elixir
petroleum limited

ABN 51 108 230 995

Annual Report
2014

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CORPORATE DIRECTORY

Directors

Mr Sam Willis	Non-Executive Chairman
Mr Dougal Ferguson	Managing Director
Mr Michael Price	Non-Executive Director
Mr Mark O'Clery	Non-Executive Director

Company Secretary

Mr Nicholas Ong

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Auditors - Australia

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Stock Exchange Listing

Australian Securities Exchange
Home Exchange: Perth
Western Australia
Code: EXR

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CHAIRMAN'S LETTER

Dear Shareholder

With the passing of another challenging year for the small oil and gas sector, Elixir has emerged in a stronger position with the exciting new Petra Project in Colorado and the option to participate in a second project in the Wattenberg unconventional oil play, also in Colorado. Significant upside and potential remains in the Moselle asset in France however continued delays within the French administration in processing the renewal of the Moselle exploration permit has meant that your Company has elected to pursue other opportunities.

We have been fortunate to secure not only a new project in Colorado and the option to participate in another, but also the funding to pursue these opportunities along with new management with the skills, experience and drive to take these opportunities forward. All of this will of course be done, whilst keeping a watchful eye on developments in France. Early in 2014, the Company was able to secure the services of Mr Dougal Ferguson, whom initially commenced as a consultant assisting with a strategic review of the Company and its assets. On 1 May 2014, the Board appointed Mr Ferguson as Chief Executive Officer during which time he sourced, negotiated and implemented the acquisition of the Petra Project. On closing of the transaction, Mr Ferguson was appointed Managing Director and is now driving the further growth of the Company.

The acquisition of the Petra Project in Colorado for a modest initial cash outlay of approximately US$700,000, together with a relatively small expenditure carry on the future work program of a further US$750,000, has the potential to transform Elixir. The transaction, completed in September 2014, is a combination of low cost, high impact conventional exploration, coupled with an option to participate in the highly sought after Wattenberg unconventional oil play in the Denver Julesburg basin. Elixir has, or has the rights to a 50% Working Interest in both projects which offer a different risk reward profile for Elixir shareholders.

To facilitate participation in the two projects the Company raised approximately $3 million in additional capital through a placement to sophisticated investors of $2.2 million and a fully subscribed share purchase plan of $0.8 million. The placement was oversubscribed and the response from shareholders to the share purchase plan was extremely pleasing and displayed strong support for the Board's decision to pursue the Petra Project. The Company is now well placed to pursue its growth strategy with both the funding in place and an asset base that in the event of success can deliver growth in shareholder value.

During the first half of the financial year, Elixir continued to rationalise its underperforming assets, and undertake actions to reduce its cost base. This initiative has delivered a substantial reduction in company overheads along with the sale of the loss making High Island production asset. In addition, the Company has exited from its UK exploration assets, further reducing non-core exploration spend. Cost control will remain a key focus moving forward.

The largest expense (non cash) item this financial year was the impairment of the Moselle capitalised exploration expenditure. Your Board has determined that it is prudent to impair these capitalised costs at this stage due to the uncertainty surrounding the timing of the renewal of the Moselle permit. In no way does this impairment impact the substantial prospectivity of the Moselle permit which is highlighted in the Operations Review. A renewal application was lodged with the French authorities in September 2013 and as at the date of this report, Elixir has yet to receive confirmation that the renewal has been granted. The Board has received legal advice supporting the view that the French government has a legal obligation to grant the renewal, but it is also clear there is currently no defined timeframe in which it needs to occur pursuant to the French Mining Code. This remains a very frustrating situation, but something the Company must endure in the current French political environment. Your Board is reluctant to direct any substantial spend on this project until we receive confirmation of the licence renewal.

On behalf of the Board, I would like to thank the previous management and directors of Elixir for their efforts during the financial year and thank our shareholders for their support through this difficult period. The Board is confident that with new managements drive and expertise, exciting new projects in Colorado and the ever present untapped potential of the Moselle permit in France, the Company is well placed to deliver value to all shareholders over time.

Yours sincerely

Samuel Willlis
Non-Executive Chairman

STRATEGY

Elixir Petroleum Limited ("Elixir" or "Company") is an international oil and gas exploration company with operations in the United States and France

Elixir's strategy is to pursue opportunities in predominantly OECD countries which meet the following key criteria:

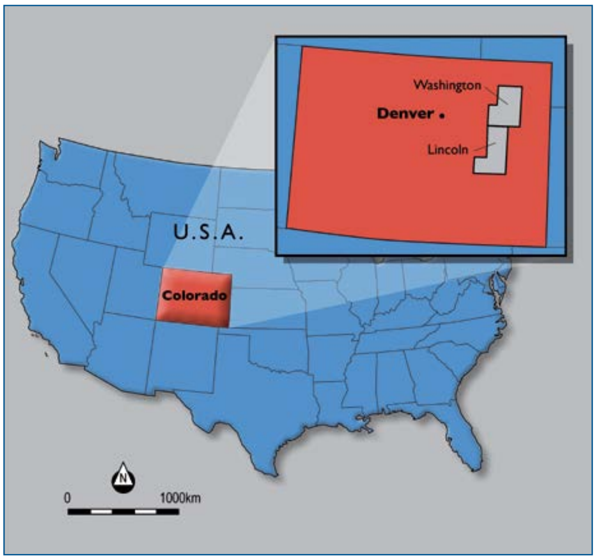
- **Onshore, early stage, low cost exploration opportunities with moderate geological risk;**
- **Conventional and unconventional oil and gas reservoirs with near term cash flow possibilities;**
- **A portfolio which exposes shareholders to multiple well drilling programs;**
- **Farm-in or farm-out potential to grow the portfolio and manage risk;**
- **Offer strategic partnerships for development projects to leverage opportunities; and**
- **Applying a combination of technical excellence, commercial innovation, speed and flexibility to grow the Company's portfolio and access new opportunities**

Elixir has recently acquired the Petra Project and an option to participate in a second project in Colorado that meet these criteria. Details of these recent acquisitions are provided in the Operations Review. The Company will continue to progress its existing projects together with targeting additional projects that meet this criteria.

OPERATIONS REVIEW

Colorado, USA

Colorado's crude oil production has been steadily rising and grew 146% between the years of 2007 and 2013 principally due to increased exploitation of vast unconventional oil resources which are estimated to be as high as 2 billion barrels. The advent of horizontal drilling and hydraulic fracturing technology is unlocking the prolific resources of the Niobrara shale formation in the Denver Julesburg Basin in north eastern Colorado. The unconventional resource plays in Colorado now account for a substantial portion of the oil and gas production within the state.



Washington and Lincoln Counties – Colorado, USA

Colorado also produces hydrocarbons from conventional reservoirs in a number of areas, including the plains to the south east of Denver in Lincoln and Washington counties. Several large private companies, together with AIM listed Nighthawk Energy plc (LSE:HAWK) have had success in recent years chasing the conventional Mississippian and Pennsylvanian reservoirs which have delivered wells capable of producing in excess of 500bbls/day.

These wells which are relatively inexpensive to drill and complete, are capable of paying back within several months and are therefore highly attractive targets for a Company of Elixir's size. New exploration thinking has opened up this play and costs are low with dry hole drilling costs of approximately US$1M per well. Elixir's acquisition has secured a material foothold in this emerging play on attractive terms which provides shareholders with significant leverage to exploration success.

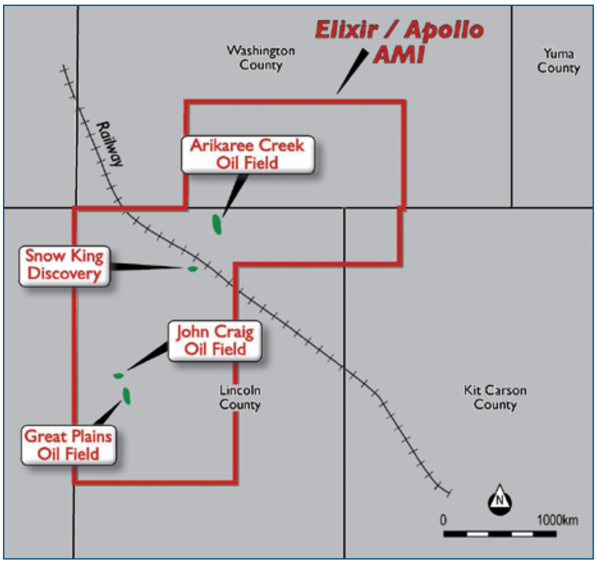
REVIEW OF OPERATIONS

Through its recent transaction, the Company has been able to secure exposure to both the high reward conventional (Petra Project) and low risk unconventional (Wattenberg Option) plays in Colorado.

Petra Project (Elixir 50% Working Interest)

On 4 September 2014, Elixir acquired a 50% Working Interest in over 7,200 net acres in Washington County, Colorado, for an initial payment of approximately US$700,000. Pursuant to the agreement, Elixir will pay the first US$1.5M of exploration costs on behalf of the joint venture. The agreed work program includes the acquisition of new and existing seismic data and the drilling of at least two exploration wells prior to 30 June 2016. Following completion of the committed expenditure, Elixir will retain a 50% interest in the leases which have no drilling or seismic commitments and long tenure.

The Company has signed an Area of Mutual Interest ("AMI") with its partner covering over 500,000 acres. Any acreage acquired within this AMI will be on a heads up, ground floor basis. Elixir's partner in Colorado is an experienced operator with a proven track record. Since the date of the acquiistion, both Elixir and its partner have progressed a number of initiatives, including additional leasing and data acquisition.



Area of Mutual Interest – 500,000 acres in Washington and Lincoln Counties, Colorado

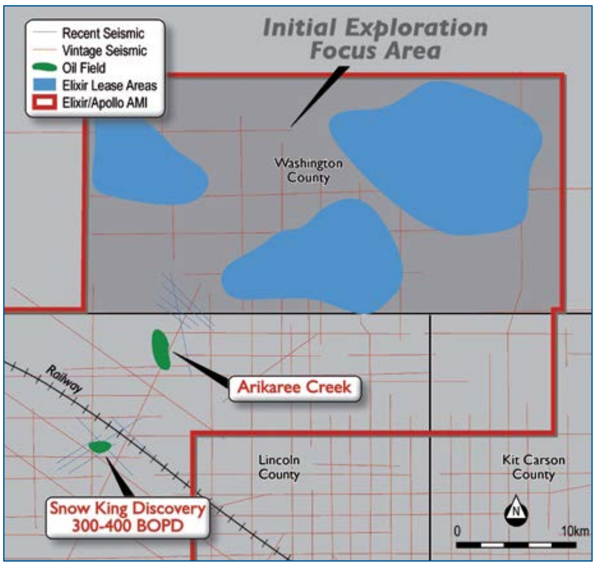
Geological and Geophysical Activities (100% carried by Elixir)

Subsequent to the acquisition, the Company has purchased approximately 250kms of 2D seismic data. This data has now been reprocessed and is currently being interpreted by the Company. Elixir expects to have a fully interpreted data set within the next month which will drive the future leasing and seismic data acquisition strategy. This work is necessary to allow the Company to develop leads and prospects as candidates for drilling in 2015.

In addition to the above data purchase, the joint venture participated in a small proprietary 3D seismic program over part of its lease position and now has possession of that data. The 2D data purchase and 3D data acquisition form part of the agreed work program and form part of the carried expenditure of US$1.5M.

Leasing Activities (50% cost to Elixir)

During August just prior to completion of the acquisition, the joint venture participated in the Colorado state lease sales and acquired an additional 4,480 acres. Further ongoing leasing outside of the state lease sales added to the joint ventures land holding, increasing Elixir's share of the net acres under lease to over 10,000 acres. Leasing activities will continue into 2015 as the Company completes its interpretation of the 2D seismic data acquired and is able to focus its leasing efforts on what it believes is the most prospective acreage available for lease. Competition in the region continues to be strong with several new entrants pursuing this emerging new play. Lease costs on a per acre basis have been increasing which has increased the value of the lease position already secured by the Company.



Initial area of interest and approximate 10,000 net acre lease position in Washington County

The leases acquired follow a new trend in the Denver Julesberg Basin ("DJ Basin") which is targeting Mississippian and Pennsylvanian conventional structures (at a depth of ~2,500 metres) that have been successfully identified and drilled on 2D and 3D seismic in recent years.

Wattenberg Option (Elixir 50% Working Interest)

The Wattenberg Option provides Elixir with the exclusive option to participate in any leases acquired by its Denver based partner over an agreed area in the unconventional oil window within Weld County, Colorado. This option provides the Company with exposure to one of the most successful unconventional oil plays in the USA on ground floor terms.

The initial strategy is to acquire up to 2,000 acres within the defined area with Elixir having an option over a 50% Working Interest delivered with a minimum net revenue interest of 40%. Elixir has a right (but not the obligation) to expand its lease position beyond 50% of 2,000 net acres should Elixir want to participate in an expanded acreage position.

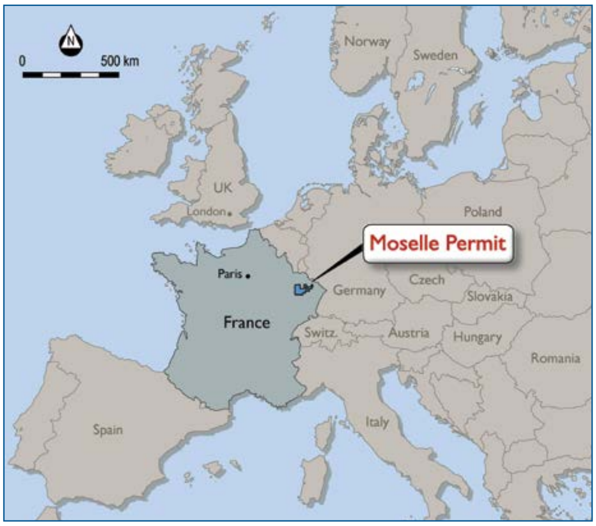
Significant progress has been made by Elixir's partner with respect to this project. If the relevant leases are secured, Elixir will have 30 days to complete its own due diligence during which time it must elect whether or not to participate.

France

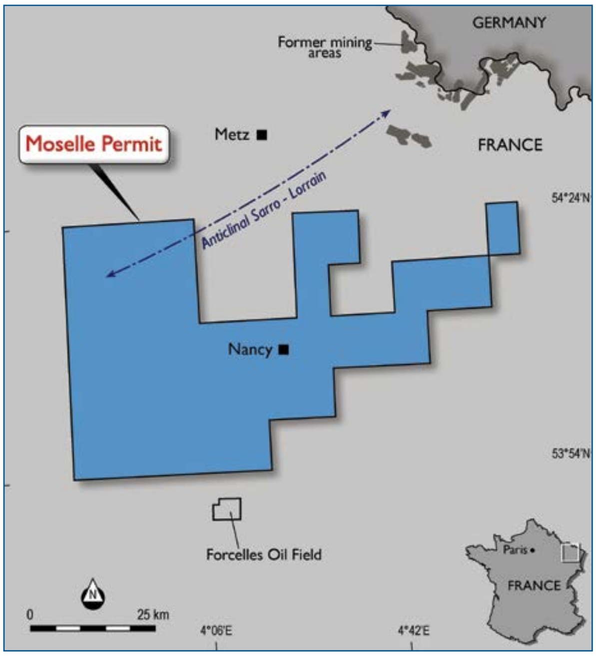
Moselle Permit (Elixir 100% Operator)

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 does not intend to incur any significant expenditure on Moselle until the renewal is granted.

The Moselle Permit, acquired by Elixir in April 2010, is located in north-eastern France in the Saar-Lorraine Basin. The permit post renewal will be approximately 2,680 km^2 in area, or over 500,000 acres, an area larger than the AMI in Colorado. The Moselle permit is one of the largest exploration permits prospective for both conventional and unconventional hydrocarbons in Western Europe. In mid-July 2011, legislation was enacted by the French Parliament prohibiting the use of hydraulic fracture stimulation, resulting in the unconventional prospectivity originally identified in the Moselle Permit not being able to be pursued at this time.



Location of the Moselle Permit



Moselle Permit size after relinquishment of 50% of original area

Conventional Prospectivity

As a result of technical work undertaken in the 2013 financial year, Elixir identified new conventional play types for the area, as well as a new play comprising previously untested reservoir objectives associated with large structures located in the central part of the permit. The three key play types are:

- The **Paris Basin Play** – Lower Triassic sandstones (existing play type)
- The **Westphalian Play** – Fractured Westphalian sandstones (existing play type)
- The **Stephanian Play** – Upper Carboniferous Stephanian sandstones (new play type)

In addition to the existing conventional Triassic and Westphalian plays within the Moselle Permit, Elixir identified a significant new play type in the Stephanian targeting reservoirs in large Carboniferous thrust anticlines. Substantial potential is also present in the more traditionally exploited play types in the Lower Triassic (which hosts the nearby La Trois Fontaine gas field and the Forcelles oil field) and Westphalian, where gas to surface has been achieved in a number of historic wells.

Figure 1 below shows a schematic NW-SE cross-section for the Moselle Permit. The shallow Lorraine Anticline, which contains older Westphalian sequences and has been a focus of past exploration efforts, is illustrated on the northern end of the section. Towards the south, the Nancy Anticline trend contains several thousand meters of untested younger Stephanian sediments associated with a series of large thrust structures. Historic wells have hydrocarbon shows throughout the sequences as shown.

Elixir has identified significant prospective resource potential across the conventional prospects at Moselle, which is located largely in the south-western portion of the permit, and which has been retained in full (together with the most prospective areas for unconventional exploration) under the current permit renewal application.

In order to verify the technical studies undertaken by Elixir, RPS Energy Services Pty Ltd ("RPS") was engaged in April 2013 to provide an Independent Resources Report in relation to three of the conventional prospects identified within the Moselle Permit. The RPS Independent Resources Report was completed in June 2013 and largely confirmed Elixir's technical work, verifying the potential for significant conventional prospective resources in each of the three prospects analysed. RPS determined the following prospective recoverable resource estimates with respect to the three prospects.

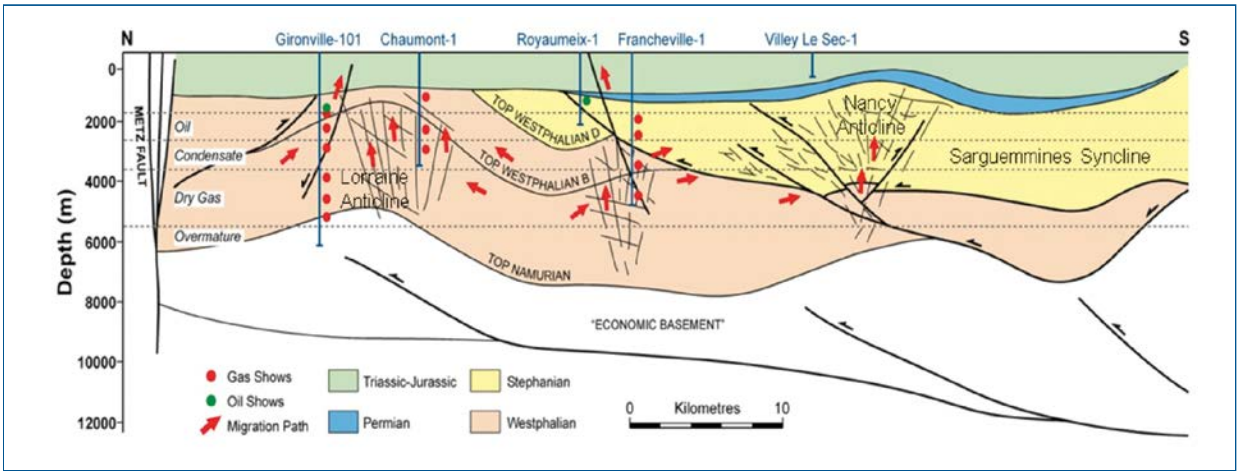


Figure 1 – Schematic cross-section oriented NW-SE across the Moselle Permit

Table 1: Prospective Recoverable Gas Resources (Bcf) – Mean Estimate

Prospect	Unrisked Total (if all sequences are successful) [1]	Probabilistic Total (given at least one success) [2]
Nancy East (4 sequences)	**626 Bcf**	**235 Bcf** (GPoS[3] 37%)
Bullseye[4] (6 sequences)	**208 Bcf**	**55 Bcf** (GPoS 50%)
West Chaumont[4] (1 sequence)	**25 Bcf**	**25 Bcf** (GPoS 25%)
Total: Nancy East, Bullseye and West Chaumont	**861 Bcf** [5]	**157 Bcf** [6] (GPoS 80%)

1. *Statistical aggregation assuming that all sequences are successful. The probability of this occurring is the product of all risks and is likely to be extremely small.*
2. *Statistical aggregation assuming that at least one sequence is successful. The total takes into account all possible successful outcomes and the mean value of this distribution represents the true expectation of success.*
3. *GPoS means Geological Probability of Success.*
4. *An alternate realisation for the Lower Triassic sequence in Bullseye and West Chaumont is oil rather than gas – please see oil case table below.*
5. *Summation is subject to rounding differences.*
6. *This is a probabilistic total rather than an arithmetic addition.*

An alternate realisation for the Lower Triassic sequence in both the Bullseye and West Chaumont prospects is that the sequence is oil charged rather than gas charged. This is similar to the classic 'Paris Basin' play, as evidenced by the small Forcelles oil field located near the southern boundary of the Moselle Permit.

RPS has determined the following in place and prospective resource estimates with respect to the oil potential in these two prospects.

Table 2: Undiscovered Oil Initially-in-Place (mmbbl) and Prospective Recoverable Oil Resources – Mean Estimate

Prospect	Undiscovered Oil Initially in Place (MMbbls)[1]	Prospective Oil Resources (MMbbls)[1]
Bullseye (1 sequence oil only)	**116 mmbbls**[2] (GPoS 24%)	**40 mmbbls**[2] (GPoS 24%)
West Chaumont (1 sequence)	**104 mmbbls**[3] (GPoS 25%)	**36 mmbbls**[3] (GPoS 25%)

1. *The GPoS is the chance of discovering hydrocarbons within the prospect and not specifically oil.*
2. *This alternate realisation for the Lower Triassic sequence in the Bullseye prospect displaces 31 Bcf of prospective gas resources from the 208 Bcf probabilistic total shown in Table 1 and from the 861 Bcf total combined for all prospects in Table 1.*
3. *This alternate realisation for the Lower Triassic sequence in the West Chaumont prospect displaces the entire 25 Bcf of prospective gas resources shown in Table 1 and from the 861 Bcf total combined for all prospects in Table 1.*

The results of the RPS independent resource report confirms the significant conventional resource potential in the Moselle area (incorporating both shallow oil and deeper gas potential), and the attractive risk profile of each of the prospects assessed. In particular, the oil cases generated for the shallow Lower Triassic reservoir objectives in the Bullseye and West Chaumont prospects provide a very attractive alternative target to the significant gas potential defined for the deeper Stephanian and Westphalian reservoirs in the Bullseye and Nancy East prospects.

Commercial Environment in France

The French gas market has strong fundamentals, with a robust gas price and a tax and royalty regime which offers attractive fiscal terms, with a 5% flat royalty rate on field gas production above 30 MMcf/d and a 34.3% tax rate, including local taxes. Existing pipeline infrastructure and relatively low population density in the Saar-Lorraine Basin region should allow for rapid commercialisation of any discovery. Regionally, gas pipeline and storage infrastructure is well established, with a number of existing intra-European pipelines crossing the Moselle Permit area.

Unfortunately, the political will to progress oil and gas exploration in France remains fragmented. Various applications and requests for renewals are held up within the administration despite the recommendations of the local government and administrative bodies. At this stage, the Company is unable to predict when the renewal of the Moselle permit or the award of various other exploration permit applications will be granted.

CORPORATE

Asset Divestments

During the financial year ended 30 June 2014, the Company undertook a rationalisation of its asset portfolio with the sale of the High Island project in the Gulf of Mexico in November 2013 and the relinquishment of its UK North Sea exploration assets in February 2014. The High Island sale was made due to the uneconomic nature of the operation and the limited upside (on a risked basis), and the UK North Sea assets were relinquished due to the limited prospectivity and significant future work commitments that would have been resulted if the permits had been extended. Further details are provided in the Directors' Report.

Board and Management Changes

Since the end of the last financial year, the Board has been significantly restructured with the retirement of Dr John Robertson from the Board and the resignation of Mr Alan Watson as non-executive Chairman. Mr Samuel Willis, who joined the Board in August 2013, has taken over the role as non-executive Chairman.

On 4 September 2014, the Company appointed Mr Dougal Ferguson as Managing Director. Mr Ferguson originally joined the Company in early 2014 initially as a consultant, then as Chief Executive before being appointed Managing Director following the completion of the acquisition of the Colorado assets and the recapitalisation of the Company. Mr Ferguson has over 22 years of experience in senior management positions in listed upstream oil and gas companies operating both domestically and internationally.

Changes in Capital Structure

In July 2013, the Company announced an entitlements issue which raised approximately $1.8M. These funds were principally used for working capital purposes and for the disposal of the High Island project, further details of which are disclosed in the Directors' Report.

Subsequent to the end of the financial year, the Company successfully raised approximately $3 million before costs via a placement ("Placement") and a fully subscribed Share Purchase Plan ("SPP") to assist with the acquisition of the Colorado projects. Further details of the capital raisings conducted during and subsequent to the 2014 financial year end are provided within the Directors Report.

New Ventures

The Board continues to actively review new venture opportunities, but with the recent acquisition of the Colorado assets, the short term focus will be on adding value to the existing portfolio and preparing for the commencement of drilling activities in 2015. The Company will continue to actively pursue the renewal of the Moselle Permit in France which has significant potential value.

CORPORATE GOVERNANCE STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Elixir is a strong advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (Recommendations) where considered appropriate for a company of Elixir's size and nature. The Board has not early adopted the 3rd edition of the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' which come into effect for financial years commencing on or after 1 July 2014.

This statement describes how Elixir has addressed the Council's guidelines and eight corporate governance principles and where the Company's corporate governance practices depart from a recommendation, the Company discloses the reason for adoption of its own practices on an "if not, why not" basis.

Given the size and stage of development of the Company and the cost of strict compliance with all the recommendations, the Board has adopted a range of modified procedures and practices which it considers appropriate to enable it to meet the principles of good corporate governance. At the end of this statement is a checklist setting out the recommendations with which the Company does or does not comply. The information in this statement is current as at 30 September 2014.

All governance-related documents can be found on the Company's website at www.elixirpetroleum.com, under the section marked 'Corporate Governance.'

Principle 1 – Lay solid foundations for management and oversight

Role and Responsibilities of the Board and Management

The main function of the Board is to lead and oversee the management and strategic direction of the Company. The Board regularly measures the performance of Management in implementation of the strategy.

Elixir has adopted a formal board charter delineating the roles, responsibilities, practices and expectations of the Board collectively, the individual directors and Management.

The Board of Elixir ensures that each member understands its roles and responsibilities and ensures regular meeting so as to retain full and effective control of the Company.

The Board places specific emphasis on the following:

- Setting the strategic aims of Elixir and overseeing Management's performance within that framework;
- Making sure that the necessary resources (financial and human) are available to the Company and Management to meet its objectives;
- Overseeing and measuring Management's performance of the Company's strategic plan;
- Selecting and appointing a Managing Director (or equivalent) with the appropriate skills to help the Company in the pursuit of its objectives;
- Controlling and approving financial reporting, capital structures and material contracts;
- Ensuring that a sound system of risk management and internal controls is in place;
- Setting the Company's values and standards;
- Undertaking a formal and rigorous review of the Corporate Governance policies to ensure adherence to the ASX Corporate Governance Council principles;
- Ensuring that the Company's obligations to shareholders are understood and met;
- Ensuring the health, safety and well-being of employees in conjunction with Management. Developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to assure the well-being of all employees;
- Ensuring an adequate system is in place for the proper delegation of duties for the effective day to day running of the Company without the Board losing sight of the direction that the Company is taking;
- Establishing a diversity policy and setting objectives for achieving diversity.

Principle 2 - Structure the Board to add value

Composition of the Board

The names of the directors of the Company and their qualifications are set out in the section headed 'Information on Directors' in the Director's Report.

The composition of the Board has been structured so as to provide Elixir with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent shareholders and fulfill the business objectives of the Company.

The ASX Corporate Governance Council guidelines recommend that ideally the Board should constitute of a majority of independent directors and that the Chairperson should be independent. The Board currently consists of four directors of whom two are considered independent, being Mr Michael Price and Mr Mark O'Clery. The Chairperson, Mr Samuel Willis, does not meet the criteria for independence due to his association with New Standard Energy Limited, the largest shareholder of Elixir. Mr Willis was appointed Chairperson upon the resignation of the previous independent Chairperson, Mr Alan Watson, in May 2014. Mr Dougal Ferguson was appointed Managing Director on 4 September 2014 and therefore does not meet the criteria for an independent director due to his executive role.

Whilst the ASX's Corporate Governance Principles recommend entities have an independent Chairperson, for a company of Elixir's size it is considered to be more relevant to attract board members with the requisite skill set and desire to take the Company forward in a cost efficient manner with any potential conflicts dealt with as they emerge.

Nomination of other Board Members

Given the current size and composition of the Board, the Board has determined to dissolve the Nomination Committee. Membership of the Board of Directors is now reviewed on an on-going basis by the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The lack of a separate Nomination Committee for a company of Elixir's size is not considered by the Board to be detrimental to the Company's corporate governance.

Independent Professional Advice

Each director of the Company or a controlled entity has the right to seek independent professional advice at the expense of the Company or the controlled entity however prior approval of the Chairman is required which will not be unreasonably withheld.

Principle 3 - Promote ethical and responsible decision-making

Code of Conduct

Directors, officers, employees and consultants to the Company are required to observe high standards of behavior and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Conflicts of Interest

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Trading in Company Securities

Directors are required to make disclosure of any share trading. The company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Company or within a period of the release of results i.e. the blackout period. That is information which a reasonable person would expect to have a material effect on the price or value of the Company's shares. An officer must receive authority to acquire or sell shares from the Chairperson or in their absence, the Company Secretary, to ensure that there is no price sensitive information of which that officer might not be aware. Directors must receive the approval of the Chairperson or in their absence the Chair of the Audit Committee to acquire or sell shares and the Chairperson must receive the approval of the Chair of the Audit Committee or the Company Secretary. The undertaking of any trading in shares must be notified to the ASX.

Diversity

The Board values diversity in all aspects of its business and is committed to creating a working environment that recognises and utilizes the contribution of its employees. The purpose of this is to provide diversity and equality relating to all employment matters. The Company's policy is to recruit and manage on the basis of ability and qualification for the position and performance, irrespective of gender, age, marital status, sexuality, nationality, race/cultural background, religious or political opinions, family responsibilities or disability. The company opposes all forms of unlawful and unfair discrimination.

The Board acknowledges the absence of female participation on the Board of Directors. However, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Company currently only has one full-time employee, being the Managing Director who is male. The Company contracts three consultants, two of whom are female and one of whom is male.

Principle 4 - Safeguard integrity in financial reporting

Elixir has a financial reporting process which includes half year and full-year results which are signed off by the Board before they are released to the market.

The Audit Committee has been developed as per the guidelines of good corporate governance and its responsibilities are delineated in the Audit Committee Charter. The role of the Chair of the Audit Committee is separate from the role of the Chairperson of the Board

The Audit Committee provides assistance to the Board of directors in fulfilling its corporate governance and oversight responsibilities, as well as advise on the modification and maintenance of the Company's financial reporting, internal control structure, external audit functions, and appropriate ethical standards for the management of the Company.

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

The Managing Director reports in writing on the propriety of compliance on internal controls and reporting systems and ensures that they are working efficiently and effectively in all material respects.

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

Principle 5 - Make timely and balanced disclosure

Elixir has adopted a formal policy dealing with its disclosure responsibilities. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The policy also addresses the Company's obligations to prevent the creation of a false market in its securities. Elixir ensures that all information necessary for investors to make an informed decision is available on its website. The Managing Director has ultimate authority and responsibility for approving market disclosure which, in practice, is exercised in consultation with the Board and Company Secretary. In addition, the Board will also consider whether there are any matters requiring continuous disclosure in respect of each and every item of business that it considers.

Principle 6 - Respect the rights of shareholders

The Board's fundamental responsibility to shareholders is to work towards meeting the Company's objectives so as to add value for them. The Board seeks to inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to activities;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- posting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report, if requested, together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the Company who is invited to the Annual General Meeting.

Principle 7 - Recognise and Manage Risk

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

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

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

The Board has established the Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems. A report by management on the effectiveness of the internal financial control is provided to the Audit Committee on an annual basis.

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

- Establishment of financial control procedures and authority limits for management;
- Approval of an annual budget;
- Adoption of a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations;
- Adoption of a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices; and
- Maintenance and review of a risk register to identify the Company's material business risks and risk management strategies for these risks. The risk register is reviewed half yearly and updated, as required. Management reports to the Board on material business risks at each Board meeting.

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

The Managing Director has provided a declaration to the Board in accordance with section 295A of the Corporations Act and has assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risks.

Principle 8 - Remunerate fairly and responsibly

Details of remuneration, including the Company's policy on remuneration, are contained in the 'Remuneration Report' which forms part of the Directors' Report. The Company's policy is to remunerate non-executive directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time-to-time the Company may grant options to non-executive directors subject to any shareholder approval that may be required. The grant of options is designed to recognise and reward efforts as well as to provide non-executive directors with additional incentive to continue those efforts for the benefit of the Company. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by the shareholders at general meeting.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options and / or performance rights granted at the discretion of the Remuneration Committee and subject to obtaining the relevant approvals. The grant of options and / or performance rights is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

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

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

CORPORATE GOVERNANCE

ASX Corporate Governance Council recommendations checklist

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations as at the date of this statement:

Recommendation		Comply
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	☑
1.2	Companies should disclose the process for evaluating the performance of senior executives.	☑
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	☑
Principle 2: Structure the board to add value		
2.1	A majority of the board should be independent directors.	☒
2.2	The chair should be an independent director.	☒
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	☑
2.4	The board should establish a nomination committee.	☒
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	☑
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	☑
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	☑
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	☑
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	☒
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	☑
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	☑
Principle 4: Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	☑
4.2	The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members.	☑
4.3	The audit committee should have a formal charter.	☑
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	☑

Recommendation		Comply
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	☑
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	☑
Principle 6: Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	☑
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	☑
Principle 7: Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	☑
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	☑
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	☑
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	☑
Principle 8: Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	☑
8.2	The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.	☑
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	☑
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	☑

DIRECTORS' REPORT

DIRECTORS

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

Mr Sam Willis (appointed 30 August 2013)
Mr Dougal Ferguson (appointed 4 September 2014)
Mr Michael Price
Mr Mark O'Clery
Mr Alan Watson (resigned 13 May 2014)
Dr John Robertson (retired 12 November 2013)

Other than as stated above, each Director held office from 1 July 2013 until the date of this report.

PRINCIPAL ACTIVITIES

Elixir is an oil and gas exploration company focused on both conventional and unconventional 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 2014 (2013: Nil).

REVIEW OF OPERATIONS

Operating Results

For the financial year ended 30 June 2014, the Group recorded a net loss from continuing operations after tax of $4,369,626 (2013: $1,932,483) after charging as expenses impairment of oil and gas properties of $3,424,067 (2013: $362,705), administration costs of $877,308 (2013: $1,545,185) and lease operating costs of $78,649 (2013: $15,438). A loss from discontinued operations of $240,438 (2013: $154,720) was incurred relating to the sale of the High Island Project.

The operating result reflects the changes in the nature and operations of the business with a significant reduction in administration costs through a reduction in staff numbers and streamlining of other corporate overheads.

The impairment provision principally relates to the Moselle Permit in France which is now in the process of being renewed. The impairment provision has been made due to the uncertainty that surrounds the timing of the granting of the renewal of the Moselle Permit for a further five year period. Elixir has taken legal advice that suggests that the French authorities have no legal right to withhold the grant of a renewal of the Moselle Permit, however there is no guarantee the permit will be renewed in a timely manner. Accordingly, the Board has determined that it is prudent to partially impair the value of the Moselle Permit at this time but it does not in any way reduce the prospectivity of the Moselle Permit from either a conventional or unconventional perspective.

During late 2013, the Group exited from the High Island Project through the payment of US$700,000 to the acquirer of Elixir's interest, being the Operator of the project. The High Island Project was no longer considered core to the business and further development and appraisal work being proposed by the Operator was not considered by Elixir to be material or on a risked basis, an economic proposition. The payment of US$700,000 allowed Elixir to exit the project with no further liability for future abandonment. At the time of the disposal, the High Island Project was making an operating loss.

In February 2014, the Group announced that it had relinquished its remaining UK North Sea (UKNS) licenses. At this stage, the Group has no intention of pursuing any further UKNS exploration activities.

REVIEW OF OPERATIONS (continued)

Corporate and Financial

At 30 June 2014, the Group held cash totalling $783,889 (2013: $984,995). As at the date of this Directors Report the Group had cash totalling in excess of $2.3 million following the recent capital raising and completion of the Petra Project acquisition.

Refer to the sections below for more information with respect to the recent changes in the capital structure and the Petra Project.

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 the end of the financial year which will have a material effect on the Group.

On 25 July 2014, the Company announced it has signed a binding agreement to acquire a 50% Working Interest in 14,455 net acres (7,228 net to Elixir) for an initial payment of approximately US$700,000 in an emerging new oil play in Washington and Lincoln Counties, Colorado (the "Petra Project"). As part of the acquisition consideration, Elixir will also pay the first US$1.5M of exploration costs on behalf of the joint venture, which will include initial seismic acquisition and interpretation together with two exploration wells scheduled for 2015. The agreed budget for an initial two year work program is US$3 million which post expenditure of the initial US$1.5 million by Elixir, will be funded equally by Elixir and its partner. Following completion of the farm in works, Elixir will retain its 50% interest in the leases which have an initial term of five years with the option to extend for a further five years. There are no drilling or seismic commitments on the leases.

The Company also entered into an Area of Mutual Interest ("AMI") agreement covering an area of over 500,000 acres incorporating the acquired acreage which also encompasses the recent discoveries and subsequent oil field developments by several companies including UK listed Nighthawk Energy plc (AIM: HAWK.L). In addition, Elixir has secured an option to acquire a 50% Working Interest in the greater Wattenberg Area containing the prolific Niobrara / Codell unconventional oil resource play ("Wattenberg Project") on ground floor terms.

The acquisition of the Petra Project was completed on 4 September 2014.

Contemporaneously, the Company successfully raised approximately $3 million before costs via a placement ("Placement") and a fully subscribed Share Purchase Plan ("SPP"). The Placement resulted in the issue of 442,000,000 fully paid ordinary shares in the Company at $0.005 each and 221,000,000 Options exercisable at $0.015 on or before 30 September 2016. The Share Purchase plan resulted in the issue of 160,000,000 shares and 80,000,000 Options on the same terms as the Placement pursuant to a prospectus dated 4 August 2014. A further 20,000,000 Options exercisable at $0.015 on or before 30 September 2016 were issued to Hartleys Limited as part consideration for corporate advisory services in relation to the Placement.

On 25 August 2014 Elixir announced it had acquired a 50% Working Interest in an additional 4,480 net acres within the Petra Project AMI via participation in the Colorado State Lease Sale. The additional leases acquired complement and are adjacent to our existing leases within the core area of the Petra Project. The Company also participated in the acquisition of a proprietary 3D seismic shoot over an area including a 640 acre section on owned leasehold land and access to data covering some 1,600 acres. The data acquired will assist in the future planning of the seismic programs intended for early 2015.

On 28 August 2014 the company announced that it had acquired additional leasehold land within the AMI to expand its holding to in excess of 10,000 acres net to Elixir's 50% Working Interest.

On 1 September 2014, shareholders approved the capital raising and associated issue of securities, including an issue of 4,000,000 Options to each of the Non-Executive Directors exercisable at $0.015 on or before 15 October 2016. Further details of these Options are provided in the Notice of Meeting dated 1 August 2014.

EVENTS SINCE THE END OF THE FINANCIAL YEAR (continued)

On 4 September, following completion of the acquisition of the Petra Project, Mr Dougal Ferguson was appointed Managing Director. Mr Ferguson joined the Company on 1 May 2014 as Chief Executive Officer and introduced and negotiated the acquisition of the Petra Project and implemented the capital raising. Mr Ferguson was issued with 30,000,000 Performance Rights pursuant to the Elixir Petroleum Executive Incentive Plan. The rights will vest over two years upon attainment of certain share price related hurdles.

Other than as disclosed above, no events have occurred since 30 June 2014 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

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. Sam Willis – Non-Executive Director (appointed 30 August 2013)
Qualifications: B.Com
Board Committees: Member of Remuneration Committee and Audit and Risk and Nomination Committees

Mr Willis was appointed to the Elixir board on 30 August 2013 and assumed the role of Chairman on 13 May 2014. Sam has over 10 years' experience in upstream oil and gas and is currently Executive Director - Corporate at New Standard Energy (Elixir's largest shareholder) after holding the role as Managing Director there from 2007 to early 2013.

More broadly Sam 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).

Other current Directorships of Australian listed public companies:
- Base Resources Limited (ASX: BSE); and
- New Standard Energy Limited (ASX:NSE)

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:
16,500,000 fully paid ordinary shares
7,500,000 Listed Options exercisable at $0.015 and expiring on 30 September 2016
2,000,000 Class A Director Options vesting on 31 August 2015 and expiring on 15 October 2016
2,000,000 Class B Director Options vesting on 31 August 2016 and expiring on 15 October 2016

INFORMATION ON DIRECTORS (continued)

Mr Dougal Ferguson – Managing Director (appointed 4 September 2014) previously Chief Executive Officer (appointed 1 May 2014)
Qualifications: B.Bus, GAICD

Mr Ferguson has over 22 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 has been responsible for sourcing, negotiating and closing the recent acquisition in Colorado together with the associated recapitalisation of the Company.

Other current Directorships of Australian listed public companies:
Nil

Former Directorships of Australian listed public companies in last three years:
Sirocco Energy Limited (resigned 23 December 2013)

Interests in shares and Options over shares in Group companies at the date of this report:
15,000,000 fully paid ordinary shares
7,500,000 listed Options exercisable at $0.015, expiring on 30 September 2016
15,000,000 incentive Options exercisable at $0.01, 50% vesting after 2 May 2015 and 50% vesting after 02 May 2016, expiring 30 April 2017
30,000,000 Performance Rights, vesting over two years based on certain share price hurdles, expiring 31 July 2016.

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

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

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

Other current Directorships of Australian listed public companies:
Nil

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

Interests in shares and Options over shares in Group companies at the date of this report:
5,999,999 fully paid ordinary shares
2,500,000 Listed Options exercisable at $0.015 and expiring on 30 September 2016
2,000,000 Class A Director Options vesting on 31 August 2015 and expiring on 15 October 2016
2,000,000 Class B Director Options vesting on 31 August 2016 and expiring on 15 October 2016

INFORMATION ON DIRECTORS (continued)

Mr Mark O'Clery – Non-Executive Director
Qualifications: B.Sc (Hons.)
Board Committees: Member of Remuneration Committee, and Audit and Risk Committee

Mr O'Clery is a Petroleum Geologist with over 25 years of experience in the international, upstream oil and gas business. During his career Mr. O'Clery has held senior technical, commercial, operational and managerial roles with a number of larger international petroleum companies, including Western Mining Corporation, British Gas Plc, Ampolex Limited, Mobil Corporation and OMV AG. Over the past 10 years, Mr O'Clery has been involved in the management of a number of public and private oil and gas, exploration and production companies, and is currently a technical advisor to Alcoa Australia and APA Group. Mark's broad technical and commercial experience spans a variety of jurisdictions, including Australia, New Zealand, Indonesia, the USA, the UK and a number of East and West African Countries.

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:
6,306,940 fully paid ordinary shares
3,000,000 Listed Options exercisable at $0.015 and expiring on 30 September 2016
2,000,000 Class A Director Options vesting on 31 August 2015 and expiring on 15 October 2016
2,000,000 Class B Director Options vesting on 31 August 2016 and expiring on 15 October 2016

COMPANY SECRETARY

Mr Nicholas Ong
Qualifications: BCom, GradDipAppFin, ACIS, MBA

Mr Ong is a Chartered Secretary and is a founding Director of Minerva Corporate, a corporate advisory firm that specialises in providing transaction advisory, financial reporting and company secretarial services.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2014, and the number of meetings attended by each Director. Mr Ferguson was appointed as a Director subsequent to the end of the Reporting Period.

	Directors' Meetings		**Audit Committee**		**Remuneration Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Sam Willis (1)	8	8	-	-	1	1
Mr Dougal Ferguson(2)	-	-	-	-	-	-
Mr Michael Price	10	10	2	2	1	1
Mr Mark O'Clery	10	10	-	-	1	1
Mr Alan Watson (3)	10	10	2	2	-	-
Dr John Robertson (4)	3	3	1	-	-	-

(1) Appointed a Non-Executive Director 30 August 2013 and Non-Executive Chairman 13 May 2014.
(2) Appointed as a Managing Director 4 September 2014.
(3) Resigned as a Non-Executive Chairman 13 May 2014.
(4) Retired as a Non-Executive Director 12 November 2013.

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

(i) Directors

Mr Sam Willis	Non-Executive Director (*appointed 30 August 2013*) and Non-Executive Chairman (*appointed 13 May 2014*)
Michael Price	Non-Executive Director
Mark O'Clery	Non-Executive Director
Alan Watson	Non-Executive Chairman (*resigned 13 May 2014*)
John Robertson	Non-Executive Director (*retired 12 November 2013*)

(ii) Other Key Management Personnel

Dougal Ferguson	Chief Executive Officer (appointed 1 May 2014)
Matthew Szwedzicki	Chief Operating Officer (resigned 31 December 2013)

(iii) Changes since the end of the reporting period

Dougal Ferguson was appointed Managing Director on 4 September 2014

(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 high quality, high performing 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 highly 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.

(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.

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 are offered a competitive level of base pay which comprises the fixed (unrisked) 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 2014 no short term bonus payments were made to key management personnel of the Group (2013: $15,000):

In the prior year Mr Szwedzicki was paid a contractual bonus of $15,000 in recognition of the additional work load and responsibility assumed post the resignation of Mr Andrew Ross from the position of Managing Director of the Company. 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 are granted under the Elixir Petroleum Executive Incentive Plan ("Incentive Plan") which was approved by shareholders at a general meeting on 12 November 2013. The Incentive Plan is designed to provide long-term incentives to the Company's employees and consultants to deliver long-term shareholder returns. Pursuant to the Incentive Plan, participants are granted Options or Performance Rights subject to vesting conditions set by the Board. The terms may be related to periods of service or achievement of certain performance standards. Participation in the 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.

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.

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 are set out below. When exercisable, each Option or Performance Right is convertible into one ordinary share of the Company. Further information on the Options and Performance Rights are set out in Note 24 of the Financial Statements.

The terms and conditions of Options granted to Mr Dougal Ferguson affecting remuneration in this or future reporting periods are as follows:

Grant date	Performance Criteria
2 May 2014	**Tranche 1:** 7,500,000 exercisable at $0.01 expiring 2 May 2017, vesting 12 months after grant date **Tranche 2:** 7,500,000 exercisable at $0.01 expiring 2 May 2017, vesting 24 months after grant date

The terms and conditions of each grant of Performance Rights issued to Mr Matthew Szwedzicki in the prior year affecting remuneration in the previous or this reporting period is as follows:

Grant Date	Performance Criteria
12 November 2012	**Tranche 1:** (500,000 rights): 5-day VWAP of at least $0.041 at 23 July 2013. **Tranche 2:** (500,000 rights): 5-day VWAP of at least $0.061 at 23 July 2014 (50% greater than Tranche 1 hurdle). **Tranche 3:** (500,000 rights): 5-day VWAP of at least $0.091 at 23 July 2015 (50% greater than Tranche 2 hurdle).
26 April 2013	**Tranche 1:** (500,000 rights): 10-day VWAP of at least $0.06 at 22 April 2014. **Tranche 2:** (1,000,000 rights): 10-day VWAP of at least $0.07 at 22 April 2014.

500,000 of the above Performance Rights issued to Mr Szwedzicki expired unvested on 23 July 2013. The remaining Performance Rights lapsed in the current financial year when Mr Szwedzicki resigned from his position.

(e) 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 2010 to 2014 financial years:

	Year ended 30 June				
	2010	**2011**	**2012**	**2013**	**2014**
	$	**$**	**$**	**$**	**$**
Revenues and finance income	2,795,261	1,163,371	436,734	286,600	26,995
(Loss) after tax	(5,695,287)	(3,363,441)	(2,650,931)	(2,087,203)	(4,610,064)
Share price at start of year	0.05	0.05	0.05	0.05	0.02
Share price at end of year	0.05	0.05	0.05	0.02	0.01
Total Shareholder Return (TSR)	(0.00)	(0.00)	(0.00)	(0.03)	(0.01)
Loss per share	(0.03)	(0.02)	(0.01)	(0.01)	(0.01)

(f) 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:

2014	Short-term benefits			Post-employment benefits	Share-based payment				
	Cash salary and fees	Cash payment	Other	Super-annuation	Options[7]	Perform-ance Rights[7]	Total	Value of Options as proportion of remun-eration	Perform-ance related
	$	$	$	$	$	$	$	%	%
Non-Executive Directors									
Sam Willis[1]	37,500	-	-	-	-	-	37,500	-	-
Michael Price	45,767	-	-	4,233	-	-	50,000	-	-
Mark O'Clery [2]	45,000	-	35,383	-	-	-	80,383	-	-
Alan Watson[3]	47,690	-	-	4,420	-	-	52,110	-	-
John Robertson[4]	18,333	-	-	-	-	-	18,333	-	-
Subtotal Non-Executive Directors	**194,290**	**-**	**35,383**	**8,653**	**-**	**-**	**238,326**		
Key Management Personnel									
Dougal Ferguson [5]	39,664	-	59,788	3,669	7,274	-	110,395	6.6	-
Matthew Szwedzicki [6]	105,170	-	2,850	9,729	-	(18,513)	99,236	-	-
Subtotal other executives	**144,834**	**-**	**62,638**	**13,398**	**7,274**	**(18,513)**	**209,631**		
Total Key Management Personnel	**339,124**	**-**	**98,021**	**22,051**	**7,274**	**(18,513)**	**447,957**		

(1) Mr Willis was appointed as Non-Executive Director on 30 August 2013 and as Non-Executive Chairman on 13 May 2014.
(2) Consultancy fees for oil and gas exploration predominantly in relation to the Moselle project were charged by Mark O'Clery on commercial terms amounting to $35,383.
(3) Mr Watson resigned as Non-Executive Chairman on 13 May 2014.
(4) Dr Robertson retired on 12 November 2013.
(5) Mr Ferguson provided consultancy services from 15 January 2014 to 30 April 2014 totalling $59,788. Mr Ferguson was appointed Chief Executive Officer on 1 May 2014 and Managing Director on 4 September 2014.
(6) Mr Szwedzicki resigned 31st December 2013. Mr Szwedzicki provided consultancy services after the end of his employment totalling $2,850.
(7) Remuneration in the form of Options and Performance Rights includes negative amounts for Options and Performance Rights forfeited during the year. The performance related percentage is not disclosed where the total amount of short term incentive and / or long term incentive remuneration expense is negative for the relevant period.

2013	Short-term benefits			Post-employment benefits	Share-based payment				
	Cash salary and fees	Cash payment	Other [5]	Superannuation	Options	Performance Rights	Total	Value of Options as proportion of remuneration	Performance related
	$	$	$	$	$	$	$	%	%
Non-Executive Directors									
John Robertson	50,000	-	-	-	-	-	50,000	-	-
Michael Price	45,872	-	-	4,128	-	-	50,000	-	-
Alan Watson	41,284	-	-	3,716	-	-	45,000	-	-
Mark O'Clery [1]	41,250	-	179,795	-	-	-	221,045	-	-
Subtotal Non-Executive Directors	**178,406**	**-**	**179,795**	**7,844**	**-**	**-**	**366,045**		
Executive Directors									
Andrew Ross[2]	195,966	-	-	17,116	-	-	213,082	-	-
Iain Knott[3]	157,876	-	-	-	-	-	157,876	-	-
Subtotal Executive Directors	**353,842**		**-**	**17,116**	**-**	**-**	**370,958**		
Key Management Personnel									
Matthew Szwedzicki	178,125	15,000	-	17,381	-	10,932	221,438	-	12%
John Anderson[4]	194,683	-	-	-	-	-	194,683	-	-
Subtotal other executives	**372,808**	**15,000**	**-**	**17,381**	**-**	**10,932**	**416,121**		
Total Key Management Personnel	**905,056**	**15,000**	**179,795**	**42,341**	**-**	**10,932**	**1,153,124**		

(1) Mr. O'Clery was appointed a Non-Executive Director on 14 August 2012.
(2) Mr. Ross resigned as Managing Director on 5 April 2013
(3) Mr. Knott was made redundant on 22nd October 2012
(4) Mr. Anderson was made redundant on 31st March 2013
(5) Consultancy fees for oil and gas exploration predominantly in relation to the Moselle project were charged by Mark O'Clery on commercial terms amounting to $179,795.

(g) 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 Non-Director 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(3)	$260,000(4)	3 months(5)
Mr Matthew Szwedzicki(2)	No fixed term; 4 months(3)	$207,100(4)	4 months(5)

(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 to be paid for the period ending 30 June 2015. Mr Ferguson was not appointed a Director until 4 September 2014.
(2) Mr Szwedzicki resigned 31 December 2013
(3) The notice period applies only to the Company
(4) Base salaries quoted are for the period ended 30 June 2014. They are reviewed annually by the Board
(5) Notice period or termination benefit in lieu of notice (on behalf of the employer), other than for gross misconduct.

(h) Details of share based compensation and bonuses

Options granted as part of remuneration

The terms and conditions of each grant of options affecting remuneration in the current or future reporting period is as follows:

Grant date	Number	Vesting date	Expiry date	Exercise price	Value per option at grant date	% vested
2 May 2014	7,500,000	2 May 2015	30 April 2017	$0.01	$0.004	0%
2 May 2014	7,500,000	2 May 2016	30 April 2017	$0.01	$0.004	0%

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

Performance Rights granted as part of remuneration

No Performance Rights were granted during the financial reporting period ended 30 June 2014. For the period ending 30 June 2013, 3,000,000 Performance Rights were granted to Mr Matthew Szwedzicki. 500,000 Performance Rights expired unvested on 23 July 2013 with the remaining Performance Rights lapsing during the current financial year due the resignation of Mr Szwedzicki.

(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 2014	Balance at beginning of year	Granted as compen-sation	Exercised (options) / Vested (rights)	Lapsed/ Expired/ Unvested	Balance at the end of the year	Vested and exercisable	Vested and unexer-cisable
Options							
Sam Willis	-	-	-	-	-	-	-
Michael Price	-	-	-	-	-	-	-
Mark O'Clery	-	-	-	-	-	-	-
Alan Watson	-	-	-	-	-	-	-
John Robertson	-	-	-	-	-	-	-
Dougal Ferguson	-	15,000,000	-	-	15,000,000	-	15,000,000
Matthew Szwedzicki	-	-	-	-	-	-	-
	-	15,000,000	-	-	15,000,000	-	15,000,000
Performance Rights(1)							
Dougal Ferguson	-	-	-	-	-	-	-
Matthew Szwedzicki(2)	3,000,000	-	-	(3,000,000)	-	-	-
	3,000,000	-	-	(3,000,000)	-	-	-

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

(2) 500,000 of these Performance Rights expired unvested on 23 July 2013. The remaining Performance Rights lapsed during the current financial year as Mr Szwedzicki ceased employment on 31 December 2013.

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 2014	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other Purchases/ (Sales) (1)	Other changes during the year (2)	Balance at end of year
Sam Willis	-	-	-	1,500,000	-	1,500,000
Michael Price	466,668	-	-	533,331	-	999,999
Mark O'Clery	-	-	-	306,940	-	306,940
Alan Watson	-	-	-	1,534,702	(1,534,702)	-
John Robertson	425,000	-	-	1,113,187	(1,538,187)	-
Dougal Ferguson	-	-	-	-	-	-
Matthew Szwedzicki	319,715	-	-		(319,715)	-
	1,211,383	-	-	4,988,160	(3,392,604)	2,806,939

(1) Other purchases or sales include on-market purchases and/or sales of shareholdings during the year.

(2) Other changes include the shareholding of KMP at the time of resignation or retirement.

(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

No other transactions have been identified with key management personnel

Adoption of remuneration report by shareholders

The adoption of the remuneration report for the financial year ended 30 June 2013 was put to shareholders of the Company at the Annual General Meeting (AGM) held on 12 November 2013. 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 unlisted Options have been granted over unissued capital.

		Year Ended 30 June 2014		
Grant Date	**Number**	**Exercise Price**	**Expiry**	**Vesting**
Listed Options:				
3 September 2014	321,000,000	$0.015	30 September 2016	No vesting
Total	**321,000,000**			
Unlisted Options:				
2 May 2014	7,500,000	$0.01	30 April 2017	2 May 2015
2 May 2014	7,500,000	$0.01	30 April 2017	2 May 2016
3 September 2014	6,000,000	$0.015	15 October 2016	31 August 2015
3 September 2014	6,000,000	$0.015	15 October 2016	31 August 2016
Total	**27,000,000**			

There were no Options granted in the prior year. No Options were exercised prior to the end of the year or up to the date of this report.

PERFORMANCE RIGHTS

At the date of this report the following Performance Rights have been granted over unissued capital.

	Year Ended 30 June 2014		Year Ended 30 June 2013	
Grant Date*	**Number**	**Expiry**	**Number**	**Expiry**
12 November 2012[(1)]	-	-	500,000	23 July 2013
12 November 2012[(1)]	-	-	500,000	23 July2014
12 November 2012[(1)]	-	-	500,000	23 July 2015
26 April 2013[(1)]	-	-	500,000	22 April 2014
26 April 2013[(1)]	-	-	1,000,000	22 October 2014
6 May 2014[(2)]	1,000,000	6 May 2015	-	-
4 September 2014[(3)]	30,000,000	31 July 2016	-	-
Total	**31,000,000**	**-**	**3,000,000**	

* Shareholder approval is not required for the grant of these Performance Rights hence the grant date is the actual dates of Offer and Acceptance under the Plan.

(1) These Performance Rights either expired or were forfeited due to the cessation of employment of Mr. Szwedzicki.

(2) The Performance Rights vest upon the renewal of the Moselle Permit on or before 6 May 2015.

(3) The Performance Rights issued to Mr Ferguson will vest over two years upon the attainment of certain share price related hurdles. No Performance Rights will be issued if the share price does not exceed $0.01, with 50% vesting if the share price is equal to or greater than $0.01 and 100% vesting if the share price is equal to or greater than $0.014, with pro rata adjustment for a share price between $0.01 and $0.014. 50% of the Performance Rights will be measured on 31 July 2015, with the balancing being measured against the share price hurdles on 31 July 2016.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year, the Company paid a premium of $26,640 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 5237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or to intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is included on page 30 of the financial report.
Signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the *Corporations Act 2001*

Sam Willis
Non-Executive Chairman
Perth, Western Australia
25 September 2014

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Australia

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

As lead auditor of Elixir Petroleum Limited for the year ended 30 June 2014, 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.

Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 25 September 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Elixir Petroleum Limited

Report on the Financial Report

We have audited the accompanying financial report of Elixir Petroleum Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

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

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Elixir Petroleum Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, 25 September 2014

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and accompanying notes set out on pages 34 to 81, 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 2014 and of its performance for the financial year ended on that date; and

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 2014 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 11 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 11.

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.

Sam Willis
Non-Executive Chairman
Perth, Western Australia
25 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Continuing operations			
Revenue	(3)	**26,995**	10,394
Other income	(3)	**-**	3,275
Depreciation and amortisation expense	(4)	**(1,505)**	(47,203)
Impairment of Exploration & Evaluation Expenditure	(15)	**(3,424,067)**	(362,705)
Lease Operating costs		**(78,649)**	(15,438)
Loss on disposal of asset		**(9,480)**	-
Foreign exchange gain/(loss)		**(5,612)**	24,379
Administration and office Costs	(4)	**(877,308)**	(1,545,185)
Loss from continuing operations before income tax		**(4,369,626)**	(1,932,483)
Tax expense	(5)	**-**	-
Net Loss from continuing operations after income tax expense		**(4,369,626)**	(1,932,483)
Loss from discontinued operations	(23)	**(240,438)**	(154,720)
Loss after tax		**(4,610,064)**	(2,087,203)
Other comprehensive income:			
Items that may not be reclassified to profit or loss:			
Foreign currency translation differences		**262,068**	348,976
Other comprehensive income for the year		**262,068**	348,976
Total comprehensive loss for the year		**(4,347,996)**	(1,738,227)
Net loss attributable to:			
Members of the parent entity		**(4,610,064)**	(2,087,203)
		(4,610,064)	(2,087,203)
Total comprehensive loss attributable to:			
Members of the parent entity		**(4,347,996)**	(1,738,227)
		(4,347,996)	(1,738,227)
Loss per share for the year attributable to the members of Elixir Petroleum Ltd			
From continuing and discontinued operations			
Basic and diluted (loss) per share (cents)	(7)	**(1.12)**	(0.75)

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 2014

		Consolidated	
		2014	2013
	Note	**$**	$
Assets			
Current assets			
Cash and cash equivalents	(8)	**783,889**	984,995
Trade and other receivables	(9)	**620,547**	670,025
Other assets	(13)	**21,782**	128,809
Total current assets		**1,426,218**	1,783,829
Non-current assets			
Property, plant and equipment	(12)	**1,906**	22,891
Oil and gas properties	(14)	**-**	84,603
Deferred exploration and evaluation expenditure	(15)	**1,000,000**	3,979,316
Total non-current assets		**1,001,906**	4,086,810
Total assets		**2,428,124**	5,870,639
Liabilities			
Current liabilities			
Trade and other payables	(16)	**242,219**	218,112
Provisions	(17)	**484,816**	1,353,855
Total current liabilities		**727,035**	1,571,967
Total liabilities		**727,035**	1,571,967
Net Assets		**1,701,089**	4,298,672
Equity			
Issued capital	(18)	**66,721,736**	64,972,576
Reserves	(27)	**(298,308)**	1,215,562
Accumulated Losses	(27)	**(64,722,339)**	(61,889,466)
Total equity		**1,701,089**	4,298,672

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 2014

	Share Capital		Reserves			
	Ordinary $	Accumulated Losses $	Option Premium Reserve $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Total $
Consolidated Group						
Balance at 1 July 2012	64,972,576	(60,042,663)	1,773,184	240,400	(917,531)	6,025,966
Comprehensive income						
(Loss) for the year	-	(2,087,203)	-	-	-	(2,087,203)
Exchange differences on translation of foreign operations	-	-	-	-	348,977	348,977
Total comprehensive income/(loss) for the year	-	(2,087,203)	-	-	348,977	(1,738,226)
Transactions with owners, in their capacity as owners, and other transfers						
Lapse of Options	-	240,400	-	(240,400)	-	-
Performance Rights issued during the year	-	-	-	10,932	-	10,932
Total transactions with owners and other transfers	-	240,400	-	(229,468)	-	10,932
Balance at 30 June 2013	64,972,576	(61,889,466)	1,773,184	10,932	(568,554)	4,298,672
Comprehensive income						
Loss for the year	-	(4,610,064)	-	-	-	(4,610,064)
Exchange differences on translation of foreign operations	-	-	-	-	262,068	262,068
Total comprehensive income/(loss) for the year	-	(4,610,064)	-	-	262,068	(4,347,996)
Transactions with owners, in their capacity as owners, and other transfers						
Lapse of Performance Rights	-	4,007	-	(10,932)	-	(6,925)
Lapse of Options	-	1,773,184	(1,773,184)	-	-	-
Options issued during the year	-	-	-	7,274	-	7,274
Performance rights issued during the year	-	-	-	904	-	904
Shares issued during the year	1,848,338	-	-	-	-	1,848,338
Share issue costs	(99,178)	-	-	-	-	(99,178)
Total transactions with owners and other transfers	1,749,160	1,777,191	(1,773,184)	(2,754)	-	1,750,413
Balance at 30 June 2014	**66,721,736**	**(64,722,339)**	**-**	**8,178**	**(306,486)**	**1,701,089**

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 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Receipts from customers		**61,543**	291,308
Payments to suppliers and employees		**(1,057,934)**	(1,849,196)
Net cash (used in) operating activities	(22a)	**(996,391)**	(1,557,888)
Cash flows from investing activities			
Payments for capitalised oil & gas properties		**-**	(101,854)
Payments for capitalised exploration, evaluation and development		**(216,216)**	(919,331)
Interest received		**22,900**	10,393
Proceeds from Farm-in		**-**	49,594
Proceeds from sale of assets (payment to exit)	(23)	**(764,947)**	-
Proceeds from sale of plant and equipment		**10,000**	3,275
Purchase of property, plant and equipment		**-**	(10,073)
Net cash (used in) investing activities		**(948,263)**	(967,996)
Cash flows from financing activities			
Proceeds from issues of shares		**1,848,338**	-
Payments for share issue costs		**(99,178)**	-
Net cash provided by financing activities		**1,749,160**	-
Net increase/(decrease) in cash held		**(195,494)**	(2,525,884)
Cash and cash equivalents at beginning of financial year	(8)	**984,995**	3,486,500
Effect of exchange rates on cash holdings in foreign currencies		**(5,612)**	24,379
Cash and cash equivalents at end of financial year	(8)	**783,889**	984,995

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

1. Summary of significant 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 11 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.

1. Summary of significant accounting policies (continued)

(b) 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.

(c) 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 three reportable segments being oil and gas exploration in the United Kingdom (UK), 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.

1. Summary of significant accounting policies (continued)

(c) Segment Reporting

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.

(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

1. Summary of significant accounting policies (continued)

(d) 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 1(g) 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.

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.

1. Summary of significant accounting policies (continued)

(e) 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 eco nomically recoverable reserves has been made; or
- where there exists an economically recoverable reserve and it is expected that the capitalised expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

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

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

Transfer to development projects

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

Producing projects

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

1. Summary of significant accounting policies (continued)

(e) Interests in oil and gas properties (continued)

Prepaid drilling and completion costs

Where the Group has a non-operator interest in an oil or gas property, it may periodically be required to make a cash contribution for its share of the operator's drilling and / or completion costs, in advance of these operations taking place.

Where these contributions relate to a prepayment for exploratory or early stage drilling activity, prior to a decision on the commerciality of a well having been made, the costs are capitalised as prepaid drilling costs within Deferred Exploration, Evaluation and Development Expenditure.

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

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

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

Amortisation of producing projects

Upon commencement of production, the Group amortises the accumulated costs for the relevant area of interest over the life of the area according to the rate of depletion of the economically recoverable quantities of reserves. Estimates of recoverable reserve quantities include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

(f) 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.

1. Summary of significant accounting policies (continued)

(f) Financial Instruments (continued)

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 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) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They 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.

(iii) 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.

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 available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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.

1. Summary of significant accounting policies (continued)

(f) Financial Instruments (continued)

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.

(g) 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.

1. Summary of significant accounting policies (continued)

(h) 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 10.

(i) 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.

(j) 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.

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.

1. Summary of significant accounting policies (continued)

(k) 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.

(l) 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.

1. Summary of significant accounting policies (continued)

(l) Provisions (continued)

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.

(m) 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.

(n) 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.

(o) 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.

(p) 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(g) for further discussion on the determination of impairment losses.

1. Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

Cash flows are presented on a gross basis. The GST or VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation a
uthority are presented as operating cash flows included in receipts from customers or payments to suppliers.

(s) 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.

(t) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

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

(i) Amortisation

Upon commencement of production, the Group amortises the accumulated costs for the relevant area of interest over the life of the area according to the rate of depletion of the economically recoverable quantities of reserves. Estimates of recoverable reserve quantities include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of the quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes valuation model, using the assumptions detailed in Note 24.

1. Summary of significant accounting policies (continued)

(t) Critical Accounting Estimates and Judgments (continued)

(iii) Rehabilitation obligations

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 1(l).

(iv) Impairment of assets

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimates of the present value of future cash flows using asset-specific discount rates. For oil & gas properties, these estimates are based on assumptions concerning reserves, future production profiles and costs. When the carrying amount exceeds the present value of the future cash flows then the asset is impaired to its fair value.

Key Judgments

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

(i) Exploration and Evaluation Expenditure

The Group's accounting policy for exploration, evaluation and development is set out at Note 1(e). Application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves exist. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, management conclude that it is unlikely that capitalised expenditure will be recovered by future exploitation or sale, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

(ii) Oil & Gas Properties

The Group's accounting policy for oil & gas properties is set out at Note 1(e). Application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves exist. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, management conclude that it is unlikely that capitalised expenditure will be recovered by future exploitation or sale, the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

1. Summary of significant accounting policies (continued)

(t) Critical Accounting Estimates and Judgments (continued)

(iii) Deferred Tax Assets

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.

(u) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geological area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Statement of profit or loss and other comprehensive income..

(v) Adoption of new and revised accounting standards

The nature and effect of each new and revised standard on the Group's consolidated financial report are described below.

AASB 10 Consolidated Financial Statements
(effective for the annual reporting periods commencing on or after 1 January 2013)
AASB 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to the special purpose entities. The Group has assessed the impact on its existing arrangements and the change has had no material effect on the financial statements.

1. Summary of significant accounting policies (continued)

(v) Adoption of new and revised accounting standards (continued)

AASB 11 Joint Arrangements
(effective for the annual reporting periods commencing on or after 1 January 2013)
AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. The Group has assessed the impact on its existing arrangements and the change has had no material effect on the financial statements.

AASB 12 Disclosure of Interests in Other Entities and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards
(effective from 1 January 2013)
AASB 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in AASB 12 are more extensive than those in the current standards. The Group has assessed the impact on its existing arrangements and the change has had no material effect on the financial statements.

AASB 13 Fair Value Measurement
(effective for annual reporting periods commencing on or after 1 January 2013)
AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the statement of financial position or disclosed in the notes to the financial statements. The Group has assessed the impact on its existing arrangements and the change has had no material effect on the financial statements.

AASB 119 Employee Benefits
(effective from 1 January 2013)
In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all measurements of defined benefits liabilities/assets immediately in other comprehensive income and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively .The Group has assessed the impact on its existing arrangements and the change has had no material effect on the financial statements.

AASB 128 Investments in Associates and Joint Ventures (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards
(effective from 1 January 2013)
The objective of AASB 128 is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint .The Group has assessed the impact on its existing arrangements and the change has had no material effect on the financial statements.

1. Summary of significant accounting policies (continued)

(w) Standards and Interpretations Issued not yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Reference and Title	Summary	Application date of standard	Impact on Elixir Petroleum Limited financial statements
Financial Instruments - AASB 9 (issued December 2009 and amended December 2010)	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: · Amortised cost · Fair value through profit or loss · Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: · Classification and measurement of financial liabilities; and · Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2017	When this standard is first adopted from 1 July 2017, there will be no impact on transactions and balances recognised in the financial statements.
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11(issued May 2014)	When an entity acquires an interest in a joint operation whose activities meet the definition of a 'business' in IFRS 3 *Business Combinations*, to the extent of its share of assets, liabilities, revenues and expenses as specified in the contractual arrangement, the entity must apply all of the principles for business combination accounting in IFRS 3, and other IFRSs, to the extent that they do not conflict with IFRS 11 *Joint Arrangements*. This means that it will expense all acquisition-related costs and recognise its share, according to the contractual arrangements, of: · Fair value of identifiable assets and liabilities, unless fair value exceptions included in IFRS 3 or other IFRSs, and · Deferred tax assets and liabilities that arise from the initial recognition of an asset or liability as required by IFRS 3 and IAS 12 *Income Taxes*. Goodwill will then be recognised as the excess consideration over the fair value of net identifiable assets acquired.	Annual reporting periods commencing on or after 1 January 2016	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to acquisitions of interests in joint operations.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Parent Entity Information

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

	2014	2013
	$	$
Statement of Financial Position		
Assets		
Current Assets	**752,216**	685,698
Non-current Assets	**1,098,691**	4,763,139
Total assets	**1,850,907**	5,448,837
Liabilities		
Current Liabilities	**149,818**	1,150,165
Total Liabilities	**149,818**	1,150,165
Net assets	**1,701,089**	4,298,672
Equity		
Issued Capital	**66,721,737**	64,972,576
Accumulated Losses	**(65,028,826)**	(62,458,020)
Option Premium Reserve	**-**	1,773,184
Share-based Payment Reserve	**8,178**	10,932
Total Equity	**1,701,089**	4,298,672
Statement of Profit or Loss and other Comprehensive Income		
Total loss	**(4,347,997)**	(1,885,156)
Total comprehensive loss	**(4,347,997)**	(1,885,156)

At reporting date amounts receivable from controlled entities at cost totalled $15,665,970 (2013: $16,160,395). The amounts receivable were fully impaired at 30 June 2014 and 30 June 2013. The impairment was reduced by $1,464,604 in the current year due to the forgiveness of loans from deregistered subsidiaries. The transactions were made interest free with no fixed terms for repayment.

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 11.

Wholly-owned group
Details of interests in wholly-owned controlled entities are set out at Note 11. Details of dealings with controlled entities are as follows:

2. Parent Entity Information (continued)

Inter-company Account

Elixir Petroleum Limited provides working capital to its controlled entities. Transactions between Elixir Petroleum Limited and other controlled entities in the Group during the year ended 30 June 2014 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.

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

	2014	2013
Loans to subsidiaries	**$**	$
Balance at 1 July	**16,160,395**	15,374,940
Additions	**3,619,313**	785,455
Loans forgiven	**(4,113,738)**	-
Balance at 30 June	**15,665,970**	16,160,395

3. Revenue and Other Income

	Consolidated Group	
	2014	2013
	$	$
Revenue from continuing operations		
Other revenue		
— Interest received	**26,995**	10,394
Total revenue	**26,995**	10,394
Other income		
— Gain on disposal of property, plant and equipment	**-**	3,275
Total other income	**-**	3,275

4. Loss for the Year

	Consolidated Group	
	2014	2013
	$	$
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation & amortisation		
Amortisation of Oil & Gas Properties	**-**	38,600
Depreciation of plant and equipment	**1,505**	8,603
	1,505	47,203
Administration and office costs		
Corporate compliance	**195,046**	299,236
Corporate management costs	**515,498**	805,684
Rent of Office space	**38,325**	153,774
General administration	**127,187**	275,559
Share based payments	**1,252**	10,932
	877,308	1,545,185

During the current year, the Group has undertaken efforts to reduced administrative expenses, including changing its office space arrangements allowing a reduction in expected rental in 2014. In 2013 the Group encountered costs which were one-off in nature, which related primarily to the repatriation to Australia of certain key activities with associated offshore redundancy expense, together with onshore recruitment costs.

5. Tax Expense

	Consolidated Group	
	2014	2013
	$	$
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)		
— Consolidated group	**(1,383,019)**	(626,161)
Add tax effect of:		
— Foreign tax losses not recognised	**-**	155,012
— Revenue losses not recognised	**31,723**	382,401
— Effect of foreign tax differential	**(47,051)**	29,985
— Other non-allowable items	**2,434,393**	23,485
	1,036,046	(35,278)
Less tax effect of:		
— Other allowable items	**-**	35,278
— Reversal of previously unrecognised foreign tax losses	**(1,036,046)**	-
Income tax attributable to entity	**-**	-

The following deferred tax balances have not been recognised		
Deferred tax assets		
Tax losses	**6,634,211**	7,759,434
Capital Raising Costs	**14,952**	35,279
Provisions and accruals	**179,964**	547,106
Total deferred tax assets	**6,829,127**	8,341,819
Deferred tax liability		
Unrealised foreign exchange gains	**(91,946)**	-
Oil and gas properties	**(979,452)**	(862,544)
Total deferred tax liability	**(1,071,398)**	(862,544)
Net deferred asset not recognised	**5,757,729**	7,479,275

The tax benefits of the above deferred tax assets will only be obtained if:
(a) the Group derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised;
(b) the Group continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in income tax legislation adversely affect the company utilising the benefits.

6. Auditors' Remuneration

	Consolidated Group	
	2014	2013
	$	$
BDO (WA) Pty Ltd		
Remuneration of the auditor for:		
— auditing or reviewing the financial report	**40,981**	49,879
	40,981	49,879
Macintyre Hudson LLP		
Remuneration of the auditor for:		
— auditing or reviewing the financial statements of subsidiaries	**-**	18,158
	-	18,158
KSI (WA) Pty Ltd		
Remuneration of the auditor for:		
— auditing or reviewing the financial statement of subsidiaries	**16,236**	28,506
	16,236	28,506

7. Loss per Share

	Consolidated Group	
	2014	2013
	$	$
(a) Reconciliation of earnings used in calculating earnings per share:		
Loss attributable to the ordinary equity holders of the company:		
Loss from continuing operations	**(4,369,626)**	(1,932,483)
Loss from discontinuing operations	**(240,438)**	(154,720)
	(4,610,064)	(2,087,203)
	Shares	Shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**412,710,631**	277,250,637
	Cents	Cents
(c) Basic and diluted loss per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(1.06)**	(0.70)
From discontinued operations	**(0.06)**	(0.05)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(1.12)**	(0.75)

8. Cash and Cash Equivalents

	Note	Consolidated Group 2014 $	2013 $
Cash at bank and on hand		**183,889**	926,767
Short-term bank deposits		**600,000**	58,228
	(26)	**783,889**	984,995

As outlined in Note 28 the Company completed a capital raising of $3m (before costs) after year end. Information about the Group's exposure to foreign exchange risk and interest rate risk in relation to cash and cash equivalents is provided in Note 26.

9. Trade and Other Receivables

	Consolidated Group 2014 $	2013 $
Current		
Trade receivables	**11,392**	41,320
Other receivables	**609,155**	628,705
Total current trade and other receivables	**620,547**	670,025

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 11. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. All amounts are expected to be settled within 12 months.

Impaired trade receivables

No Group trade receivables were past due or impaired as at 30 June 2014 (2013: nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business.

	Note	Consolidated Group 2014 $	2013 $
(a) Financial Assets Classified as Loans and Receivables			
Trade and other Receivables		**620,547**	670,025
Total current		**620,547**	670,025
Financial assets	(26)	**620,547**	670,025

10. Joint Arrangements

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

Project	Blocks	Activity	Location	Working Interest	
				2014	2013
High Island Project [1]	268A	Oil & Gas field, production project	USA	-	30%
Pompano Project[2]	446-L SE/4	Oil & Gas field, production project	USA	**25%**	25%
Sunset [3]	12/18 & 12/19C	Oil & Gas field, exploration project	UK	-	75%

(1) In November 2013, Elixir, through its wholly owned subsidiary, Cottesloe Oil and Gas, LLC, executed a Purchase and Sale Agreement with Peregrine Oil & Gas LP for the sale of the company's interest in the High Island Project in offshore Texas, USA.

(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.

(3) On 21 February 2014 Elixir, together with the Joint Venture partner, Adriatic Oil Plc, announced the relinquishment of its interest in the Sunset leases.

11. Controlled Entities

Controlled Entities Consolidated

Subsidiaries of Elixir Petroleum Limited:	Country of Incorporation	Percentage Owned [1]	
		2014	2013
Elixir Petroleum (Australia) Pty Ltd	Australia	**100%**	100%
Elixir Petroleum (Europe) Ltd	United Kingdom	**100%**	100%
Elixir Petroleum (Technical Services) Ltd [2]	United Kingdom	-	100%
Elixir Petroleum (France) Ltd	United Kingdom	**100%**	100%
Elixir Petroleum (Moselle) Ltd	United Kingdom	**100%**	100%
Cottesloe Oil & Gas LLC	USA	**100%**	100%
Cottesloe Oil & Gas Inc	USA	**100%**	100%

(1) Percentage of voting power is in proportion to ownership

(2) Elixir Petroleum (Technical Services) Ltd was deregistered during the financial year.

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.

11. Controlled Entities (continued)

	Closed Group 2014 $	Closed Group 2013 $
Financial information in relation to:		
(i) Statement of Profit or Loss and Other Comprehensive Income:		
Loss before income tax	**(704,535)**	(24,045,356)
Income tax expense	**-**	-
Loss after income tax	**(704,535)**	(24,045,356)
Loss attributable to members of the parent entity	**(704,535)**	(24,045,356)
(ii) Accumulated losses:		
Accumulated losses at the beginning of the year	**(59,258,977)**	(35,454,022)
Value of options lapsed during the year	**1,777,190**	240,400
Loss after income tax	**(4,347,995)**	(24,045,355)
Accumulated losses at the end of the year	**(61,829,782)**	(59,258,977)
(iii) Statement of Financial Position:		
Current Assets		
Cash and cash equivalents	**727,309**	655,296
Trade and other receivables	**11,393**	10,122
Other current assets	**13,514**	20,281
Total current assets	**752,216**	685,699
Non-current Assets		
Receivables	**7,922,304**	6,952,145
Investment in subsidiaries	**16,798**	16,798
Other plant and equipment	**1,906**	22,891
Total non-current assets	**7,941,008**	6,991,834
Total assets	**8,693,224**	7,677,533
Current Liabilities		
Trade and other payables	**149,632**	179,819
Total current liabilities	**149,632**	179,819
Total liabilities	**149,632**	179,819
Net assets	**8,543,592**	7,497,714

11. Controlled Entities (continued)

	Closed Group 2014	Closed Group 2013
	$	$
Equity		
Issued capital	**66,721,736**	64,972,575
Reserves	**8,178**	1,784,116
Accumulated losses	**(58,186,322)**	(59,258,977)
	8,543,592	7,497,714

During the current year the investment in subsidiaries was adjusted to its fair value by recording an impairment of $3,643,462 (2013: $22,753,666). The fair value adjustment recognises the impairment in subsidiaries over a number of years, to bring the closed group to a value consistent with the consolidated group.

12. Property, Plant and Equipment

	Consolidated Group	
	2014	2013
	$	$
Property, Plant and Equipment		
At cost	**3,190**	30,795
Accumulated depreciation	**(1,284)**	(7,904)
Total property, plant and equipment	**1,906**	22,891

Movements in carrying amounts for each class of property, plant and equipment during the current financial year.

Consolidated Group:	
Balance at 1 July 2012	23,435
Additions	10,842
Depreciation Expense	(2,783)
Foreign exchange movement	(8,603)
Balance at 30 June 2013	22,891
Additions	-
Disposals	(19,480)
Depreciation Expense	(1,505)
Balance at 30 June 2014	1,906

13. Other Assets

	Consolidated Group	
	2014	2013
	$	$
Current Prepaid Insurance	**18,001**	101,951
Other current assets	**3,781**	26,858
	21,782	128,809

14. Oil & Gas Properties

	Consolidated Group	
	2014	2013
	$	$
At Cost		
At 1 July	**37,223,737**	31,593,408
Additions	**-**	24,236
Cost of assets disposed[1]	**(21,814,716)**	-
Foreign Exchange Movement	**(479,154)**	5,606,093
At 30 June	**14,929,867**	37,223,737
Future Restoration Costs Capitalised		
At 1 July	**1,506,938**	1,356,354
Assets disposed[1]	**(820,050)**	-
Foreign Exchange Movement	**(21,360)**	150,584
At 30 June	**665,528**	1,506,938
Accumulated Amortisation		
At 1 July	**(19,984,509)**	(17,916,869)
Amortisation for the year	**-**	(74,153)
Assets disposed[1]	**11,102,781**	-
Foreign exchange movement	**276,183**	(1,993,487)
At 30 June	**(8,605,545)**	(19,984,509)
Impairment		
At 1 July	**(18,499,165)**	(14,760,507)
Impairment	**-**	-
Assets disposed[1]	**11,284,984**	-
Foreign Exchange Movement	**224,331**	(3,738,658)
At 30 June	**(6,989,850)**	(18,499,165)
Fair Value Adjustment		
At 1 July	**(162,398)**	-
Fair Value Adjustment	**-**	(162,398)
Asset disposed[1]	**162,398**	-
At 30 June	**-**	(162,398)
Net Carrying Value [1]	**-**	84,603

[1] During the reporting period, Elixir Petroleum Limited disposed of its interest in the High Island project. Refer Note 10.

15. Deferred exploration & evaluation expenditure

	Consolidated Group	
	2014	2013
	$	$
Balance at 1 July	**3,979,316**	3,233,980
Amount Capitalised during the year	**216,216**	919,331
Farm-in Proceeds	**-**	(49,594)
Impairment	**(3,424,067)**	(362,705)
Foreign Exchange Movements	**228,535**	238,304
Balance at 30 June	**1,000,000**	3,979,316

The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and exploitation, or alternatively sale, of the respective area of interest. To determine the asset's fair value the capitalised expenditure on the asset has been compared to the market capitalisation and net assets of the consolidated group. The excess of the asset's carrying value (including capitalised expenditure) over the market capitalisation and net assets of the consolidated group has been expensed to the profit and loss.

16. Trade and Other Payables

Current		
Unsecured liabilities		
Trade payables	**239,834**	198,577
Sundry payables and accrued expenses	**2,385**	19,535
	242,219	218,112

Trade payables are unsecured and are usually 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.

17. Provisions

	Consolidated Group	
	2014	2013
	$	$
Current		
Oil Well Restoration		
Opening balance at 1 July	**1,342,935**	-
Additional Provisions	**-**	1,342,935
Amounts used[1]	**(842,559)**	-
Foreign currency movement	**(15,560)**	-
Balance at 30 June	**484,816**	1,342,935
Short-term Employee Benefits		
Opening balance at 1 July	**10,921**	55,099
Amounts used	**(10,921)**	(44,178)
Balance at 30 June	**-**	10,921
Total Current	**484,816**	1,353,855
Non-Current		
Oil Well Restorations		
Opening balance at 1 July	**-**	1,356,354
Fair value adjustment	**-**	(162,398)
Foreign Exchange Movement	**-**	148,979
Reclassification to current	**-**	(1,342,935)
Balance at 30 June	**-**	-

[1] During the reporting period Elixir Petroleum Limited disposed of its interests in the High Island Project. As part of the agreement for the disposal, Elixir Petroleum Limited was released from its liability for restoration costs and accordingly the provision for restoration costs has been reversed.

Provision for Oil Well Restoration

The Group's policy with regard to providing for its share of future restoration costs for jointly controlled assets is documented in Note 1(l).

18. Issued Capital

	Consolidated Group	
	2014	2013
	$	$
Fully paid ordinary shares	**66,721,736**	64,972,576
	66,721,736	64,972,576

	2014	2013
(a) Movement in ordinary share capital	**No.**	No.
At the beginning of the reporting period	**277,250,637**	277,250,637
Shares issued during the year		
13 August 2013	**154,027,719**	-
At the end of the reporting period	**431,278,356**	277,250,637

Ordinary shares 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 when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options

(i) For information relating to the Elixir Petroleum Limited Incentive plan, including details of Options issued, exercised and lapsed during the financial year and the Options outstanding at year-end refer to Note 24: Share-based Payments.

(ii) For information relating to share Options issued to key management personnel during the financial year refer to Note 24: Share-based Payments.

(c) 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.

19. Capital and Leasing Commitments

	Consolidated Group	
	2014	2013
	$	$
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	**17,500**	38,447
between 12 months and 5 years	**-**	96,923
	17,500	135,370

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 has become aware that Buccaneer has applied for and been granted Chapter 11 protection in the United States and Australia post the end of the 2014 financial year. 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$575,000 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 three reportable segments being oil and gas exploration in the United Kingdom (UK), 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

30 June 2014	Oil & Gas Production (USA) $	Oil & Gas Exploration (UK) $	Oil & Gas Exploration (France) $	Other Corporate Activities $	Total $
Revenue					
External Sales	-	-	-	-	-
Interest revenue	-	-	-	26,995	26,995
Total segment revenue	-	-	-	26,995	26,995
Segment net loss from continuing operations before tax					(4,610,064)
30 June 2013					
Revenue					
External Sales	272,932	3,275	-	-	276,207
Interest revenue	-	-	-	10,393	10,393
Total segment revenue	272,932	3,275	-	10,393	286,600
Segment net loss from continuing operations before tax					(2,087,203)

21. Operating Segments (continued)

(ii) Segment Assets

30 June 2014	Oil & Gas Production (USA) $	Oil & Gas Exploration (UK) $	Oil & Gas Exploration (France) $	Other Corporate Activities $	Total $
Segment assets	651,591	11,988	1,010,424	754,121	2,428,124
Total group assets					2,428,124
30 June 2013					
Segment assets	1,080,873	115,454	3,946,729	727,583	5,870,639
Total group assets					5,870,639

(iii) Segment Liabilities

30 June 2014	Oil & Gas Production (USA) $	Oil & Gas Exploration (UK) $	Oil & Gas Exploration (France) $	Other Corporate Activities $	Total $
Segment liabilities	528,502	11,852	37,050	149,631	727,035
Total group liabilities					727,035
30 June 2013					
Segment liabilities	1,361,368	9,982	13,304	187,313	1,571,967
Total group liabilities					1,571,967

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

22. Cash Flow Information

	Consolidated Group	
	2014	2013
	$	$
(a) Reconciliation of Cash Flow from Operations with Profit		
Loss after income tax	**(4,610,064)**	(2,087,203)
Non-operating cash flows		
Interest Income	**(22,900)**	(10,393)
Non-cash flows in profit		
Impairment write down of oil and gas properties	**3,424,067**	362,705
Depreciation, depletion & amortisation	**1,505**	82,756
Share-based payment	**1,252**	10,932
Net exchange rate differences	**30,575**	235,272
Net (gain)/loss on disposal of property, plant and equipment	**-**	(3,275)
Net (gain)/loss on disposal of capitalised asset	**9,480**	-
(Increase)/decrease in current assets	**156,500**	147,520
Increase/(decrease) in current liabilities	**13,194**	(271,558)
Increase/(decrease) in provisions	**-**	(24,644)
Cash flow from operations	**(996,391)**	(1,557,888)

(b) Non-cash financing and investing activities

During the year ended 30 June 2014, the company incurred share based payments of $1,252 net of the effect of lapsed Performance Rights (2013 - $10,932). There were no other non-cash financing and investing activities.

23. Discontinued operations

On 12 November 2013 Elixir Petroleum Limited entered into a Purchase and Sale Agreement to dispose of its interest in the High Island Project. Financial information relating to the High Island Project from 1 July 2013 to 12 November 2013 and for the year ended 30 June 2013 is set out below:

	Consolidated Group	
	From 1 July 2013 to 12 November 2013	2013
	$	$
(a) Financial Performance		
Revenue	**30,345**	272,931
Total expenses	**263,792**	427,651
Gross loss	**(233,447)**	(154,720)
Income tax expense	**-**	-
Net loss attributable to discontinued operations	**(233,447)**	(154,720)
Loss on disposal of High Island Project	**(6,991)**	-
Income tax expense	**-**	-
Loss on disposal of after income tax	**(6,991)**	-
Loss from discontinued operation	**(240,438)**	(154,720)

Information relating to the financial position of the High Island Project on disposal date (12 November 2013) and at the end of the previous annual reporting period is set out below:

(b) Carrying amounts of assets and liabilities:		
Oil and Gas Properties	**84,603**	84,603
Trade debtors	**-**	31,198
Total assets	**84,603**	115,801
Trade Creditors	**-**	18,434
Provision for restoration	**842,559**	842,559
Total liabilities	**842,559**	860,993
Net assets	**(757,956)**	(745,192)
(c) Cash flow information for the period 1 July 2013 to 12 November 2013 and the comparative year ended 30 June 2013:		
Net cash outflow from operating activities	**(183,158)**	(237,349)
Net cash inflow from investing activities	**-**	-
Net cash inflow from financing activities	**-**	-
Net decrease in cash generated by the oil platform	**(183,158)**	(237,349)
Detail of the disposal of the oil platform:		
Consideration paid	**(764,947)**	
Carrying amount of net liabilities sold	**757,956**	
Loss on disposal before income tax	**(6,991)**	
Income tax expense	**-**	
Loss on disposal after income tax	**(6,991)**	

24. Share Based Payments

Share based payments issued to key management personnel
Details of share based payment issued to key management personnel are provided in the remuneration report.

Share based payments issued to third parties:
1,000,000 Performance Rights were granted on 6 May 2014 to a third party. These Performance Rights vest upon the renewal of the Moselle Permit on or before 6 May 2015 and had a value at grant date of $0.006 per Performance Right.

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

	Consolidated Group	
	Number	**Weighted average exercise price**
Options outstanding as at 30 June 2012	2,000,000	$0.35
Performance Rights Granted	3,000,000	$0.00
Options Forfeited	-	
Options Exercised	-	
Options Expired	(2,000,000)	$0.35
Rights outstanding as at 30 June 2013	3,000,000	$0.00
Options granted	15,000,000	$0.01
Performance Rights Granted	1,000,000	$0.00
Performance Rights Forfeited/Lapsed	(3,000,000)	$0.00
Options and Rights outstanding as at 30 June 2014	16,000,000	$0.01
Options exercisable as at 30 June 2014:	15,000,000	
Options exercisable as at 30 June 2013:	-	

The fair value of the Options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of Options granted during the year was $60,000. These values were calculated using the Black Scholes option pricing model applying the following inputs:

Weighted average life of Options	3.0 years
Expected share price volatility	110%
Risk free interest rate	2.93%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The life of the performance options is based on the vesting date of the option. The fair value of the rights granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of rights granted during the year was $6,000. These values were calculated using the Black Scholes option pricing model applying the following inputs:

Weighted average life of rights	1.3 years
Expected share price volatility	110%
Risk free interest rate	2.93%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the Performance Rights is based on the vesting date of the right.

24. Share Based Payments (continued)

	Consolidated Group	
	2014	2013
	$	$
Share Based Payment Expense	**1,252**	10,932

25. 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 2014.

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

	Consolidated Group	
	2014	2013
	$	$
Short-term employee benefits	**437,145**	1,099,851
Post-employment benefits	**22,051**	42,341
Share-based payments	**7,274**	10,932
Total KMP compensation	**466,470**	1,153,124

(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:
Elixir entered into a services contract with New Standard Energy Limited ("NSE"), a director related entity, to provide office space and accounting services from 1 February 2014. The contract was based on normal commercial terms and conditions.

Aggregate amounts charges during the reporting period are as follows:

	Consolidated Group	
	2014	2013
	$	$
Amounts recognised as expense:		
Rent of office building	**15,000**	-
Accounting services	**2,000**	-
	17,000	-

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

25. Related Party Transactions

(v) 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 2013: Nil).

(vi) Loan to / from related parties:
There are no outstanding loans arising to or from related parties (30 June 2013: Nil).

26. 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 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group	
		2014	2013
	Note	**$**	$
Financial Assets			
Cash and cash equivalents	(8)	**783,889**	984,995
Loans and receivables	(9a)	**620,547**	670,025
Total Financial Assets		**1,404,436**	1,655,021
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	(16)	**242,219**	218,112
Total Financial Liabilities		**242,219**	218,112

Financial Risk Management Policies

Company Management along with the Audit and Risk 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.

The overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

26. Financial Risk Management (continued)

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 maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that have otherwise been assessed as being financially sound.

Credit Risk Exposures

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 11 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 significant credit risk exposures to Australia, the USA, France and the United Kingdom given the substantial operations in those regions. Details with respect to credit risk of Trade and Other Receivables is provided in Note 9.

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.

		Consolidated group	
		2014	2013
	Note	**$**	$
Cash and cash equivalents			
AA Rated		**749,724**	737,830
A Rated		**34,165**	247,165
	(8)	**783,889**	984,995

26. Financial Risk Management (continued)

(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

	Within 1 Year		**1 to 5 years**		**Over 5 years**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Consolidated Group	**$**	$	**$**	$	**$**	$	**$**	$
Financial liabilities due for payment								
Trade and other payables	242,219	218,112					242,219	218,112
Total contractual outflows	242,219	218,112	-	-	-	-	242,219	218,112
Less bank overdrafts							-	
Total expected outflows	242,219	218,112	-	-	-	-	242,219	218,112

	Within 1 Year		**1 to 5 years**		**Over 5 years**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Consolidated Group	**$**	$	**$**	$	**$**	$	**$**	$
Financial Assets - cash flows realisable								
Cash and cash equivalents	783,889	984,995					783,889	984,995
Trade, term and loans receivables	11,392	41,320	609,155	628,705			620,547	670,025
Total anticipated inflows	795,281	1,026,315	609,155	628,705	-	-	1,404,436	1,655,020
Net (outflow) / inflow on financial instruments	553,062	808,203	609,155	628,705	-	-	1,162,217	1,436,908

26. 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, UK Pound Sterling and Euro 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, GBP and Euro 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:

	2014			2013		
	USD	**GBP**	**Euro**	**USD**	**GBP**	**Euro**
Cash	34,165	22,411	-	361,636	79,048	20,345
Trade and other receivables	8,271	-	-	31,198	19,158	-
Non-current receivables	609,155	-	-	628,705	-	-
Trade Payables	(43,685)	(48,901)	-	(18,434)	26,286	-
	607,906	(26,490)	-	1,003,105	124,492	20,345

26. Financial Risk Management (continued)

(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.

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	
Year ended 30 June 2014	**Profit $**	**Equity $**
+/- 0.9% in interest rates	7,960	7,960
+/- 20% in AUD relative to USD & GBP	340,218	340,218

	Consolidated Group	
Year ended 30 June 2013	**Profit $**	**Equity $**
+/- 0.9% in interest rates	22,514	22,514
+/- 20% in AUD relative to USD & GBP	688,609	688,609

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

The aggregate net fair values of the Group's financial assets and financial liabilities both recognised and unrecognised are as follows:

	Carrying amount in the financial statements 2014 $	**Aggregate net fair value 2014 $**	**Carrying amount in the financial statements 2013 $**	**Aggregate net fair value 2013 $**
Financial Assets				
Cash assets	783,889	783,889	984,995	984,995
Receivables	620,547	620,547	670,025	670,025
Financial Liabilities				
Payables	242,219	242,219	218,112	218,112

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.

27. Reserves and Accumulated Losses

	Consolidated Group	
	2014	2013
	$	$
Foreign currency translation reserve		
Opening Balance	**(568,554)**	(917,531)
Currency translation differences arising during the year	**262,068**	348,977
Closing Balance	**(306,486)**	(568,554)
Option Premium Reserve		
Opening Balance	**1,773,184**	1,773,184
Lapsed Options written to accumulated losses	**(1,773,184)**	-
Closing Balance	**-**	1,773,184
Share-based payment reserve		
Opening Balance	**10,932**	240,400
Options/Performance Rights granted during the year	**8,178**	10,932
Lapse of Options/Performance Rights	**(10,932)**	(240,400)
Closing Balance	**8,178**	10,932
Accumulated losses		
Opening balance	**(61,889,466)**	(60,042,663)
Net loss for the year	**(4,610,064)**	(2,087,203)
Lapse of Options	**1,777,191**	240,400
Closing balance	**(64,722,339)**	(61,889,466)

The Option premium reserve is used to record any premium received upon grant of Options.

The share-based payment reserve is used to record the deferred expense in relation to share based payments. During the year 3,000,000 ESOP employee Options previously issued as part of share based payments expired or were forfeited resulting in a de-recognition of $1,773,184. A further 500,000 Performance Rights that had vested and lapsed during the year resulted in a de-recognition of $4,007.

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.

28. Events After the Reporting Period

The following events occurred subsequent to the end of the financial year which will have a material effect on the Group.

On 25 July 2014, the Company announced it has signed a binding agreement to acquire a 50% Working Interest in 14,455 net acres (7,228 net to Elixir) for an initial payment of approximately US$700,000 in an emerging new oil play in Washington and Lincoln Counties, Colorado (the "Petra Project"). As part of the acquisition consideration, Elixir will also pay the first US$1.5M of exploration costs on behalf of the joint venture, which will include initial seismic acquisition and interpretation together with two exploration wells scheduled for 2015. The agreed budget for an initial two year work program is US$3 million which post expenditure of the initial US$1.5 million by Elixir, will be funded equally by Elixir and its partner. Following completion of the farm in works, Elixir will retain its 50% interest in the leases which have an initial term of five years with the option to extend for a further five years. There are no drilling or seismic commitments on the leases.

The Company also entered into an Area of Mutual Interest ("AMI") agreement covering an area of over 500,000 acres incorporating the acquired acreage which also encompasses the recent discoveries and subsequent oil field developments by several companies including UK listed Nighthawk Energy plc (AIM: HAWK.L). In addition, Elixir has secured an option to acquire a 50% Working Interest in the greater Wattenberg Area containing the prolific Niobrara / Codell unconventional oil resource play ("Wattenberg Project") on ground floor terms.

The acquisition of the Petra Project was completed on 4 September 2014.

Contemporaneously, the Company successfully raised approximately $3 million before costs via a placement ("Placement") and a fully subscribed Share Purchase Plan ("SPP"). The Placement resulted in the issue of 442,000,000 fully paid ordinary shares in the Company at $0.005 each and 221,000,000 Options exercisable at $0.015 on or before 30 September 2016. The Share Purchase plan resulted in the issue of 160,000,000 shares and 80,000,000 Options on the same terms as the Placement pursuant to a prospectus dated 4 August 2014. A further 20,000,000 Options exercisable at $0.015 on or before 30 September 2016 were issued to Hartleys Limited as part consideration for corporate advisory services in relation to the Placement.

On 25 August 2014 Elixir announced it had acquired a 50% Working Interest in an additional 4,480 net acres within the Petra Project AMI via participation in the Colorado State Lease Sale. The additional leases acquired complement and are adjacent to our existing leases within the core area of the Petra Project. The Company also participated in the acquisition of a proprietary 3D seismic shoot over an area including a 640 acre section on owned leasehold land and access to data covering some 1,600 acres. The data acquired will assist in the future planning of the seismic programs intended for early 2015.

On 28 August 2014 the Company announced that it had acquired additional leasehold land within the AMI to expand its holding to in excess of 10,000 acres net to Elixirs 50% Working Interest.

On 1 September 2014, shareholders approved the capital raising and associated issue of securities, including an issue of 4,000,000 Options to each of the Non-Executive Directors exercisable at $0.015 on or before 15 October 2016. Further details of these Options are provided in the Notice of Meeting dated 1 August 2014.

On 4 September, following completion of the acquisition of the Petra Project, Mr Dougal Ferguson was appointed Managing Director. Mr Ferguson joined the Company on 1 May 2014 as Chief Executive Officer and introduced and negotiated the acquisition of the Petra Project and implemented the capital raising. Mr Ferguson was issued with 30,000,000 Performance Rights pursuant to the Elixir Petroleum Executive Incentive Plan. The rights will vest over two years upon attainment of certain share price related hurdles.

Other than as disclosed above, no events have occurred since 30 June 2014 that would materially affect the operations of the Group, the results of the Group or the state of affairs of the Group not otherwise disclosed in the Group's financial statements.

29. Company Details

The registered office and principal place of business of the company is:

Elixir Petroleum Limited
Level 2
7 Ventnor Avenue
West Perth WA 6000

ADDITIONAL SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 15 October 2014.

1. Twenty largest shareholders

	Ordinary shares	Number	Percentage
1	NEW STANDARD ENERGY LIMITED	121,734,102	11.78
2	RICHARD J + S E HARRIS	36,300,000	3.51
3	AURORA OIL & GAS LIMITED	33,833,334	3.27
4	HENRY JOHN DEBURGH	32,333,337	3.13
5	TAN CHING KHOON	20,000,000	1.94
6	DOUGAL FERGUSON	20,000,000	1.94
7	SAMUEL WILLIS	16,500,000	1.60
8	OCCASIO HOLDINGS PL	16,000,000	1.55
9	ARGONAUT EQUITY PARTNERS PTY LIMITED	15,000,000	1.45
10	REEF INV PL	15,551,851	1.41
11	WALLOON SEC PL	13,650,000	1.32
12	J P MORGAN NOMINEES AUSTRALIA LIMITED	13,560,047	1.31
13	CITICORP NOM PL	13,115,457	1.27
14	HSBC CUSTODY NOM AUST LTD	11,938,420	1.16
15	PHILIP ANDREW THICK	10,997,556	1.06
16	SCINTILLA STRATEGIC INV L	10,500,000	1.02
17	PALAZZO NOM PL	8,548,680	0.83
18	TINTERN VIC PL	8,423,800	0.82
19	LLP HAVOC PTNRS	8,000,000	0.77
20	BEACON EXPL PL	8,000,000	0.77
	Total top 20	**432,986,584**	**41.90**
	Other	600,291,772	58.10
	Total ordinary shares on issue	**1,033,278,356**	**100.0**

2. Substantial shareholders

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

Shareholder	Number	Percentage
NEW STANDARD ENERGY LIMITED	121,734,102	11.78

3. Distribution of equity securities

	Ordinary Shares	Listed options	Unlisted options	Performance Rights
1 - 1,000	29	-	-	-
1,001 - 5000	49	-	-	-
5,001 - 10,000	44	-	-	-
10,001 - 100,000	477	-	-	-
100,001 - and above	411	195	4	2
	1,010	195	4	2

4. Twenty largest option holders

	Options	Number	Percentage
1	ZENIX NOM PL	20,000,000	6.64
2	RICHARD J + S E HARRIS	13,400,000	4.45
3	TAN CHING KHOON	10,000,000	3.32
4	OCCASIO HLDGS PL	8,000,000	2.66
5	DOUGAL FERGUSON	7,500,000	2.49
6	SAMUEL WILLS	7,500,000	2.49
7	INVESCO NOM PL	6,000,000	1.99
8	MARK JOHN TURNER	5,650,000	1.88
9	PHILIP ANDREW THICK	5,000,000	1.66
10	ARGONAUT EQUITY PTNRS PL	4,500,000	1.50
11	REEF INV PL	4,300,000	1.43
12	LLP HAVOC PTNRS	4,000,000	1.33
13	DIXTRU PL	4,000,000	1.33
14	QUARTZ MOUNTAIN MINING PL	4,000,000	1.33
15	SCINTILLA STRATEGIC INV L	4,000,000	1.33
16	MATHEW DONALD WALKER	4,000,000	1.33
17	STARLET COURT PL	3,500,000	1.16
18	WALOON SECURITIES PTY LTD	3,500,000	1.16
19	PALAZZO NOM PL	3,200,000	1.06
20	CINTRA HLDGS PL	3,000,000	1.00
	Total top 20	**125,050,000**	**41.54**
	Other	175,950,000	58.46
	Total options on issue	**301,000,000**	**100.00**

5. 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	15,000,000	1
Unlisted Director options[(1)]	12,000,000	3
Performance Rights	31,000,000	2

[(1)] Holders of Unlisted Director options	Number Held	% Held
SJC & CM Willis <Willis Family Super Fund A/C>	4,000,000	33.33%
MJ Price Superannuation Fund	4,000,000	33.33%
Mark O'Clery	4,000,000	33.33%

6. Voting rights

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

Details of the Company's interests in petroleum leases can be found in Note 10 to the Financial Statements. On 4 September 2014, the Company acquired the Petra Project in Colorado. Further details of this acquisition is provided in the Directors' Report and Note 28 of the Financial Statements.

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