elixir
petroleum limited

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

ABN 51 108 230 995

Interim Financial Report for the half-year ended

31 December 2017

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Corporate Directory

Directors

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

Company Secretary

Mr Dougal Ferguson

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Stock Exchange Listing

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

Website

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Directors' Report

The Directors of Elixir Petroleum Limited present their report on the Consolidated Entity, consisting of Elixir Petroleum Limited ("the Company" or "Elixir") and the entities it controlled during the half-year ended 31 December 2017 ("Consolidated Entity" or "Group").

DIRECTORS

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

Mr Ray Barnes	(Non-Executive Chairman)
Mr Dougal Ferguson	(Managing Director)
Mr Scott Patrizi	(Non-Executive Director)
Mr Sam Willis	(Non-Executive Director) – *resigned 30 October 2017*

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

REVIEW AND RESULTS OF OPERATIONS

Operating and Financial Results

For the half-year ended 31 December 2017, the Group recorded an after tax loss of $411,566 (31 December 2016: loss of $345,669). During the half-year, the Group's primary focus was to identify and execute new venture opportunities that provided the Company with an expanded asset base in addition to maintaining its current exploration asset portfolio.

On 17 October 2017, the Company was successful in identifying a significant new opportunity and announced that it had executed a binding Term Sheet to acquire Golden Horde Limited ("GOH") for 79 million Elixir shares subject to a number of conditions, including the final award of a Production Sharing Contract ("PSC") considered prospective for Coal Bed Methane ("CBM") exploration in the South Gobi Desert of Mongolia, close to the Chinese border. More detail on the potential acquisition of GOH is provided in the Operations Review.

At the same time as announcing the signing of the Term Sheet with GOH, the Company announced it had successfully completed a heavily oversubscribed placement raising $1.6 million (pre costs) providing the Company with additional funding to pursue a potential exploration programme in Mongolia.

On 26 December 2017, the Company announced that the long-awaited renewal of the Moselle Permit in France had been granted. The renewal, which was originally supposed to be granted in 2014, is currently due to expire on 20 January 2019, being five years from the original renewal date in 2014. The Company is currently in the process of applying for a three-year extension to the current (second) term.

At 31 December 2017, Elixir had cash of $2,786,002 (30 June 2017: $1,893,285) and remains debt free with minimal exploration or expenditure commitments other than those that may arise from acquiring GOH.

OVERVIEW

Elixir Petroleum Limited ("Elixir" or "Company") is an international oil and gas exploration company with operations in the United States, France and more recently, a potential new operation in Mongolia.

Elixir was actively pursuing high impact new venture opportunities during the half-year following a revision of its previous strategy and in early 2017 began to focus on geographic locations that have a growing need for energy. This required a shift in focus from locations such as the United States where competition for good quality assets is fierce and where there is now an abundance of cheap energy (gas and oil) as a direct result of the unconventional shale revolution which now dominates the industry in North America.

With that strategy in mind, the Company has secured an option to acquire GOH which is currently in the process of seeking to secure a Mongolian unconventional Production Sharing Contract (PSC) over an area that is considered highly prospective for coal bed methane (CBM). This opportunity is considered attractive due to a combination of factors including its potential size, its low cost but high impact exploration potential and its proximity to the Northern China gas market and distribution network. Due to the PSC not being formally awarded to GOH at this time, Elixir has negotiated an exclusive low cost option at a cost of $25,000 for the right to acquire all of the shares of GOH at any time up to 30 September 2018. This transaction locks down the opportunity for Elixir should the PSC be awarded in the near term. A more detailed overview of the opportunity is provided below.

OPERATIONS REVIEW

Mongolia

Option to Acquire Golden Horde Limited

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

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

GOH and Elixir have been closely working together since the announcement to ASX of the Acquisition and have been receiving regular guidance on the expected timing of the award of the PSC from both MRPAM and GOH's in country advisors. Although there is no guarantee of when or if the PSC will be awarded in the expected timeframe, the approval process is nearing its end point under the Petroleum Law of Mongolia, which is formal Cabinet approval to establish the PSC. Elixir and GOH management were recently in Ulaanbaatar, where they were advised at a Government meeting that a formal resolution to award the PSC is expected to be put to Cabinet for its approval in late March or early April of 2018. The Acquisition remains subject to a number of conditions precedents with the principal condition being the formal award of the PSC to GOH.

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

The Project Khiimori CBM PSC will be the first unconventional PSC issued pursuant to the country's updated Petroleum Law, which was passed by Cabinet in 2014. Project Khiimori, which covers an area of over 7 million acres, lies adjacent to the Chinese border and is ideally placed for future gas sales into the extensive Northern China gas transmission and distribution network. In addition to Chinese gas demand, Mongolia currently has no gas production and there is a strong political desire to replace high emission coal power and heat generation with low emission clean-burning gas fired generation. With the potential to find and develop multiple Tcfs of gas from CBM, both the Mongolian and Chinese markets could be supplied with Mongolian CBM.

Elixir has now completed its technical due diligence and has commenced detailed planning activities and studies to complement the work being done by GOH with respect to the planned work programme, including defining the prospective resource that can be assigned to the PSC area. Upon award of the PSC, Elixir intends to exercise the option and commence on ground activities as soon as feasibly possible. The current exploration plan includes the acquisition of around 200km of seismic over potentially prospective areas which will provide "ground breaking" new data and assist in potentially defining additional focus areas for future drilling.

In addition to the seismic, the 2018 exploration plan includes the drilling of up to two wells, where key data will be obtained to confirm gas contents and understand permeability, one of the last remaining key technical elements of the play that needs confirmation. Drilling costs for the wells are expected to be around US$500,000 each.

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

USA
Petra Project (Elixir 25% Working Interest)

The Rodwell 14-31 exploration well was spudded on 7 August 2017 and reached a total depth of 2,323 metres on 14 August 2017. The well encountered a 10 metre oil column in the primary target and the partners in the well agreed to run a drill stem test ("DST") in the well. Unfortunately, the DST failed to recover any fluids and analysis of the logs and DST results indicated the reservoir was tight at this location and was unlikely to produce commercial quantities of hydrocarbons. Subsequently, the well was plugged and abandoned.

At this stage, there is no intention to progress any significant additional exploration at the Petra Project unless new data comes to light that changes the current views of the partners in the project.

France
Moselle Permit (EXR 100%, Operator)

On 23 December 2017, the French parliament passed new laws that prohibit the award of any new exploration licenses and will ban all future oil and gas activities from 2040 onwards. Following the passing of this legislation, the Moselle Permit (along several with other permits with renewals pending) was formally renewed.

Elixir has commenced an application for a three-year extension of the second exploration period, which if granted will extend the expiry of the second exploration period to 20 January 2022. In addition, Elixir has the right to apply for a third exploration period on expiry of the second exploration period, which will extend the term of the Moselle Permit for a further five years, subject to Elixir continuing to meet its license obligations within the second exploration period and a relinquishment of a further 25% of the total license area.

If Elixir is granted a three-year extension of the second exploration period and is granted a third five-year exploration period, then Elixir could potentially retain the prospective area of the Moselle Permit until January 2027. Elixir has recommenced desktop-based exploration activities and will reactivate its previous farm-out efforts for the Moselle Permit, which is considered prospective for both natural gas and oil. Elixir has previously mapped a number of conventional prospects and in 2013 was actively marketing these prospects for farm-out prior to this process being suspended following the extended delay in the renewal process.

CORPORATE

Board and Management Changes

During the half year, Mr Sam Willis resigned as non-executive director effective 30 October 2017. Effective 1 October 2017, the Board agreed to re-instate their previously reduced fees due to the Company's increased activity levels, with non-executive director fees now $36,000 per annum with the Chairman fees at $45,000 per annum.

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

Changes in Capital Structure

On 23 October 2017, the Company issued 42,500,000 shares, being made up of a placement of 40,000,000 raising $1.6 million (before costs) and 2,500,000 Fee Shares (refer to Note 9 for details).

On 20 December 2017, the Company issued a total of 5,000,000 Performance Rights to the Managing Director and a consultant (see Note 7 for details). The Performance Rights have no other rights including but not limited to no voting rights, no dividend rights and no right to a return of capital. The Performance Rights have been issued for nil consideration and upon achievement of the Milestones, convert into fully paid ordinary shares.

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

The total number of Options on issue as at 31 December 2017 and as at the date of the Directors' Report is as follows.

Number	Class and Terms
3,000,000	Executive Incentive Options (vested) exercisable at $0.045 expiring on 30 November 2018
8,000,000	Options exercisable at $0.04 expiring on 30 September 2019

EVENTS OCCURRING AFTER REPORTING DATE

Other than as disclosed elsewhere in this half-year financial report, no event has arisen since 31 December 2017 that would be likely to materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is included on page 6 of the half-year financial report. Signed in accordance with a resolution of the Directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors

DOUGAL FERGUSON
Managing Director

Perth, Western Australia
13 March 2018

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

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

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elixir Petroleum Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Elixir Petroleum Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 13 March 2018

Directors' Declaration

The Directors declare that:

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

  i. Giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity;

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

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

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

On behalf of the Directors

DOUGAL FERGUSON
Managing Director

Perth, Western Australia
13 March 2018

Consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2017

	Note	Consolidated 31-Dec-2017 $	31-Dec-2016 $
Other income from continuing operations		**10,863**	11,746
Total Income		**10,863**	11,746
General and administrative costs	**(2)**	**(310,465)**	(270,756)
Depreciation, depletion and amortisation expense	**(2)**	**(588)**	(357)
Business development costs		**(95,681)**	(6,000)
Lease operating costs		**(4,310)**	(11,063)
Share based payments	**(7)**	**(11,385)**	(69,239)
Loss from continuing operations before income tax expense		**(411,566)**	(345,669)
Income tax expense / benefit		**-**	-
Net loss after tax for the period	**(3)**	**(411,566)**	(345,669)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**(1,024)**	79,532
Other comprehensive income (loss) for the half-year		**(1,024)**	79,532
Total comprehensive income (loss) for the half-year		**(412,590)**	(266,137)
Total comprehensive income (loss) attributable to Owners of the parent – Elixir Petroleum Limited		**(412,590)**	(266,137)
(Loss) per share for the half year attributed to the owners of Elixir Petroleum Limited			
Basic and diluted loss per share (cents per share)		**(0.2)**	(0.2) (i)

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

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

Consolidated statement of financial position
As at 31 December 2017

	Note	Consolidated 31-Dec-2017 $	30-Jun-2017 $
Assets			
Current assets			
Cash and cash equivalents		**2,786,002**	1,893,285
Trade and other receivables		**28,070**	13,072
Other assets		**25,800**	-
Total current assets		**2,839,872**	1,906,357
Non-current assets			
Trade and other receivables	**(4)**	**743,795**	753,064
Plant and equipment		**4,116**	4,704
Deferred exploration and evaluation expenditure	**(6)**	**-**	-
Total non-current assets		**747,911**	757,768
Total assets		**3,587,783**	2,664,125
Liabilities			
Current liabilities			
Trade and other payables		**78,446**	254,370
Provisions	**(5)**	**805,183**	800,640
Total current liabilities		**883,629**	1,055,010
Total liabilities		**883,629**	1,055,010
Net assets		**2,704,154**	1,609,115
Equity			
Contributed equity	**(9)**	**73,658,420**	72,162,176
Reserves		**456,582**	446,221
Accumulated losses		**(71,410,848)**	(70,999,282)
Total equity		**2,704,154**	1,609,115

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2017

Consolidated	Contributed Equity $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2017	72,162,176	344,379	101,842	(70,999,282)	1,609,115
(Loss) for the half-year	-	-	-	(411,566)	(411,566)
Other comprehensive income					
Exchange difference on translation of foreign operations	-	-	(1,024)	-	(1,024)
Total comprehensive income (loss) for the half-year	**-**	**-**	**(1,024)**	**(411,566)**	**(412,590)**
Transactions with owners, in their capacity as owners					
Options expense	-	4,453	-	-	4,453
Performance Rights expense	-	6,932	-	-	6,932
Shares issued during the half-year	1,782,500	-	-	-	1,782,500
Share issue costs	(286,256)	-	-	-	(286,256)
Total Transactions with owners	1,496,244	11,385	-	-	1,507,629
Balance at 31 December 2017	**73,658,420**	**355,764**	**100,818**	**(71,410,848)**	**2,704,154**
Balance at 1 July 2016	70,144,916	168,248	137,358	(67,581,744)	2,868,778
(Loss) for the half-year	-	-	-	(345,669)	(345,669)
Other comprehensive income					
Exchange difference on translation of foreign operations	-	-	79,532	-	79,532
Total comprehensive income (loss) for the half-year	**-**	**-**	**79,532**	**(345,669)**	**(266,137)**
Transactions with owners, in their capacity as owners					
Options expense	-	169,004	-	-	169,004
Shares issued during the half-year	2,229,469	-	-	-	2,229,469
Share issue costs	(212,209)	-	-	-	(212,209)
Total Transactions with owners	2,017,260	169,004	-	-	2,186,264
Balance at 31 December 2016	**72,162,176**	**337,252**	**216,890**	**(67,927,412)**	**4,788,905**

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

Consolidated statement of cash flows

For the half-year ended 31 December 2017

	Note	Consolidated 31-Dec-2017 $	31-Dec-2016 $
Cash flows from operating activities			
Payments to suppliers and employees		**(453,834)**	(342,355)
Net cash (outflow) from operating activities		**(453,834)**	(342,355)
Cash flows from investing activities			
Payments for exploration and evaluation		**(154,482)**	(33,161)
Interest and other receivables		**7,392**	4,866
Net cash (outflow) from investing activities		**(147,090)**	(28,295)
Cash flows from financing activities			
Proceeds from issues of shares		**1,600,000**	2,229,469
Share issue costs		**(103,756)**	(112,443)
Net cash inflow from financing activities		**1,496,244**	2,117,025
Net increase in cash and cash equivalents		**895,320**	1,746,376
Cash and cash equivalents at the beginning of the period		**1,893,285**	423,895
Effect of exchange rate changes on foreign currency denominated cash balances		**(2,603)**	(1,368)
Cash and cash equivalents at the end of the period		**2,786,002**	2,168,903

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2017

1. Basis of Preparation

(a) Statement of compliance

These financial statements are general purpose financial statements for the half-year reporting period ended 31 December 2017, which have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Elixir Petroleum Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2018 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2017 that have been applied by the Group. The 30 June 2017 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2017.

This interim financial report was approved by the Board of Directors on 13 March 2018.

2. Loss for the half-year

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

	Consolidated	
	31-Dec-2017	31-Dec-2016
	$	$
Depreciation of plant and equipment	**588**	357
General and administrative costs		
Corporate compliance costs	**34,056**	53,035
Corporate management	**187,972**	162,792
Administration & office	**88,437**	54,929
	310,465	270,756

3. Segment information

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

	Consolidated	
	31-Dec-2017	31-Dec-2016
Reportable segment revenue	**$**	$
Revenue, including interest income, is disclosed below based on the reportable segment:		
Revenue from other corporate activities	**10,863**	11,746
	10,863	11,746
Reportable segment loss		
Loss is disclosed below based on the reportable segment:		
Profit /(Loss) from oil and gas exploration– France	**(4,348)**	7,758
(Loss) from oil and gas exploration - USA	**(4,827)**	(9,242)
(Loss) from other corporate activities	**(402,391)**	(344,185)
	(411,566)	(345,669)

	31-Dec-2017	30-Jun-2017
Reportable segment assets	**$**	$
Assets are disclosed below based on the reportable segment:		
Asset from oil and gas exploration– France	**-**	-
Asset from oil and gas production – USA	**748,416**	754,632
Assets from other corporate activities	**2,839,367**	1,909,494
	3,587,783	2,664,125
Reportable segment liabilities		
Liabilities are disclosed below based on the reportable segment:		
Liabilities from oil and gas exploration– France	**22,039**	21,813
Liabilities from oil and gas production – USA	**743,795**	753,064
Liabilities from other corporate activities	**117,795**	280,133
	883,629	1,055,010

4. Trade and other receivables

	Consolidated	
	31-Dec-2017	30-Jun-2017
	$	$
Non-current receivables		
Cash Deposit – Cottesloe Oil and Gas LLC security bond (i)	**743,795**	753,064

(i) The non-current receivable represents a cash backed security bond of US$575,000 (plus accrued capitalised interest) in favour of the previous owner of the Pompano platform and associated infrastructure which can be called upon in the event Cottesloe defaults on its share of the abandonment costs of this infrastructure. The movement in the value of the bond represents the foreign exchange movement associated with the cash deposit. Refer to Note 10 for more details on the performance bond.

5. Provisions

	Consolidated	
	31-Dec-2017	30-Jun-2017
	$	$
Current provisions		
Balance at the beginning of the period	**800,640**	819,138
Additional provisions	**13,811**	10,495
Amounts used	**-**	-
Foreign currency movement	**(9,268)**	(28,993)
Net carrying amount	**805,183**	800,640

6. Deferred exploration and evaluation

	Consolidated	
	31-Dec-2017	30-Jun-2017
	$	$
Opening balance	**-**	2,615,953
Capitalised expenditure (i)	**-**	170,160
Impairment	**-**	(2,746,616)
Foreign currency movement	**-**	(39,497)
	-	-

(i) Capitalised expenditure incurred in the prior period relates to ongoing exploration activities for the Petra Project in Colorado.

The Group has not capitalised any expenditure in the current period. During the current period, there was no additional exploration expenditure incurred on the Petra Project following the drilling of the Rodwell 14-31 exploration well, which was drilled in July 2017. The non-commercial results of the Rodwell 14-31 well were known as at the date the 30 June 2017 Financial Report was signed by Directors and accordingly, the capitalised costs were fully impaired in the 30 June 2017 Financial Report. The Moselle Permit was renewed on 23 December 2017 and future exploration expenditure may be capitalised and carried forward to future periods.

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

7. Share Based Payments

Performance Rights

On 30 November 2017 shareholders approved, amongst other matters, the issue of a total of 5,000,000 Performance Rights to the Managing Director and a consultant of the Company. The Performance Rights were issued on 20 December 2017 and the proportionate value of these Performance Rights applicable to the half-year ended 31 December 2017 has been recorded as Share Based Payments in the Consolidated Statement of Profit and Loss.

The terms and conditions of the Performance Rights are summarised below:

Grant Date	Number	Vesting Conditions	Fair Value	Expiry Date
Performance Rights				
Director				
Class A	2,000,000	Milestone A	$138,000	20-Dec-18
Class B	2,000,000	Milestone B	$138,000	20-Dec-20
Consultant				
Class A	500,000	Milestone A	$34,500	20-Dec-18
Class B	500,000	Milestone B	$34,500	20-Dec-20

The Class A Performance Rights vest if and when Milestone A is achieved, being the completion of the proposed acquisition of Golden Horde Limited which is in the process of seeking to secure a Mongolian unconventional production sharing contract (PSC). The Class A Performance Rights expire on 20 December 2018.

The Class B Performance Rights vest if and when Milestone B is achieved, being certification of a Petroleum Resource Management System (PRMS) certified prospective resource of coal bed methane of greater than one trillion cubic feet within the PSC. The Class B Performance Rights expire on 20 December 2020.

Ordinary Shares

On 23 October 2017, the Company issued 2,500,000 shares (Fee Shares) to parties that assisted with the placement of 40,000,000 shares raising $1.6 million before costs. The Fee Shares were issued to the parties in recognition of their assistance with the placement and were issued for no cash consideration. The fair value of the Fee Shares has been determined as $182,500, being the price at which the placement was completed.

Reconciliation of Share Based Payments Expense and Equity movement for the half year:

Class	Date of Issue	Number	Fair Value	Expense	Equity
Share Options	Issued in prior years	-	-	$4,453	-
Performance Rights	20 December 2017	5,000,000	$345,000	$6,932	-
Fee Shares	23 October 2017	2,500,000	$182,500	-	$182,500
Totals				**$11,385**	**$182,500**

8. Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2017 (2016: Nil).

9. Issued Capital

	Consolidated	
	31-Dec-2017	30-Jun-2017
	$	$
221,446,872 fully paid ordinary shares (June 2017: 178,946,872)	**73,658,420**	72,162,176

For the six months ended 31 December 2017	**Number**	**$**
Balance at 1 July 2017	178,946,872	72,162,176
Placement made on 23 October 2017	40,000,000	1,600,000
Capital Raising Fee Shares	2,500,000	182,500
Share issue costs	-	(286,256)
Balance at 31 December 2017	**221,446,872**	**73,658,420**

For the twelve months ended 30 June 2017	**Number**	**$**
Balance at 1 July 2016 (pre-consolidation)	1,686,831,452	70,144,916
Tranche 1 Placement (pre-consolidation) on 12 July 2016	292,548,075	234,038
Tranche 2 Placement (pre-consolidation) on 17 August 2016	257,451,938	205,962
Share Consolidation (1:25) effective 18 August 2016	(2,147,358,029)	-
1:1 Rights Issue (post consolidation)	89,473,436	1,789,469
Share issue costs	-	(212,209)
Balance as at 30 June 2017	**178,946,872**	**72,162,176**

At 31 December 2017, the Company had the following unlisted Options over Shares on issue.

Number	Class and Terms
3,000,000	Executive Incentive Options (vested) exercisable at $0.045 expiring on 30 November 2018
8,000,000	Options exercisable at $0.04 expiring on 30 September 2019

On 23 October 2017, the Company issued 42,500,000 shares, being made up of a placement of 40,000,000 raising $1.6 million (before costs) and 2,500,000 Fee Shares.

On 20 December 2017, the Company issued a total of 5,000,000 Performance Rights to the Managing Director and a consultant (see Note 7 for details). The Performance rights have no other rights including but not limited to no voting rights, no dividend rights and no right to a return of capital. The Performance Rights have been issued for nil consideration and upon achievement of the Milestones, convert into fully paid ordinary shares.

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

10. Commitments and Contingencies

The Consolidated Entity has no firm contractual commitments for expenditure not reflected in the financial statements as at the date of this half year report.

Cottesloe Oil and Gas LLC ("Cottesloe"), a wholly owned subsidiary of the Group, was a party to a Joint Operating Agreement ("JOA") with amongst others, Buccaneer Resources LLC ("Buccaneer"), a wholly owned subsidiary of Buccaneer Energy Limited on the Pompano Project ("Pompano"). During 2011 the Operator proposed activities at Pompano which Cottesloe declined to participate in thus impacting its status and future rights and obligations under the JOA. The remaining JV partners ultimately elected to shut in the wells and relinquish the two associated leases during 2012 with abandonment obligations remaining outstanding. Buccaneer applied for bankruptcy and following various bankruptcy proceedings since the initial filing for bankruptcy, the remaining assets of Buccaneer have been transferred to a Liquidating Trustee whose responsibility is to dispose of the remaining Buccaneer assets. The liquidation plan for Buccaneer (the "Plan") provides that the rights of certain parties remain unaltered by the bankruptcy until such time as there is a claim to pay for the obligation to plug and abandon the wells in the Pompano field. The Plan further provides that the assets associated with the Pompano field (the platform and right of access to the well site) were conveyed to the Liquidating Trustee.

It is unclear whether Cottesloe is still a party to the JOA, but if this is the case, there is the possibility that in the event of a default by the operator on its share of the abandonment cost of the platform, associated infrastructure and the wells, then Cottesloe could potentially be liable for its increased proportionate share of the cost. Cottesloe's only asset is a cash backed bond, the face value of which (including capitalised interest) is now approximately US$581,000 in favour of the previous owner of the platform and associated infrastructure which can be called upon in the event Cottesloe defaults on its share of the abandonment costs of this infrastructure. The cash backed bond provided by Cottesloe does not extend to any costs of abandoning the wells. There is no parent company guarantee in place between the Company and any of the other co-venturers in the Pompano project and therefore there is limited recourse to the Company or any other subsidiary of the Group should a claim be made on Cottesloe for an amount in excess of its assets.

11. Fair Values of Financial Instruments

Recurring fair value measurements

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

Fair values of financial instruments not measured at fair value

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

12. Events Occurring After Reporting Date

Other than as disclosed elsewhere in this half-year financial report, no event has arisen since 31 December 2017 that would be likely to materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity.

13. Related Party Transaction

There have been no changes to related parties from those disclosed in the 30 June 2017 financial statements other than the resignation of Mr Sam Willis as Non-Executive Director which occurred on 30 October 2017.

During the half-year, related party transactions were limited to the payment of an executive salary to the Managing Director and director fees to Non-Executive directors. In addition, the Managing Director was issued with four million Performance Rights (approved by shareholders at the 2017 Annual General Meeting), the details of which are disclosed in the Share Based Payments Note 7.