strengthen the balance sheet with a successful capital raise of \$1.6 million, which together with our current cash resources, provides the Company with a fully funded 2018, which includes a potential exciting exploration programme in Mongolia.

During the last 12 months, your Company has continued to remain active through what has been a difficult period for the oil and gas industry. In addition to maintaining focus on our existing assets, the Board reviewed many new venture opportunities, some of which were considered attractive but did not meet our investment hurdles and others which were out of reach due to their initial funding commitments.

However, in recent months, management identified an opportunity to secure a low cost option over a coal bed methane (CBM - also known as coal seam gas or CSG) project in Mongolia which has multi Tcf potential. The Board recognised the size and potential of this opportunity and the Company negotiated an exclusive option to acquire all of the shares of Golden Horde Limited (GOH) in exchange for 79 million Elixir shares which was secured through the payment of a \$25,000 option fee. GOH and Elixir have signed a binding Terms Sheet that is subject to a number of conditions, the most critical of which is GOH being awarded a Production Sharing Contract (PSC).

The Terms Sheet was executed on 13 October 2017 and both the Company and GOH have agreed to work together with a view to fast tracking the approval process as much as possible. GOH has been working with the Mongolian authorities for many years now and is confident that the PSC will be awarded within the timeframe of the option period - which ends 30 September 2018. During the interim period, Elixir will complete its due diligence on the project, continue geological studies and commence exploration planning activities to enable the Company to initiate a drilling programme in the northern summer months of 2018.

In terms of the other assets in the portfolio, the Company participated in the drilling of the Rodwell Prospect at our Petra Project in Colorado during July 2017, which although successful in finding hydrocarbons, failed to flow during a drill stem test indicating that the reservoir was tight at this location. Reservoir quality was always identified as one of the key risks and unfortunately, the results suggest that there is little obvious follow up potential in the immediate area.

Accordingly, the Board determined that it was appropriate to fully impair the capitalised costs associated with the Petra Project which has resulted in a non-cash charge of \$2,746,616 for the year ended 30 June 2017. Elixir's 25% share of the well cost was approximately US\$112,500. Importantly, the well was drilled with no reported safety or environmental incidents, which is a credit to the highly competent operator who was also our partner in the well.

Your Board continues to closely manage its cash resources and keep a control on costs, noting however, that with increased activity levels comes increased expenditure. We are excited to have a potential project in the pipeline of the size and scale of the Mongolian CBM opportunity and we expect to incur increased levels of expenditure prior to the award of the PSC, in order to be prepared for an immediate ramp up of activity when the PSC is officially granted and we have exercised our option to acquire GOH.

As always, I would like to thank Elixir's management and my fellow directors for their efforts during another difficult year and I am confident with the addition of our new Mongolian opportunity to the portfolio, that the Company will continue to strengthen over the next 12 months.

Yours sincerely
Ray Barnes
Non-Executive Chairman

OVERVIEW

Elixir Petroleum Limited (“Elixir” or “Company”) is an international oil and gas exploration company with operations in the United States, France and very recently, a potential project in Mongolia.

Elixir has been actively pursuing new venture opportunities over the last 12 months, and having revised its previous strategy following the downturn in the industry in early 2017, began to focus on geographic locations that have a growing need for cheap energy and to pursue assets that are not 100% beholden to oil price volatility. This required a shift in focus from locations such as the United States where competition for good quality assets is fierce and where there is now an abundance of cheap energy (gas and oil) as a direct result of the unconventional shale revolution which now dominates the industry in North America.

With that strategy in mind, the Company has been seeking assets that meet the new investment criteria and it reviewed a number of opportunities during 2017 that aligned with that strategy.

The Mongolian CBM opportunity that the company has secured an option over, was high graded as the most attractive opportunity identified due to a combination of factors including its potential size, its low cost but high impact exploration potential and its proximity to the Northern China gas market and distribution network. Due to the PSC not being formally awarded to GOH at this time, Elixir has negotiated an exclusive low cost option at a cost of \$25,000 for the right to acquire all of the shares of GOH at any time up to 30 September 2018. This transaction locks down the opportunity for Elixir should the PSC be awarded in the near term. A more detailed overview of the opportunity is provided in the following section.

OPERATIONS REVIEW

Mongolia

Option to Acquire Golden Horde Limited

On 13 October 2017, Elixir executed a binding Terms Sheet for an option to acquire GOH for consideration of 79 million Elixir shares (the “Acquisition”). GOH was established in 2011 with the sole purpose of acquiring coal bed methane (“CBM”) rights (also known as Coal Seam Gas or CSG) in Mongolia in an area directly adjacent to the existing gas markets of Northern China.

GOH has raised approximately \$1.25 million since its inception and undertook a detailed prospecting study of the PSC area prior to commencing negotiations with the Mineral Resources and Petroleum Authority of Mongolia (“MRPAM”) on the commercial terms for a PSC. The MRPAM is a division of the Mining Ministry, which in turn requires approval from the Cabinet of Mongolia (“Cabinet”) before any formal award of a PSC can be made.

GOH receives regular guidance on the expected timing of the award of the PSC from both MRPAM and its in country advisors, but neither GOH nor Elixir have any independent verification that the guidance provided by these parties is accurate. Given the nature of the extensive regulatory approvals required, together with the recent change of the Mongolian Prime Minister (and ongoing changes in the Cabinet), there is no guarantee of when or if the PSC will be awarded in the expected timeframe.

However, there is also a possibility that the formal award of the PSC could occur much sooner than anticipated and Elixir moved quickly to secure an exclusive option (through to 30 September 2018) to acquire GOH through upfront payment of a \$25,000 option fee. The Acquisition is subject to a number of conditions precedents with the principal condition being the formal award of the PSC to GOH.

The PSC, (nominally named Nomgon IX) is located in what is considered to be one of the most prospective basins in Mongolia (and possibly globally) for CBM (see Figure 1). The PSC surrounds one of the world’s largest producing thermal coal deposits, Tavan Tolgoi, which has an estimated resource of over 6 billion tonnes and produced over 14 million tonnes of coal in 2016. Data from wells within the Tavan Tolgoi mine indicate gas contents of up to 15m³/tonne (480 cf/ton) at depths of 467 metres below surface which is considered high by world CBM standards and is a good indication that surrounding areas are likely to contain similar gas content levels.

Review of Operations

The Nomgon IX CBM PSC will be the first unconventional PSC issued pursuant to the country's updated Petroleum Law, which was passed by Cabinet in 2014. Nomgon IX, which covers an area of over 7 million acres, lies adjacent to the Chinese border and is ideally placed for future gas sales into the extensive Northern China gas transmission and distribution network. In addition to Chinese gas

demand, Mongolia currently has no gas production and there is a strong political desire to replace high emission coal power and heat generation with low emission clean-burning gas fired generation. With the potential to find and develop multiple Tcfs of gas from CBM, both the Mongolian and Chinese markets could be supplied with Mongolian CBM.

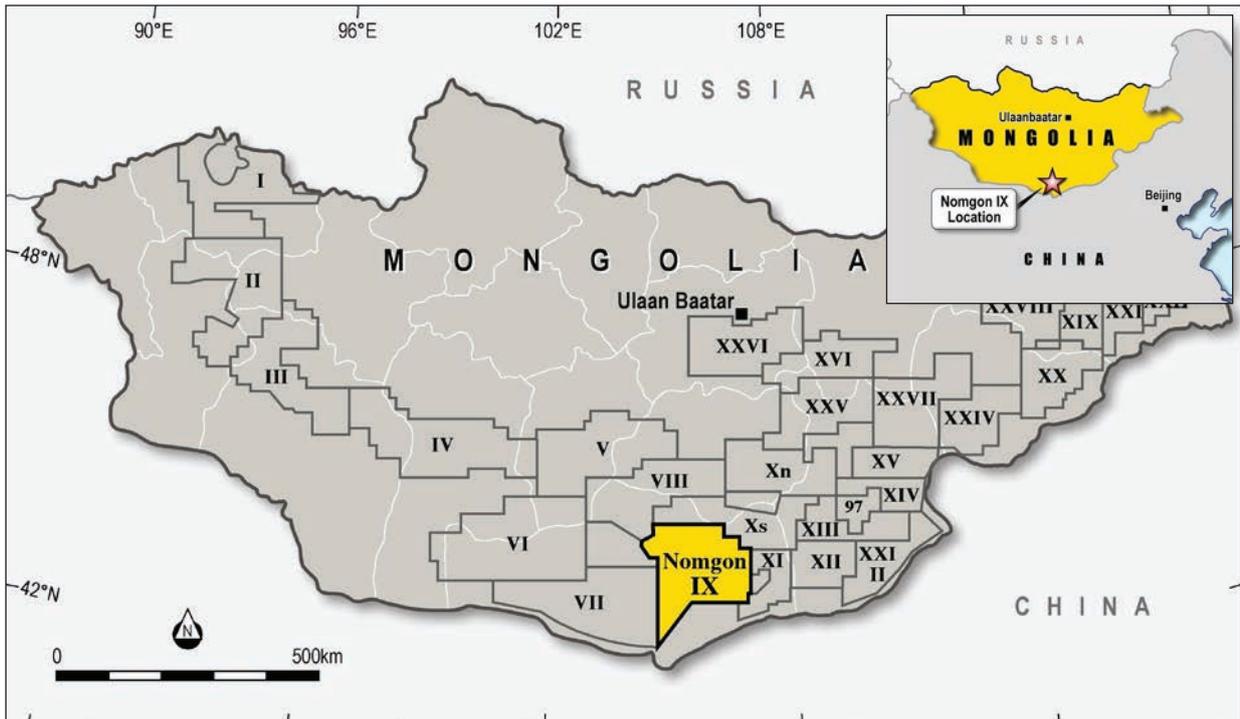


Figure 1 – map of Mongolia showing location of Nomgon IX



Elixir will commence planning activities and studies over the coming weeks which will complement the work already done by GOH with respect to the planned work programme, including defining the prospective resource that can be assigned to the PSC area. Upon completion of due diligence and award of the PSC, Elixir intends to exercise the option and commence on ground activities in the northern summer months. This includes the drilling of two wells where key data will be obtained to confirm gas contents and understand permeability, one of the last remaining key technical elements of the play that needs confirmation. Drilling costs for the wells are expected to be around \$500,000 each.

Upon completion of the Acquisition, Mr Neil Young will join the Board of Elixir as an Executive Director and Chief Executive Officer. Neil has a business development and commercial background and is the Managing Director of GOH. He has worked in the energy industry for over 20 years, including being Manager Business Development at Santos where he was a key leader in the Santos team that put together much of the Australian east coast CSG acreage that the company now operates.

Neil identified the potential of Mongolia as a regionally significant gas supplier and set up GOH with experienced industry partners to pursue CBM in Mongolia, raising funds privately from high net worth investors. After several years of technical studies aimed at high grading the coal basins in Mongolia, GOH began negotiations with the MRPAM over Nomgon Block IX and GOH believes the rigorous process undertaken to get to this point will result in a PSC being awarded at some stage.

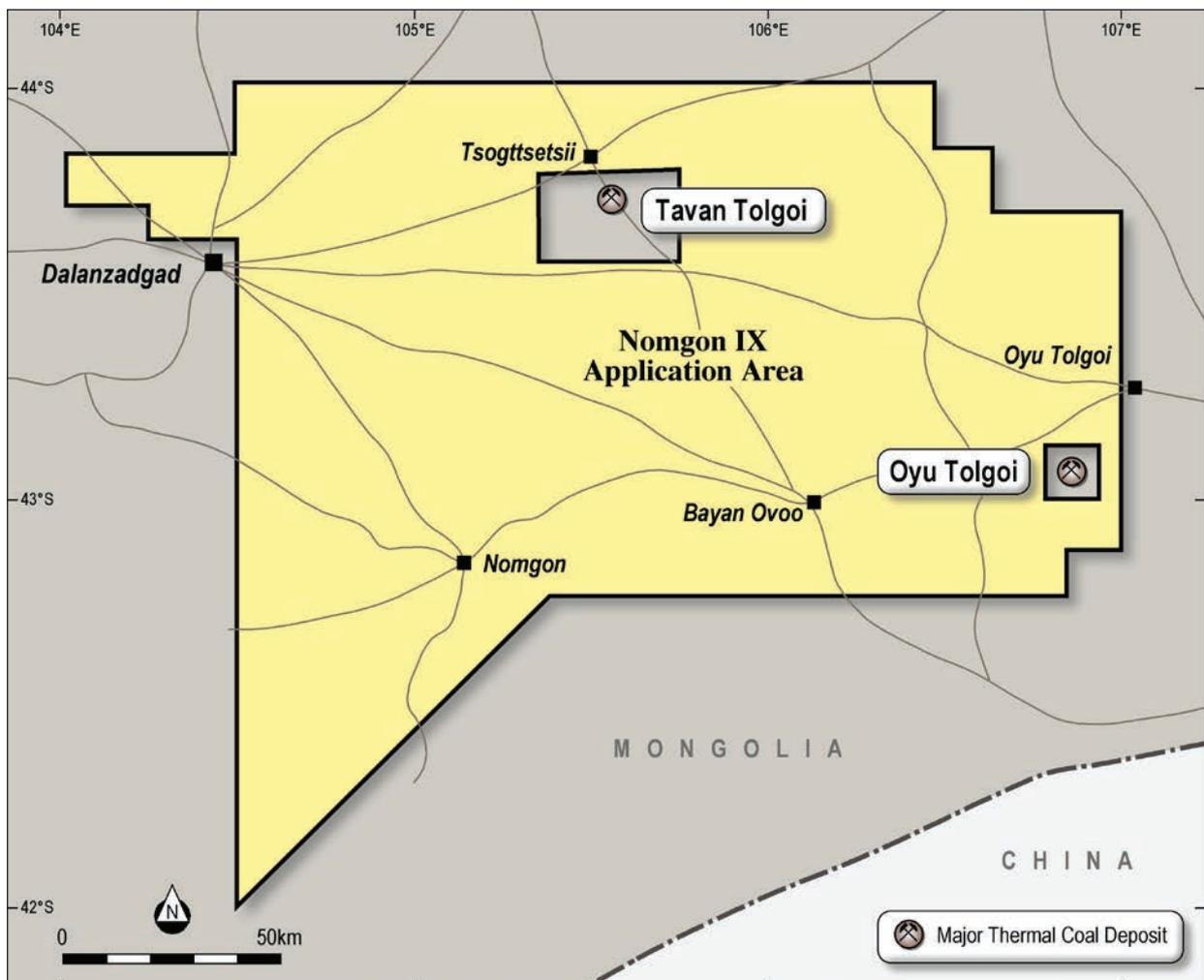


Figure 2 – detailed map of Nomgon IX PSC Area

Review of Operations

Petra Project (Elixir 25% Working Interest)

In early September 2014, Elixir acquired a 50% Working Interest in the Petra Project in Washington County, Colorado and Elixir and its partner subsequently built its land position to approximately 30,000 net acres over prospective areas of the play. Pursuant to the original agreement entered into when oil prices were in excess of US\$100 per barrel, Elixir agreed to pay the first US\$1.5M of exploration costs on behalf of the joint venture. The first years agreed work program included the acquisition of new and existing seismic data, completed in June 2015, which delivered a number of drilling locations and a prospective resource report based on the new seismic data acquired over the principal "Rodwell" prospect.

However, due to the fall in the oil price over this period and the associated downturn in the capital markets, Elixir and its partner agreed to defer the date for drilling of the Rodwell prospect until 2017. Elixir elected not to proceed with funding the well at 100% equity level and therefore reduced its Working Interest in the project to 25% and the corresponding exposure to the well was accordingly reduced to 25% (approximately US\$112,500).

The Rodwell 14-31 exploration well was spudded on 7 August 2017 and reached a total depth of 2,323 metres on 14 August 2017. The well encountered a 10 metre oil column in the primary target and the partners in the well agreed to run a drill stem test ("DST") in the well. Unfortunately, the DST failed to recover any fluids and analysis of the logs and DST results indicated the reservoir was tight at this location and was unlikely to produce commercial quantities of hydrocarbons. Subsequently, the well was plugged and abandoned. At this stage, there is no intention to progress any significant additional exploration at the Petra Project unless new data comes to light that changes the current views of the partners in the project.

France

Moselle Permit (EXR 100%, Operator)

The renewal application for the Moselle Permit was lodged in September 2013 with the relevant French authorities. Elixir has committed to a second five year exploration period and with all obligations relating to the first exploration period previously being met, the Company awaits notification that the extension into a second exploration period has been granted. The Company has not incurred any significant expenditure on Moselle since the French authorities have effectively suspended the asset.

On 5 January 2017, the Company commenced proceedings against the State (being the French Government) to seek the renewal of the Moselle Permit. The Company is currently pursuing an action against the State for the annulment of the implicit decision not to renew the Moselle Permit, which if successful, would result in damages being able to be claimed by the Company if the Moselle Permit is not renewed. The action for annulment is an action based on the application of the law, not the passing of time.

The jurisdiction for the hearing has now been determined by the Conseil d'Etat to be the Administrative Court of Paris and the Company now awaits a hearing date for the action, which is expected to be several months away. Elixir is pursuing these actions through the Courts on a fixed legal cost basis with bonus payments payable only in the event the actions are successful.

CORPORATE GOVERNANCE STATEMENT

The Directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement released to ASX and posted on the Company website at www.elixirpetroleum.com/corporate-governance.

DIRECTORS

The names of the Directors of the Company in office during the financial year and at the date of this report are:

Mr Ray Barnes
Mr Dougal Ferguson
Mr Scott Patrizi (*appointed 12 October 2016*)
Mr Sam Willis

Other than as stated above, each Director held office from 1 July 2016 until the date of this report.

PRINCIPAL ACTIVITIES

Elixir is an oil and gas exploration company focussed on conventional oil and gas exploration in the United States and Europe. There was no significant change in the nature of these activities during the year.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2017 (2016: Nil).

REVIEW OF OPERATIONS

Operating Results

For the financial year ended 30 June 2017, the Group recorded a net loss from continuing operations after tax of \$3,417,538 (2016: \$735,704). The loss increased significantly over last year as a result of a one off non-cash impairment charge of \$2,746,616 on previously capitalised exploration and evaluation expenditure associated with the Petra Project in Colorado (2016: \$nil). Other expenses were in line with the previous year with expenses including administration costs of \$596,253 (2016: \$587,930) and share based payment expenses of \$76,366 (2016: \$142,592).

The Group's primary focus during the year was the pursuit of new venture opportunities in the sector and preparation for the drilling of an initial exploration well at the Petra Project in Colorado. The initial well named Rodwell 14-31, commenced drilling subsequent to year-end and was plugged and abandoned as a sub-commercial oil discovery in August 2017. After consideration of the future activity and prospectivity of the area following integration of the drilling results into the Company's database, the Board has determined it is appropriate to impair 100% of the capitalised costs of the Petra Project and accordingly, the impairment is recorded as a non-cash expense in the 30 June 2017 results.

During the year, the Group commenced proceedings against the French State with respect to its Moselle Permit in France. The Group continues to await a hearing date for the matter to be heard by the Administrative Court of Paris.

The Group continues to evaluate new venture opportunities, but as at the date of this Directors' Report, none of these opportunities have progressed beyond initial non-binding discussions.

Corporate and Financial

On 12 July 2016, the Company announced that it had received commitments for a placement utilising its remaining 25% placement capacity to raise \$234,038 before costs through the issue of 292,548,068 (pre-consolidation) shares in addition to commitments for a further \$205,962 before costs through the issue of 257,451,932 (pre-consolidation) shares subject to shareholder approval. The Company also announced it intended to undertake a 1:1 non-renounceable rights issue at effectively the same price as the new investors of the Placement subsequent to receiving shareholder approval and implementing a consolidation of its shares on issue on the basis that every twenty five (25) shares would be consolidated into one (1) share.

On 16 August 2016, the Company received shareholder approval for, amongst other things, the second tranche of the placement and to consolidate its shares as proposed in its announcement of 12 July 2016. The consolidation became effective 18 August 2016 with the Company's shares on issue reducing to 89,473,436 fully paid shares.

On 26 August 2016, and subsequent to shareholder approval, the Company issued 3,000,000 options to Directors exercisable at \$0.04 per option on or before 30 September 2019.

Directors' Report

On 31 August 2016, the Company lodged an Offer Document with ASX for a 1:1 non-renounceable rights issue at \$0.02 for all eligible shareholders and the Offer Document was dispatched to shareholders on 7 September 2016 to raise up to \$1,789,469 (before costs).

The Offer closed on 20 September 2016 with applications for 29,212,545 shares from eligible Shareholders and a shortfall of 60,260,891 shares issued on 29 September 2016 and 30 September 2016 to professional and sophisticated investors.

On 12 October 2016, and subsequent to shareholder approval, the Company issued 4,000,000 options to facilitators of the various capital raising initiatives, which are exercisable at \$0.04 per option on or before 30 September 2019. The Company issued a further 1,000,000 options to Mr Scott Patrizi on his appointment as a non-executive director.

On 16 October 2017, 160,000 Non-Executive Director Options lapsed and were cancelled by the Company.

On 28 October 2016, the Company initiated an unmarketable parcel Share Sale Facility that provided Shareholders that held less than a marketable parcel of shares to sell their smallholdings without incurring any transaction costs. At the conclusion of the Share Sale Facility, 1,371,060 shares (on a post consolidation basis) were sold on market on 13 December 2016 at the prevailing bid price on the day of 2.6 cents per share.

On 30 April 2017, 600,000 Executive Options lapsed and were cancelled by the Company.

Other than noted above, there were no other changes to the capital structure during the financial year.

At 30 June 2017, the Group held cash totalling \$1,893,285 (2016: \$423,895).

Board and Management Changes

On 12 October 2016, Mr Scott Patrizi was appointed as a non-executive director. There were no other changes to the Board or Management during the financial year.

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.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

The following events occurred subsequent to 30 June 2017 that will have a material effect on the Group.

On 7 August 2017, the Company announced that drilling had commenced on the initial exploration well at the Petra Project in Colorado. The well reached total depth on 14 August and after completion of testing of oil shows in the primary objective, the partners in the well decided to plug and abandon the well as a non-commercial oil discovery. Due to the lack of commercial shows, the Board determined subsequent to 30 June 2017 that it was appropriate to impair the capitalised costs associated with the Petra Project, resulting in a non-cash impairment expense of \$2,746,616 being recognised in the 30 June 2017 financial statements. Accordingly, it is expected that there will be no significant impact on the 30 June 2018 financial statements of this result.

There are no other events occurring after the end of the reporting period to disclose.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Refer to Review of Operations on likely developments and future prospects of the Group.

ENVIRONMENTAL REGULATIONS

The Group's operations are subject to significant environmental regulation in relation to exploration and production activities conducted by the Group in the countries in which it operates. The Group has a policy of exceeding or at least complying with its environmental performance obligations. During the financial year, the Group was not aware of any material breach of any particular environmental law or any other particular regulation in respect to its operating activities.

INFORMATION ON DIRECTORS

Mr. Ray Barnes – Non-Executive Chairman

Qualifications: B.Sc(Hons)

Board Committees: Member of Audit Committee

Mr Barnes is a Geoscientist with over 40 years of involvement in the oil and gas industry in Australasia, North Africa, India, North and South America, South East Asia and Europe. Mr Barnes has held geo-technical and management roles in a range of international and Australian companies while based in Australia and overseas. These companies include Delhi, Amax Petroleum, Union Texas, Ampolex / Mobil and Apache. Since 2001, Mr Barnes has served on the boards of Australian listed Voyager Energy and dual listed Oilex Limited as Technical Director. Mr Barnes has ongoing advisory roles with companies in Australia and South East Asia.

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 at the date of this report:

610,000 fully paid ordinary shares

1,000,000 unlisted Options exercisable at \$0.04 and expiring on 30 September 2019

Mr Dougal Ferguson – Managing Director

Qualifications: B.Bus, GAICD

Mr Ferguson has over 24 years of experience in senior management positions in listed upstream oil and gas for both domestic and international companies. Mr Ferguson has held senior positions with Salinas Energy Limited, ARC Energy Limited, Adelphi Energy Limited and Discovery Petroleum Limited, whilst also spending seven years in London with Premier Oil plc and Hess Corporation. He has gained broad commercial and technical experience working in business development and commercial roles in small to medium exploration and production companies.

Mr Ferguson has a commercial and business development background and is responsible for a broad range of activities in the Company, including identifying, sourcing and negotiating new venture projects, raising capital as required and administering the Company through all aspects of its operations. More recently, Mr Ferguson was involved in the successful re-compliance and recapitalisation of AssembleBay Limited. He is currently leading the restructure of Elixir and enacting further efficiencies across the business, ensuring the good standing of the Company's assets in addition to pursuing new opportunities that have the potential to grow the asset base and add shareholder value.

Other current Directorships of Australian listed public companies:

Nil

Former Directorships of Australian listed public companies in last three years:

AssembleBay Limited (previously Sirocco Energy Limited)

Interests in shares and Options over shares in Group companies at the date of this report:

6,508,000 fully paid ordinary shares

3,000,000 incentive Options exercisable at \$0.045 and expiring 30 November 2018

1,000,000 unlisted Options exercisable at \$0.04 and expiring 30 September 2019

Directors' Report

INFORMATION ON DIRECTORS (continued)

Mr. Sam Willis – Non-Executive Director

Qualifications: B.Com

Board Committees: Member of Audit Committee

Mr Willis brings over 14 years of experience in senior executive and board positions on small and micro-cap ASX listed companies combined with an additional 10 years of corporate finance and financial advisory work including as a private client advisor with stockbroker Hartley Poynton and a financial analyst with both Deutsche Bank and Schroders Investment Management in London. Sam brings extensive experience in all corporate and business development aspects of business as well as strategic direction at board level. He brings strong expertise in opportunity evaluation, deal negotiation and structuring, transaction execution and completion, investment analysis, capital raising and a strong interface with the financial markets and broking community.

Sam holds a Bachelor of Commerce from the University of Western Australia where he majored in Accounting and Finance (Marketing minor) and is currently non-executive director and audit committee chair for ASX listed mineral sands producer and developer Base Resources Ltd.

Other current Directorships of Australian listed public companies:

Base Resources Limited (ASX: BSE)

Former Directorships of Australian listed public companies in last three years:

New Standard Energy Limited (ASX: NSE)

Interests in shares and Options over shares in Group companies at the date of this report:

2,040,000 fully paid ordinary shares

1,000,000 unlisted Options exercisable at \$0.04 and expiring 30 September 2019

Mr Scott Patrizi – Non-Executive Director (appointed 12 October 2016)

Qualifications: B.Com

Mr Patrizi is a corporate finance professional previously employed with Deloitte Touche Tohmatsu in Perth. He holds a Bachelor of Commerce from the University of Western Australia. Prior to Deloitte, Scott worked for Argonaut Limited, a full service advisory, stockbroking & research and investment house focussed on clients in the natural resources sector, where he gained significant equity capital market experience.

Other current Directorships of Australian listed public companies:

Clancy Exploration Limited (ASX: CLY)

Matador Mining Limited (ASX: MZZ)

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

Nil

Interests in shares and Options over shares in Group companies at the date of resignation (on a post consolidation basis):

1,250,000 fully paid ordinary shares

1,000,000 Listed Options exercisable at \$0.375 and expiring on 30 September 2019

COMPANY SECRETARY

Mr Dougal Ferguson currently acts as the Company Secretary. Please refer to the information on Directors detailed above for his qualifications.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2017, and the number of meetings attended by each Director.

	Directors' Meetings		Audit Committee		Remuneration Committee ⁽²⁾	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Ray Barnes	7	7	2	2	-	-
Mr Sam Willis	7	7	2	2	-	-
Mr Dougal Ferguson	7	7	-	-	-	-
Mr Scott Patrizi ⁽¹⁾	5	5	1	1	-	-

⁽¹⁾ Mr Patrizi was appointed on 12 October 2016.

⁽²⁾ No Remuneration Committee meetings were held during the financial year as there were not any matters to consider that were not agreed by the Board. During the financial year, there were no increases to remuneration for any key management personnel. Director fees were reduced on 1 July 2016 for all Non-Executive directors.

REMUNERATION REPORT (Audited)

This remuneration report outlines the Director and executive remuneration arrangements of 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 Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'key management personnel' encompasses Directors and executives of the Group.

(a) Details of key management personnel

Ray Barnes	Non-Executive Chairman
Dougal Ferguson	Managing Director and Company Secretary
Mr Sam Willis	Non-Executive Director
Scott Patrizi	Non-Executive Director (<i>appointed 12 October 2016</i>)

(b) Remuneration Governance

The remuneration committee of the board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Directors and key management personnel. The remuneration committee assesses the appropriateness of the nature and amount of remuneration of key management personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of Directors and key management personnel.

(c) Remuneration philosophy

The performance of the Company, among other things, depends upon the quality of its Directors and management. To prosper, the Company must attract, motivate and retain industry skilled Directors and key management personnel. 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.

Currently no remuneration consultants are used by the Group in formulating remuneration policies.

Directors' Report

(d) Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and key management personnel remuneration is separate and distinct.

Non-Executive Directors

Non-executive Directors Fees

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders in a general meeting. At the Company's Annual General Meeting held on the 29 November 2011, 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. Non-Executive director fees for the year ended 30 June 2017 were set at \$24,000 per annum (2016: \$36,000) with the Non-Executive Chairman fees at \$36,000 per annum (2016: \$45,000).

The Group's policy is to remunerate Non-Executive Directors at market rates (for comparable companies) for time, commitment and responsibilities. Cash fees for Non-Executive Directors are not linked to the performance of the Group. However to align Directors' interests with shareholders' interests, Directors are encouraged to hold shares in the Company.

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).

Key Management Personnel

Base pay

Key management personnel receive a competitive level of base pay that comprises the fixed (unrisky) component of their pay and rewards. Base pay for senior key management personnel is reviewed annually to ensure market competitiveness. There is no guaranteed base pay increases included in any senior key management personnel 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 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 2017, no short-term bonus payments were paid (2016: \$26,000).

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 and Performance Rights may be granted under the Elixir Petroleum Executive Incentive Plan ("Incentive Plan") which was approved by shareholders at a general meeting on 12 November 2013. Participation in the Incentive Plan is at the board's discretion and no individual has a contractual right to participate in the Incentive Plan or to receive any guaranteed benefits. Options or Performance Rights granted under the Incentive Plan carry no dividend or voting rights. No awards have been made under the Incentive Plan for the year ended 30 June 2017 (2016: No awards)

The Incentive Plan includes rules to prevent participants entering into transactions to remove the "at risk" aspect of the unvested Options or Performance Rights without the approval of the board.

(e) Options and performance rights granted as part of remuneration

Details of Options or Performance Rights over ordinary shares in the Company provided as remuneration to each Director and each of the key management personnel of the Group in the current and prior years are set out below.

Grant Date	Number	Vesting Conditions	Exercise Price	Expiry Date	Value per option at grant date
Share Options					
<i>Directors</i>					
29 August 2016	2,000,000	Vested	\$0.04	30-Sep-19	\$0.01
12 October 2016	1,000,000	Vested	\$0.04	30-Sep-19	\$0.02
<i>Executive Director</i>					
2 December 2015	1,500,000 ⁽¹⁾	Vested	\$0.045 ⁽¹⁾	30-Nov-18	\$0.025 ⁽¹⁾
2 December 2015	1,500,000 ⁽¹⁾	2 December 2017 ⁽²⁾	\$0.045 ⁽¹⁾	30-Nov-18	\$0.025 ⁽¹⁾
29 August 2016	1,000,000	Vested	\$0.04	30-Sep-19	\$0.01

⁽¹⁾ The terms of the Share Options disclosed above have been amended in accordance with the ASX Listing Rules following the consolidation of share capital effective 18 August 2016.

⁽²⁾ Incentive options which vest when the service condition noted above is met.

When exercisable, each Option is convertible into one ordinary share of the Company. Further information on the Options is set out in Note 11 of the Financial Statements.

Options issued to Directors on 29 August 2016 and 12 October 2016 were issued as part of remuneration as consideration for a reduction in the cash component of the Director's fees (refer section (d) for details). These options are not directly linked to the Group's performance and have vested immediately.

(f) Group performance

At present, no other remuneration for key management personnel is directly linked to common financial measures of the Group's performance.

The table below shows various commonly used measures of performance for the 2013 to 2017 financial years:

	Year ended 30 June				
	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$
Revenues and finance income	286,600	26,995	26,768	5,167	17,692
(Loss) after tax	(2,087,203)	(4,610,064)	(2,124,605)	(735,704)	(3,417,538)
Share price at start of year	0.98	0.34	0.16	0.05	0.03
Share price at end of year	0.34	0.16	0.05	0.03	0.03
Total Shareholder Return (TSR)	(0.66)	(0.21)	(0.16)	(0.03)	(0.02)
Loss per share	(0.025)	(0.025)	(0.05)	(0.013)	(0.022)

During the year ended 30 June 2017, the Company undertook a share consolidation on a 1:25 basis that reduced the shares on issue, which has an effect on the some elements of prior year's comparatives. Accordingly, the share prices, TSR and loss per share for the years 2013 through to 2016 for the purposes of the above table have been modified by multiplying these amounts by twenty-five to provide a direct comparison with 2017 numbers.

Directors' Report

(g) Remuneration of directors and key management personnel of the group for the current and previous financial year

The following tables show details of the remuneration received by the Group's key management personnel for the current and previous years:

2017	Short-term benefits			Post-employment benefits	Share-based payments		Total	Performance Related
	Cash salary and fees	Bonus	Other	Super-annuation	Options	Performance Rights		
	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors								
Ray Barnes	36,000	-	-	-	10,006	-	46,006	-
Sam Willis	24,000	-	-	-	10,006	-	34,006	-
Scott Patrizi ⁽¹⁾	17,419	-	-	-	24,942	-	42,361	-
Subtotal Non-Executive Directors	77,419	-	-	-	44,954	-	122,373	-
Executive Director								
Dougal Ferguson ⁽²⁾	237,443	-	3,653	22,557	29,608	1,804	295,065	0.6%
Subtotal other executives	237,443	-	3,653	22,557	29,608	1,804	295,065	0.6%
Total Key Management Personnel	314,862	-	3,653	22,557	74,562	1,804	417,438	0.6%

⁽¹⁾ Mr Patrizi was appointed a Non-Executive Director on 12 October 2016.

⁽²⁾ Mr Ferguson accrued \$3,653 of annual leave during the year.

2016	Short-term benefits			Post-employment benefits	Share-based payments			Total	Performance Related
	Cash salary and fees	Bonus	Other	Super-annuation	Options	Equity Settled ⁽³⁾	Performance Rights		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors									
Ray Barnes	33,750	-	-	-	-	11,250	-	45,000	-
Sam Willis	27,000	-	-	-	1,353	9,000	-	37,353	3.6%
Mark O'Clery ⁽¹⁾	9,000	-	-	-	(2,476)	-	-	6,524	-
Subtotal Non-Executive Directors	69,750	-	-	-	(1,123)	20,250	-	88,877	-
Executive Director									
Dougal Ferguson ⁽²⁾	178,399	26,000	20,166	16,948	31,297	65,000	23,834	361,644	22.4%
Subtotal other executives	178,399	26,000	20,166	16,948	31,297	65,000	23,834	361,644	22.4%
Total Key Management Personnel	248,149	26,000	20,166	16,948	30,174	85,250	23,834	450,521	17.8%

⁽¹⁾ Mr O'Clery resigned as a Non-Executive Director on 30 September 2015.

⁽²⁾ Mr Ferguson accrued \$20,166 of annual leave during the year.

⁽³⁾ Shares issued in lieu of cash salaries and fees as approved by Shareholders.

Directors' Report

(h) Service agreements

Remuneration and other terms of employment for the executives are formalised in service agreements. These agreements specify the components of remuneration, benefits and notice periods. The material terms of service agreements with key management personnel are noted as follows:

Name	Term of agreement and notice period	Base salary including superannuation	Termination payment
Mr Dougal Ferguson ⁽¹⁾	No fixed term; 3 months ⁽²⁾	\$260,000	3 months ⁽³⁾

⁽¹⁾ Mr Ferguson service agreement commenced 1 May 2014. The contract includes a provision for a cash performance based bonus of up to 40% of the employment contract. No performance bonus targets were agreed in the year ended 30 June 2017.

⁽²⁾ The notice period applies only to the Company

⁽³⁾ Notice period or termination benefit in lieu of notice (on behalf of the employer), other than for gross misconduct.

(i) Equity instruments held by key management personnel

Options and Performance Rights holdings

The number of Options over ordinary shares and Performance Rights held by Key Management Personnel during the financial year is as follows:

30 June 2017	Balance at beginning of year	Share Consolidation ⁽²⁾	Granted as compensation	Lapsed/ Expired/ Forfeited	Balance at the end of the year	Vested and exercisable	Vested and unexercisable
Options							
Ray Barnes	2,000,000	(1,920,000)	1,000,000	(80,000)	1,000,000	1,000,000	–
Sam Willis	11,500,000	(11,040,000)	1,000,000	(460,000)	1,000,000	1,000,000	–
Scott Patrizi ⁽⁴⁾	–	–	1,000,000	–	1,000,000	1,000,000	–
Dougal Ferguson	97,500,000	(93,600,000)	1,000,000	(900,000)	4,000,000	2,500,000	–
	111,000,000	(106,560,000)	4,000,000	(1,440,000)	7,000,000	5,500,000	–
Performance Rights⁽¹⁾							
Dougal Ferguson ⁽³⁾	15,000,000	–	–	(15,000,000)	–	–	–
	15,000,000	–	–	(15,000,000)	–	–	–

⁽¹⁾ Non-Executive Directors are not entitled to receive Performance Rights.

⁽²⁾ Effective 18 August 2016, the options of the Company were consolidated on a 1:25 basis in accordance with the ASX Listing Rules resulting in 25 times less options exercisable at 25 times the exercise price.

⁽³⁾ 15,000,000 Performance Rights expired on 31 July 2016 without vesting.

⁽⁴⁾ Mr. Patrizi was appointed a Non-Executive Director on 12 October 2016.

Shareholdings

The number of ordinary shares in Elixir Petroleum Limited held by each KMP of the Group during the financial year is as follows:

30 June 2017	Balance at beginning of year	Share Consolidation ⁽²⁾	Other Purchases/ (Sales)	Other changes during the year ⁽¹⁾	Balance at end of year ⁽²⁾
Ray Barnes	15,250,000	(14,640,000)	–	–	610,000
Sam Willis	25,500,000	(24,480,000)	1,020,000	–	2,040,000
Scott Patrizi ⁽³⁾	–	–	–	1,250,000	1,250,000
Dougal Ferguson	106,350,000	(102,096,000)	2,254,000	–	6,508,000
	147,100,000	(141,216,000)	3,274,000	1,250,000	10,408,000

⁽¹⁾ Other changes include the shareholding of KMP at the time of appointment, resignation or retirement.

⁽²⁾ Effective 18 August 2016, the shares of the Company were consolidated on a 1:25 basis.

⁽³⁾ Mr Patrizi was appointed a Non-Executive Director on 12 October 2016.

(j) Loans to key management personnel

No loans were provided to the key management personnel or to any of their associates.

(k) Other transactions with key management personnel

There were no other transactions with key management personnel during the financial year.

Voting of Shareholders at Last Year's Annual General Meeting

The adoption of the remuneration report for the financial year ended 30 June 2016 was put to shareholders of the Company at the Annual General Meeting (AGM) held on 24 November 2016. The resolution was passed by a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

SHARE OPTIONS

At the date of this report the following listed and unlisted Options over unissued ordinary shares are as follows.

Grant Date	Number	Exercise Price	Expiry	Vesting
<i>Unlisted Options:</i>				
2 December 2015	1,500,000	\$0.045	30 November 2018	Vested
2 December 2015	1,500,000	\$0.045	30 November 2018	2 December 2017
26 August 2016	3,000,000	\$0.04	30 September 2019	Vested
12 October 2016	5,000,000	\$0.04	30 September 2019	Vested
Total	11,000,000			

No Options were exercised during the year or up to the date of this report.

PERFORMANCE RIGHTS

At the date of this report, no Performance Rights are currently on issue.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year, the Company paid a premium of \$15,151 (2016:\$14,985) in respect of a contract insuring the Directors and officers of Elixir 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 THE COMPANY

No person has applied for leave of the court under section 237 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 Group was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Company may deploy the Group's auditors for non-audit services. The auditors were not engaged to provide any services other than audit services during the 30 June 2017 financial year (refer Note 14). 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 19 of the financial report.

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



Dougal Ferguson
Managing Director
Perth, Western Australia

28 September 2017

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ELIXIR PETROLEUM LIMITED

As lead auditor of Elixir Petroleum Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of 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.

A handwritten signature in blue ink that reads 'J Prue'.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 28 September 2017

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Independent Audit Report



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INDEPENDENT AUDITOR'S REPORT

To the members of Elixir Petroleum Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Elixir Petroleum Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Accounting for Share Based Payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year ended 30 June 2017, the Group issued share options to key management personnel and to facilitators which have been accounted for as share-based payments.</p> <p>Refer to note 11 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions.</p> <p>Due to the complex and judgmental estimates used in determining the valuation of the share based payments, we consider the accounting for the share based payment expense to be a key audit matter.</p>	<p>Our audit procedures in respect of this area included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing the relevant agreements to obtain an understanding of the contractual nature of the share based payment arrangements; • Assessing management's determination of the fair value of the share options issued, considering the appropriateness of the valuation model used and involving our internal valuation specialists to assess the inputs used in the model; and • Assessing the adequacy of the disclosure in the financial report (refer Note 11).

Other information

The directors are responsible for the other information. The other information comprises the information contained in the director's report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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



In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Elixir Petroleum Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink that reads 'J Prue'. Above the signature, the letters 'BDO' are written in a similar blue ink.

Jarrad Prue

Director

Perth, 28 September 2017

Directors' Declaration

In the Directors' opinion:

1. the financial statements and accompanying notes set out on pages 24 to 59 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 Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
3. the financial statements and accompanying notes are presented in compliance with IFRS and interpretations adopted by the International Accounting Standards Board.
4. the remuneration disclosures set out in the Directors' report (as part of the audited remuneration report) for the year ended 30 June 2017 comply with section 300A of the Corporations Act 2001; and
5. at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 17 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 17.

The Directors have been given the declarations by the chief operating 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.



Dougal Ferguson
Managing Director
Perth, Western Australia

28 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	Consolidated	
		2017 \$	2016 \$
Revenue from continuing operations			
Interest Income	(1)	17,692	5,167
Expenses			
Depreciation expense		(871)	(953)
Impairment of exploration & evaluation expenditure	(2)	(2,746,616)	–
Abandonment expense	(8)	(6,842)	–
Lease operating costs		(7,336)	(10,947)
Foreign exchange gain/(loss)		(946)	1,551
Share based payments expense	(11)	(76,366)	(142,592)
Administration expenses	(2)	(596,253)	(587,930)
Loss before income tax		(3,417,538)	(735,704)
Income tax expense	(3)	–	–
Loss attributable to owners of the Company		(3,417,538)	(735,704)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences		(35,516)	77,000
Other comprehensive income/(loss) for the period, net of tax		(35,516)	77,000
Total comprehensive loss for the year		(3,453,054)	(658,704)
Net loss attributable to:			
Members of the parent entity		(3,417,538)	(735,704)
Total comprehensive loss attributable to the owners of Elixir Petroleum Limited		(3,453,054)	(658,704)
Loss per share for the year attributable to the members of Elixir Petroleum Ltd		(2.21)	(1.33)
Basic and diluted (loss) per share (cents)	(15)	(2.21)	(1.33)

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

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	Consolidated	
		2017	2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	(4)	1,893,285	423,895
Other receivables	(5)	13,072	18,241
Total current assets		1,906,357	442,136
Non-current assets			
Trade and other receivables	(5)	753,064	775,215
Property, plant and equipment		4,704	2,860
Deferred exploration and evaluation expenditure	(6)	–	2,615,953
Total non-current assets		757,768	3,394,028
Total assets		2,664,125	3,836,164
Liabilities			
Current liabilities			
Trade and other payables	(7)	254,370	148,248
Provisions	(8)	800,640	819,138
Total current liabilities		1,055,010	967,386
Total liabilities		1,055,010	967,386
Net Assets		1,609,115	2,868,778
Equity			
Issued capital	(9)	72,162,176	70,144,916
Reserves	(10)	446,221	305,606
Accumulated Losses	(10)	(70,999,282)	(67,581,744)
Total equity		1,609,115	2,868,778

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Share Capital		Reserves		Total
	Ordinary	Accumulated	Share Based	Foreign	
	\$	Losses	Payment	Currency	
	\$	\$	Reserve	Translation	\$
			Reserve	Reserve	
Consolidated Group					
Balance at 1 July 2015	69,510,232	(66,846,040)	114,240	60,358	2,838,790
Comprehensive income					
Loss for the year	-	(735,704)	-	-	(735,704)
Exchange differences on translation of foreign operations	-	-	-	77,000	77,000
Total comprehensive income/(loss) for the year	-	(735,704)	-	77,000	(658,704)
Transactions with owners, in their capacity as owners, and other transfers					
Forfeit of Options	-	-	(2,476)	-	(2,476)
Options expensed during the year	-	-	32,650	-	32,650
Performance rights expensed during the year	-	-	23,834	-	23,834
Shares issued during the year	653,551	-	-	-	653,551
Share issue costs	(18,867)	-	-	-	(18,867)
Total transactions with owners and other transfers	634,684	-	54,008	-	688,692
Balance at 30 June 2016	70,144,916	(67,581,744)	168,248	137,358	2,868,778
Balance at 1 July 2016	70,144,916	(67,581,744)	168,248	137,358	2,868,778
Comprehensive income					
Loss for the year	-	(3,417,538)	-	-	(3,417,538)
Exchange differences on translation of foreign operations	-	-	-	(35,516)	(35,516)
Total comprehensive income/(loss) for the year	-	(3,417,538)	-	(35,516)	(3,453,054)
Transactions with owners, in their capacity as owners, and other transfers					
Options issued to advisors for capital raising	(99,765)	-	99,765	-	-
Options expensed during the year	-	-	74,562	-	74,562
Performance rights expensed during the year	-	-	1,804	-	1,804
Shares issued during the year	2,229,469	-	-	-	2,229,469
Share issue costs	(112,444)	-	-	-	(112,444)
Total transactions with owners and other transfers	2,017,260	-	176,131	-	2,193,391
Balance at 30 June 2017	72,162,176	(70,999,282)	344,379	101,842	1,609,115

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	Consolidated	
		2017	2016
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(580,836)	(568,431)
Net cash (used in) operating activities	(13a)	(580,836)	(568,431)
Cash flows from investing activities			
Payments for capitalised exploration and evaluation		(73,989)	(131,654)
Interest received		10,849	5,167
Interest paid		-	(674)
Purchase of property, plant and equipment		(2,715)	-
Net cash (used in) investing activities		(65,855)	(127,161)
Cash flows from financing activities			
Proceeds from issues of shares		2,229,469	568,303
Payments for share issue costs		(112,444)	(18,867)
Net cash provided by financing activities		2,117,025	549,436
Net increase/(decrease) in cash held		1,470,334	(146,156)
Cash and cash equivalents at beginning of financial year	(4)	423,895	568,500
Effect of exchange rates on cash holdings in foreign currencies		(944)	1,551
Cash and cash equivalents at end of financial year	(4)	1,893,285	423,895

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

Notes to the Financial Statements

For the year ended 30 June 2017

1. Revenue and Other Income

	Consolidated Group	
	2017	2016
	\$	\$
Revenue from continuing operations		
Other revenue		
Interest received	17,692	5,167
Total revenue	17,692	5,167

2. Expenses

Loss before income tax includes the following specific items:

Impairment of Exploration and Evaluation Expenditure		
Impairment of Petra Project in Colorado ⁽¹⁾	2,746,616	–
Total Impairment of Exploration and Evaluation Expenditure	2,746,616	–
Share Based Payments Expense		
Options	74,562	118,758
Performance Rights	1,804	23,834
Total Share Based Payments Expense	76,366	142,592
Administration and office costs		
Corporate compliance	172,284	126,782
Corporate management costs	337,419	311,263
Business Development and Consultants	18,723	42,621
Rent of Office space	24,500	27,526
General administration	43,327	79,738
Total Administration and office costs	596,253	587,930

⁽¹⁾ The Rodwell 14-31 exploration well was drilled subsequent to the end of the financial year and was plugged and abandoned as a sub commercial oil discovery. The Directors have determined that at this stage it is appropriate to fully impair the previously capitalised costs associated with the Petra Project until a final determination is made with respect to the future of the project. The impairment is a non-cash expense.

Notes to the Financial Statements

For the year ended 30 June 2017

3. Taxation

	Consolidated Group	
	2017	2016
	\$	\$
(a) Income Tax Expense		
Current Tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) before income tax	(3,417,538)	(735,704)
Income tax expense/(benefit) at 30% (30 June 2016: 30%)	(1,025,261)	(220,711)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income		
- Foreign tax losses not recognised	21,515	8,030
- Tax losses and other timing differences for which no deferred tax asset has been recognised	1,118,664	166,403
- Permanent differences arising from non-allowable items	22,624	17,489
- Effect of foreign tax differential	(137,542)	28,789
Income tax attributable to entity	-	-
Unrecognised deferred tax assets		
Tax losses	9,640,318	9,497,549
Unrealised foreign exchange gains / losses	30,553	41,208
Capital Raising Costs	106,098	71,013
Provisions and accruals	279,500	298,433
Total deferred tax assets	10,056,469	9,908,203
Unrecognised deferred tax liability		
Unrealised foreign exchange gains	-	-
Exploration deductions	(217,533)	(141,601)
Total deferred tax liability	(217,533)	(141,601)
Net deferred tax assets not recognised	9,838,936	9,766,602

Notes to the Financial Statements

For the year ended 30 June 2017

3. Taxation (continued)

Significant accounting judgment

The Group 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.

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:

- claim an immediate deduction for Intangible Drilling Costs ("IDC"); and
- must use either the cost or percentage depletion method, whichever yields the largest tax deduction, when calculating applicable tax deductions in relation to the entities economic interest in 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.

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.

4. Cash and Cash Equivalents

	Consolidated Group	
	2017	2016
	\$	\$
Cash at bank and on hand	<u>1,893,285</u>	<u>423,895</u>

Risk Exposure

Refer to Note 23 for details of the Group's exposure to foreign exchange risk and interest rate risk in relation to cash and cash equivalents.

5. Other Receivables

Current

GST Receivable	6,362	4,495
Prepaid Insurances	6,710	13,746
	<u>13,072</u>	<u>18,241</u>

Non-Current

Performance Bond (US Operations)	<u>753,064</u>	<u>775,215</u>
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Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 8. The class of assets described as Other Receivables is considered to be the main source of credit risk related to the Group. Due to the nature of these receivables (cash backed bond), their carrying value is assumed to approximate their fair value.

Notes to the Financial Statements

For the year ended 30 June 2017

5. Other Receivables (continued)

Impaired trade receivables

No Group trade receivables were past due or impaired as at 30 June 2017 (2016: nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business.

6. Deferred exploration & evaluation expenditure

	Consolidated Group	
	2017	2016
	\$	\$
Balance at 1 July	2,615,953	2,484,762
Amount Capitalised during the year	170,160	51,630
Impairment	(2,746,616)	–
Foreign Exchange Movements	(39,497)	79,561
Balance at 30 June	–	2,615,953

Significant accounting estimates and judgments for impairment amounts

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimates of the present value of future cash flows using asset-specific discount rates. For exploration and evaluation expenditure, these estimates are dependent on successful development and exploitation, or alternatively sale, of the respective area of interest. The Directors have determined to impair the full amount of deferred exploration and evaluation expenditure currently capitalised, which relates solely to the Petra Project in Colorado as disclosed in Note 2. Refer also to the Directors' Report for further details.

7. Trade and Other Payables

Current

Unsecured liabilities

Trade payables and accrued expenses	225,065	123,744
Other payables	29,305	24,504
	254,370	148,248

Trade payables are unsecured and paid within 30 days of recognition. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value. All amounts are expected to be settled within 12 months.

Notes to the Financial Statements

For the year ended 30 June 2017

8. Provisions

	Consolidated	
	2017	2016
Current	\$	\$
Rehabilitation Provisions		
Opening balance at 1 July	775,215	750,892
Additional Provisions ⁽¹⁾	6,842	–
Amounts used	–	–
Foreign currency movement	(28,993)	24,323
Balance at 30 June	753,064	775,215
Short-term Employee Benefits		
Opening balance at 1 July	43,923	23,757
Leave entitlements accrued	3,653	20,166
Balance at 30 June	47,576	43,923
Total Current	800,640	819,138

⁽¹⁾ The provision for abandonment of the Pompano Project was increased in 2017 to reflect the full value of the Performance Bond (US\$580,208) in place to cover the potential abandonment liabilities. Refer to Notes 5 and 20 for more details.

Significant accounting estimates and judgments for rehabilitation provisions

The Group 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 25(n).

Notes to the Financial Statements

For the year ended 30 June 2017

9. Issued Capital

	Consolidated	
	2017	2016
	\$	\$
178,946,872 fully paid ordinary shares (June 2016: 1,686,831,452 pre-consolidation shares)	72,162,176	70,144,916
	Shares	\$
For the year ended 30 June 2017		
Balance at 1 July 2016 (pre-consolidation)	1,686,831,452	70,144,916
Tranche 1 Placement (pre-consolidation) on 12 July 2016	292,548,068	234,038
Tranche 2 Placement (pre-consolidation) on 17 August 2016	257,451,932	205,962
Share Consolidation (1:25) effective 18 August 2016	(2,147,358,016)	–
1:1 Rights Issue (post consolidation)	89,473,436	1,789,469
Options issued to advisors for capital raising	–	(99,765)
Share issue costs	–	(112,444)
Balance at 30 June 2017	178,946,872	72,162,176
	Shares	\$
For the year ended 30 June 2016 (pre-consolidation)		
Balance at 1 July 2015	1,033,278,356	69,510,232
Share Placement 2 November 2015	258,319,589	258,319
Share Purchase Plan on 25 November 2015	309,983,507	309,982
Shares issues to Directors in lieu of cash fees	85,250,000	85,250
Share issue costs	–	(18,867)
Balance as at 30 June 2016 (pre-consolidation)	1,686,831,452	70,144,916

(i) Fully paid ordinary shares

Fully paid ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote on a show of hands or by proxy and upon a poll each share is entitled to one vote. All ordinary shares issued in the 2017 financial year were fully paid and issued at a price of \$0.02 per share. Shares issued in the 2016 financial year were fully paid and issued at \$0.001 per share (pre-consolidation). During the 2017 financial year, the Company undertook a consolidation of its share capital on a 1:25 basis.

(ii) Options of ordinary shares

Refer to Note 11 for information relating to the details of Options over fully paid ordinary shares issued, exercised and lapsed during the financial year and the Options outstanding at year-end. Refer to Note 1 for information relating to Options over fully paid ordinary shares issued to key management personnel during the financial year.

(iii) Capital Risk Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern. The Group is not subject to any externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Notes to the Financial Statements

For the year ended 30 June 2017

10. Reserves and Accumulated Losses

	Consolidated Group	
	2017	2016
	\$	\$
(a) Foreign currency translation reserve		
Opening Balance	137,358	60,358
Currency translation differences arising during the year	(35,516)	77,000
Closing Balance	101,842	137,358
(b) Share-based payment reserve		
Opening Balance	168,248	114,240
Options expensed during the year	74,562	32,650
Options issued classified as Share Issue costs	99,765	–
Performance Rights granted/expensed during the year	1,804	23,834
Forfeit of Options/Performance Rights	–	(2,476)
Closing Balance	344,379	168,248
Total Reserves	446,221	305,606
Accumulated losses		
Opening balance	(67,581,744)	(66,846,040)
Net loss for the year	(3,417,538)	(735,704)
Forfeit/Lapse of Options	–	–
Closing balance	(70,999,282)	(67,581,744)

The share-based payment reserve is used to recognise the deferred expense in relation to share based payments. Refer to Note 11 for information relating to the details of Options over fully paid ordinary shares issued, exercised and lapsed during the financial year and the Options outstanding at year-end

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.

11. Share Based Payments

Share based payments issued to key management personnel

On 16 August 2016 shareholders approved the issue of a total of 3,000,000 Options over Shares to Directors which were issued on 29 August 2016 with the value of these Options being recorded as Share Based Payments in the Consolidated Statement of Profit or Loss. On 12 October 2016, Mr Scott Patrizi was appointed to the Board and as part of the terms and conditions of his appointment he was issued with 1,000,000 Options over Shares on the same terms and conditions as the existing Directors with the value of these Options being recorded as Share Based Payments in the Consolidated Statement of Profit or Loss

Further details of share based payment issued to key management personnel are provided in the remuneration report.

Share based payments issued to third parties:

Shareholders also approved the issue of 4,000,000 Options over Shares to persons involved ("Facilitators") in the successful placement of any shortfall that arose on completion of the Rights Issue undertaken in September 2016. These Options were subsequently issued on 12 October 2016 following the placement of 60,260,891 shortfall shares raising a further \$1,205,218 for the Company. The value of the Facilitator Options has been recorded as Share Based Payments in the Consolidated Statement of Changes in Equity. No options were granted to third parties in the year ended 30 June 2016. No options granted to Facilitators in the year ended 30 June 2017 have been exercised.

A summary of the movements of all company Options and Performance Rights issued is as follows:

	Consolidated Group			
	2017		2016	
Movement in Options	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening balance	114,000,000	\$0.013	43,000,000	\$0.013
1:25 capital consolidation	(109,440,000)	-	-	-
Balance after consolidation	4,560,000	\$0.325	43,000,000	\$0.013
Options expired	(1,560,000)	\$0.325	-	-
Options Granted	8,000,000	\$0.04	75,000,000	\$0.0018
Options Forfeited ⁽¹⁾	-	-	(4,000,000)	\$0.015
Closing balance	<u>11,000,000</u>	<u>\$0.041</u>	<u>114,000,000</u>	<u>\$0.0057</u>
Options exercisable at year end	<u>9,500,000</u>		<u>39,000,000</u>	
Movement in Performance rights				
Opening balance	15,000,000		30,000,000	
Performance Rights Granted	-		-	
Rights Lapsed ⁽²⁾	(15,000,000)		(15,000,000)	
Closing balance	<u>-</u>		<u>15,000,000</u>	

⁽¹⁾ 4,000,000 options issued to Mark O'Clery were cancelled following Mr O'Clery's resignation on 30 September 2015.

⁽²⁾ The remaining 15,000,000 Performance Rights (pre consolidation) were measured against the share price hurdles on 31 July 2016 and none vested and therefore were forfeited.

Notes to the Financial Statements

For the year ended 30 June 2017

11. Share Based Payments (Continued)

Significant accounting estimates and judgments for share based payments values

The Group measures the cost of equity-settled transactions with key management personnel and other consultants and advisors 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 Black-Scholes valuation model as detailed in this Note 11.

The terms and conditions of the Options are summarised below:

Grant Date	Number	Vesting Conditions	Exercise Price	Expiry Date
Share Options				
<i>Directors</i>				
29 August 2016	3,000,000 ^(a)	None	\$0.04	30-Sept-19
12 October 2016	1,000,000 ^(b)	None	\$0.04	30-Sept-19
<i>Facilitators</i>				
12 October 2016	4,000,000 ^(c)	None	\$0.04	30-Sept-19

The fair value of the Options and granted is deemed to represent the value of the services received over the option life. These values were calculated using the Black Scholes option pricing model and the Hoadley's Multiple Barrier share option pricing model applying the following inputs:

	Director Options ^(a)	Director Options ^(b)	Facilitator Options ^(c)
Fair Value of Security at measurement date	\$0.01	\$0.02	\$0.02
Total Options issued	3,000,000	1,000,000	4,000,000
Total Fair Value	\$30,020	\$24,941	\$99,765
Share Price at Grant Date	\$0.02	\$0.04	\$0.04
Exercise Price	\$0.04	\$0.04	\$0.04
Expected Volatility	100%	100%	100%
Option Life	3 years	3 years	3 years
Expected Dividends	Nil	Nil	Nil
Risk Free interest rate	2.79%	2.20%	2.20%

Consolidated Group

	2017	2016
	\$	\$
<i>Total share based payments expense is made up of the following;</i>		
Share based payments expense		
- Options expense	74,562	30,174
- Performance Rights expense	1,804	23,834
Shares issued to Directors in lieu of salaries and fees	-	85,250
Corporate advisory fee expense	-	3,335
	76,366	142,593

Notes to the Financial Statements

For the year ended 30 June 2017

11. Share Based Payments (Continued)

Reconciliation of Share Based Payments Expense for the 2017 financial year is per below:

Class of Option	Date of Issue	Number	Fair Value	Expense	Equity
Directors	29 August 2016	3,000,000	\$30,020	\$30,020	–
Directors	12 October 2016	1,000,000	\$24,491	\$24,941	–
Directors	Issued in prior years	–	–	\$19,601	–
Facilitators	12 October 2016	4,000,000	\$99,765	–	\$99,765
Totals		8,000,000		\$74,562	\$99,765

12. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge, best available current information and expectations of future events that may have a financial impact on the Group.

This Note provides an overview of the areas that involved a high degree of judgement or complexity and items that are more likely to be materially adjusted. Detailed information about each of these estimates and judgments is included in the Notes together with information about the basis of calculation for each affected line in the financial statements

Significant accounting estimates and judgments

The areas involving significant estimates and judgments are:

- (i) *Recognition of deferred tax asset for carried forward tax losses – Note 3*
- (ii) *Income taxes – Note 3*
- (iii) *Estimation of fair value of share based payments – Note 11*
- (iv) *Estimation of fair value of capitalised exploration and evaluation expenditure – Note 6; and*
- (v) *Estimation of rehabilitation costs and eAxposure to contingent liabilities – Note 20*

Estimates and judgments are continually evaluated, however there have been no actual adjustments this financial year as a result of a change in previous estimates used to prepare prior years financial statements.

Notes to the Financial Statements

For the year ended 30 June 2017

13. Cash Flow Information

	Consolidated Group	
	2017	2016
	\$	\$
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(3,417,538)	(735,704)
Non-operating cash flows		
Interest Income	(17,692)	(5,167)
Interest paid	-	674
Non-cash flows in profit		
Impairment write down of oil and gas properties	2,746,616	-
Provision for abandonment	6,842	-
Exploration and evaluation expenditure expensed	40,000	-
Depreciation, depletion & amortisation	871	953
Share-based payment	76,366	142,592
Net exchange rate differences	4,141	(10,017)
(Increase)/decrease in current assets	5,169	(956)
Increase/(decrease) in current liabilities	(29,264)	19,028
Increase/(decrease) in provisions	3,653	20,166
Cash flow used in operations	(580,836)	(568,431)

(b) Non-cash financing and investing activities

There were no non-cash financing and investing activities for the year ended 30 June 2017.

During the year ended 30 June 2016, the Group incurred share based payments expense of \$142,592 net of the effect of forfeited options and Performance Rights. Included in the share based payments expense are shares issued in lieu of director fees totalling \$85,250 (refer to the Remuneration Report).

14. Auditor's Remuneration

BDO Audit (WA) Pty Ltd

Remuneration of the auditor for:

— auditing or reviewing the financial report	27,744	28,190
BDO Tax (WA) Pty Ltd	-	1,300
	<u>27,744</u>	<u>29,490</u>

Greenwich and Co. (previously KSI (WA) Pty Ltd)

Remuneration of the auditor for:

— auditing or reviewing the financial statement of subsidiaries	4,000	8,000
	<u>4,000</u>	<u>8,000</u>

Notes to the Financial Statements

For the year ended 30 June 2017

15. Loss per Share

	Consolidated Group	
	2017	2016
	\$	\$
(a) Reconciliation of earnings used in calculating earnings per share:		
Loss attributable to the ordinary equity holders of the company:	(3,417,538)	(735,704)
	Shares	Shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	154,961,081	55,520,361 ⁽¹⁾
	Cents	Cents
(c) Basic and diluted loss per share	(2.21)	(1.33) ⁽¹⁾

⁽¹⁾ The 2016 weighted average shares on issue and the basic and diluted loss per share has been adjusted to reflect the 1:25 share consolidation that occurred in the year ended 30 June 2017.

16. Joint Arrangements

At the reporting date, the Group had working interests in joint arrangements for the following projects;

Project	Blocks/Leases	Activity	Location	Working Interest	
				2017	2016
Petra Project ⁽¹⁾	Various	Oil & Gas field, exploration project	USA	25%	50%
Pompano Project ⁽²⁾	446-L SE/4	Oil & Gas field, production project	USA	25%	25%

⁽¹⁾ Elixir, through its wholly owned subsidiary, Elixir Petroleum (Petra) LLC, owns a 25% working interest across all leases in over 30,000 net acres in Washington County, Colorado, USA. Elixir elected to reduce its working interest from 50% to 25% by electing not to fully fund the Rodwell 14-31 exploration well, which pursuant to a Sale and Purchase Agreement, was required to retain its full 50% working interest across all the leases. The Rodwell 14-31 exploration well was drilled subsequent to the end of the financial year and was plugged and abandoned as a sub commercial oil discovery.

⁽²⁾ Cottesloe Oil and Gas LLC ("Cottesloe"), a wholly owned subsidiary of the Group, was a party to a Joint Operating Agreement with respect to the Pompano project. It is unclear whether Cottesloe remains a party to this Agreement. Refer Note 20.

Notes to the Financial Statements

For the year ended 30 June 2017

17. Controlled Entities

Controlled Entities Consolidated

Subsidiaries of Elixir Petroleum Limited:	Country of Incorporation	Percentage Owned	
		2017	2016
Elixir Petroleum (Australia) Pty Ltd	Australia	100%	100%
Elixir Petroleum (Moselle) Ltd	United Kingdom	100%	100%
Elixir Petroleum (Colorado) LLC	USA	100%	100%
Elixir Petroleum (Petra) LLC	USA	100%	100%
Cottesloe Oil & Gas LLC	USA	100%	100%
Cottesloe Oil & Gas Inc	USA	100%	100%

Elixir Petroleum Limited and Elixir Petroleum (Australia) Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debtors 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.

	Closed Group 2017 \$	Closed Group 2016 \$
Financial information in relation to:		
(i) Statement of Profit or Loss and Other Comprehensive Income:		
Loss before income tax	(2,369,580)	(658,614)
Income tax expense	-	-
Loss after income tax	(2,369,580)	(658,614)
Loss attributable to members of the parent entity	(2,369,580)	(658,614)
(ii) Accumulated losses:		
Accumulated losses at the beginning of the year	(68,530,791)	(67,872,177)
Loss after income tax	(2,369,580)	(658,614)
Accumulated losses at the end of the year	(70,900,371)	(68,530,791)
(iii) Statement of Financial Position:		
Current Assets		
Cash and cash equivalents	1,893,285	400,766
Other receivables	11,504	9,153
Total current assets	1,904,789	409,919
Non-current Assets		
Receivables	-	1,502,834
Investment in subsidiaries	-	168
Other plant and equipment	4,704	2,860
Total non-current assets	4,704	1,505,862
Total assets	1,909,493	1,915,781

Notes to the Financial Statements

For the year ended 30 June 2017

17. Controlled Entities (Continued)

Current Liabilities		
Trade and other payables	232,558	89,485
Provisions	72,576	43,923
Total current liabilities	305,134	133,408
Total liabilities	305,134	133,408
Net assets	1,604,359	1,782,373
Equity		
Issued capital	72,162,176	70,144,916
Reserves	342,554	168,248
Accumulated losses	(70,900,371)	(68,530,791)
	1,604,359	1,782,373

18. Parent Entity Information

The following information has been extracted from the books and records of the Parent and has been prepared in accordance with Australian Accounting standards.

	2017	2016
	\$	\$
Statement of Financial Position		
<i>Assets</i>		
Current Assets	1,904,789	409,919
Non-current Assets	4,704	2,592,267
Total assets	1,909,493	3,002,186
<i>Liabilities</i>		
Current Liabilities	305,132	133,408
Total Liabilities	305,132	133,408
Net assets	1,604,361	2,868,778
<i>Equity</i>		
Issued Capital	72,162,176	70,144,916
Accumulated Losses	(70,900,369)	(67,444,386)
Share-based Payment Reserve	342,554	168,248
Total Equity	1,604,361	2,868,778
Statement of Profit or Loss and other Comprehensive Income		
Total loss	(3,455,893)	(658,614)
Total comprehensive loss	(3,455,893)	(658,614)

Notes to the Financial Statements

For the year ended 30 June 2017

18. Parent Entity Information (Continued)

As at 30 June 2017 amounts receivable from controlled entities at cost totalled \$7,342,329 (2016: \$7,332,130). During the year an amount of \$1,544,452 was impaired for amounts receivable from controlled entities and a further impairment charge of \$1,080,160 was made against the value of investments in controlled entities.

During the year ended 30 June 2016, an amount of \$13,216,878 was written off following the winding up of Elixir Petroleum (Europe) Limited. An offsetting reduction in the impairment of amounts receivable of \$13,915,250 was booked for the year ended 30 June 2016 resulting in a net carrying value of amounts receivable from controlled entities of \$1,509,253 (2015: \$1,327,740).

Guarantees

Elixir Petroleum Limited has entered into a cross guarantee with Elixir Petroleum (Australia) Pty Ltd, a wholly owned subsidiary with the full details being disclosed at Note 17.

Wholly-owned group

Details of interests in wholly-owned controlled entities are set out at Note 17. Details of dealings with controlled entities are as follows:

Inter-company Account

Elixir Petroleum Limited provides working capital to its controlled entities. Transactions between Elixir Petroleum Limited and other controlled entities in the Group during the year ended 30 June 2017 consisted of:

- Working capital advanced by Elixir Petroleum Limited.
- Provision of services by Elixir Petroleum Limited.
- 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.

19. Capital and Leasing Commitments

	Consolidated Group	
	2017	2016
	\$	\$
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable—minimum lease payments		
not later than 12 months	12,000	24,200
between 12 months and 5 years	—	—
	<u>12,000</u>	<u>24,200</u>

20. Contingent Liabilities

Cottesloe Oil and Gas LLC (“Cottesloe”), a wholly owned subsidiary of the Group, was a party to a Joint Operating Agreement (“JOA”) with amongst others, Buccaneer Resources LLC (“Buccaneer”), a wholly owned subsidiary of Buccaneer Energy Limited on the Pompano Project (“Pompano”). During 2011 the Operator proposed activities at Pompano which Cottesloe declined to participate in thus impacting our status and future rights and obligations under the JOA. The remaining JV partners ultimately elected to shut in the wells and relinquish the two associated leases during 2012 with abandonment obligations remaining outstanding. The Company became aware that Buccaneer applied for and was granted Chapter 11 protection in the United States and Australia post the end of the 2014 financial year. As at the date of this report, the Company has not been made aware of any claims from Buccaneer or any of its creditors.

20. Contingent Liabilities (Continued)

It is unclear whether Cottesloe is still a party to the JOA, but if this is the case, there is the possibility that in the event of a default by Buccaneer on its share of the abandonment cost of the platform, associated infrastructure and the wells, then Cottesloe will potentially be liable for its increased proportionate share of the cost. Buccaneer states in its latest annual report that it has a 65% working interest in the Pompano project. Cottesloe's only significant asset is a cash backed bond of US\$580,208 in favour of the previous owner of the platform and associated infrastructure which can be called upon in the event Cottesloe defaults on its share of the abandonment costs of this infrastructure. The cash backed bond provided by Cottesloe does not extend to any costs of abandoning the wells. There is no parent company guarantee in place between the Company and any of the other co-venturers in the Pompano project and therefore there is limited recourse to the Company or any other subsidiary of the Group should a claim be made on Cottesloe for an amount in excess of its assets.

21. Operating Segments

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

Management has determined, based on the reports reviewed by the Board of Directors that are used to make strategic decision, that the Group had two reportable segments during 2017 (2016: two) being oil and gas exploration in France and oil and gas exploration in the United States of America (USA). The Group's management and administration office is located in Australia.

(i) Segment Performance

	Oil & Gas Exploration (USA)	Oil & Gas Exploration (France)	Other Corporate Activities	Total
30 June 2017	\$	\$	\$	\$
Revenue from external sources	–	–	17,692	17,692
Reportable segment (loss)	(2,782,957)	(22,938)	(611,643)	(3,417,538)
Reportable segment assets	754,632	–	1,909,494	2,664,125
Reportable segment liabilities	753,064	21,813	280,132	1,055,009
30 June 2016				
Revenue from external sources	–	–	5,167	5,167
Reportable segment (loss)	(43,859)	(19,336)	(672,509)	(735,704)
Reportable segment assets	3,400,256	23,130	412,778	3,836,164
Reportable segment liabilities	801,278	32,700	133,408	967,386

No reconciliation is required of segment information as the information as presented is used by the Board to make strategic decisions.

Notes to the Financial Statements

For the year ended 30 June 2017

22. Related Party Transactions

The Group's main related parties are as follows

(i) Entities exercising control over the Group:

The ultimate parent entity that exercises control over the Group is Elixir Petroleum Limited, which is incorporated in Australia.

(ii) Key Management Personnel Compensation:

Refer to the Remuneration Report contained in the Directors' Report for detailed remunerations disclosures of payments to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	Consolidated Group	
	2017	2016
	\$	\$
Short-term employee benefits	318,515	294,315
Post-employment benefits	22,557	16,948
Share-based payments	76,365	139,258
Total KMP compensation	417,437	450,521

(iii) Entities subject to significant influence by the Group:

An entity which has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

(iv) Transactions with other related parties:

New Standard Energy Limited ("NSE"), a director related entity at that time, sold the Group some minor items of office furniture in the year ended 30 June 2016 at commercial rates prevailing at the time.

Aggregate amounts paid during the reporting period are as follows:

	Consolidated Group	
	2017	2016
	\$	\$
Purchase of property, plant and equipment	-	300
	-	300

There were no other transactions with related parties during the year.

(iv) Outstanding balances arising from sales/purchases of goods and services:

There are no outstanding balances arising from sale/purchases of goods and services (30 June 2016: Nil).

(v) Loan to / from related parties:

There were no loans to or from related parties during the year (30 June 2016: Nil).

23. Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 "Financial Instruments: Recognition and Measurement" as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2017	2016
		\$	\$
Financial Assets			
Cash and cash equivalents	(4)	1,893,285	423,895
Loans and receivables	(5)	753,064	779,710
Total Financial Assets		2,646,349	1,203,605
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	(7)	254,369	148,248
Total Financial Liabilities		254,369	148,248

Financial Risk Management Policies

Company Management along with the Audit Committee have been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the procedures including approval systems, credit limits, monitoring of exposures against such limits and monitoring of the financial stability of significant counterparties, ensuring to the extent possible, that counterparties to transactions are of credit worthy. Such monitoring is used in assessing receivables for impairment. Risk is also minimised through only investing surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries (refer Note 17 for details).

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographic basis, the Group had credit risk exposures to Australia, the USA, France and the United Kingdom given the operations in those regions. Details with respect to credit risk of Trade and Other Receivables is provided in Note 5.

Notes to the Financial Statements

For the year ended 30 June 2017

23. Financial Risk Management (continued)

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

Cash and cash equivalents

AA Rated	(4)	1,893,285	423,895
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(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables	254,369	148,248	-	-	-	-	254,369	148,248
Total expected outflows	254,369	148,248	-	-	-	-	254,369	148,248
Financial Assets – cash flows realisable								
Cash and cash equivalents	1,893,285	423,895	-	-	-	-	1,893,285	423,895
Trade, term and loans receivables	13,072	4,495	753,064	775,215	-	-	766,136	779,710
Total anticipated inflows	1,906,357	428,390	753,064	775,215	-	-	2,659,421	1,203,605
Net inflow on financial instruments	1,651,988	280,142	753,064	775,215	-	-	2,405,052	1,055,357

23. Financial Risk Management (continued)**(c) Market Risk****(i) Interest rate risk**

As at, and during the year ended on the reporting date, the Group had no significant interest-bearing assets or liabilities other than liquid funds on deposit. As such, the Group's income and operating cash flows (other than interest income from funds on deposit) are substantially independent of changes in market interest rates.

(ii) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US Dollar and the UK Pound Sterling may impact on the Group's financial results unless those exposures are appropriately hedged.

During the year the Board decided that it would not be beneficial for the Group 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 the USD and GBP outflows and the Group's foreign exchange holdings. The Board regularly monitors the Group's foreign exchange requirements and its foreign exchange risk. The board may in future period enter into transaction to hedge its foreign exchange risk if it is beneficial to do so.

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

	2017		2016	
	USD	GBP	USD	GBP
Cash	12,495	–	–	23,130
Trade and other receivables	1,568	–	337	–
Non-current receivables	753,064	–	775,215	–
Trade Payables	(167,491)	(21,813)	(26,063)	(32,700)
	599,636	(21,813)	749,489	(9,570)

(iii) Other price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

Notes to the Financial Statements

For the year ended 30 June 2017

23. Financial Risk Management (continued)

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profit \$	Equity \$
Year ended 30 June 2017		
+/- 0.9% in interest rates	10,427	10,427
+/- 20% in AUD relative to USD & GBP	119,927	119,927
	Consolidated Group	
	Profit \$	Equity \$
Year ended 30 June 2016		
+/- 0.9% in interest rates	4,466	4,466
+/- 20% in AUD relative to USD & GBP	573,755	573,755

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

(iv) Fair values

Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

- Cash assets, borrowings and financial assets are carried at amounts approximating fair value because of their short term nature to maturity.
- Receivables and payables are carried at amounts approximating fair value.

24. Events After the Reporting Period

The following events occurred subsequent to 30 June 2017 which will have a material effect on the Group.

On 7 August 2017, the Company announced that drilling had commenced on the initial exploration well at the Petra Project in Colorado. The well reached total depth on 14 August and after completion of testing of oil shows in the primary objective, the partners in the well decided to plug and abandon the well as a non-commercial oil discovery. Due to the lack of commercial shows, the Board determined subsequent to 30 June 2017 that it was appropriate to impair the capitalised costs associated with the Petra Project, resulting in a non-cash impairment expense of \$2,746,616 being recognised in the 30 June 2017 financial statements. Accordingly, it is expected that there will be no significant impact on the 30 June 2018 financial statements of this result.

There are no other events occurring after the end of the reporting period to disclose.

25. Summary of Accounting Policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

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.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. The financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Elixir Petroleum Limited at the end of the reporting period. A controlled entity is any entity over which Elixir Petroleum Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 17 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Asset acquisition

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

Notes to the Financial Statements

For the year ended 30 June 2017

25. Summary of Accounting Policies (Continued)

(c) Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities / (assets) are measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense / (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Segment Reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

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

Basis of accounting for purposes of reporting by operating segments

(i) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

25. Summary of Accounting Policies (Continued)

(d) Segment Reporting (Continued)

(ii) Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segment's overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(iii) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(iv) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(v) Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives
- Net gains on disposal of available-for-sale investments
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities
- Discontinued operations
- Retirement benefit obligations

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 25(i) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Notes to the Financial Statements

For the year ended 30 June 2017

25. Summary of Accounting Policies (Continued)

(e) Property, Plant and Equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Interests in oil and gas properties

Exploration & evaluation expenditure

The Group'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.

25. Summary of Accounting Policies (Continued)

(f) Interests in oil and gas properties (Continued)

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.

(g) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Notes to the Financial Statements

For the year ended 30 June 2017

25. Summary of Accounting Policies (Continued)

(g) Financial Instruments (Continued)

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

25. Summary of Accounting Policies (Continued)

(i) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(j) Interests in Joint Operations

The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 16.

(k) 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 costs of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, e.g. as the result of 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 recognised directly in equity.

(l) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in the profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2017

25. Summary of Accounting Policies (Continued)

(l) Foreign Currency Transactions and Balances (Continued)

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(m) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Share-based payments

The Group operates an employee share, option and Performance Rights plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of Options is determined using the Black-Scholes pricing model. The number of shares, Options and rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

25. Summary of Accounting Policies (Continued)

(n) Provisions

Provisions are recognised when the Group 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is considered to exist where the Group 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 Group are allocated against the provision.

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

(o) 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.

(p) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax or value added tax.

Notes to the Financial Statements

For the year ended 30 June 2017

25. Summary of Accounting Policies (Continued)

(r) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(i) for further discussion on the determination of impairment losses.

(s) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(t) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST or value added tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(u) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

25. Summary of Accounting Policies (Continued)

(v) New standard and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for ended

30 June 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Summary	Impact on 2017 Financial Statements	Application Date/ Date adopted by company
AASB 9 Financial Instruments	<p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application.</p>	<p>When this standard is first adopted from 1 July 2018, there will be no impact on transactions and balances recognised in the financial statements.</p> <p>The company does not currently have any hedging arrangements in place.</p>	<p>Must be applied for financial years commencing on or after 1 January 2018, therefore application date for the Company will be 30 June 2019.</p>
AASB 15 – Revenue from Contracts with Customers	<p>An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.</p>	<p>When this standard is first adopted from 1 July 2018, this standard will not have a significant impact on transactions and balances recognised in the financial statements.</p>	<p>Must be applied for annual reporting periods beginning on or after 1 January 2018, therefore application date for the Company will be 30 June 2019.</p>
AASB 16 (issued February 2016) Leases	<p>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.</p>	<p>When this standard is first adopted from 1 July 2019, there will be minimal impact on transactions and balances recognised in the financial statements.</p>	<p>Annual reporting periods beginning on or after 1 January 2019, therefore the application date for the company will be 30 June 2020.</p>

Additional Securities Exchange Information

The shareholder information set out below was applicable as at 23 October 2017.

1. Twenty largest shareholders

Ordinary shares	Number	Percentage
1 MR DAVID JAMES WALL	7,350,000	3.32%
2 DIDCAL PTY LTD	7,000,000	3.16%
3 DOUGAL FERGUSON	6,508,000	2.94%
4 METIS PTY LTD	6,000,000	2.71%
5 PHEAKES PTY LTD	5,500,000	2.48%
6 KORE CAPITAL PTY LTD	5,325,000	2.40%
7 SMC CAPITAL PTY LTD	4,425,000	2.00%
8 HOLDREY PTY LTD	4,375,000	1.98%
9 MR MARK JONATHAN SANDFORD	4,035,000	1.82%
10 SCINTILLA STRATEGIC	3,500,000	1.58%
11 YEA-SAYER PTY LTD	3,500,000	1.58%
12 ST BARNABAS INVESTMENTS PTY	3,205,455	1.45%
13 VANTAGE HOUSE LIMITED	3,100,000	1.40%
14 ALEXANDER HOLDINGS (WA) PTY	3,000,000	1.35%
15 OFF THE PLANET INVESTMENTS PTY	3,000,000	1.35%
16 QUINTERO GROUP LIMITED	2,550,000	1.15%
17 JORLYN INVESTMENTS PTY LTD	2,500,000	1.13%
18 SEVENTY THREE PTY LTD	2,500,000	1.13%
19 MR ROBERT ERIC TERACE &	2,500,000	1.13%
20 CRYING ROCK PTY LTD	2,082,241	0.94%
Total Top 20	81,955,696	37.00%
Other	139,491,176	63.00%
Total	221,446,872	100.00%

2. Substantial shareholders

There have been no substantial holder notices provided to the company as at the 23 October 2017.

3. Distribution of equity securities

	Ordinary Shares	Unlisted options
1 - 1,000	59	-
1,001 - 5000	44	-
5,001 - 10,000	19	-
10,001 - 100,000	148	-
100,001 - and above	283	6
Total	553	6

Additional Securities Exchange Information

4. Unquoted securities

The total number of unquoted securities on issue and the number of holders for each class of unquoted securities are set out below. Excepting holders that were issued or acquired unquoted securities under an employee incentive scheme, individuals holding more than 20% of any class of unquoted security are listed below.

Class of unquoted security	Number on Issue	Number of Holders
Unlisted executive incentive options	3,000,000	1
Unlisted Director options ⁽¹⁾	4,000,000	4
Unlisted options ⁽²⁾	4,000,000	2

⁽¹⁾ Holders of Unlisted Director options	Number Held	% Held
Ray Barnes	1,000,000	25.00%
Dougal Ferguson	1,000,000	25.00%
Sam Willis	1,000,000	25.00%
Scott Patrizi	1,000,000	25.00%

⁽²⁾ Holders of Unlisted options	Number Held	% Held
David James Wall	2,000,000	50.00%
JP Security Holdings Pty Ltd	2,000,000	50.00%

6. Voting rights

Refer Note 18(a) of the Financial Statements for voting rights of ordinary shares. Listed and unlisted option holders have no voting rights until the options are converted into ordinary shares.

7. On-market buy back

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

8. 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.

9. List of interests in petroleum projects

Details of the Company's interests in petroleum projects can be found in the Review of Operations.

www.elixirpetroleum.com

