elixir
petroleum limited

a n d   c o n t r o l l e d   e n t i t i e s

ABN 51 108 230 995

Interim Financial Report for the half-year ended

31 December 2016

Corporate Directory

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

Company Secretary
Mr Dougal Ferguson

Registered and Principal Administration Office
338 Hay Street
Subiaco WA 6008
Telephone: (+61) 8 9226 2111

Email
info@elixirpetroleum.com

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

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

Auditors - UK
KSI (WA)
Level 2, 35 Outram Street
West Perth WA 6005

Share Registry
Security Transfer Australia
PO Box 52
Collins Street West
Victoria NSW 8007
Australia
Telephone 1300 992 916

Stock Exchange Listing
Australian Securities Exchange
Home Exchange: Perth, Western Australia
Ticker Code: EXR

Website
www.elixirpetroleum.com

Directors' Report

The Directors of Elixir Petroleum Limited present their report on the Consolidated Entity, consisting of Elixir Petroleum Limited ("the Company" or "Elixir") and the entities it controlled during the half-year ended 31 December 2016 ("Consolidated Entity" or "Group").

DIRECTORS

The names of the Directors of Elixir in office during the half-year and until the date of this report are:

Mr Ray Barnes	(Non-Executive Chairman)
Mr Dougal Ferguson	(Managing Director)
Mr Scott Patrizi	(Non-Executive Director) – *appointed 12 October 2016*
Mr Sam Willis	(Non-Executive Director)

Unless otherwise stated, all Directors were in office from the beginning of the half-year until the date of this report.

REVIEW AND RESULTS OF OPERATIONS

Operating and Financial Results

For the half-year ended 31 December 2016, the Group recorded an after tax loss of $345,669 (31 December 2015: loss of $379,482). During the half-year, the Group's primary focus has been on completion of the capital restructure of the Company which included raising approximately $2.23 million in additional funding.

The Company continued to focus efforts on cost reduction across the business. Directors further reduced their fees effective 1 July 2016 to help preserve cash in the business. During the half-year, the Group incurred only the minimum expenditure necessary to secure the good standing of the Petra Project and the Moselle Permit in France.

With the moderate recovery and improved stability of the oil price in recent months, the Board is continuing with its stated objectives of identifying growth assets that are economic at what is expected to be a lower long term oil price environment.

To allow the Company to continue to take advantage of new opportunities and progress its existing assets, the Board embarked on a process to re-structure the capital base and raise approximately $2.23 million of additional capital.

The process, which was undertaken over several months, involved the following key steps:

- 12 July 2016 - Tranche 1 Placement raising $234,038
- 17 August 2016 – Tranche 2 Placement raising $205,962
- 18 August 2016 - Consolidation of shares on a 1:25 basis
- 30 September 2016 – 1:1 Rights Issue raising $1,789,469

Following completion of the various capital raisings and the consolidation, the Company now has 178,946,872 shares on issue and 11,600,000 million options over Shares.

At 31 December 2016, Elixir had cash of $2,168,903 (30 June 2016: $423,895) and remains debt free with minimal exploration or expenditure commitments.

STRATEGY

Elixir is an oil and gas exploration company with current operations in the United States and France.

Elixir's previously stated strategy is to pursue opportunities in predominantly OECD countries which meet a number of the following 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;
- Expose shareholders to multiple well drilling programs;
- Execute farm-in and farm-out agreements to grow the portfolio or manage risk; and
- Entering strategic partnerships for development projects to leverage opportunities.

The Company will continue to target additional projects that meet the above criteria whilst being opportunistic with other transactions that may present themselves.

OPERATIONS REVIEW

Petra Project (Elixir 50% Working Interest)

On 4 September 2014, Elixir acquired a 50% Working Interest in over 14,400 net acres in Washington County, Colorado. Pursuant to the original agreement entered into when oil prices were in excess of US$100 per barrel, Elixir agreed to pay the first US$1.5M of exploration costs on behalf of the joint venture.

Elixir has completed the first phase of the required exploration expenditure by completing a work programme that included purchasing existing 2D regional seismic data and the acquisition of two proprietary seismic surveys. The seismic surveys confirmed a large geological feature which was mapped and matured into a drill ready prospect named the Rodwell Prospect. This prospect covers around 30% of the total acreage position within Elixir's leased acreage, which now stands at 50% of approximately 30,000 net acres.

Elixir completed an independent Prospective Resources report for the Rodwell Prospect which was announced to ASX on 13 August 2015, the results of which are presented in Table 1 below.

Table 1: Independent Prospective Resources net to Elixir – Rodwell Prospect

Reservoir Interval	Low (MBO)	Best (MBO)	High (MBO)	Mean (MBO)	Probability of Geological Success
Mississippian[1]	275	1,196	5,216	2,076	24%
Cherokee A[2]	110	320	950	434	19%
Aggregate[3]				2,511	

1. Probabilistic outcome for entire structure
2. Probabilistic outcome for mapped Cherokee closures
3. Arithmetic summation of probabilistic estimates produces invalid results except for the mean estimate

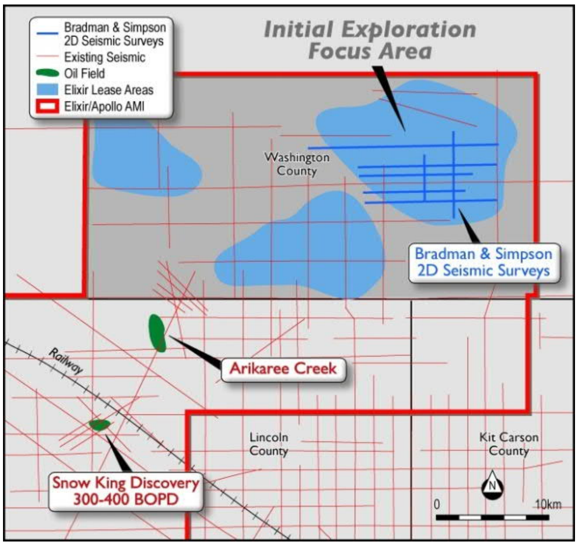
Based on the above numbers and using the Mean Prospective Resource shown above, the independent assessment estimated an un-risked net present value of US$41.8MM net to Elixir (A$55MM at USD/AUD: 0.75 exchange rate) for the Mississippian and the Cherokee A formations. These valuations are based on West Texas Intermediate (WTI) oil price of US$50/bbl (less a US$9/bbl deduct for transport and marketing fees) and production curves generated from publicly available analogue field data from surrounding fields. The valuations demonstrate the economic robustness of the conventional prospects being targeted by Elixir and that the Petra Project is clearly economic in the current oil price environment.

Geological and Geophysical Activities

Since acquiring the Petra Project, Elixir has purchased approximately 250kms of 2D seismic data and acquired approximately 60kms of proprietary seismic data, being the Bradman 2D and Simpson 2D seismic surveys. The purchased data was reprocessed and interpreted together with the newly acquired 2D seismic data resulting in the maturation of the Rodwell Prospect into a drill ready target.

Leasing Activities

The Group has maintained its net acreage position of a 50% Working Interest in approximately 30,000 net acres. Much of the leased land has no annual rentals and therefore the holding costs to Elixir are minimal. Should the Board determine that it does not want to proceed with the drilling of the Rodwell prospect, Elixir's interest in the leases will reduce from 50% to 25% with no further expenditure commitments.



General location of 50% Working Interest in approximately 30,000 net acres

Drilling Activities

Elixir and its joint venture partner have permitted three well locations over the main Rodwell Prospect and have begun planning for the first well on the strong geological feature that has been identified. Currently, the well is planned to be drilled in the northern summer of 2017 however the Board has yet to determine whether Elixir will participate in the upcoming well.

Should Elixir participate pursuant to the original terms of the agreement with its partner, then Elixir will pay 100% of the well cost which is now expected to cost approximately US$500,000 on a dry hole basis. The 100% carry is capped at US$750,000 after which each party will contribute 50% of the costs in accordance with their respective working interests. The Company also has the option to participate at a reduced Working Interest of 25% and contribute costs on that basis (being 25% of US$500,000), however in this instance Elixir's Working Interest in the 30,000 net acres will reduce from 50% to 25% in accordance with the farm-in agreement. The third option available to the Company is to not participate in the well in which case it will not have any interest in any resulting discovery other than a small royalty interest. Elixir has agreed with its partner that it will make a determination on its level of participation in the proposed upcoming well no later than 30 April 2017.

France

Moselle Permit (EXR 100%, Operator)

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

On 5 January 2017, the Company commenced proceedings against the State (being the French Government) to seek the renewal of the Moselle Permit. The initial action was to seek suspension of the implied decision not to renew the Moselle Permit which may have resulted in penalties being applied. This action needed to be considered by the Court to be an urgent matter and due to the extended passing of time since the implicit decision; the Court dismissed the action as not being urgent.

The Company is now able to pursue the more significant action against the State for the annulment of the implicit decision not to renew the Moselle Permit, which if successful, would result in damages being able to be claimed by the Company if the Moselle Permit is not renewed. The action for annulment is an action based on the application of the law, not the passing of time. The action for annulment is not expected to be heard by the Court for several months. Elixir is pursuing these actions through the Courts on a fixed legal cost basis with bonus payments payable only in the event the actions are successful.

Elixir's Moselle renewal application does not contemplate shale gas exploration as part of the renewal program, with the focus being on conventional gas and conventional exploration techniques.

CORPORATE

Board and Management Changes

During the half year, Mr Scott Patrizi was appointed as non-executive director effective 12 October 2016. The Board members also agreed to further reduce their fees with non-executive directors now reduced to $24,000 per annum and the Chairman to $36,000 per annum. It is proposed that fees will remain at this level until activity levels increase.

There were no other Board or Management changes during the half year.

Changes in Capital Structure

As detailed earlier in the Directors Report, the Board undertook a number of capital raising initiatives which resulted in a full restructure of the Company's capital base which is summarised in the table below and in Note 9 of the half-year financial report. The total amount of funds raised under the capital raising initiatives was approximately $2.23 million (before costs).

Date of Issue	Changes to Capital Structure	Shares Issued	Balance of Issued Capital
1 July 2016	Opening Balance		1,686,831,452
12 July 2016	Tranche 1 Placement	292,548,075	1,979,379,527
17 August 2016	Tranche 2 Placement	257,451,938	2,236,831,465
18 August 2016	1:25 Consolidation		89,473,436
30 September 2016	1:1 Rights Issue	89,473,436	178,946,872

The Company held a General Meeting on 16 August 2016 which sought shareholder approval for the ratification of the Tranche 1 Placement, approval of the Tranche 2 Placement and approval of the share consolidation on a 1:25 basis. In addition, the Company sought approval for the issue of 4,000,000 Options over Shares exercisable at $0.04 per share to be issued to facilitators who were successful in the placing of 100% of any shortfall from the Rights Issue. Shareholders were also asked to approve the issue of 1,000,000 Options over Shares to each of the Directors on the same terms. All of the above resolutions were approved on a show of hands and following placement of 100% of the shortfall shares from the Rights Issue, all of the Options approved by Shareholders were issued pursuant to the terms and conditions outlined in the 15 July 2016 Notice of Meeting.

On 12 October 2016, Mr Scott Patrizi was appointed to the Board and was issued 1,000,000 Options over Shares on the same terms and conditions as the issue of Options to existing directors.

The total number of Options on issue as at 31 December 2016 and as at the date of the Directors' Report is as follows.

Number	Class and Terms
600,000	Options exercisable at $0.25 expiring on 30 April 2017
1,500,000	Executive Incentive Options (vested) exercisable at $0.045 expiring on 30 November 2018
1,500,000	Executive Incentive Options (unvested) exercisable at $0.045 expiring on 30 November 2018
8,000,000	Options exercisable at $0.04 expiring on 30 September 2019

There were no other changes to the capital structure during the half-year, other than the expiry of 15,000,000 Performance Rights (pre Consolidation on 31 July 2016) and 160,000 Options (post Consolidation) expiring on 15 October 2016.

Unmarketable Parcel Share Sale Facility

On 28 October 2016, the Company announced that it was establishing a Share Sale Facility for holders of Unmarketable Parcels of Shares in the Company. Approximately 65% of Elixir's shareholders held less than a marketable parcel being less than $500 worth of Shares. The Share Sale Facility closed on 9 December 2016 and cheques were dispatched to Shareholders who took advantage of the Share Sale Facility on 21 December 2016.

New Ventures

The Board continues to actively review new venture opportunities and will continue to actively pursue transactions that have the potential to add value to shareholders.

EVENTS OCCURRING AFTER REPORTING DATE

Other than as disclosed elsewhere in this half-year financial report, no event has arisen since 31 December 2016 that would be likely to materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is included on page 7 of the half-year financial report. Signed in accordance with a resolution of the Directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors

DOUGAL FERGUSON
Managing Director

Perth, Western Australia
14 March 2017

Information contained in this report with respect to the Petra Project was compiled by Elixir or from material provided by the project operators and reviewed by Mr. Ray Barnes, the Chairman of Elixir, who has a B.Sc.(Hons) degree in Geology and has had more than 40 years' experience in the practice of petroleum geology, including more than 10 years' experience in the estimation of petroleum reserves and resources. Mr. Barnes consents to the inclusion in this report of the information in the form and context in which it appears.

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

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

As lead auditor for the review of Elixir Petroleum Limited for the half-year ended 31 December 2016, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elixir Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Elixir Petroleum Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Elixir Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elixir Petroleum Limited is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 14 March 2017

Directors' Declaration

The Directors declare that:

(a) The consolidated financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  i. Giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the consolidated entity;

  ii. Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that Elixir Petroleum Limited will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

DOUGAL FERGUSON
Managing Director

Perth, Western Australia
14 March 2017

Consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2016

	Note	Consolidated 31-Dec-2016 $	Consolidated 31-Dec-2015 $
Other income from continuing operations		**11,746**	2,201
Total Income		**11,746**	2,201
General and administrative costs	**(2)**	**(270,756)**	(306,112)
Depreciation, depletion and amortisation expense	**(2)**	**(357)**	(477)
Business development costs		**(6,000)**	(42,068)
Lease operating costs		**(11,063)**	(7,848)
Share based payments	**(7)**	**(69,239)**	(25,178)
Loss from continuing operations before income tax expense		**(345,669)**	(379,482)
Income tax expense / benefit		**-**	-
Net loss after tax for the period	**(3)**	**(345,669)**	(379,482)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**79,532**	115,439
Other comprehensive income (loss) for the half-year		**79,532**	115,439
Total comprehensive income (loss) for the half-year		**(266,137)**	(264,043)
Total comprehensive income (loss) attributable to Owners of the parent – Elixir Petroleum Limited		**(266,137)**	(264,043)
(Loss) per share for the half year attributed to the owners of Elixir Petroleum Limited			
Basic and diluted loss per share (cents per share)		**(0.2)**	(0.8)(i)

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

(i) This number has been adjusted to reflect the share consolidation that occurred on 18 August 2016

Consolidated statement of financial position
As at 31 December 2016

	Note	Consolidated 31-Dec-2016 $	30-Jun-2016 $
Assets			
Current assets			
Cash and cash equivalents		**2,168,903**	423,895
Trade and other receivables		**18,710**	4,495
Other assets		**21,388**	13,746
Total current assets		**2,209,001**	442,136
Non-current assets			
Trade and other receivables	**(4)**	**805,376**	775,215
Plant and equipment		**2,502**	2,860
Deferred exploration and evaluation expenditure	**(6)**	**2,710,324**	2,615,953
Total non-current assets		**3,518,202**	3,394,028
Total assets		**5,727,203**	3,836,164
Liabilities			
Current liabilities			
Trade and other payables		**91,626**	148,248
Provisions	**(5)**	**846,672**	819,138
Total current liabilities		**938,298**	967,386
Total liabilities		**938,298**	967,386
Net assets		**4,788,905**	2,868,778
Equity			
Contributed equity	**(9)**	**72,162,176**	70,144,916
Reserves		**554,142**	305,606
Accumulated losses		**(67,927,412)**	(67,581,744)
Total equity		**4,788,905**	2,868,778

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2016

Consolidated	Contributed Equity	Option Premium Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$	$
Balance at 1 July 2016	70,144,916	-	168,248	137,358	(67,581,744)	2,868,778
(Loss) for the half-year	-	-	-	-	(345,669)	(345,669)
Other comprehensive income Exchange difference on translation of foreign operations	-	-	-	79,532	-	79,532
Total comprehensive income (loss) for the half-year	**-**	**-**	**-**	**79,532**	**(345,669)**	**(266,137)**
Transactions with owners, in their capacity as owners						
Issue of options	-	-	169,004	-	-	169,004
Shares issued during the half-year	2,229,469	-	-	-	-	2,229,469
Share issue costs	(212,209)	-	-	-	-	(212,209)
Total Transactions with owners	2,017,260	-	169,004	-	-	2,186,264
Balance at 31 December 2016	**72,162,176**	**-**	**337,252**	**216,890**	**(67,927,412)**	**4,788,905**
Balance at 1 July 2015	69,510,232	-	114,240	60,358	(66,846,040)	2,838,790
(Loss) for the half-year	-	-	-	-	(379,482)	(379,482)
Other comprehensive income Exchange difference on translation of foreign operations	-	-	-	115,439	-	115,439
Total comprehensive income (loss) for the half-year	**-**	**-**	**-**	**115,439**	**(379,482)**	**(264,043)**
Transactions with owners, in their capacity as owners						
Issue of options	-	-	11,076	-	-	11,076
Forfeit of options	-	-	(2,476)	-	-	(2,476)
Shares issued during the half-year	653,552	-	-	-	-	653,552
Share issue costs	(18,869)	-	-	-	-	(18,869)
Performance rights issued	-	-	13,243	-	-	13,243
Total Transactions with owners	634,683	-	21,843	-	-	656,526
Balance at 31 December 2015	**70,144,915**	**-**	**136,083**	**175,797**	**(67,225,522)**	**3,231,273**

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

Consolidated statement of cash flows

For the half-year ended 31 December 2016

	Note	Consolidated	
		31-Dec-2016	31-Dec-2015
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		**(342,355)**	(363,681)
Net cash (outflow) from operating activities		**(342,355)**	(363,681)
Cash flows from investing activities			
Payments for capitalised exploration and evaluation		**(33,161)**	(120,958)
Interest and other receivables		**4,866**	2,201
Net cash (outflow) from investing activities		**(28,295)**	(118,757)
Cash flows from financing activities			
Proceeds from issues of shares		**2,229,469**	568,302
Share issue costs		**(112,443)**	(18,869)
Net cash inflow from financing activities		**2,117,025**	549,433
Net increase in cash and cash equivalents		**1,746,376**	66,995
Cash and cash equivalents at the beginning of the period		**423,895**	568,500
Effect of exchange rate changes on foreign currency denominated cash balances		**(1,368)**	(1)
Cash and cash equivalents at the end of the period		**2,168,903**	635,494

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2016

1. Basis of Preparation

(a) Statement of compliance

These financial statements are general purpose financial statements for the half-year reporting period ended 31 December 2016, which have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Elixir Petroleum Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding half-year reporting period.

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2016 that have been applied by the Group. The 30 June 2016 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2016.

This interim financial report was approved by the Board of Directors on 14 March 2017.

2. Loss for the half-year

Loss for the half-year includes the following items which are significant because of their nature, size or incidence:

	Consolidated	
	31-Dec-2016	31-Dec-2015
	$	$
Depreciation of plant and equipment	**357**	477
General and administrative costs		
Corporate compliance costs	**53,035**	67,762
Corporate management	**162,792**	214,869
Administration & office	**54,929**	23,481
	270,756	306,112

3. Segment information

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

	Consolidated	
	31-Dec-2016	31-Dec-2015
Reportable segment revenue	**$**	$
Revenue, including interest income, is disclosed below based on the reportable segment:		
Revenue from other corporate activities	**11,746**	2,201
	11,746	2,201
Reportable segment loss		
Loss is disclosed below based on the reportable segment:		
Profit /(Loss) from oil and gas exploration– France	**7,758**	(65)
(Loss) from oil and gas exploration - USA	**(9,242)**	(36,016)
(Loss) from other corporate activities	**(344,185)**	(343,401)
	(345,669)	(379,482)
	31-Dec-2016	30-Jun-2016
Reportable segment assets	**$**	$
Assets are disclosed below based on the reportable segment:		
Asset from oil and gas exploration– France	**22,711**	23,130
Asset from oil and gas production – USA	**3,517,720**	3,400,256
Assets from other corporate activities	**2,186,772**	412,778
	5,727,203	3,836,164
Reportable segment liabilities		
Liabilities are disclosed below based on the reportable segment:		
Liabilities from oil and gas exploration– France	**21,202**	32,700
Liabilities from oil and gas production – USA	**810,090**	801,278
Liabilities from other corporate activities	**107,006**	133,408
	938,298	967,386

4. Trade and other receivables

	Consolidated	
	31-Dec-2016	30-Jun-2016
	$	$
Non-current receivables		
Cash Deposit – Cottesloe Oil and Gas LLC security bond [(i)]	**805,376**	772,215

[(i)] The non-current receivable represents a cash backed security bond of US$575,000 (plus accrued capitalised interest) in favour of the previous owner of the Pompano 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 movement in the value of the bond represents the foreign exchange movement associated with the cash deposit. Refer to Note 10 for more details.

5. Provisions

	Consolidated	
	31-Dec-2016	30-Jun-2016
	$	$
Current provisions		
Balance at the beginning of the period	**819,138**	774,649
Additional provisions	**7,163**	20,166
Amounts used	**(2,627)**	-
Foreign currency movement	**22,998**	24,323
Net carrying amount	**846,672**	819,138

6. Deferred exploration and evaluation

	Consolidated	
	31-Dec-2016	30-Jun-2016
	$	$
Opening balance	**2,615,953**	2,484,762
Capitalised expenditure [(i)]	**16,103**	51,630
Foreign currency movement	**78,268**	79,561
	2,710,324	2,615,953

[(i)] Capitalised expenditure incurred during both periods relates to ongoing exploration activities for the Petra Project in Colorado.

The Group has not capitalised any expenditure to the Moselle permit since expiry in January 2014. The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and exploitation, or alternatively sale, of the respective areas of interest.

7. Share Based Payments

On 16 August 2016 shareholders approved the issue of a total of 3,000,000 Options over Shares to Directors which were issued on 29 August 2016 with the value of these Options being recorded as Share Based Payments in the Consolidated Statement of Profit and Loss.

Shareholders also approved the issue of 4,000,000 Options over Shares to persons involved ("Facilitators") in the successful placement of any shortfall that arose on completion of the Rights Issue undertaken in September 2016. These Options were subsequently issued on 12 October 2016 following the placement of 60,260,891 shortfall shares raising a further $1,205,218 for the Company. The value of the Facilitator Options has been recorded as Share Based Payments in the Consolidated Statement of Changes in Equity.

On 12 October 2016, Mr Scott Patrizi was appointed to the Board and as part of the terms and conditions of his appointment he was issued with 1,000,000 Options over Shares on the same terms and conditions as the existing Directors with the value of these Options being recorded as Share Based Payments in the Consolidated Statement of Profit and Loss.

The terms and conditions of the Options are summarised below:

Grant Date	Number	Vesting Conditions	Exercise Price	Expiry Date
Share Options				
Directors				
29 August 2016	3,000,000 [a]	None	$0.04	30-Sept-19
12 October 2016	1,000,000 [b]	None	$0.04	30-Sept-19
Facilitators				
12 October 2016 [1]	4,000,000[c]	None	$0.04	30-Sept-19

[1] Options issued to Facilitators have been measured at their fair value as the value of services received was not able to be reliably measured. These options have vested immediately.

	Director Options [a]	Director Options [b]	Facilitator Options [c]
Fair Value of Security at measurement date	$0.01	$0.02	$0.02
Total Options issued	3,000,000	1,000,000	4,000,000
Total Fair Value	$30,020	$24,941	$99,765
Share Price at Grant Date	$0.02	$0.04	$0.04
Exercise Price	$0.04	$0.04	$0.04
Expected Volatility	110%	110%	110%
Option Life	3 years	3 years	3 years
Expected Dividends	Nil	Nil	Nil
Risk Free interest rate	2.79%	2.20%	2.20%

7. Share Based Payments (continued)

Reconciliation of Share Based Payments Expense for the half year:

Class of Option	Date of Issue	Number	Fair Value	Expense	Equity
Directors	29 August 2016	3,000,000	$30,020	$30,020	-
Directors	12 October 2016	1,000,000	$24,491	$24,941	-
Directors	Issued in prior years	-	-	$14,278	-
Facilitators	12 October 2016	4,000,000	$99,765	-	$99,765
Totals		**8,000,000**		**$69,239**	**$99,765**

8. Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2016 (2015: Nil).

9. Issued Capital

	Consolidated	
	31-Dec-2016	30-Jun-2016
	$	$
178,946,872 fully paid ordinary shares (June 2016: 1,686,831,452 pre-consolidation shares	**72,162,176**	70,144,916

For the six months ended 31 December 2016	**Number**	**$**
Balance at 1 July 2016 (pre-consolidation)	1,686,831,452	70,144,916
Tranche 1 Placement (pre-consolidation) on 12 July 2016	292,548,075	234,038
Tranche 2 Placement (pre-consolidation) on 17 August 2016	257,451,938	205,962
Share Consolidation (1:25) effective 18 August 2016	(2,147,358,029)	-
1:1 Rights Issue (post consolidation)	89,473,436	1,789,469
Share issue costs	-	(212,209)
Balance at 31 December 2016	**178,946,872**	**72,162,176**

For the twelve months ended 30 June 2016	**Number**	**$**
Balance at 1 July 2015	1,033,278,356	69,510,232
Share Placement 2 November 2015	258,319,589	258,319
Share Purchase Plan on 25 November 2015	309,983,507	309,982
Shares issues to Directors in lieu of cash fees	85,250,000	85,250
Share issue costs	-	(18,867)
Balance as at 30 June 2015	**1,686,831,452**	**70,144,916**

At 31 December 2016, the Company had the following unlisted Options over Shares on issue.

Number	Class and Terms
600,000	Options exercisable at $0.25 expiring on 30 April 2017
1,500,000	Executive Incentive Options (vested) exercisable at $0.045 expiring on 30 November 2018
1,500,000	Executive Incentive Options (unvested) exercisable at $0.045 expiring on 30 November 2018
8,000,000	Options exercisable at $0.04 expiring on 30 September 2019

There were no other changes to the issued capital structure during the half-year.

10. Commitments and Contingencies

The Consolidated Entity has no firm contractual commitments for expenditure not reflected in the financial statements.

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 its 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. Buccaneer applied for bankruptcy and following various bankruptcy proceedings since the initial filing for bankruptcy, the remaining assets of Buccaneer have been transferred to a Liquidating Trustee whose responsibility is to dispose of the remaining Buccaneer assets. The liquidation plan for Buccaneer (the "Plan") provides that the rights of certain parties remain unaltered by the bankruptcy until such time as there is a claim to pay for the obligation to plug and abandon the wells in the Pompano field. The Plan further provides that the assets associated with the Pompano field (the platform and right of access to the well site) were conveyed to the Liquidating Trustee.

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 the operator 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. Cottesloe's only asset is a cash backed bond, the face value of which (including capitalised interest) is now approximately US$581,000 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.

11. Fair Values of Financial Instruments

Recurring fair value measurements

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

Fair values of financial instruments not measured at fair value

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

12. Events Occurring After Reporting Date

Other than as disclosed elsewhere in this half-year financial report, no event has arisen since 31 December 2016 that would be likely to materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity.

13. Related Party Transaction

There have been no changes to related parties from those disclosed in the 30 June 2016 financial statements other than the appointment of Mr Scott Patrizi as non-executive Director.

During the half-year, related party transactions included the issue of options to Directors and are disclosed in the Share Based Payments Note 7.