ANNUAL FINANCIAL REPORT 2017

elk petroleum

ABN 38 112 566 499

Contents

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Elk Petroleum Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The following persons were directors of Elk Petroleum Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Neale Taylor (Chairman)
Bradley Lingo (Managing Director)
Russell Krause
Tim Hargreaves
Matthew Healy (Resigned 14 October 2016)

Principal activities

The company specialises in developing enhanced oil recovery ("EOR") projects. During the year the principal activities of the company consisted of the development of a CO_2 EOR project at the Grieve oil field and production from the Madden/Lost Cabin project, both located in Wyoming, USA. The Grieve CO_2 EOR project is operated by Denbury Onshore LLC and current operations are focused on development of facilities and on CO_2 and water injection to re-pressure the Grieve field prior to commencing first oil production. The Madden field is operated by Conoco Phillips and is a cash flow positive methane and CO_2 and gas processing production asset.

Overall 2016-17 Financial Result

The Group incurred a loss after providing for income tax of US$8,117,522 (30 June 2016: US$5,224,379). The increased loss mainly reflects the increased G&A costs, increased depreciation, depletion and amortisation costs and increased financing costs to complete acquisition of the Company's interests in the Madden Gas and CO_2 Field and the Lost Cabin Gas Processing Plant. The 2016-17 increased costs were used to transform the Company into a cash flow positive entity by the end of the reporting period and to establish the basis for transforming of the Company into a material oil, gas and CO_2 production company in the subsequent period through acquisition of a majority operating interest in the Greater Aneth Oil Field and its associated CO_2 EOR Project.

Operations review

Grieve Project

During the year, the Group executed final binding agreements and completed the restructure of the Grieve Unit redevelopment with Denbury Resources ("Denbury"). Under this agreement Elk has contributed US$55 million to fund remaining Grieve Unit project capital costs through to production and Denbury has released 100% of Grieve Project funding indebtedness associated with prior joint venture funding arrangements and all prior claims arising out of the original Grieve Project JV arrangements. The restructure increased Elk's project interest from 35% to 49%, the Company's 2P net oil reserves increasing by 51% to 5.3 mmbbls up from 3.5 mmbbls and the net economic interest up to 60% over the life of the Project.

The Company completed closing a senior Term Loan Facility with Benefit Street Partners ("BSP") for US$58 million for the Grieve Project JV on 5 August 2016. Funds under the Term Loan facility have been used to fund US$55 million in field development expenditures under the Grieve JV restructure, minor upgrades to Elk's 100% owned Grieve oil pipeline and associated costs. Total amount drawn as at 30 June 2017 is US$56.3 million.

In conjunction with putting in place the Term Loan Facility the Company implemented an oil price hedging program purchasing put options at US$45/bbl for 75% of its share of forecast oil production from the Grieve Project during calendar years 2018 and 2019. The put options provide the Company with a US$45/bbl floor price for the hedged volumes without capping the oil price the Company may actually receive if oil prices are higher than US$45/bbl. The initial put options cost US$4.4 million.

The Company also successfully completed an entitlement offer of approximately 148.5 million ordinary shares at A$0.075 per share to sophisticated investors and institutional investors new to the Company register raising US$8.4 million.

Grieve field development well and construction work commenced in late April 2017. Post year end, procurement and fabrication of all the major plant and process equipment, civil engineering works and module foundations were completed. Piping, underground electrical and mechanical installation contractors commenced the plant and equipment hook-up process in July.

Remaining well workover and testing is scheduled to be completed in mid-September 2017. Final infield oil production, and water injection flowlines will be laid by late October 2017. The overall project execution schedule remains consistent with Elk's prior guidance. The Grieve Project will be completed with commissioning commencing in late 2017 and first oil production is forecast to commence by late CY2017/early CY2018.

As a result of the restructuring of the Grieve project the following occurred:

- There was no change to the net asset position at the date of the signing of the binding agreement. The Grieve Project assets and liabilities owing to Denbury were reduced through the reversal of charges from Denbury from 1 February 2016, including JV expenses and interest of loans previously invoiced by Denbury to the Company; and
- Payments for the US$49.5 million in field development expenditures to 30 June 2017, committed to by Elk as part of the Grieve JV restructure, were first used to extinguish the remaining creditor liabilities and borrowings owed to Denbury, with the balance capitalised as part of the carrying value of Elk's share of the Grieve oil field.

Grieve Pipeline

Elk owns and operates the Grieve oil pipeline. During the reporting year Denbury entered into an oil transportation agreement with Elk to use the pipeline to transport its share of Grieve oil to Casper, for a charge of US$3/bbl (escalated) on 100% of production.

Pipeline repair work is now complete, and final commissioning will be completed in early CY2018 to prepare the pipeline for transportation of first oil from Grieve.

Madden Lost Cabin

During the year, the Company completed the US$17.5 million acquisition of an approximately 14% working interest in the Madden Gas and CO_2 Field and Loss Cabin Gas Processing Plant from Freeport McMoRan Inc. The acquisition closed on 17 March 2017 with the Company making a payment of US$10.0 million. The closing payment was made in addition to a US$2.0 million deposit paid in January 2017. A final purchase payment of US$5.5 million was made subsequent to year end on 15 July 2017.

The Madden Deep Gas Field acquisition delivers Elk substantial, high quality, long-life reserves that materially increase the quantity and quality of the Company's reserves base. The acquisition delivers approximately 75 bcf (12.5 mmboe) of Proven (1P) gas reserves of which 67 BCF (11.2 mmboe) of the gas reserves and all the natural gas liquids are reserves classified by Netherland Sewell and Associates, Inc. ("NSAI") as Proved Developed Producing and increases Elk's 2P oil and gas reserves by 79% to approximately 20 mmboe up from 5.3 mmboe attributable to the Grieve CO_2 EOR Project.

During the period, the Company issued US$14.4 million convertible notes in two tranches to finance the acquisition of Madden Gas Field and Loss Cabin Gas Processing Plant. These convertible loans have a term of approximately 3-years with a maturity date of 31 March 2020. Under the terms of the convertible loans, the holders of the convertible loans have the option to convert the principal amount into shares in the Company at a conversion price of A$0.103 per share.

Financial review

Revenue from ordinary activities was US$4.9 million above the prior year owing to the acquisition of Madden.

The major cost drivers contributing to the Group's increased loss included:

- increased depreciation, depletion and amortisation as a result of the Madden acquisition (US$1.2 million)
- changes in the fair value of oil put options placed by the Company during the half year (non-cash US$0.5 million);
- increased cost of sales due to Madden acquisition (US$4.2 million)
- increased administration costs owing to the Madden acquisition and increasing the executive capacity and corporate infrastructure (US$0.5 million);
- increasing the executive capacity and corporate infrastructure with the appointment of a Chief Financial Officer and Chief Operating Officer (US$0.5 million). Increased employee wages due to increase in staff numbers and cash accrual of STI and LTI bonuses;
- increased share based payment expense due to accrual of LTI bonuses (US$1.0 million);
- increased finance costs (US$0.6 million) as a result of Madden acquisition (US$0.2 million), unwinding of discount (US$0.2 million) and interest on convertible notes (US$0.6 million) offset by a reduction in finance costs owing to the Grieve Project JV restructure (US$0.4 million); and
- offset by a reduction in the loss arising from Crow Tribe which was recognised in full in 2016 (US$0.9 million).

Cash at the end of the period was US$12.2 million. Of this cash, US$7.4 million on deposit in a debt service reserve account is dedicated to the completion of the Grieve Project under the Grieve Term Loan.

Significant changes in the state of affairs

The Directors have elected to change its presentation currency from Australian dollars (**A$**) to United States dollars (**US$**) effective from 30 June 2017. The change in reporting currency is a voluntary change that is accounted for retrospectively in the financial statements.

There are no other significant changes in the state of affairs in the Company other than the above and those already disclosed in the Directors' report.

Matters subsequent to the end of the financial year

Aneth

Subsequent to the end of the financial year, Elk entered into a purchase and sale agreement to acquire a ~63% operating working interest in the Greater Aneth Oil Field ("Aneth"), one of the largest CO_2 EOR projects in the Rocky Mountains from Resolute Energy Corporation (NYSE:REN). The field is operated on behalf of the Greater Aneth Joint Venture between Elk Petroleum Aneth LLC and Navajo Nation Oil and Gas Company (minority working interest).

Aneth is comprised of three contiguous operating units: the Aneth Unit, the McElmo Unit and the Ratherford Unit. Collectively these three operating units are known as the Greater Aneth Oil Field. The field was discovered in 1956 and is now the largest producing oil field in the State of Utah, with current production of approximately 10,000 bbls of oil per day from over 400 wells, and is the 86th largest oil field in the United States by proven reserves as ranked by the US Energy Information Administration. Aneth is located in the Four Corners Region of southern Rocky Mountains in south-eastern Utah near the Colorado and New Mexico borders.

At its peak, Aneth produced over 100,000 bbls of oil per day and to date has produced over 448 million barrels of oil of the estimated 1.5 billion bbls of original oil in place ("**OOIP**") and as of 1 January 2017, cumulative production was 448 million BO, 440.2 billion cubic feet of gas (BCFG), (Utah Division of Oil, Gas and Mining, 2017a).

CO_2 is supplied to the Greater Aneth Oil Field by Kinder Morgan under long-term contract from the McElmo Dome Field located in southwestern Colorado via a 28 mile 8-inch pipeline which is owned and operated by the Greater Aneth Joint Venture. The McElmo Dome Field is the largest producer and supplier for EOR operating in the US producing over 1.1 BCF of CO_2 a day with over 6 TCF of remaining proven CO_2 gas reserves.

The large amount of remaining oil in the Greater Aneth Oil Field and the demonstrated success of EOR by flooding to date gives Elk the confidence (technical and commercial) that it can take over operatorship and implement additional cost effective production and cost optimisation programs to create shareholder return from this world class asset across multiple years.

The acquisition price of US$160 million includes a US$2 million exclusivity payment made on 14th August 2017, US$8 million payment after execution of the sale and purchase agreement on 20th September 2017 and a closing payment of US$150 million targeted for early November 2017. Oil price linked contingent payments of up to $10 million in 2018, 2019 and US$15 million in 2020 are also payable to Resolute depending on oil price increases over the three years after closing. Further details of the acquisition are included in Elk's ASX announcement dated 15th September 2017.

The Acquisition will be partially funded via a placement to institutional, professional and sophisticated investors to raise A$27.5 million by issuing approximately 444 million new fully paid ordinary shares in Elk (the "Placement"). The Placement price of A$0.062 represents a 22% discount to Elk's last close share price of A$0.079 on 14th September 2017. The Placement shares, when issued, will rank equally in all respects with Elk's existing ordinary shares.

The shares will be issued in two tranches:

- The first tranche to raise approximately A$12.1 million is unconditional and settlement is expected to occur on Wednesday 20th September 2017 with normal trading to occur on Thursday, 21 September 2017.
- The second tranche for the balance of approximately A$15.4 million is subject to ASX Listing Rule 7.1 shareholder approval that is intended to be considered by shareholders at an Extraordinary General Meeting, which is expected to be held on Friday, 27 October 2017 ("Conditional Placement"). Settlement of the Conditional Placement is expected to occur on Wednesday, 1 November 2017 with normal trading to occur on Thursday, 2 November 2017.

The balance of the Acquisition will be funded through US$98 million senior debt to be provided by Riverstone Capital Partners LLC and US$55 million preferred equity, of which US$55 million is backstopped by AB Energy Opportunity Fund (a subsidiary of Alliance Bernstein). Contingent oil payments will be met by cash flows from the assets.

The above acquisition will be accounted for as a business combination. The initial accounting has not yet been determined due to the recent timing of the announcement.

Madden

Since the end of the year, the Company made the final US$5.5 million milestone payment of a total acquisition price of US$17.5 million in relation to the acquisition of a ~14% working interest in the Madden Gas Field, the Madden Deep Unit Gas Field and the Lost Cabin Gas Plant ("Madden") in Wyoming, USA from subsidiaries of Freeport-McMoRan Inc. ("FCX"). The Company has no further payment obligations to FCX in relation to its Madden interest.

To fund the payment, the Company secured a US$6 million credit facility with Oklahoma based CrossFirst Bank to finance the final milestone payment. The facility has an annual interest rate of US Prime Rate plus 2%, with a 3-year straight line amortization required. The Company has implemented gas price hedging of 80% of the August 2017 – July 2018 forecast Madden PDP production at an average price of US$2.93/MMbtu, and 40% of August 2018 – July 2019 forecast PDP production at an average price of US$2.82/MMbtu.

The current facility balance is US$5.825 million.

Other

On 18 July 2017, ELK had issued 2 million shares to Brad Lingo, the Company's Managing Director and Chief Executive Officer for completion of ongoing service since his employment in August 2015 to 31 December 2016. The incentive was included in Mr Lingo's Executive Employment Agreement and was approved by shareholders at the Company's 2015 annual general meeting. This share-based payment has been recognised for in the 30 June 2017 results based on the completion date for Mr Lingo.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Material Business Risks

This section describes some of the material business risks associated with Elk. It does not purport to list every risk that may be associated with Elk's business or the industry in which it operates, and the occurrence or consequences of some of the risks described in this section are partially or completely outside of the control of Elk, its Directors and the senior management team.

The selection of risks included in this section has been based on an assessment of the most significant areas of uncertainty for Elk's business and operations that could have an adverse impact on the achievement of the financial performance and outcomes for the business. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Elk is exposed to risks in relation to the Company's existing and proposed business operations. These include, without limitation:

1. Grieve Project development

Denbury is the operator of the Grieve JV. As a result, the Company is exposed to various risks arising from Denbury's control of the development and operation of the Grieve Project. If development or operation problems occur or other problems arise in the relation to the Grieve JV, the Company may not be able to resolve those problems and may be exposed to negative financial and environmental outcomes.

Elk has JV voting control over many aspects of Grieve development and operation and can apply its corporate experience to guide the development and operation of Grieve. Elk has structured the Grieve project development contract as a fixed price fixed time contract with liquidated damages payable in the event project delays, and no direct financial exposure to development cost overruns. Elk has management systems, insurance policies and corporate structures in place to address potential negative financial and environmental outcomes Grieve project development.

2. Company operations

The operations of the Company may be affected by various factors, including failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in gaining government or regulatory approvals, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, force majeure events by suppliers, product processes and pipeline transporters, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, commodities, plant and equipment. Any of these outcomes could increase Elk's costs or cause other adverse effects to Elk's financial position.

Elk's management systems, experienced staff, selection of experienced consultants and contractors, company risk management system and insurance policies are in place to minimise risks and outcomes of factors affecting company operations and resulting financial performance.

3. Petroleum Reserves and Petroleum Resources

Estimates of Petroleum Reserves and Petroleum Resources are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques become available. In addition, by their nature, Petroleum Reserves and Petroleum Resources estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change.

Elk uses experienced external engineers from third party petroleum engineering consultants to review its Petroleum Reserves and Petroleum Resources, supervised by Elk senior personnel who have sufficient experience that is relevant to the company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules.

4. Oil and gas price volatility and exchange rate

The revenue the company may derive through the sale of oil and gas exposes the potential income of the Company to oil and gas prices and exchange rate risks. Oil and gas prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include international and US domestic supply and demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.

Elk actively hedges oil and gas prices related to current and forecast production from its assets to mitigate oil and gas price risk.

The price of oil and gas sold by Elk is denominated in United States dollars exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

Elk's cash inflows and outflows are a mix of USD and AUD. Due to the offsetting nature of Elk's USD and AUD revenue and expenses, the company has not deemed it necessary to hedge currency. Elk's hydrocarbon and currency hedging status is under continual review.

5. Contracts risk

The Company currently has contracting arrangements with third party contractors for petroleum operations in the United States of America (USA), exposing the company to the risk of:

a. financial failure or default of the contractor or any other third party to a contract for which the Company is a party, or
b. insolvency or other managerial failure by any of the operators and contractors used by the Company in its activities, or
c. insolvency or other managerial failure by any of the other service providers used by the Company or operators for any activity; or
d. mechanical, other operating or commercial failure by contractors or of the contractors' equipment or services, which are used by or provided to the Company.

Elk seeks legal advice prior to entering new contracts and for ongoing management of contracts, and Elk's experienced management team oversees establishment of new contracts and management of ongoing contracts to minimise contract risks and potential associated financial risks. Elk has insurance policies in place to mitigate negative financial outcomes that may result from these contract risks.

6. Environmental

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment applicable in the jurisdiction of those activities. As with most development or production operations, the Company's activities will have an impact on the environment.

It is the Company's practice to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. The operators of Grieve and Madden have in place environmental management processes and procedures that are utilised to minimise environmental risk.

7. Sovereign

The Company's projects are in the USA and are subject to the risks associated with operating in that country. These risks may include economic, social or political instability or change, changes of laws (such as those affecting foreign ownership), government participation, taxation, working conditions, rates of exchange, exchange control, approvals and licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Elk seeks legal advice where necessary in relation to ongoing management of key sovereign risks, and Elk's experienced management team oversees management of the company's affairs to minimise these risks. Elk also has insurance policies in place to mitigate negative financial outcomes that may result from certain sovereign risks.

8. Joint venture, acquisitions or other strategic investments

The Company may make strategic investments in complementary businesses, or enter into strategic partnerships or alliances with third parties to enhance its business. Such arrangements involve a wide range of risks, including in relation to the Grieve JV.

Elk seeks legal and financial advice in relation to its strategic activities, and Elk's experienced management team oversees strategic activities and utilises experienced external advisory groups to minimise these risks.

9. Status of leases and tenure

All petroleum licences associated with Elk's project interests are subject to granting and approval by relevant government bodies and ongoing compliance with licence terms and conditions. There is an ongoing potential risk to Elk's business from an unexpected change in the status of Elk's licences.

The operators of Grieve and Madden have in place management processes and standard operating procedures that are utilised to minimise licence and tenure risk.

10. Insurance

Elk maintains insurance coverage limiting financial loss resulting from certain operating risks, in accordance with standard industry practice or as determined by the Board. However, not all risks inherent to Elk's operations or those of its joint venture affiliates can be adequately insured economically or at all, and losses and liabilities arising from uninsured or underinsured operational events or the failure of one of its insurance providers could increase Elk's costs or cause other adverse effects to Elk's financial position.

11. Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and key personnel such as the Directors.

DIRECTORS' REPORT

There can be no assurance given that there will be no detrimental impact on the Company if one or more of these personnel cease their employment or appointment with the Company (or its group) or if the composition of the Company's board of Directors changes, potentially resulting in disruption to Elk's business and operations with resulting financial impacts.

Elk maintains competitive remuneration policies and incentive plans for its Directors and staff to incentivise due effort and commitment and maximise retention to avoid potential disruption and financial impacts resulting from personnel movements.

12. Regulatory risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations (particularly in the USA), could impact adversely on the assets, operations and, ultimately, the financial performance of the Company.

Elk seeks to maintain compliance with legislative, regulatory and contractual requirements through engagement of external legal, financial and technical advisors in relation to operation of Elk's business. Elk's management maintains awareness of the regulatory environment through general participation in the oil and gas sector, via sector related news flow from media, attendance at conferences.

Likely developments and expected results of operations

Information as to likely developments in the operations of the group and expected results of those operations are disclosed in this report.

Environmental regulation

The Group's operations are subject to certain laws regarding environmental matters and discharge of hazardous waste materials. The Group conducts its activities in an environmentally responsible manner in accordance with all applicable laws and regulations. The Directors are not aware of any breaches in relation to environmental matters.

Information on Directors

Neale Taylor
Non-executive Director and Chairman

Experience and expertise:
Dr. Taylor has extensive technical, operating and commercial experience in oil and gas exploration and production with Esso Australia, Nexus Energy, and Cambrian Oil & Gas Plc. He is a former non-executive director of Terra Gas Trader, former non-executive chairman of Tap Oil, a former managing director of Cambrian Oil & Gas Plc and director of various subsidiaries of Xtract Energy Plc. He is a member of the Society of Petroleum Engineers and a Fellow of the Australian Institute of Company Directors.

Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee, Risk Committee and Technical Committee.
Interests in shares:	1,254,078 shares
Interests in options:	None
Interests in rights:	804,000 performance rights 272,000 retention rights

Bradley Lingo
Managing Director and Chief Executive Officer

Experience and expertise:
Mr. Lingo is an experienced international resource & energy executive with a proven track record of successfully building companies in the upstream and midstream oil & gas and energy sectors. Mr. Lingo held previous roles in business development, new ventures, mergers and acquisitions and corporate finance with Tenneco Energy and El Paso Corporation in the US and Australia, and Senior Vice President and Head of Oil & Gas at the Commonwealth Bank of Australia. More recently Mr. Lingo was Managing Director and CEO of Drillsearch Energy Limited, where he oversaw more than an eight-fold increase in share price and market cap over a period of six years, helping build that company into one of Australia's leading onshore oil and gas producers. Mr. Lingo's skills include leadership, ability to build market confidence, financial and technical skills, organisation building, business development and funding capability, and entrepreneurship. His experience also includes equity and debt capital raising, project and transaction financing and structuring to achieve attractive financial, tax, accounting and legal treatment for complex commercial, project and financing transactions, similar to Elk's current needs.

Other current directorships:	Oilex Ltd
Former directorships (last 3 years):	Drillsearch Energy Limited, Mont Dór Petroleum Limited, Ambassador Energy Limited
Special responsibilities:	Member of the Risk Committee, Technical Committee and Remuneration Committee
Interests in shares:	15,173,836 shares

Matt Healy *(Resigned 14 October 2016)*
Non-Executive Director

Experience and expertise:
Mr. Healy currently holds a management position at one of Australia's foremost property development and infrastructure groups, is an active investor in the resources sector and has over 15 years of experience working in management and operational roles primarily working on project development of large and complex assets. Mr. Healy has a degree in construction engineering and holds a post-graduate MBA (Exec) from the Australian Graduate School of Management in Sydney. Mr. Healy is an associate of one of Elk's major shareholders.

Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee and Chair of the Remuneration Committee until his resignation.
Interests in shares:	1,353,008 shares at time of resignation
Interests in options:	50,000 options at time of resignation
Interests in rights:	40,000 performance rights at time of resignation 90,000 retention rights at time of resignation

Russell Krause
Non-Executive Director

Experience and expertise:
Mr. Krause has over 25 years' experience in Stockbroking and Investment Management with a primary focus on the resources sector. He has held a number of Directorships and Senior Management positions with a number of Australia's leading firms, including firms with US oil and gas assets. For the past ten years he has worked on a number of North American oil and gas projects in relation to Capital Raising and Corporate Advisory.

Other current directorships:	Carbine Tungsten Limited, Red Sky Energy Limited, Austex Oil Limited
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Risk Committee and Technical committee and Chair of the Audit Committee and the Remuneration Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	272,000 performance rights 136,000 retention rights

Timothy Hargreaves
Non-Executive Director

Experience and expertise:
Mr. Hargreaves has over 35 years' experience in technical and managerial roles in the petroleum and minerals sectors in Asia and the Middle East for major companies including BHP, Union Texas Petroleum and Fletcher Challenge Petroleum as well as start-ups and independents. He has led successful exploration and commercialisation campaigns in Pakistan and Egypt which were dependent upon technical and commercial innovation in complex regulatory environments. Since 2009 he has been Research Director of Resources for Republic Investment Management, a Singapore based investment fund that is a major investor in Elk and has been a major participant in the rejuvenation of Elk including being the lead investor in the Convertible Loan Facility of April 2015 and a sub-underwriter of the June 2016 Entitlement Offer.

Other current directorships:	None
Former directorships (last 3 years):	Skyland Petroleum Ltd, The Environmental Group Limited
Special responsibilities:	Chair of the Risk Committee and Technical Committee, Member of the Audit Committee and Remuneration Committee
Interests in shares:	9,192,397 shares
Interests in options:	None
Interests in rights:	272,000 performance rights 136,000 retention rights

Information with respect to the directors and executives of Elk Petroleum Limited as at the date of this report are set out at the front of the Directors' report.

Executives

The names and details of the company's Executive and Company Secretaries of Elk Petroleum Limited in office during the financial year and until the date of this report are as follows. Secretaries were in office for this entire period unless otherwise stated.

Alexander Hunter
CFO, Sydney

Mr. Hunter has over ten years' experience in resources sector M&A and capital raising, and previously worked for ten years in construction and infrastructure project management. Alex was most recently General Manager Business Development at Drillsearch Energy where he helped to rationalise and grow the business leading various successful takeovers, divestments and capital raisings. He holds an MBA from University of Southern California Marshall School of Business, a Bachelor of Engineering, and postgraduate qualifications in corporate finance and business law.

David Evans
COO, Sydney

Mr. Evans is a geologist with 30 years upstream global oil & gas development, production and exploration experience, with significant exposure to Brownfield redevelopments and EOR projects. He joins Elk Petroleum from the former Drillsearch where over a 6-year period he held the positions of Chief Technical Officer and Acting Chief Operating Officer.

David Franks *B.Ec, CA, F Fin, JP*
Joint Company Secretary

Mr. Franks has 20 years in finance and accounting, initially qualifying with PricewaterhouseCoopers (formerly Price Waterhouse) in their Business Services and Corporate Finance Divisions, Mr. Franks has been CFO, Company secretary and/ or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare. Current directorships: JCurve Solutions Limited.

Andrew Bursill *B. Agr. Ec, CA*
Joint Company Secretary

Mr. Bursill qualified with PricewaterhouseCoopers then began his career as an outsourced CFO and company secretary in 1998. Mr. Bursill has been CFO, company secretary and/or director for numerous ASX listed, unlisted public and private companies, in a range of industries covering mineral exploration, oil and gas exploration, biotechnology, technology, medical devices, retail, venture capital and wine manufacture and distribution. Current directorships: Argonaut Resources Limited

J. Scott Hornafius
President, Elk Petroleum Inc., Denver

Dr. Hornafius has 32 years of exploration, technical, management and funding experience in the oil and gas industry including 16 years with Mobil in the USA, PNG and UK before founding MegaEnergy in 2000. As President of Mega Energy he developed a 100,000 acre position over the Marcellus shale gas play in the Appalachian Basin. The divestment of this position was completed in 2012 for approximately US$100 million.

Brian Dolan
COO, Elk Petroleum Inc., Denver

Mr. Dolan brings 26 years of diverse engineering management and operations experience in the oil and gas industry to the Elk team. Mr. Dolan has held several leadership positions while working for Shell, Amoco, and three independent E&P companies over his career. His experience ranges from shallow CSG development plays to deep complex exploration environments. Before joining Elk in January 2014, he spent the prior seven years developing shale resources with horizontal drilling in four different plays.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
N Taylor	11	11	2	2	–	–
B Lingo	10	11	–	–	–	–
M Healy *	5	5	1	1	–	–
R Krause	11	11	2	2	–	–
T Hargreaves **	11	11	1	1	–	–

	Risk Committee		Technical Committee	
	Attended	**Held**	**Attended**	**Held**
N Taylor	–	–	2	2
B Lingo	1	1	2	2
M Healy *	–	–	–	–
R Krause	1	1	–	–
T Hargreaves **	1	1	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* *Resigned 14 October 2016.*
** *Tim Hargraves joined the Audit Committee on 14 October 2016.*

There were no separate Risk Committee meetings held during the year.

Remuneration report (audited)

This Remuneration Report outlines the remuneration arrangements which were in place during the year, for the directors and other key management personnel of Elk Petroleum. The remuneration details of key management personnel during the year are set out in the table below. There are no other key management personnel of the group other than those listed.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel.

Principles used to determine the nature and amount of remuneration

The objective of the Group's and Company's executive reward framework are to provide incentives for employees to pursue growth in Elk's share price, reward performance, reflects the company's state of affairs at any given time, is appropriate for the results delivered and ensure the company remains competitive in recruiting high-quality executive and technical professionals. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/ alignment of executive compensation; and
- transparency.

The Remuneration Committee is responsible for recommending and reviewing remuneration arrangements for the Company's directors and executives. The performance of the group and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In accordance with best practice corporate governance, the remuneration of non-executive directors and executive remunerations are administrated under separate structures and systems.

Non-executive directors and company secretary remuneration
The aggregate amount of remuneration that may be paid to non-executive directors is A$350,000. This remuneration may be divided among the non-executive directors in such a fashion as the Board may determine. Notice of any proposed increase in the aggregate amount of non-executive directors' remuneration must be given to members in the notice convening the general meeting at which the increase in aggregate amount is to be proposed. Non-executive directors also receive retention rights and performance rights as supplementary incentives in accordance with the shareholder approved Non-Executive Directors & Advisers ("NEDA") Plan.

Remuneration to the Company Secretary is paid on an hourly basis including services relating to governance and corporate transaction work outside traditional support to the Board.

Executive remuneration
The Group and Company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- Base pay or fee and non-monetary benefits
- Short-term performance incentives
- Long term cash and hare-based payments
- Other remuneration such as superannuation, long service leave and special allowances

The combination of these components comprises the executive's total remuneration.

Remuneration of Elk's key management personnel comprises some or all of the following elements: fixed salary/fee; a rights scheme that will lapse over the next 2 years; a new replacement Employee Performance Incentive Plan and other benefits including motor vehicle allowances and health insurances.

1. Fixed Annual Remuneration ("FAR")

   Each director and employee is paid a fixed annual salary or fee in cash. The company's objective is that the fixed annual remuneration be within the range of +/- 20% of the prevailing competitive market practice.

2. Incentive Plans

   Short Term Incentives ("STI"): In 2016, shareholders approved a new Employee Performance Incentive (EPI) Plan with short-term cash incentives to be granted for annual increases in production levels; see description of EPI Plan below. The Board retains the discretion to make special cash awards (up to 20% FAR).

   Long Term Incentives ("LTI"): In 2016, shareholders approved a new Employee Performance Incentive (EPI) Plan with long-term cash and share incentives to be granted for annual increases in Proved Developed Producing reserves levels; see description of EPI Plan below. Long Term Incentives ("LTI"): In 2016, shareholders approved a new Employee Performance Incentive (EPI) Plan with long-term cash and share incentives to be granted for annual increases in Proved Developed Producing reserves levels; see description of EPI Plan below.

   On 19 May 2017, the Company provided a cash bonus of US$75,073 to Mr Lingo for the 6 months period ended 31 December 2016, in accordance with funding and retention awards in his executive Employment Agreement, which was previously approved by the shareholders in the 2016 AGM. The Funding and Relation Award for the 6 months ended 30 June 2017 is yet to be assessed.

   The Company is in the final stages of assessing the first awards to be granted under the new EPI Plan. These awards will be based on the annual increase in production through 30 June 2017 and the annual increase in proved developed producing reserves through 30 June 2017. The quantum of these first awards is driven by the successful acquisition of both production and PDP reserves at the Madden Field; the financial statements include an accrual of US$1.1 million based upon preliminary assessments of these awards.

3. Employee Performance Incentive Plan ("EPI Plan")

   At Elk's November 2016 AGM a new Employee Performance Incentive Plan (EPI Plan) as approved by shareholders. The EPI Plan is based on 2 basic components:

   - **Annual Production Award** – a short term component linked to growth in year-on-year increases in production; and
   - **Annual Proved Developed Producing Reserves Award** – a long-term component linked to growth in year-on-year increases in reserves.

   Both awards include a further performance element tied to related gross operating margins ("**Attributable Net Operating Margin**").

The table below summarises the essential elements of the EPI Plan.

Employee Performance Incentive Plan (EPI Plan).

Performance Measures & Incentive Calculation	Award Delivery
Short Term Component – Annual Production Award: Net Annual Production Increase x Net Operating Margin x Participation Factor	In Cash
Long Term Component – Annual Proved Developed Producing Reserves (PDPR) Award: Net Annual PDP Reserves Increase x Net Operating Margin x Participation Factor	In Shares for Australian-based employees (Board discretion to include partial or full payment in cash (In cash for US-based employees)

EPI Plan Overview
Participants: The participants of the plan include the MD/CEO, any other executive directors, senior management team and other employees at the discretion and invitation of the board (the "**Participants**").
Performance or Measurement Period: Performance against both elements will be assessed over the 12-month financial year from 1 July to 30 June, commencing for the first year starting 1 July 2016 (the "**Measurement Period**").
Net Operating Margin: Net Operating Margin is the average operating gross profit margin in Australian dollars per barrel of oil (or oil equivalent) produced over the Measurement Period.

EPI Plan Overview (continued)
Employee Performance Incentive Plan (EPI Plan).
Participation Factor: On an annual basis, the total award pool for both the Annual Production Award and the Annual PDPR Award is calculated based on a group Participation Factor of 2.5% for all plan Participants ("**Group Participation Factor**"). The award pool is then allocated based on each Participant's individual Participation Factor. Each Participant in the plan has a predetermined individual Participation Factor ranging from 1% for the MD/CEO, 0.2% for each member of the senior executive team to 0.1% for other employees ("**Individual Participation Factors**").
Award Quantum and Annual Award Cap: Following the determination of the total amount of the award pool, the actual award quantum provided to any Participant in any year is linked to the Individual Participation Factor specific to that Participant based on an employee's position in the Group ("**Individual Participation Factor**"). The application of the Individual Participation Factor will determine the maximum amount of the aggregate Annual Production Award and the Annual PDP Reserve Award to be paid to a Participant and the maximum amount determined is also subject to an annual cap ("**Annual Award Cap**"). The total number of ordinary Shares in the Company issues at the end of three years cannot exceed a total of 25 million Shares over the initial 3-year Measurement Period for the MD/CEO. The total number of Shares issued at the end of three years cannot exceed a total of 62.5 million Shares over the initial 3-year Measurement Period for all employees, including the MD/CEO.
At-Risk Carry Forward Award: To the extent that the amount of the award to be provided to any Participant in any year exceeds the Annual Award Cap applicable to that Participant, the excess amount of the award is carried forward ("**Carry Forward Award**"). The amount of the Carry Forward Award will be paid out on an annual basis over the next 2 years in two instalments equal to 50% of the amount of the Carry Forward Award. The full amount of the Carry Forward Award will remain at-risk and be subject to a reduction or cancellation due to a downward or negative revision in the PDP Reserves applicable to the award (excluding any reductions in PDP Reserves attributable to annual production since the determination of the award).

4. Prior incentive plans

   The group retains an historical Long Term Incentives ("**LTI**") plan comprising share-based payments in the form of retention rights and performance rights within the company's Employee Incentive Rights ("**EIR**") Plan and Non-Executive Directors & Advisers ("**NEDA**") Plan. These plans have been approved by shareholders and full explanation of these plans are available on Elk's website: www.elkpet.com. No new further retention rights and performance rights were issued under the EIR Plan in 2016-17 and it is expected none will be issued in the future; the Plan is retained while employees hold previously granted rights that have not expired or vested. The company also retains a previous Employee Options Plan, but no new options have been issued since approval of the EIR and NEDA plans.

   The NEDA Plan is retained for providing incentives to non-executive directors and advisers; the current NEDA Plan was approved in 2014 and expires in 2017. All retention and performance rights granted to directors under the current NEDA Plan were approved by Shareholders under ASX Listing Rule 10.14. It is proposed to seek Shareholder approval for a new and revised 3-year NEDA Plan at the Company's 2017 AGM; relevant information will be included in the Notice of Meeting and Explanatory Statement for this meeting; the Board considers the terms and conditions of the revised NEDA Plan to be commercially reasonable in the context of the challenges in realising continued growth in the Company's assets and financial position as well assuming the operatorship role at Aneth; the Board believes revisions will improve the alignment between the Board and management/staff while rewarding directors solely on improvement in the Company's medium-term to long-term share price. Issue of retention rights and performance rights due to non-executive directors and advisers with effect from 1 July 2017 will be made under the proposed new and revised 2017 NEDA Plan after approval by Shareholders at the 2017 AGM.

5. Other remuneration (including superannuation, long service leave and special allowances)

   The company follows regulated requirements in regard to superannuation and long service leave.

Group performance and link to remuneration
Remuneration incentives for certain individuals is directly linked to performance of the group. Vesting of performance rights are dependent on share price targets being met.

Remuneration consultants
During the year, Mastertek remuneration consultants were engaged by the Board to assist with the preparation of the EPI Plan and to benchmark salaries/fees and risk rewards.

Voting and comments made at the company's Annual General Meeting ('AGM')
At the 2016 AGM, the remuneration report resolution was carried by poll, with more than 75% of the votes cast in favour of the resolution. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the group are set out in the following tables.

The key management personnel of the group consisted of the following directors of Elk Petroleum Ltd:

- Neale Taylor
- Russell Krause
- Tim Hargreaves
- Brad Lingo
- Matthew Healy (resigned 14 October 2016)

And the following persons:

- Alex Hunter – Chief Financial Officer, Sydney
- David Evans – Chief Operating Officer, Sydney
- Scott Hornafius – President of Elk's subsidiaries in Denver, US
- Brian Dolan – Chief Operating Officer of Elk's subsidiaries in Denver, US
- David Franks and Andrew Bursill – Joint Company Secretaries, Sydney

2017	Short-term benefits: Fees and salaries US$	Short-term benefits: Cash bonus US$	Short-term benefits: Other US$	Post-employment benefits: Super-annuation US$	Long-term benefits: Cash Bonus US$	Share-based payments: Equity-settled US$	Total US$
Non-Executive Directors:							
N Taylor	62,014	–	–	5,891	–	10,423[2]	78,328
M Healy[1]	9,903	–	–	–	–	3,141[2]	13,044
R Krause	33,953	–	–	–	–	3,399[2]	37,352
T Hargreaves	33,953	–	–	–	–	4,945[2]	38,898
Executive Directors:							
B Lingo	274,045	97,897[3]	48,323[8]	21,881	–	563,829[4]	1,005,975
Other Key Management Personnel:							
A Hunter	211,550	42,290[5]	19,944[8]	14,800	–	94,356[6]	382,940
D Evans	211,550	4,565[7]	21,673[8]	14,800	–	94,356[6]	346,944
S Hornafius	319,600	4,565[7]	49,484[8]	9,383	94,356[9]	22,312[2]	499,700
B Dolan	250,000	4,565[7]	51,440[8]	10,000	94,356[9]	9,228[2]	419,589
D Franks[10]	–	–	–	–	–	16,627[2]	16,627
A Bursill[10]	–	–	–	–	–	–	–
	1,406,568	153,882	190,864	76,755	188,712	822,616	2,839,397

1. *Resigned 14 October 2016.*
2. *Share-based payments in the form of previous retention rights and/or performance rights.*
3. *Brad Lingo received a short-term funding and retention cash award US$75,073 paid in 2016-17 and US$22,824 accrual in relation to the new EPI incentive plan based on new annual production award deliverable entirely in cash.*
4. *Brad Lingo also received an equity settled retention award of US$92,049 and US$471,780 accrual for the new EPI incentive plan referred to as the annual proved developed producing reserves award being delivered in cash and shares. The shares are still to be issued.*
5. *Alex Hunter received a special cash award bonus of US$38,425 in relation to the Grieve Joint Venture restructure and US$4,565 accrual in relation to the new STI incentive plan based on new annual production award deliverable entirely in cash.*
6. *Share based payments to employees includes the accrual for LTI referred to as the annual proved developed producing reserves award being delivered in cash and shares. The cash and shares are still to be paid/issued.*
7. *STI accrual on new annual production award deliverable entirely in cash.*
8. *Non-monetary includes annual leave provision (all) and health insurance benefit (S Hornafius and B Dolan).*
9. *LTI accrual referred to as the annual proved developed producing reserves award being delivered to US-based employees in cash.*
10. *D Franks and A Bursill company secretary services are paid to Franks & Associates Pty Ltd, a company in which they are a director and principal respectively. Franks & Associates Pty Ltd were paid US$139,192 (2016: US$165,655), excluding GST and out-of-pocket expenses, during the year.*

2016	Short-term benefits Fees and salaries US$	Short-term benefits Cash bonus US$	Short-term benefits Other US$	Post-employment benefits Super-annuation US$	Long-term benefits Long service leave US$	Share-based payments Equity-settled US$	Total US$
Non-Executive Directors:							
N Taylor	98,321	–	728	10,925	–	11,902	121,876
M Healy	49,160	–	–	–	–	340	49,500
R Krause	32,774	–	–	–	–	–	32,774
T Hargreaves	32,774	–	–	–	–	–	32,774
Executive Directors:							
B Lingo	217,016	106,889	–	16,647	–	36,586	377,138
Other Key Management Personnel:							
A Hunter	45,905	-	–	3,516	–	–	49,421
D Evans	34,047	–	–	2,815	–	–	36,862
S Hornafius	349,476	–	33,022	13,979	–	27,667	424,144
D Franks	–	–	–	–	–	4,053	4,053
A Bursill	–	–	–	–	–	–	–
	859,473	106,889	33,750	47,882	–	80,548	1,128,542

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2017	Fixed remuneration 2016	At risk – STI 2017	At risk – STI 2016	At risk – LTI 2017	At risk – LTI 2016
Non-Executive Directors:						
N Taylor	87%	90%	–	–	13%	10%
M Healy (1)	76%	99%	–	–	24%	1%
R Krause	91%	100%	–	–	9%	–
T Hargreaves	87%	100%	–	–	13%	–
Executive Directors:						
B Lingo	34%	62%	10%	28%	56%	10%
Other Key Management Personnel:						
A Hunter	64%	100%	11%	–	25%	–
D Evans	71%	100%	1%	–	27%	–
S Hornafius	76%	93%	1%	–	23%	7%
B Dolan	74%	–	1%	–	25%	–
D Franks	–	–	–	–	100%	100%
A Bursill	–	–	–	–	–	–

1. *Resigned 14 October 2016.*

Service agreements

Managing Director (MD) and Chief Executive Officer (CEO) – Brad Lingo

From 1 August 2015, Mr Lingo commenced employment as Managing Director (MD) and Chief Executive Officer (CEO) under an executive employment agreement until 30 June 2018. The term can be extended for a further year by mutual agreement in writing one year ahead of expiry of the term. Mr Lingo may resign from his position and thus terminate his contract at any time by giving six months written notice. The company may terminate his employment agreement by providing six months written notice or providing payment in lieu of the notice period. The company may terminate the contract at any time without notice if serious misconduct has occurred. The contract provides for Mr Lingo to participate in the company's retention rights based on length of service under the EIR Plan. In addition, Mr Lingo is entitled to additional awards in cash and/or shares for securing additional funding and to retention rights based on the company's growth in reserves and production. All awards are subject to shareholder approval, however, in the event shareholder approval is not obtained, the company shall pay the cash equivalence of a vested award's value (Shareholder approval was provided at the 2015 AGM).

Mr Lingo's base annual remuneration salary was A$400,000 for the reporting year, inclusive of superannuation contributions and subject to annual adjustment. This has increased to A$500,000 for the year commencing 1 July 2017.

Chief Financial Officer (CFO) – Alexander Hunter

From 11 April 2016, Mr Hunter commenced employment as Chief Financial Officer (CFO) under an executive employment agreement until 30 June 2019. The term can be extended by mutual agreement in writing one year ahead of expiry of the term. Mr Hunter may resign from his position and thus terminate his contract at any time by giving three months written notice. The company may terminate his employment agreement by providing six months written notice or providing payment in lieu of the notice period. The company may terminate the contract at any time without notice if serious misconduct has occurred. Mr Hunter is entitled to additional awards in cash or shares based on the company's growth in reserves and production. All awards are subject to shareholder approval, however, in the event shareholder approval is not obtained, the company shall pay the cash equivalence of a vested award's value.

Mr Hunter's base annual remuneration salary was set at A$300,000 for the reporting year, inclusive of superannuation contributions and subject to annual adjustment.

Chief Operating Officer (COO) – David Evans

From 1 May 2016, Mr Evans commenced employment as Chief Operating Officer (CFO) under an executive employment agreement until 30 June 2019. The term can be extended by mutual agreement in writing one year ahead of expiry of the term. Mr Evans may resign from his position and thus terminate his contract at any time by giving three months written notice. The company may terminate his employment agreement by providing six months written notice or providing payment in lieu of the notice period. The company may terminate the contract at any time without notice if serious misconduct has occurred. Mr Evans is entitled to additional awards in cash or shares based on the company's growth in reserves and production. All awards are subject to shareholder approval, however, in the event shareholder approval is not obtained, the company shall pay the cash equivalence of a vested award's value.

Mr Evans' base annual remuneration salary was set at A$300,000 for the reporting year, inclusive of superannuation contributions and subject to annual adjustment.

President, Elk Petroleum Inc – Scott Hornafius

Dr Hornafius commenced employment as Chief Executive Officer of the Company from 1 June 2013 for a period of 3 years which expired on 30 June 2016. Dr Hornafius was employed over the reporting year as President of Elk Petroleum Inc. on an ongoing monthly basis at a base annual remuneration of US$289,200 per annum.

Chief Operating Officer (COO), Elk Petroleum Inc – Brian Dolan

Mr Dolan joined Elk in January 2014. Mr Dolan was employed over the reporting year on an ongoing monthly basis at a base annual remuneration of US$250,000 per annum.

Non-executive director fees were set at A$45,000 pa over the reporting year; fees for the Chair role were set at A$90,000 pa. These fees have been increased to A$60,000 pa and A$108,000 pa respectively for 2017-18. Annual non-executive director fees have not increased since before 2010-11. The increase brings fees into closer alignment with fees at peer companies and the expanded activities of the Company.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Date	Shares	Issue price	US$
Neale Taylor[1]	5 July17	124,307	US$0.000	–
Brian Dolan[1]	5 July17	494,307	US$0.000	–
Brad Lingo[2]	18 July 2017	2,000,000	US$0.046	92,049

1. *Vesting of the 2014 Retention rights. Share based payment for retention rights has been previously recognised in the profit or loss.*
2. *Issued in accordance with Employment Contract and approved by shareholders on 27 November 2015. The expense has been recognised in the 30 June 2017 results.*

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
30/11/2013	30/06/2018	30/06/2018	A$0.007
30/06/2016	30/06/2018	30/06/2018	A$0.049
20/12/2016	30/06/2019	30/06/2019	A$0.047

Performance rights granted carry no dividend or voting rights.

Details of performance rights over ordinary shares granted and vested for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted A$	Value of rights vested A$
N Taylor[1]	20/12/2016	30/06/2019	524,000	24,540	–
M Healy[1, 2]	20/12/2016	30/06/2019	232,000	10,788	–
R Krause[1]	20/12/2016	30/06/2019	232,000	10,788	–
T Hargreaves[1]	20/12/2016	30/06/2019	232,000	10,788	–
D Franks	20/12/2016	30/06/2019	2,100,000	97,650	–

1. *These rights were issued under the Shareholder approved NEDA Plan, where approval had been sought under ASX Listing Rule 10.14*
2. *These rights were issued to M Healy after he resigned.*

Retention rights

The terms and conditions of each grant of retention rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
30/06/2016	30/06/2018	30/06/2018	A$0.082
20/12/2016	30/06/2019	30/06/2019	A$0.078

Retention rights granted carry no dividend or voting rights.

The Board is cognisant of general shareholder concern that long-term equity-based reward for employees and directors should be linked to the achievement by the company or employee/director against certain retention and performance measures. Retention rights and performance rights granted to EIR & NEDA plan participants will be subject to the retention and performance measures determined by the Board. Performance rights vest to ordinary shares on achievement of specific performance objectives and market based performance - based on the Compound Annual Growth Rate ("CAGR") of Total Shareholder Return ('TSR') achieved by the company between the beginning and end of the Measure Period (ie. over 3 years). No monies are payable on conversion to ordinary shares if the performance rights vest. Retention rights vest to ordinary shares based on completion of service over a 3 year period. If the holder of a retention right ceases service before the end of the vesting period, none of the retention rights vest into ordinary shares. On the other hand, 100% of the retention rights vest into ordinary shares in the company on full completion of the retention period. Both performance and retention rights are issue for nil consideration and detailed criteria remain as set out in the Notice of the 2011 & 2014 AGM. The required measured performance must be achieved by the company or participant before rights vest and an appropriate proportion of shares are issued to an employee or director.

Details of retention rights over ordinary shares granted and vested for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted A$	Value of rights vested A$	Number of rights lapsed	Value of rights lapsed A$
N Taylor[1]	20/12/2016	30/06/2019	232,000	18,003	–	–	–
R Krause[1]	20/12/2016	30/06/2019	116,000	9,002	–	–	–
T Hargreaves[1]	20/12/2016	30/06/2019	116,000	9,002	–	–	–
M Healy[1, 2]	20/12/2016	30/06/2019	11,000	854	–	–	–

1. *All these rights were issued under the Shareholder approved NEDA Plan, where approval had been sought under ASX Listing Rule 10.14.*
2. *Mat Healy resigned on 14 October 2016.*

Additional information
The earnings of the group for the five years to 30 June 2017 are summarised below:

	2017 US$	2016 US$	2015 A$	2014 A$	2013 A$
Loss after income tax	(8,117,522)	(5,224,379)	(3,645,970)	(7,346,965)	(5,595,663)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2017	2016	2015	2014	2013
Share price at financial year end (A$)	0.07	0.07	0.02	0.11	0.17
Basic earnings per share (cents per share)	(1.0)*	(2.0)*	(1.9)**	(4.1)**	(3.5)**

* *Denominated in USD.*
** *Denominated in AUD.*

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

	Balance at the start of the year	At appointment date	Additions	Other	Balance at the end of the year
Ordinary shares					
N Taylor *	1,129,771	–	–	124,307	1,254,078
M Healy **	1,353,008	–	–	–	1,353,008
T Hargreaves	9,192,397	–	–	–	9,192,397
B Lingo ***	13,026,336	–	147,500	–	13,173,836
R Krause	–	–	–	–	–
S Hornafius (President– US Operations)	235,408	–	–	–	235,408
D Evans (COO)	100,000	–	100,000	–	200,000
A Hunter (CFO)	–	–	150,000	–	150,000
B Dolan (COO – US Operations)	–	–	–	494,307	494,307
D Franks (Joint Company Secretary)	1,750,000	–	–	–	1,750,000
A Bursill (Joint Company Secretary)	–	–	–	–	–
	26,786,920	**–**	**397,500**	**618,614**	**27,803,034**

* *Other - represent the conversion of retention rights*
** *Up to date of resignation (14 October 2016)*
*** *Note that 2,000,000 shares issued to Brad Lingo in relation to the vesting of A and B CEO awards was only issued in July 2017 and therefore excluded from the table above.*

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Other	Balance at the end of the year
Options over ordinary shares					
N Taylor	50,000	–	–	–	50,000
M Healy *	50,000	–	–	–	50,000
T Hargreaves	833,333	–	–	–	833,333
B Lingo	–	–	–	–	–
R Krause	–	–	–	–	–
S Hornafius (President- US Operations)	–	–	–	–	–
D Evans (COO)	–	–	–	–	–
A Hunter (CFO)	–	–	–	–	–
B Dolan (COO – US Operations)					
D Franks (Joint Company Secretary)	–	–	–	–	–
A Bursill (Joint Company Secretary)	–	–	–	–	–
	933,333	**–**	**–**	**–**	**933,333**

* *Up to date of resignation (14 October 2016).*

Performance rights holding
The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below.

	Balance at the start of the year	Granted	Lapsed	Other	Balance at the end of the year
Performance rights over ordinary shares					
N Taylor	406,731	524,000	(126,731)	–	804,000
M Healy *	40,000	–	–	–	40,000
T Hargreaves	40,000	232,000	–	–	272,000
R Krause	40,000	232,000	–	–	272,000
B Lingo	–	–	–	–	–
S Hornafius (President – US Operations)	5,710,757	–	(2,000,000)	–	3,710,757
D Evans (COO)	–	–	–	–	–
A Hunter (CFO)	–	–	–	–	–
B Dolan (COO – US Operations)	490,000	400,000	(490,000)	–	400,000
D Franks (Joint Company Secretary)	497,126	2,100,000	(247,126)	–	2,350,000
A Bursill (Joint Company Secretary)	–	–	–	–	–
	7,224,614	**3,488,000**	**(2,863,857)**	**–**	**7,848,757**

* *Up to date of resignation (14 October 2016).*

Retention rights holding
The number of retention rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised/ expired/lapsed	Other	Balance at the end of the year
Retention rights over ordinary shares					
N Taylor	180,000	232,000	–	(140,000)	272,000
M Healy *	90,000	–	–	–	90,000
T Hargreaves	20,000	116,000	–	–	136,000
R Krause	20,000	116,000	–	–	136,000
B Lingo	–	–	–	–	–
S Hornafius (President – US Operations)	–	–	–	–	–
D Evans (COO)	–	–	–	–	–
A Hunter (CFO)	–	–	–	–	–
B Dolan (COO – US Operations)	510,000	70,000	–	(510,000)	70,000
D Franks (Joint Company Secretary)	–	–	–	–	–
A Bursill (Joint Company Secretary)	–	–	–	–	–
	820,000	534,000	–	(650,000)	704,000

* *Up to date of resignation (14 October 2016).*

This concludes the remuneration report, which has been audited.

Loans to directors and executives
At the reporting date, there were no loans to directors and executives.

Shares under option
Unissued ordinary shares of Elk Petroleum Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price (A$)	Number under option
01/04/2016	31/03/2018	$0.075	1,333,333
22/06/2017	30/04/2020	$0.080	4,250,000
22/06/2017	30/04/2020	$0.100	4,250,000
22/06/2017	30/04/2020	$0.110	4,250,000
22/06/2017	30/04/2020	$0.120	4,250,000
			18,333,333

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

Unissued ordinary shares of Elk Petroleum Ltd under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise Price	Number under rights
30/11/2013	30/06/2018	$0.000	2,000,000
30/06/2016	30/06/2018	$0.000	1,870,000
20/12/2016	30/06/2019	$0.000	4,260,000
			8,130,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares under retention rights

Unissued ordinary shares of Elk Petroleum Ltd under retention rights at the date of this report are as follows:

Grant date	Expiry date	Exercise Price	Number under rights
30/06/2016	30/06/2018	$0.000	183,595
20/12/2016	30/06/2019	$0.000	475,000
			658,595

No person entitled to exercise the retention rights had or has any right by virtue of the retention right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Elk Petroleum Ltd issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Elk Petroleum Ltd issued on the exercise of performance rights during the year ended 30 June 2017 and up to the date of this report.

Shares issued on the exercise of retention rights

There were 656,908 ordinary shares of Elk Petroleum Ltd issued on the exercise of retention rights during the year ended 30 June 2017 and up to the date of this report.

Indemnity and insurance of officers

Elk Petroleum has made an agreement to indemnify all the directors and officers of the group against all indemnifiable losses or liabilities incurred by each director and officer in their capacities as directors and officers of the group. During the year Elk Petroleum paid insurance premiums in respect of directors and officers liability insurance contracts for current officers of the company, including officers of the company's subsidiaries. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of BDO East Coast Partnership

There are no officers of the company who are former partners of BDO East Coast Partnership.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Neale Taylor
Chairman

22 September 2017
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

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Level 11, 1 Margaret St
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Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ELK PETROLEUM LIMITED

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

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

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

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 22 September 2017

CONTENTS

General information

The financial statements cover Elk Petroleum Ltd as a group consisting of Elk Petroleum Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in United States dollars, which is ELK's presentation currency. ELK Petroleum Limited (parent entity) functional currency is the Australian dollars, and the functional currency of its subsidiaries in United States are in US dollars.

Elk Petroleum Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 2 Level 10
70 Phillip Street
Sydney NSW 2000
Australia

Principal place of business

Exchange House
Suite 101, Level 1
10 Bridge Street
Sydney NSW 2000
Australia

A description of the nature of the group's operations and its principal activities are included in the notes to the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 September 2017. The directors have the power to amend and reissue the financial statements.

Corporate Governance

The Company's corporate governance is available on the company's website http://www.elkpet.com/

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 US$	Consolidated Restated 2016 US$
Revenue	4	4,964,568	44,184
Expenses			
Depreciation, depletion and amortisation expense	5	(1,376,748)	(127,906)
Loss on derivatives asset – oil	10	(522,191)	–
Gain on derivative liability – convertible notes	17	686,881	–
Production costs		(4,366,227)	(230,735)
Professional and corporate services	5	(1,117,194)	(1,062,582)
Administrative expenses	5	(1,147,059)	(682,266)
Directors and employees costs	5	(2,529,331)	(1,492,633)
Other expenses	5	(1,710,229)	(1,316,346)
Finance costs		(999,992)	(356,095)
Loss before income tax expense		(8,117,522)	(5,224,379)
Income tax expense	6	–	–
Loss after income tax expense for the year attributable to the owners of Elk Petroleum Ltd		(8,117,522)	(5,224,379)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		338,339	(6,441)
Other comprehensive income for the year, net of tax		338,339	(6,441)
Total comprehensive income for the year attributable to the owners of Elk Petroleum Ltd		(7,779,183)	(5,230,820)

		US Cents	US Cents
Basic earnings per share	32	(1.0)	(2.0)
Diluted earnings per share	32	(1.0)	(2.0)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Consolidated		
		30 June 2017 US$	**Restated 30 June 2016 US$**	**Restated 1 July 2015 US$**
Assets				
Current assets				
Cash and cash equivalents	7	**4,858,679**	13,443,508	1,203,472
Trade and other receivables	8	**2,184,084**	1,339,396	128,737
Restricted cash	9	**7,373,265**	–	–
Derivative financial instruments	10	**866,700**	–	–
Non-current classified as held for sale		**–**	–	622,718
Total current assets		**15,282,728**	14,782,904	1,954,927
Non-current assets				
Derivative financial instruments	11	**3,018,274**	–	–
Property, plant and equipment		**104,887**	117,660	20,014
Oil and gas properties	12	**93,063,504**	30,901,328	22,133,457
Other non-current assets		**228,648**	177,812	30,000
Total non-current assets		**96,415,313**	31,196,800	22,183,471
Total assets		**111,698,041**	45,979,704	24,138,398
Liabilities				
Current liabilities				
Trade and other payables	13	**10,794,753**	10,092,235	3,351,110
Borrowings	14	**6,736,002**	3,158	2,753,550
Total current liabilities		**17,530,755**	10,095,393	6,104,660
Non-current liabilities				
Borrowings – Denbury JV	15	**–**	16,078,479	14,491,609
Borrowings	16	**55,845,569**	362,561	–
Derivative financial instruments – convertible notes	17	**3,603,337**	–	–
Provisions	18	**14,213,186**	2,515,770	2,462,184
Total non-current liabilities		**73,662,092**	18,956,810	16,953,793
Total liabilities		**91,192,847**	29,052,203	23,058,453
Net assets		**20,505,194**	16,927,501	1,079,945
Equity				
Issued capital	19	**63,454,564**	53,208,975	32,254,185
Reserves	20	**11,004,936**	9,555,310	8,805,184
Accumulated losses		**(53,954,306)**	(45,836,784)	(39,979,424)
Total equity		**20,505,194**	16,927,501	1,079,945

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated	Contributed equity US$	Foreign Currency Translation reserve US$	Share-based payments reserve US$	Accumulated losses US$	Total equity US$
Balance at 1 July 2015 – restated	32,254,185	7,064,859	1,740,325	(39,979,424)	1,079,945
Loss after income tax expense for the year	–	–	–	(5,224,379)	(5,224,379)
Other comprehensive income for the year, net of tax	–	626,540	–	(632,981)	(6,441)
Total comprehensive income for the year	–	626,540	–	(5,857,360)	(5,230,820)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 19)	20,954,790	–	–	–	20,954,790
Share-based payments (note 33)	–	–	123,586	–	123,586
Balance at 30 June 2016	53,208,975	7,691,399	1,863,911	(45,836,784)	16,927,501

Consolidated	Contributed equity US$	Foreign Currency Translation reserve US$	Share-based payments reserve US$	Accumulated losses US$	Total equity US$
Balance at 1 July 2016 – restated	53,208,975	7,691,399	1,863,911	(45,836,784)	16,927,501
Loss after income tax expense for the year	–	–	–	(8,117,522)	(8,117,522)
Other comprehensive income for the year, net of tax	–	338,339	–	–	338,339
Total comprehensive income for the year	–	338,339	–	(8,117,522)	(7,779,183)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 19)	10,202,985	–	–	–	10,202,985
Share-based payments (note 33)	42,604	–	1,111,287	–	1,153,891
Balance at 30 June 2017	63,454,564	8,029,738	2,975,198	(53,954,306)	20,505,194

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 US$	Restated 2016 US$
Cash flows from operating activities			
Receipts from customers		3,624,557	18,448
Payments to suppliers		(6,163,248)	(3,169,980)
Interest received		11,871	8,056
Finance costs		(557,150)	(908)
Management fees and other receipts		–	22,362
Net cash used in operating activities	31	(3,083,970)	(3,122,022)
Cash flows from investing activities			
Acquisition of plant and equipment		(2,711,000)	(127,724)
Acquisition of leases		(11,233,971)	(81,815)
Exploration and development expenditure		(38,149,546)	(2,106,102)
Payment for security and bonds deposits		(50,836)	(152,664)
Proceeds from disposal of plant and equipment		–	17,000
Purchase of put options		(4,407,165)	–
Net cash used in investing activities		(56,552,518)	(2,451,305)
Cash flows from financing activities			
Proceeds from issue of shares	19	7,319,645	18,636,214
Share issue transaction costs		(612,319)	(707,447)
Proceeds from borrowings (BSP Loan)		56,260,865	–
Proceeds from borrowings (Convertible Loan)		14,405,028	–
Transfers to restricted cash accounts		(7,373,265)	–
Transaction costs related to loans borrowings		(3,205,057)	–
Repayment of borrowings		(15,760,720)	(102,168)
Net cash from financing activities		51,034,177	17,826,599
Net (decrease)/increase in cash and cash equivalents		(8,602,311)	12,253,272
Cash and cash equivalents at the beginning of the financial year		13,443,508	1,203,472
Effects of exchange rate changes on cash and cash equivalents		17,482	(13,236)
Cash and cash equivalents at the end of the financial year	7	4,858,679	13,443,508

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Change in presentation currency

The Directors have elected to change its presentation currency from Australian dollars (A$) to United States dollars (US$) effective from 30 June 2017. The change in reporting currency is a voluntary change that is accounted for retrospectively.

The financial report has been restated to US$ using the procedures outlined below:

a. Income Statement and Statement of Cash Flows have been translated into US$ using average foreign currency rates prevailing for the relevant period.
b. Assets and liabilities in the Statement of Financial Position have been translated into US$ at the closing foreign currency rates on the relevant balance sheet dates.
c. The equity section of the Statement of Financial Position, including foreign currency translation reserve, accumulated losses, share capital and the other reserves have been translated into US dollars using historical rates.
d. Earnings per share has also been restated to US$ to reflect the change in reporting currency.

The functional currency of the Australian parent entity and its US subsidiaries remains unchanged. The Australian parent entity will retain A$ as its functional currency and the US subsidiaries retain US$ as their functional currency.

Going concern

The group incurred a loss for the year after tax of US$8,117,522 (2016: US$5,224,379) and a net cash out flow from operating activities of US$3,083,970 (2016: US$3,122,022). At the date of this report the Directors are satisfied there are reasonable grounds to believe that the Company will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis with the following key assumptions:

- On 15 September, the Company announced the acquisition of a ~63% operating working interest in the Greater Aneth Oil Field US$160 million. Elk has paid US$10m deposit and the balance of the acquisition price (US$150 million) will be partially funded via a placement to institutional, professional and sophisticated investors to raise A$27.5 million by issuing approximately 444 million new fully paid ordinary shares in Elk which was announced on Friday 15th September and for which tranche 1 funds of A$11.8 million have been received. The balance of funding requirements will be sourced through a US$98m senior debt facility to be provided by Riverstone Capital Partners LLC, and US$55m of preferred equity which is backstopped by AB Energy Opportunity Fund (a subsidiary of Alliance Bernstein). Together with the cash at bank as at 30 June 2017, the senior debt, preferred equity and the funds raised from the equity issue will provide sufficient liquidity to fund Elk's expenditure commitments, including the capital commitments of Aneth, for more than 12 months from the date of this report.
- First material oil production from the Grieve CO_2 EOR Project is expected to commence in late calendar year 2017 or early calendar year 2018. Elk's interest in Grieve is forecast to generate a positive cash flow for the company.
- Elk's interest in the Madden/Lost Cabin gas and CO_2 project will continue to generate a positive cash flow for the company.
- Elk has the ability to fund working capital requirements in relation to the above activities.

The Directors regularly monitor the Company's cash position and, on an on-going basis, consider a number of options to ensure that adequate funding continues to be available. The Company has the capacity, if necessary, to defer discretionary expenditure in the current cashflow forecast period of the business, or take other steps to moderate the cash outflows of the business if required.

With reference to the Material Business Risks detailed in the Directors Report, the Directors are satisfied that the availability of operational cash flow and quantum of the financing funds to be secured via the means outlined above will be sufficient to meet the ongoing commitments of the Company.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 28.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2017. Refer to Note 35 for details.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are included in each respective notes, including below:

Impairment

The Board has reviewed the carrying values of all its major assets and exercised its judgement in electing to make no impairment to any current carrying value as discussed in the financial statements.

Note 3. Operating segments

Geographical segments

The group's reportable segments are based on geographical areas as follows. Assets located in the US have been aggregated in the US reportable segment.

Australia

The parent company of the group is based in Sydney and comprises the corporate head office function.

US

The subsidiaries of the group are based in Casper, Wyoming and comprise administration, production, exploration, evaluation and development of oil and gas fields and ownership of pipelines. The company and its subsidiaries have a small office in Denver, Colorado, where the President of the subsidiaries is based together with the Chief Operating Officer of the subsidiaries. All remaining operations continue to be managed out of Casper.

Operating segment information

Consolidated – 2017	United States US$	Australia US$	Total US$
Revenue			
Sales to external customers	4,946,975	–	4,946,975
Interest revenue	5,331	11,220	16,551
Other revenue	651	391	1,042
Total revenue	4,952,957	11,611	4,964,568
Total revenue above	4,952,957	11,611	4,964,568
Depreciation, depletion and amortisation	(1,342,928)	(33,820)	(1,376,748)
Cost of sales	(4,366,227)	–	(4,366,227)
Other expenses	(2,856,386)	(4,482,729)	(7,339,115)
Loss before income tax expense	(3,612,584)	(4,504,938)	(8,117,522)
Income tax expense			–
Loss after income tax expense			(8,117,522)
Assets			
Segment assets	107,861,486	3,836,555	111,698,041
Total assets			111,698,041
Liabilities			
Segment liabilities	76,689,582	14,503,265	91,192,847
Total liabilities			91,192,847

Consolidated – 2016 restated	United States US$	Australia US$	Total US$
Revenue			
Sales to external customers	18,247	–	18,247
Interest revenue	351	7,714	8,065
Other revenue	17,872	–	17,872
Total revenue	36,470	7,714	44,184
Total revenue above	36,470	7,714	44,184
Depreciation, depletion and amortisation	(112,238)	(15,668)	(127,906)
Other expenses	(2,828,907)	(2,311,750)	(5,140,657)
Loss before income tax expense	(2,904,675)	(2,319,704)	(5,224,379)
Income tax expense			–
Loss after income tax expense			(5,224,379)
Assets			
Segment assets	32,156,744	13,822,960	45,979,704
Total assets			45,979,704
Liabilities			
Segment liabilities	28,221,544	830,659	29,052,203
Total liabilities			29,052,203

Significant accounting policy

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue

	Consolidated	
	2017 US$	**Restated 2016 US$**
Sales revenue		
Sale of gas	4,946,975	–
Other revenue		
Other income	5,722	44,184
Interest	11,871	–
	17,593	44,184
Revenue	4,964,568	44,184

Significant accounting policies

Sales revenue – oil and gas
Oil and gas revenue from Elk's interests in producing wells is recognised upon delivery and passage of title, net of any royalty interests or other profit interests in the produced product. Gas sales are generally priced daily based on prices in the spot market. Gas revenue is recorded using the sales method for gas imbalances. If Elk's sales of production volumes for a well exceed its portion of the estimated remaining recoverable reserves of the well, a liability is recorded. No receivables are recorded for those wells on which Elk has taken less than its ownership share of production unless the amount taken by other parties exceeds the estimate of their remaining reserves. There were no material gas imbalances at 30 June 2017.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 5. Expenses

	Consolidated	
	2017 US$	**Restated 2016 US$**
Loss before income tax includes the following specific expenses:		
Depreciation, depletion and amortisation		
Oil and gas properties	1,324,356	95,969
Property and equipment	52,392	31,937
	1,376,748	127,906
Professional and corporate services		
Accounting, auditing and tax fees	213,070	206,728
Consultants fees	498,014	527,658
Legal fees	254,541	179,718
Share registry, ASX and ASIC fees	58,894	28,240
Contract services – company secretary	92,675	120,238
	1,117,194	1,062,582

	Consolidated	
	2017 US$	**Restated 2016 US$**
Administrative expenses		
Office	174,183	95,257
Travel and accommodation	292,817	268,914
Insurance	243,565	58,181
Computer, website and marketing	116,627	35,747
Other	319,867	224,167
	1,147,059	682,266
Director and employee costs		
Directors and executives salaries	917,059	442,404
Non-executive directors fees	145,713	162,849
Employee wages	1,228,770	750,368
Employee benefits	237,789	137,012
	2,529,331	1,492,633
Other expenses		
Foreign exchange (gain)/loss	555,288	113,582
Share based payment expense	1,153,891	123,587
Loss arising from Crow Tribe Dispute*	–	869,177
Impairment	–	210,000
Loss on disposal	1,050	–
	1,710,229	1,316,346

* *As per the announcement on the ASX on 23 February 2016, the company was advised in financial year ended 30 June 2015 that the US District Court in Montana had issued a decision in favour of the Bureau of Indian Affairs (BIA) in relation to a permit dispute with the Crow Tribe. Elk has agreed to settle the amount for the previously noted liability of US$869,177 payable in 20 equal monthly payments commencing July 2016. As the decision was finalised in financial year 2016, the full liability was recognised in the financial year ended 30 June 2016.*

Significant accounting policies

Wages and salaries
Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs.

Depreciation, Depletion and Amortisation
Amortisation is calculated using the units of production method for an asset or group of assets from the date of commencement of production. Depletion charges are calculated using the units of production method over the life of the estimated Proven plus Probable ("2P") reserves for an asset or group of assets. The calculation is based on historic costs and future development costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 6. Income tax expense

	Consolidated	
	2017 US$	**Restated 2016 US$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(8,117,522)	(5,224,379)
Tax at the blended statutory tax rate of 30%	(2,435,257)	(1,567,314)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	–	63,000
Share-based payments	346,167	37,076
Non-deductible/(taxable) amounts	301,714	26,222
	(1,787,376)	(1,441,016)
Current year tax losses not recognised	1,787,376	1,441,016
Income tax expense	–	–
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	41,371,544	35,413,624
Potential tax benefit @ 30%	12,411,463	10,624,087

Unused tax losses include losses of the US subsidiaries. The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Significant accounting policy

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 7. Current assets – cash and cash equivalents

	Consolidated	
	2017 US$	**Restated 2016 US$**
Cash on hand and deposits on call	4,858,679	13,443,508

Significant accounting policy

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 8. Current assets – trade and other receivables

	Consolidated	
	2017 US$	**Restated 2016 US$**
Trade receivables	1,821,221	250,750
Prepayments	290,737	938,646
Other receivables	72,126	150,000
	362,863	1,088,646
	2,184,084	1,339,396

Terms and conditions relating to the above financial instruments:

- Trade receivables are non-interest bearing and generally on 30-day terms
- Other receivables are non-interest bearing and have repayment terms between 30 and 90 days
- Security deposits are interest bearing and provide security towards performance bonds provided by the group bank to state governmental agencies against environmental obligations.

No impairment for trade and other receivables were recognized for balances as at 30 June 2017.

Significant accounting policy

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 9. Current assets – restricted cash

	Consolidated	
	2017 US$	**Restated 2016 US$**
Restricted cash	7,373,265	–

The restricted cash is on deposit in a debt service reserve account dedicated to fund debt, interest and expenditures relating to the completion of the Grieve Project under the Grieve Term Loan with Benefit Street Partners.

Note 10. Current assets – Derivative financial instruments – oil

	Consolidated	
	2017 US$	**Restated 2016 US$**
Current		
Derivative financial instruments	866,700	–
Non-current		
Derivative financial instruments	3,018,274	–

Refer to Note 23 for further information on fair value measurement.

The Company implemented an oil price hedging program to underwrite a strong oil price going forward for the Grieve Project. Under this program the Company purchased put options at US$45/bbl for 75% of its share of forecast oil production from the Grieve Project during the calendar year 2018 and 2019. The put options provide the Company with a US$45/bbl floor price for the hedged volumes without capping the oil price the Company may actually receive if oil prices are higher than US$45/bbl.

During the period, as a result of the derivatives financial instruments being marked-to-market at the reporting period end, a loss on fair value adjustment of US$522,191 have been recognised in the statement of profit or loss and other comprehensive income.

The fair value of derivative financial instruments have been determined by a third party expert using the following valuation techniques and assumptions:

- Methodology: Turnbull-Wakeman Average Rate Option pricing model – adjusted for skew and audited against independent market valuations.
- Expected exercise period: January 2018 to December 2019
- Volatility range: 31.2% to 24.7%
- Future oil price: $48.91

The Group's derivatives are not traded in active markets, however, all significant inputs required to fair value an instrument are observable (Level 2).

Significant accounting policy

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Note 11. Non-current assets – Derivative financial instruments – oil

	Consolidated	
	2017 US$	Restated 2016 US$
Derivative financial instruments	3,018,274	–

Refer to Note 23 for further information on fair value measurement.

Refer to Note 10 for further information on the derivative financial instruments – oil.

Note 12. Non-current assets – Oil and gas properties

	Consolidated	
	2017 US$	Restated 2016 US$
Oil properties acquired – at cost	95,769,950	32,285,270
Less: Accumulated amortisation	(2,496,446)	(1,173,942)
Less: Impairment	(210,000)	(210,000)
	93,063,504	30,901,328

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Oil & gas assets US$	Total US$
Balance at 1 July 2015 – restated	22,133,457	22,133,457
Additions (i)	144,378	144,378
Expenditure during the year	8,290,802	8,290,802
Impairment of assets	(210,000)	(210,000)
Provision for closure costs	16,037	16,037
Asset reclassified from held for sale	622,623	622,623
Amortisation/Depletion expense	(95,969)	(95,969)
Balance at 30 June 2016 – restated	30,901,328	30,901,328
Additions (i)	1,450,018	1,450,018
Expenditure during the year (ii)	33,790,578	33,790,578
Acquisition of Madden Gas Field (iii)	16,735,552	16,735,552
Provision for closure costs	11,510,384	11,510,384
Amortisation/Depletion expense	(1,324,356)	(1,324,3.56)
Balance at 30 June 2017	93,063,504	93,063,504

i. Additions above relate to acquisition of leases and equipment costs attributed to the project during the year.

ii. Expenditure includes field/well development costs capitalised during the year. Expenditure during the year for the Grieve project was principally financed by Benefit Street Partners loan.

Note 12. Non-current assets – Oil and gas properties (continued)

iii. Acquisition of Madden Gas Field

The Company announced on 4 January 2017 that it had entered into a formal purchase and sale agreement with subsidiaries of Freeport-McMoRan Inc. ("FCX") to acquire all of FCX's interest in the Madden Gas Field, the Madden Deep Unit Gas Field and the Lost Cabin Gas Plant for US$20 million ("Madden"). On 10 March 2017 Elk announced execution of a final closing agreement, whereby the parties agreed a reduced acquisition price of US$17.5 million (US$16.7 million after transaction costs and closing adjustments) and revised closing date of 17 March 2017 (US CST). A US$2 million deposit was paid by Elk in January 2017. The remaining balance of US$15.5 million was paid in two tranches, US$10 million on 17 March 2017, US$5.5 million on 15 July 2017. Madden is located in Natrona and Freemont counties, Wyoming approximately 95 kms (60 miles) from Elk's Grieve CO2 enhanced oil recovery project.

Pursuant to the PSA, the Company acquired a ~14% non-operating working interest in Madden. Madden is operated by Conoco Phillips (46%) and the balance of the unit and gas plant is owned by Moncrief Oil (30%) and various other private interest holders.

Significant accounting policies

Development expenditure

Well development expenditure represents the costs incurred in preparing wells for production and costs reclassified from exploration and evaluation. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related field. Once production commences, these costs are amortised using the units-of-production method based on the estimated economically recoverable reserves to which they relate or are written off if the field is abandoned.

Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure and exploration licence acquisition costs are capitalised and subject to half yearly impairment testing and all exploration and evaluation costs including general permit activity, geological and geophysical costs and new venture activity costs, are capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

The costs of drilling exploration wells are initially capitalised as exploration and evaluation expenditure pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons. Areas of interest may be recognised at either the field or the well level, depending on the nature of the project.

When the technical feasibility and commercial viability of extracting a mineral resource has been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised oil field development expenditure. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at an "area of interest" level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the profit or loss.

Oil and gas properties

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells. 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 costs are charged to the profit or loss during the financial period in which they are incurred.

Amortisation
Amortisation is calculated using the units of production method for an asset or group of assets from the date of commencement of production. Depletion charges are calculated using the units of production method over the life of the estimated Proven plus Probable ("2P") reserves for an asset or group of assets. The calculation is based on historic costs and future development costs.

Impairment
The carrying values of oil and gas property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired. The recoverable amount of oil and gas properties and plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the profit or loss.

Critical accounting judgements, estimates and assumptions.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 13. Current liabilities – trade and other payables

	Consolidated	
	2017 US$	Restated 2016 US$
Trade payables	3,865,148	9,148,217
Accruals and other liabilities	6,929,605	944,018
	10,794,753	10,092,235

Refer to Note 22 for further information on financial risk management and instruments.

Trade payables are non-interest bearing. Refer to Note 27 for further information on related party transactions.

In 2016, an amount of US$7.6 million is included within trade payables as outstanding to Denbury Onshore LLC. This amount reflects the Denbury advised joint venture expenditure above the loan limit (2017: US$nil).

An amount of US$5.4 million is included in accruals and other liabilities as outstanding to Freeport in relation to the final milestone payment due. This was settled subsequent to year end. The accrual and other liabilities includes the liability owing to BIA- Crow Tribe of US$0.3 million (2016: US$0.5 million).

During the financial year ended 30 June 2017, the Company has restructured the Grieve CO2 Enhanced Oil Recovery (EOR) Project ("Grieve Project") Joint Venture ("Grieve JV") with Denbury Onshore LLC ("Denbury"). See note 15 for further information.

Significant accounting policy

Trade and other payables
These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 14. Current liabilities – borrowings

	Consolidated	
	2017 US$	**Restated 2016 US$**
Borrowings – Benefit Street Partners (i)	6,732,300	–
Lease liability	3,702	3,158
	6,736,002	3,158

Refer to Note 22 for further information on financial risk management and instruments.

i. Refer to Note 16 for details of the borrowings with Benefit Street Partners.

Significant accounting policies

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 15. Non-current liabilities – borrowings – Denbury JV

	Consolidated	
	2017 US$	**Restated 2016 US$**
Financial liability to Denbury JV	–	16,078,479

Refer to Note 22 for further information on financial risk management and instruments.

The Company executed final binding agreements and completed the restructure of the Grieve Project JV with Denbury on 4 August 2016. Under this agreement Denbury forego recovery from Elk 100% of Grieve Project funding indebtedness associated with prior joint venture funding arrangements and all prior claims arising out of the original Grieve Project JV arrangements were released. As a result of the restructuring of the Grieve project the following occurred:

i. There was no change to the net asset position at the date of the signing of the binding agreement. The Grieve Project assets and liabilities owing to Denbury were reduced through the reversal of charges from Denbury from 1 February 2016, including JV expenses and interest of loans previously invoiced by Denbury to the Company; and

ii. Payments for the US$49.5 million in field development expenditures to 30 June 2017, committed to by Elk as part of the Grieve JV restructure, were first used to extinguish the remaining creditor liabilities and borrowings owed to Denbury, with balance capitalised as part of the carrying value of Elk's share of the Grieve oil field.

Note 16. Non-current liabilities – borrowings

	Consolidated	
	2017 US$	Restated 2016 US$
Borrowings – Benefit Street Partners	45,689,888	–
Borrowings – Convertible Notes (USD)	8,688,370	–
Borrowings – Convertible Notes (AUD)	1,456,421	–
Other financial liability – BIA Crow Tribe	–	347,671
Lease liability	10,890	14,890
	55,845,569	362,561

Refer to Note 22 for further information on financial risk management and instruments.

Borrowings – Benefit Street Partners
The Company completed closing a three-year senior term loan facility with Benefit Street Partners ("**BSP**") for US$58 million for the Grieve Project JV on 5 August 2016.

The interest rate is based on fixed spreads over LIBOR floating rate and the principal is repayable monthly once production commences.

Funds under the Term Loan facility with BSP are used to fund the US$55 million in field development expenditures committed to by Elk as part of the Grieve JV restructure, minor upgrades to Elk's 100% owned Grieve oil pipeline and associated costs. Total amount drawn as at 30 June 2017 is US$56.3 million.

Borrowings – Convertible Notes
During the second half of the year US$14.4 million convertible notes were issued by the Company in 2 tranches to finance the acquisition of Madden Gas Field and Loss Cabin Gas Plant. The key terms include:

- Loan term to 31 March 2020
- 11% annual interest payable semi annually
- Convertible to Elk shares at A$0.103 per share at fixed AUD/USD exchange rate of 0.76
- Rolling conversion optionality as follows:
  i. 1/3 of loan amount on first anniversary
  ii. 1/2 of the remaining loan amount on second anniversary
  iii. Balance of loan amount on third anniversary
  iv. Borrower option to pay out loan amount at any time with payout penalties (being a 20% premium of the loan balance repaid payable by Elk) applying in first 18 months

No notes had been converted at 30 June 2017. On conversion the holder may elect to settle the convertible notes in cash or ordinary shares in the parent entity. The maximum number of shares that could be issued on conversion is 183,796,638 ordinary shares in the parent entity.

Convertible Notes (USD)
On initial recognition, transaction costs of US$0.4 million incurred are netted against the US$12.9 million Convertible Notes (USD). The net US$12.5 million is represented by US$8.3 million of secured borrowings and US$4.2 million of financial derivative.

Refer to Note 17 for further information.

Borrowings – BIA Crow Tribe
The borrowings – BIA Crow Tribe relates to the payments in relation to the Crow Tribe which is greater than 12 months.

Note 16. Non-current liabilities – borrowings (continued)

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2017 US$	**Restated 2016 US$**
Borrowings – Benefit Street Partners	52,422,188	–
Borrowings – Convertible Notes	10,144,791	–
Lease liability	14,592	18,048
	62,581,571	18,048

Assets pledged as security
During the reporting year, a number of US bank facilities were secured by mortgages over the assets of Elk Petroleum, Inc., a US subsidiary of the group.

The lease liabilities were effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Significant accounting policies

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. These are re-measured in subsequent periods at amortised costs using effective interest rates.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option in equity is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

If the convertible notes are denominated in other foreign currencies other than the functional currency, a fair value of the foreign currency conversion is calculated using a valuation model (such as Monte Carlo) and is segregated from the 'host' instrument. The derivative is recognised as a separate liability.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 17. Non-current liabilities – derivative financial liability – convertible notes

	Consolidated	
	2017 US$	**Restated 2016 US$**
Derivative financial liability – convertible notes	3,603,337	–

Refer to Note 23 for further information on fair value measurement.

Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

The fair value of financial derivative of US$3,603,337 represents the embedded derivative component within the secured convertible note (refer Note 16 above) at the balance date. A gain of US$686,881 has been recognised in the profit or loss during the period as a result of the change in fair value.

The fair value of the financial derivative was determined at initial recognition and subsequent reporting dates using a Monte Carlo model.

Note 18. Non-current liabilities – provisions

	Consolidated	
	2017 US$	Restated 2016 US$
Provisions	14,213,186	2,515,770

Rehabilitation
A provision for rehabilitation is recognised in relation to the exploration and production activities for costs associated with the rehabilitation of the various sites. Estimates of the rehabilitation obligations are based on anticipated technology and legal requirements and future costs. In determining the rehabilitation provision the entity has assumed no significant changes will occur in the relevant Federal and State legislation to rehabilitation in the future. The liability increased during the year as a result of the Madden acquisition. The Grieve Field liability was re-estimated for FY2017 financial statements due to the increase in ownership of the project from 35% to 49%. The revised estimate is based on actual costs to abandon the Grieve Unit well. This updated data has resulted in an increase in estimated total abandonment liability provision from the previous year. Furthermore, an inflation rate adjustment occurred in the calculation change from 4.3% to 3.7%.

Movements in provisions
Movements in provision during the current financial year are set out below:

Consolidated – 2017	Rehabilitation costs US$
Carrying amount at the start of the year – restated	2,515,770
Additional provisions recognised	11,191,030
Revision of decommissioning obligations	319,353
Unwinding of discount	187,033
Carrying amount at the end of the year	14,213,186

Significant accounting policies

Provisions
Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Environmental rehabilitation expenditure
The provision for rehabilitation represents the cost of restoring site damage following initial disturbance. Increases in the provision are charged to oil field assets and amortised over the life of the field using the units of production method on estimated proven and probable reserves. Expenditure on ongoing rehabilitation costs is brought to account when incurred.

Gross rehabilitation costs are estimated at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate the risk specific to the liability.

Critical accounting judgements, estimates and assumptions

Rehabilitation provision
A provision has been made for the present value of anticipated costs of the remediation work that will be required to comply with environmental and legal obligations. The provision is estimated based on currently available facts, technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 19. Equity – issued capital

	Consolidated			
	2017 Shares	2016 Shares	2017 US$	2016 – Restated US$
Ordinary shares – fully paid	**854,703,116**	672,309,014	**63,454,564**	53,208,975

Movements in ordinary share capital

Details	Date	Shares	Issue price	US$
Balance – restated	1 July 2015	201,113,393		32,254,185
Share issue – placement	2 December 2015	13,333,333	US$0.022	292,240
Share issue – placement	7 December 2015	8,333,333	US$0.022	183,300
Share issue – placement	11 January 2016	39,999,984	US$0.044	1,757,951
Share issue – suppliers	16 March 2016	890,524	US$0.071	63,052
Share issue – placement	1 April 2016	13,333,333	US$0.057	765,100
Share issue – conversion of convertible notes	16 April 2016	107,145,743	US$0.029	3,139,563
Share issue – suppliers	21 April 2016	592,105	US$0.074	43,943
Share issue – placement	24 May 2016	25,332,171	US$0.054	1,366,227
Share issue – rights issue and shortfall	28 June 2016	261,599,079	US$0.055	14,514,825
Share issue – vesting of 2013 retention rights	30 June 2016	25,750	US$0.000	–
Share issue – vesting of A and B CEO awards	30 June 2016	610,266	US$0.061	37,305
Less share issue costs		–		(1,208,716)
Balance – restated	30 June 2016	672,309,014		53,208,975
Shares issue – shortfall to Entitlement offer	29 August 2016	32,907,335	US$0.057	1,863,625
Shares issue – shortfall to Entitlement offer	1 September 2016	79,303,333	US$0.057	4,483,414
Shares issue – shortfall to Entitlement offer	1 September 2016	19,598,172	US$0.057	1,107,983
Shares issue – shortfall to Entitlement offer	12 September 2016	10,630,635	US$0.056	600,605
Shares issue – shortfall to Entitlement offer	12 September 2016	4,039,365	US$0.056	228,214
Shares issue – suppliers	12 September 2016	4,000,000	US$0.075	301,320
Shares issue – shortfall to Entitlement offer	20 September 2016	1,996,000	US$0.057	112,904
Shares issue – suppliers	7 October 2016	29,262,354	US$0.072	2,105,236
Share issue – vesting of 2014 retention rights	30 June 2017	656,908	US$0.065	42,604
Less share issue costs		–		(600,316)
Balance	30 June 2017	854,703,116		63,454,564

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The directors' primary objective is to maintain a capital structure that ensures the lowest cost of capital available to the group. At balance date, the group has external borrowings for working capital, plant and equipment, borrowings to Benefit Street Partners and for the convertible notes.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Significant accounting policy

Issued capital
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.

Note 20. Equity – reserves

	Consolidated	
	2017 US$	**Restated 2016 US$**
Foreign currency reserve	**8,029,738**	7,691,399
Share-based payments reserve	**2,975,198**	1,863,911
	11,004,936	9,555,310

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of the Australian operations from Australian dollars to United States dollars.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency US$	Share-based payment US$	Total US$
Balance at 1 July 2015 – restated	7,064,859	1,740,325	8,805,184
Foreign currency translation	626,540	–	626,540
Share based payment	–	123,586	123,586
Balance at 30 June 2016 – restated	7,691,399	1,863,911	9,555,310
Foreign currency translation	338,339	–	338,339
Share based payment	–	1,111,287	1,111,287
Balance at 30 June 2017	8,029,738	2,975,198	11,004,936

Note 21. Equity – dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Note 22. Financial risk management and instruments

Financial risk management objectives

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. As each of the individual entity within the group primarily transact in their own respective functional currency, foreign currency risk is deemed to be minimal.

Price risk

Commodity: Gas

The group was exposed to price risk during the year from the sale of gas. A sensitivity analysis of the change of gas price to the net profit of the group is presented below.

	Average price increase			Average price decrease		
Consolidated – 2017	**% change**	**Effect on profit before tax US$**	**Effect on equity US$**	**% change**	**Effect on profit before tax US$**	**Effect on equity US$**
Gas price	1%	49,095	49,095	(1%)	(49,095)	(49,095)

Commodity: Oil

The Group has managed its exposure to future commodity prices by entering into the following oil put options during the financial year:

Commodity	Put Price	FY18 (bbls)	FY19 (bbls)	FY20 (bbls)	Total (bbls)
WTI	US$45/bbl	239,537	477,372	164,524	881,433

The Company implemented an oil price hedging program to underwrite a strong oil price going forward for the Grieve Project. Under this program the Company purchased put options at US$45/bbl for 75% of its share of forecast oil production from the Grieve Project during the calendar year 2018 and 2019. The put options provide the Company with a US$45/bbl floor price for the hedged volumes without capping the oil price the Company may receive if oil prices are higher than US$45/bbl. The position is reviewed on an ongoing basis (at minimum quarterly) and the Group continues to assess its exposure to commodity price risk looking for opportunities to put additional hedging in place.

During the period, as a result of the derivatives financial instruments being marked-to-market at the reporting period end, a loss on fair value adjustment of US$522,191 have been recognised in the statement of profit or loss and other comprehensive income.

There was no price risk in 2016 as the group did not have any sale of oil and gas

Interest rate risk

The group's exposure to the risk of changes in market interest rates relates primarily to the group's Benefit Street Partner facility with floating interest rates. Financial instruments with variable rates expose the group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables (including the lease liabilities), are non-interest bearing or bear fixed interest rates. The group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

As at the reporting date, the group had the following variable rate borrowings outstanding:

	2017		Restated 2016	
	Weighted average interest rate %	Balance US$	Weighted average interest rate %	Balance US$
Financial liability – Benefit Street Partners	10.05%	52,422,188	–	–
Financial liability – Denbury JV	–	–	11.00%	16,078,479
Net exposure to cash flow interest rate risk		52,422,188		16,078,479

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

The effect on profit and equity as a result of changes in the interest rate, on the assumption that all other variables remain unchanged, is as follows:

	Basis points increase			Basis points decrease		
Consolidated – 2017	Basis points change	Effect on profit before tax US$	Effect on equity US$	Basis points change	Effect on profit before tax US$	Effect on equity US$
Financial liability – Benefit Street Partners	100	(9,778)	(9,778)	(100)	9,778	9,778

	Basis points increase			Basis points decrease		
Consolidated – 2016 restated	Basis points change	Effect on profit before tax US$	Effect on equity US$	Basis points change	Effect on profit before tax US$	Effect on equity US$
Financial liability – Denbury JV	100	(160,784)	(160,784)	(100)	160,784	160,784

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The group does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 22. Financial risk management and instruments (continued)

Remaining contractual maturities

The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities. Therefore, these totals may differ from their carrying amount in the statement of financial position. For the convertible loans, it includes monthly capitalisation of the effective interest.

Consolidated – 2017	Weighted average interest rate %	1 year or less US$	Between 1 and 2 years US$	Between 2 and 5 years US$	Over 5 years US$	Remaining contractual maturities US$
Non-derivatives						
Non-interest bearing						
Trade payables	–	3,865,148	–	–	–	3,865,148
Other payable – BIA Crow Tribe	–	347,671	–	–	–	347,671
Interest-bearing – variable						
Borrowings – Benefit Street Partners	10.05%	6,732,300	16,057,900	29,631,988	–	52,422,188
Interest-bearing – fixed rate						
Convertible Notes	11.00%	–	–	14,405,028	–	14,405,028
Lease liability	18.00%	3,702	10,890	–	–	14,592
Total non-derivatives		10,948,821	16,068,790	44,037,016	–	71,054,627

Consolidated – 2016 – restated	Weighted average interest rate %	1 year or less US$	Between 1 and 2 years US$	Between 2 and 5 years US$	Over 5 years US$	Remaining contractual maturities US$
Non-derivatives						
Non-interest bearing						
Trade payables	–	10,092,235	–	–	–	10,092,235
Other loan – BIA Crow Tribe	–	347,671	–	–	–	347,671
Interest-bearing – variable						
Lease liability	18.00%	3,159	3,986	10,904	–	18,049
Financial liability to Denbury JV	11.00%	–	–	16,078,479	–	16,078,479
Total non-derivatives		10,443,065	3,986	16,089,383	–	26,536,434

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. The convertible loans can be converted to shares in the company at the end of the 12 months term.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 23. Fair value measurement

Fair value hierarchy

The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Consolidated – 2017	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Assets				
Derivative financial instruments – oil	–	3,884,974	–	3,884,974
Total assets	–	3,884,974	–	3,884,974
Liabilities				
Derivative financial instruments – convertible notes	–	3,603,337	–	3,603,337
Total liabilities	–	3,603,337	–	3,603,337

There are no assets and liabilities measured at fair value at the financial year ended 30 June 2016.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. Unless otherwise stated, the carrying amounts of the financial liabilities reflect their fair value.

Significant accounting policy

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Critical accounting judgements, estimates and assumptions

Derivative financial instruments

The fair values of derivative instruments are initially recognised at fair value on the date at which the derivative contracts are entered into and subsequently remeasured to fair value. On subsequent revaluation the derivatives are carried as assets when their fair value is positive and liabilities when their fair value is negative.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Note 24. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	Consolidated	
	2017 US$	**Restated 2016 US$**
Short-term employee benefits	1,751,314	1,000,112
Post-employment benefits	76,755	47,882
Long-term benefits	188,712	–
Share-based payments	822,616	80,548
	2,839,397	1,128,542

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the company, and unrelated firms:

	Consolidated	
	2017 US$	**Restated 2016 US$**
Audit services – BDO East Coast Partnership		
Audit or review of the financial statements	67,377	55,861
Audit services – unrelated firms		
Audit or review of the financial statements	34,000	37,099

Note 26. Commitments

	Consolidated	
	2017 US$	**Restated 2016 US$**
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	128,800	103,256
One to five years	65,041	62,384
	193,841	165,640
Lease commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	3,702	3,158
One to five years	10,890	14,890
Total commitment	14,592	18,048
Less: Future finance charges	–	–
Net commitment recognised as liabilities	14,592	18,048
Representing:		
Lease liability – current (Note 13)	3,702	3,158
Lease liability – non-current (Note 16)	10,890	14,890
	14,592	18,048

Under the Grieve Project JV, as at 30 June 2017, the Company has one remaining milestone payments amounting to US$5.5 million to be completed by September 2017. These milestone payments will be funded by the balance of the Benefit Street Partners Loan and the Restricted cash balance. This was paid in September 2017.

As at 30 June 2017, a final milestone payment of US$5.4 million is due to Freeport-McMoRan for the Madden/Lost Cabin acquisition. This was paid in July 2017.

Note 27. Related party transactions

Parent entity
Elk Petroleum Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties
Franks & Associates Pty Ltd, a company in which D Franks and A Bursill are director and principal respectively, were paid company secretarial and accounting fees of US$139,192 (2016: US$165,655), excluding GST and out-of-pocket expenses, during the year.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 28. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017 US$	**Restated 2016 US$**
Loss after income tax	(6,791,976)	(5,857,361)
Total comprehensive income	(6,791,976)	(5,857,361)

Statement of financial position

	Consolidated	
	2017 US$	**Restated 2016 US$**
Total current assets	3,653,201	13,672,582
Total assets	36,680,502	17,750,231
Total current liabilities	755,137	830,659
Total liabilities	14,503,265	830,659
Equity		
Issued capital	63,454,564	53,208,975
Foreign currency reserve	8,376,235	7,683,471
Share-based payments reserve	2,975,198	1,863,911
Accumulated losses	(52,628,760)	(45,836,7.85)
Total equity	22,177,237	16,919,572

NOTES TO THE FINANCIAL STATEMENTS

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Note 28. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the group, as disclosed throughout the Notes, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business/ Country of incorporation	Ownership interest 2017 %	2016 %
Elk Petroleum Inc. LLC	USA	100.00%	100.00%
Grieve Pipeline LLC*	USA	100.00%	100.00%
North Grieve LLC *	USA	100.00%	100.00%
Natrona Pipeline LLC *	USA	100.00%	100.00%
Elk Operating Company LLC *	USA	100.00%	100.00%
Elk Grieve Project LLC *	USA	100.00%	100.00%
Singleton EOR Project LLC *	USA	100.00%	100.00%
Elk Petroleum Madden Gas Company LLC *	USA	100.00%	–

* *Subsidiaries of Elk Petroleum Inc.*

Note 30. Events after the reporting period

Aneth

Subsequent to the end of the financial year, Elk entered into a purchase and sale agreement to acquire a ~63% operating working interest in the Greater Aneth Oil Field ("**Aneth**"), one of the largest CO_2 EOR projects in the Rocky Mountains from Resolute Energy Corporation (NYSE:REN). The field is operated on behalf of the Greater Aneth Joint Venture between Elk Petroleum Aneth LLC and Navajo Oil and Gas Company (minority working interest).

Aneth is comprised of three contiguous operating units: the Aneth Unit, the McElmo Unit and the Ratherford Unit. Collectively these three operating units are known as the Greater Aneth Oil Field. The field was discovered in 1956 and is now the largest producing oil field in the State of Utah, with current production of approximately 10,000 bbls of oil per day from over 400 wells, and is the 86th largest oil field in the United States by proven reserves as ranked by the US Energy Information Administration. Aneth is located in the Four Corners Region of southern Rocky Mountains in south-eastern Utah near the Colorado and New Mexico borders.

At its peak, the Aneth produced over 100,000 bbls of oil per day and to date has produced over 448 million barrels of oil of the estimated 1.5 billion bbls of original oil in place ("OOIP") and as of 1 January 2017, cumulative production was 448 million BO, 440.2 billion cubic feet of gas (BCFG), (Utah Division of Oil, Gas and Mining, 2017a).

CO_2 is supplied to the Greater Aneth Oil Field by Kinder Morgan under long-term contract from the McElmo Dome CO_2 Field located in southwestern Colorado via a 28 mile 8-inch pipeline which is owned and operated by the Greater Aneth Joint Venture. The McElmo Dome CO_2 Field is the largest producer and supplier for CO_2 EOR operating in the US producing over 1.1 BCF of CO_2 a day with over 6 TCF of remaining proven CO_2 gas reserves.

The large amount of remaining oil in the Greater Aneth Oil Field and the demonstrated success of EOR by CO_2 flooding to date gives Elk the confidence (technical and commercial) that it can take over operatorship and implement additional cost effective production optimisation programs to create shareholder return from this world class asset across multiple years.

The acquisition price of US$160 million includes a US$2 million exclusivity payment made on 14th August 2017, US$8 million payment after execution of the sale and purchase agreement on 20th September 2017 and a closing payment of US$150 million targeted for early November 2017. Oil price linked contingent payments of up to $10 million in 2018, 2019 and US$15 million in 2020 are also payable to Resolute depending on oil price increases over the three years after closing. Further details of the acquisition are included in Elk's ASX announcement dated 15th September 2017.

The Acquisition will be partially funded via a placement to institutional, professional and sophisticated investors to raise A$27.5 million by issuing approximately 444 million new fully paid ordinary shares in Elk (the "Placement"). The Placement price of A$0.062 represents a 22% discount to Elk's last close share price of A$0.079 on 14th September 2017. The Placement shares, when issued, will rank equally in all respects with Elk's existing ordinary shares.

The shares will be issued in two tranches:

- The first tranche to raise approximately A$12.1 million is unconditional and settlement is expected to occur on Wednesday 20th September 2017 with normal trading to occur on Thursday, 21 September 2017.
- The second tranche for the balance of approximately A$15.4 million is subject to ASX Listing Rule 7.1 shareholder approval that is intended to be considered by shareholders at an Extraordinary General Meeting, which is expected to be held on Friday, 27 October 2017 ("Conditional Placement"). Settlement of the Conditional Placement is expected to occur on Wednesday, 1 November 2017 with normal trading to occur on Thursday, 2 November 2017.

The balance of the Acquisition will be funded through US$98 million senior debt to be provided by Riverstone Capital Partners LLC and US$55 million preferred equity, of which US$55 million is backstopped by AB Energy Opportunity Fund (a subsidiary of Alliance Bernstein). Contingent oil payments will be met by cash flows from the assets.

The above acquisition will be accounted for as a business combination. The initial accounting has not yet been determined due to the recent timing of the announcement.

Madden

Since the end of the year, the Company made the final US$5.5 million milestone payment of a total acquisition price of US$17.5 million in relation to the acquisition of a ~14% working interest in the Madden Gas Field, the Madden Deep Unit Gas Field and the Lost Cabin Gas Plant ("Madden") in Wyoming, USA from subsidiaries of Freeport-McMoRan Inc. ("FCX"). The Company has no further payment obligations to FCX in relation to its Madden interest.

To fund the payment, the Company secured a US$6 million credit facility with Oklahoma based CrossFirst Bank to finance the final milestone payment. The facility has an annual interest rate of US Prime Rate plus 2%, with a 3-year straight line amortization required. The Company has implemented gas price hedging of 80% of the August 2017 – July 2018 forecast Madden PDP production at an average price of US$2.93/MMbtu, and 40% of August 2018 – July 2019 forecast PDP production at an average price of US$2.82/MMbtu.

The current facility balance is US$5.825 million.

Other

On 18 July 2017, ELK had issued 2 million shares to Brad Lingo, the Company's Managing Director and Chief Executive Officer for completion of ongoing service since his employment in August 2015 to 31 December 2016. The incentive was included in Mr Lingo's Executive Employment Agreement and was approved by shareholders at the Company's 2015 annual general meeting. This share-based payment has been recognised for in the 30 June 2017 results based on the completion date for Mr Lingo.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2017 US$	Restated 2016 US$
Loss after income tax expense for the year	(8,117,522)	(5,224,379)
Adjustments for:		
Share-based payments	1,153,891	123,587
Foreign exchange differences	555,288	113,582
Depreciation, depletion and amortisation	1,376,748	127,906
Impairment of development expenditure	–	210,000
Loss on derivatives – oil	522,191	–
Gain on derivatives – convertible notes	(686,881)	–
Loss on asset disposal	1,050	–
Loss arising from Crow Tribe Dispute	–	869,177
Finance costs	442,842	356,095
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,110,628)	(5,530)
Increase in trade and other payables	2,779,051	307,540
Net cash used in operating activities	(3,083,970)	(3,122,022)

Note 32. Earnings per share

	Consolidated	
	2017 US$	Restated 2016 US$
Loss after income tax attributable to the owners of Elk Petroleum Ltd	(8,117,522)	(5,224,379)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	819,895,342	263,176,566
Weighted average number of ordinary shares used in calculating diluted earnings per share	819,895,342	263,176,566

	US cents	US cents
Basic earnings per share	(1.0)	(2.0)
Diluted earnings per share	(1.0)	(2.0)

Significant accounting policies

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Elk Petroleum Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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.

Note 33. Share-based payments

The company has an employee share option plan, an employee incentive rights plan, an employee incentive plan, and a non-executive director and advisor rights plan. The objective of the plans are to assist in the recruitment, reward, retention and motivation of non-executives and employees of Elk Petroleum and its subsidiaries.

Under the option plan, directors and employees are invited to participate in the plan and receive options. An individual may receive the options or nominate a relative or associate to receive them.

Under the performance and retention rights plans, rights are not transferrable. The measurement periods are over the 3 years following the commencement date for each grant of performance rights, at the end of which the Board will determine the extent to which vesting has been achieved (the vested rights) in relation to each tranche. Any retention rights or performance rights that do not vest will be forfeited.

The performance rights vest on achievement of specific performance objectives including Compound Annual Growth Rate of Total Shareholder Return achieved by the company over the 3 years following the commencement date for each grant of performance rights.

The retention rights vest to ordinary shares based on completion of 3 years of service. Generally, if service ceased before completion of 3 years of service, none of the retention rights vest whereas if service is continuous until completion of 3 years of service, then 100% of the retention rights will vest.

Set out below are summaries of options granted under the employee share option plan:

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
01/07/2011	30/06/2016	A$0.200	100,000	–	–	(100,000)	–
			100,000	–	–	(100,000)	–

Options granted under the plan are for no consideration. No options were granted for the financial year ended 30 June 2017.

The weighted average remaining contractual life of employee share options outstanding at the end of the financial year was nil (2016: nil). The weighted average exercise price is $nil (2016: A$0.20).

Performance rights
Set out below are summaries of performance rights granted under the plan:

2017

Grant date	Expiry date	Balance at the start of the year	Granted	Vested	Lapsed	Balance at the end of the year
30/11/2013	30/06/2017	2,000,000	–	–	(2,000,000)	–
30/11/2013	30/06/2018	2,000,000	–	–	–	2,000,000
05/09/2014	30/06/2017	2,706,388	–	–	(2,706,388)	–
18/12/2014	30/06/2017	126,731	–	–	(126,731)	–
30/06/2016	30/06/2018	1,810,000	60,000[1]	–	–	1,870,000
20/12/2016	30/06/2019	–	4,260,000	–	–	4,260,000
		8,643,119	4,320,000	–	(4,833,119)	8,130,000

1. *This was issued as an adjustment to prior year performance rights. The fair value for the adjustment was based on the 30 June 2016 determined previously.*

Performance rights issued to non-executive directors and employees under the non-executive director and advisor rights and employee incentive rights plans.

Performance rights are issued for nil consideration and will vest after three years to ordinary shares based on market based performance conditions. The fair value of the performance rights granted 20 December 2016 was A$0.047.

FOR THE YEAR ENDED 30 JUNE 2017

Note 33. Share-based payments (continued)

2016

Grant date	Expiry date	Balance at the start of the year	Granted	Vested	Lapsed	Balance at the end of the year
13/08/2013	30/06/2016	3,450,306	–	–	(3,450,306)	–
30/11/2013	30/06/2016	1,077,519	–	–	(1,077,519)	–
30/11/2013	30/06/2016	1,000,000	–	–	(1,000,000)	–
30/11/2013	30/06/2017	2,000,000	–	–	–	2,000,000
30/11/2013	30/06/2018	2,000,000	–	–	–	2,000,000
05/09/2014	30/06/2017	2,706,388	–	–	–	2,706,388
18/12/2014	30/06/2017	126,731	–	–	–	126,731
30/06/2016	30/06/2018	–	1,810,000	–	–	1,810,000
		12,360,944	1,810,000	–	(5,527,825)	8,643,119

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.52 years (2016: 1.44 years).

The calculation used to determine the fair value of the performance rights at the grant date assumes a discount of 60% on the value of Elk's share price to reflect the probability of meeting the market based vesting condition.

Set out below are summaries of retention rights granted under the plan:

2017

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
05/09/2014	30/06/2017	510,000	–	(510,000)	–	–
18/12/2014	30/06/2017	226,286	–	(209,680)	(16,606)	–
30/06/2016	30/06/2018	195,000	–	–	(11,405)	183,595
20/12/2016	30/06/2019	–	475,000	–	–	475,000
		931,286	475,000	(719,680)	(28,011)	658,595

Retention rights issued to non-executive directors and employees under the non-executive director and advisor rights and employee incentive rights plans.

Retention rights are issued for nil consideration and will vest after three years to ordinary shares based on continuity of employment conditions. The fair value of the retention rights issued on 20 December 2016 was A$0.078.

2016

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
13/08/2013	30/06/2016	56,054	–	–	(56,054)	–
05/09/2014	30/06/2017	510,000	–	–	–	510,000
18/12/2014	30/06/2017	226,286	–	–	–	226,286
30/06/2016	30/06/2018	–	195,000	–	–	195,000
		792,340	195,000	–	(56,054)	931,286

The weighted average remaining contractual life of retention rights outstanding at the end of the financial year was 1.72 years (2016: 1.21 years).

The calculation used to determine the fair value of the retention rights at the grant date assumes a probability of meeting the service condition of 50%. The value of the right is the value of an underlying share in Elk as traded on ASX at the date of issue of the rights.

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Fair value at grant date
20/12/2016	30/06/2019	A$0.078	A$0.047

For the retention rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Fair value at grant date
20/12/2016	30/06/2019	A$0.078	A$0.078

In addition to the above, the Company issued 17,000,000 options to certain advisor for services rendered during the period, with the following tranche:

- Tranche 1 – 4,250,000 options with an exercise price of A$0.08 each
- Tranche 2 – 4,250,000 options with an exercise price of A$0.10 each
- Tranche 3 – 4,250,000 options with an exercise price of A$0.11 each
- Tranche 4 – 4,250,000 options with an exercise price of A$0.12 each.

The valuation model inputs used to determine the fair value of these options at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk–free interest rate	Fair value at grant date
05/05/2017	30/04/2020	A$0.067	A$0.080	48.27%	–	1.78%	A$0.019
05/05/2017	30/04/2020	A$0.067	A$0.100	48.27%	–	1.78%	A$0.014
05/05/2017	30/04/2020	A$0.067	A$0.110	48.27%	–	1.78%	A$0.013
05/05/2017	30/04/2020	A$0.067	A$0.120	48.27%	–	1.78%	A$0.011

Significant accounting policies

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 33. Share-based payments (continued)

Significant accounting policies (continued)

Share-based payments (continued)
If the non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Critical accounting judgments, estimates and assumptions

Share-based payment transactions
The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 34. Interests in Joint Operations

Grieve unit
During the first half of Financial Year 2017, the Company completed a comprehensive commercial restructuring of the joint venture and development arrangements for the Grieve Project with our joint venture partner, Denbury Resources Inc. ("**Denbury**"). The restructuring resulted in Elk's ownership interest in the project increasing from 35% to 49%. The restructure also saw the elimination of approximately US$20 million in non-recourse project debt funding provided by Denbury.

The key terms of the restructure between Elk and Denbury are:

- Elk's working interest in the Grieve Project increased to 49% with the right to receive 70% of the net operating cash flow from the first 2 million barrels of production;
- Denbury retained Operatorship of the Grieve Project JV and provided a firm commitment to complete the Grieve CO_2 EOR Project development pursuant to a fixed price turnkey contract containing a detailed field development and execution plan with fixed completion milestones;
- Under the fixed price turnkey contract, Elk funded US$55 million to complete the development of the Grieve Project with Denbury to cover any cost overruns;
- Denbury will supply, at no cost to Elk all the CO_2 to be injected into the Grieve field required to reach first oil production and any additional CO_2 up to 82 BCF will be provided on advantageous commercial terms at Denbury's cost of CO_2;
- All of the oil production from the Grieve Project will be shipped via Elk's 100%-owned and operated Grieve Oil Pipeline under a binding long-term regulated pipeline tariff at a haulage charge of US$3.00 per barrel;
- Denbury has transferred to Elk a 49% interest in all Grieve Project assets (Plant, Machinery, Infrastructure) with an estimated value of approximately US$60 million;
- Denbury forgave recovery from Elk 100% of Grieve Project funding indebtedness with an estimated amount of US$20 million associated with the prior joint venture funding arrangements; and
- Elk and Denbury entered a binding settlement agreement under which all prior claims arising out of the original Grieve Project JV arrangements have been released including legal claims included in the civil lawsuit which the parties previously withdrew pending negotiating a commercial settlement.

Madden unit
During the second half of Financial Year 2017, the Company acquired a ~14% non-operating working interest in the Madden Gas Field and the Lost Cabin Gas Plant and associated gas gathering pipeline systems. Madden Gas Project is operated by ConocoPhillips (46%) and the balance of the unit and gas plant is owned by Moncrief Oil (30%) and various other private interest holders.

Significant accounting policies

Interests in joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses. When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

For the financial year ended 30 June 2016, the Group has recognised its joint venture arrangement with Denbury ("**Denbury JV**") as a farm-out arrangement whereby the Group uses the carrying amount of the interest before the farm-out as the carrying amount for the portion of the interest retained; credits any cash consideration received against the carrying amount, with any excess included as a gain in profit or loss; and the Group does not record exploration expenditures on the oil and gas properties made by the Denbury JV.

Note 35. Other accounting policies

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elk Petroleum Ltd ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Elk Petroleum Ltd and its subsidiaries together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Under AASB 11 'Joint Arrangements' investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its joint arrangements and determined them to be joint operations. The joint operators own the assets of the partnership as tenants in common and are severally liable for the liabilities incurred by the partnership. These entities are therefore classified as joint operations and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses. Refer to Note 34 for further details.

Foreign currency translation
The financial statements are presented in US dollars. Elk Petroleum Ltd.'s functional currency is denominated in Australian Dollars. For the subsidiaries located in the United States of America, these entities' functional currency are denominated in US Dollars.

Foreign currency transactions
Foreign currency transactions are translated into US dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 35. Other accounting policies (continued)

Foreign operations
The assets and liabilities of Australian operations are translated into US dollars using the exchange rates at the reporting date. The revenues and expenses of Australian operations are translated into US dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Financial instruments and other financial assets
Financial assets are recognised at fair value through profit or loss. Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months of the reporting date.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2017. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 '*Financial Instruments: Recognition and Measurement*'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018. Based on a preliminary assessment there will be no material impact on the adoption of this standard.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018. Based on a preliminary assessment there will be no material impact on the adoption of this standard.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 '*Leases*' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019. Based on a preliminary assessment there will be an increase in lease assets and financial liabilities recognised in the statement of financial position.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

Neale Taylor
Chairman

22 September 2017
Sydney

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INDEPENDENT AUDITOR'S REPORT

To the members of Elk Petroleum Limited

Report on the Audit of the Financial Report

Opinion

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

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

Accounting for acquisition of the working interest in the Madden Gas Field

Key audit matter	*How the matter was addressed in our audit*
As disclosed in note 12, during the year, the Group acquired a 14% working interest in the Madden Gas Field. This is a significant transaction and materially impacts a number of areas in the financial statements. Management have assessed that it is appropriate to treat this as an asset acquisition and have recognised the Group's ongoing share of revenues and expenses from the date of purchase.	Our audit procedures included, amongst others: • Examination of all documentation relevant to the purchase. • Verification of the consideration paid to contractual agreements. • Assessment of the accounting policies applied by management to the Madden acquisition for compliance with relevant Australian Accounting Standards. • Audit of the revenue and expense amounts recognised within the period subsequent to purchase. • Verification of the rehabilitation provision calculation to supporting documentation.

Classification and valuation of US dollar denominated convertible notes

Key audit matter	*How the matter was addressed in our audit*
As set out in notes 16 and 17, the Company issued convertible notes denominated in US dollars amounting to $12.9m during the year. Accounting for these notes is complex and the valuation requires significant judgement. As set out within note 16, Management have assessed that where convertible notes are denominated in currencies other than the functional currency, the fair value of this conversion feature is segregated from the host instrument and recognised as a separate derivative liability. A valuation exercise was carried out by management with respect to the derivative liability, which required judgement and estimation.	Our audit procedures included, amongst others: • Examination of convertible note documentation to assess the classification of these liabilities. • Assessment of the valuation methodology adopted by management with the assistance of an internal valuation expert. • Recalculation of the valuation with reference to relevant inputs and assumptions to verify the accuracy of the calculations performed.

Restructure of the Grieve project joint venture

Key audit matter	*How the matter was addressed in our audit*
As set out in note 15, the Group restructured the Grieve Project joint venture with Denbury during the year. This is a significant transaction to the Group and the financial statements. Payments of $49.5m of field development expenditure to 30 June 2017, committed to by Elk as part of the Grieve JV restructure, were first used to extinguish the remaining creditor liabilities and borrowings owed to Denbury. The balance was capitalised as part of the carrying value of the Group's share of the Grieve oil field.	Our audit procedures included, amongst others: • Examination of the underlying transaction agreements relevant to the restructure • Assessment of the resulting accounting treatment applied and ensuring this is compliant with relevant Australian Accounting Standards.

Going Concern

Key audit matter	*How the matter was addressed in our audit*
As set out in note 1, the Group incurred a loss for the year after tax expense of $8,117,522 and a net cash out flow from operating activities of $3,083,970. The significance of the financing arrangements and transaction make this a key audit matter. Subsequent to year end the Company raised approximately US$22m common equity and executed an agreement for the acquisition of the Aneth oil production asset in Utah, and entered into related conditional financing agreements for $98m Senior Debt and $55m preference equity. Management's assessment of Going concern is based on the finalisation of these financing arrangements and the assumption that there will be access to adequate funds to fund corporate working capital.	Our audit procedures included, amongst others: • Evaluating the cash flow forecast prepared by management to support their assessment of preparing the financial report on a going concern basis. In particular, we considered the timing and quantum of cash flows including operational revenues, operational expenditure and financing costs. • Examination of documentation with financiers to assess the likelihood of completing the financing required for the Aneth transaction and future working capital. • Verification of receipt of post year end capital raising.

Impairment and Carrying Value of the Oil and Gas Properties

Key audit matter	*How the matter was addressed in our audit*
As recorded in note 12, the Group owns oil and gas properties (Grieve, Madden and Singleton) with a carrying value of $93m as at 30 June 2017 which forms a significant percentage of the Group's assets. The assessment of the carrying value of oil and gas properties is an area of significant judgement. Management have assessed the Group's oil and gas properties for internal and external indicators of impairment. Management have paid particular attention to changes in expected future oil & gas prices and projected output volumes since the last impairment assessment.	Our audit procedures included, amongst others: • Reviewing management's assessment of whether there are indicators of impairment in the Grieve, Madden or Singleton oil and gas properties and whether this assessment takes into consideration current internal and external developments. • In particular we considered management's assessment of expected future oil prices, expected oil production, cost estimates, the estimated discount rate and inflation rate and the impact these variables have on the recoverable amount of the Group's oil and gas properties.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 19 of the directors' report for the year ended 30 June 2017.

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

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 22 September 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 5 September 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

No. of Holders:	Ordinary Shares	Unlisted Options Exercise price $0.075, Expiry 31/03/2018	Unlisted Options Exercise price $0.08, Expiry 30/04/2020	Unlisted Options Exercise price $0.10, Expiry 30/04/2020	Unlisted Options Exercise price $0.11, Expiry 30/04/2020	Unlisted Options Exercise price $0.12, Expiry 30/04/2020
1 to 1,000	145	–	–	–	–	–
1,001 to 5,000	255	–	–	–	–	–
5,001 to 10,000	200	–	–	–	–	–
10,001 to 100,000	506	–	–	–	–	–
100,001 and over	339	1	1	1	1	1
Total	**1,445**	**1**	**1**	**1**	**1**	**1**
Holding less than a marketable parcel	440	–	–	–	–	–

No. of Holders:	Performance Rights 2013, Expiry 30/06/2018	Performance Rights 2015, Expiry 30/06/2018	Performance Rights 2016, Expiry 30/06/2019	Retention Rights 2015, Expiry 30/06/2018	Retention Rights 2016, Expiry 30/06/2019
1 to 1,000	–	–	–	–	–
1,001 to 5,000	–	–	–	–	–
5,001 to 10,000	–	–	–	–	–
10,001 to 100,000	–	4	–	6	1
100,001 and over	1	6	6	–	3
Total	**1**	**10**	**6**	**6**	**4**
Holding less than a marketable parcel	–	–	–	–	–

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	Ordinary shares % of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	267,130,763	31.18
CITICORP NOMINEES PTY LIMITED	60,194,863	7.03
MR ROBERT ANTHONY HEALY	53,623,524	6.26
J P MORGAN NOMINEES AUSTRALIA LIMITED	32,492,395	3.79
NATIONAL NOMINEES LIMITED	27,269,991	3.18
BNP PARIBAS NOMS PTY LTD <DRP>	24,682,401	2.88
BEGLEY SUPERANNUATION CO PTY LTD <BEGLEY ENGINEERING S/F A/C>	22,629,760	2.64
MS TRACEY LEANNE MARSHALL	17,251,466	2.01
LINK TRADERS (AUST) PTY LTD	14,992,389	1.75
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	12,685,000	1.48
TRUEBELL CAPITAL PTY LTD <TRUEBELL INVESTMENT FUND>	11,603,288	1.35
MRS TRACY FRASER	10,095,238	1.18
TEO PENG KWANG	10,080,000	1.18
EAST TIMOR TRADING LDA\C	10,000,000	1.17
UBS NOMINEES PTY LTD	9,577,000	1.12
MR BRADLEY WILLIAM LINGO	9,480,833	1.11
CAIRNGLEN INVESTMENTS PTY LTD <WOODFORD SUPER FUND A/C>	9,033,333	1.05
KEISER SHIPPING & TRANSPORT PTY LTD	8,253,873	0.96
MR CRAIG STEPHEN MARSHALL	7,936,508	0.93
AMY LEE YUEN YING	5,935,830	0.69
	624,948,455	72.95

Holders of 20% or more of unquoted equity securities:

Name	Class	Number held
Cairnglen Investments	Options expiring 31/03/2018 @ $0.075	1,333,333
Odeon Capital Group LLC	Options expiring 30/04/2020 @ $0.080	4,250,000
Odeon Capital Group LLC	Options expiring 30/04/2020 @ $0.100	4,250,000
Odeon Capital Group LLC	Options expiring 30/04/2020 @ $0.110	4,250,000
Odeon Capital Group LLC	Options expiring 30/04/2020 @ $0.120	4,250,000

SHAREHOLDER INFORMATION

Substantial holders

Substantial holders in the company are set out below based on the shares disclosed as held from the last Form 604 lodged by the shareholder:

	Ordinary shares Number held	Ordinary shares % of total shares issued
Republic Investment Management Pte. Ltd.	164,634,685	19.28
Rich Trend Ventures Limited	47,670,000	5.58
Mr Robert Anthony Healy **	53,884,136	5.12

Mr Healy has previously advised directly to the company that he currently holds the above-mentioned shares which represents 5.12% of the Company.

Ordinary shares

All ordinary shares carry one vote per share without restriction. Performance rights options do not carry any voting rights.

On-market buy back

There is no current on-market buy back.

Listing Rule 3.13.1 and 14.3

The Annual General Meeting is presently scheduled to be held on 20 November 2017.

CORPORATE DIRECTORY

Directors

Neale Taylor (Chairman)
Bradley Lingo (Managing Director and Chief Executive Officer)
Russell Krause (Non-Executive Director)
Tim Hargreaves (Non-Executive Director)

Company Secretaries

David Franks and **Andrew Bursill**

Registered Office

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Sydney NSW 2000

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Facsimile +61 2 9251 7455

Principal place of business

Exchange House
Suite 101, Level 1
10 Bridge Street
Sydney NSW 2000

Telephone +61 2 9093 5400

Share Register

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Telephone +61 3 9415 5000

Facsimile +61 3 9473 2500

Auditor

BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000

Stock exchange listing

Elk Petroleum Ltd shares are listed on the Australian Securities Exchange (ASX code: ELK).

Website

www.elkpet.com

Corporate Governance Statement

www.elkpet.com/governance-and-compliance elk petroleum