elixir petroleum limited

and controlled entities

ABN 51 108 230 995

Directors Report and Audited Financial Statements for the financial year ended 30 June 2016

DIRECTORS

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

Mr Ray Barnes
Mr Dougal Ferguson
Mr Sam Willis
Mr Mark O'Clery (*resigned 30 September 2015)*

Other than as stated above, each Director held office from 1 July 2015 until the date of this report.

PRINCIPAL ACTIVITIES

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

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2016 (2015: Nil).

REVIEW OF OPERATIONS

Operating Results

For the financial year ended 30 June 2016, the Group recorded a net loss from continuing operations after tax of $735,704 (2015: $2,124,605) after charging as expenses administration costs of $730,522 (2015: $949,558) and lease operating costs of $10,947 (2015: $28,733).

The Group's primary focus during the year was the pursuit of production and appraisal opportunities in the current lower oil price environment together with a focus on continued cost reductions and maintaining the good standing of its existing asset portfolio, particularly the Petra Project in Colorado.

On 13 August 2015, the Group delivered an initial independent prospective resource assessment for the Petra Project that estimated an un-risked net present value of US$41.8MM net to Elixir for the Mississippian and the Cherokee A formations. These valuations were based on West Texas Intermediate (WTI) oil price of US$50/bbl and production curves generated from publicly available analogue field data from surrounding fields. However, due to significant uncertainty around the oil price at the time, the Company and its joint venture partner agreed to delay the proposed drilling timeframe and agreed to extend date required for drilling the Petra Project to 31 December 2016.

On 26 October 2015, the Group announced it had successfully identified and negotiated an opportunity to acquire a 57.5% working interest in the Cliff Head producing oil field located in Western Australia. Following a number of months of negotiating the final terms of the agreement with the vendor, the Group was outbid by a third party and the vendor accepted the significantly higher bid. The Board, although disappointed with the outcome and the manner in which the transaction was concluded, considers that the offer made by the Group for Cliff Head fully valued the asset and the Board would not have been prepared to match the final sale price in any event.

Subsequent to year-end, the Board has quickly committed to a reconstruction of the Group, the detail of which are outlined in the section below. The Board has continued to focus on cost reduction across the business with the majority of non-essential expenditure eliminated from the business. The majority of the exploration expenditure incurred in the year ended 30 June 2016 has been expended ensuring the continued good standing of the Petra Project in Colorado. General and administration cash costs have been significantly reduced again this year with cash costs for general and administration down by over 30%.

The Group continues to evaluate a number of other new venture opportunities, but as at this point, none of these new opportunities meet the financial or technical screening criteria of the Company.

Corporate and Financial

The Company undertook a placement and a fully subscribed Share Purchase Plan (SPP) which raised $568,302 (pre costs) through the issue of 568,303,096 shares. The capital raising was well supported by both existing shareholders and new investors and provided the Group the necessary funding to provide additional working capital to pursue the Cliff Head oil field acquisition in addition to ongoing working capital.

At the Company's Annual General Meeting, which was held on 30 November 2015, shareholders approved the issue of 85,250,000 shares to directors in lieu of the directors reducing their salary and fees by 50% for a six month period from

1 September 2015 through to 31 March 2016. This reduction in salary and fees saved the Company $85,250 over the six-month period. Shareholders also approved the issue of 75,000,000 Options to the Managing Director exercisable at $0.018 per option vesting over two years.

On 30 September 2015, the Company cancelled 4,000,000 non-executive Director Options following the resignation of Mr O'Clery. On 31 July 2015, 15,000,000 Performance Rights issued to the Managing Director lapsed and were cancelled. There were no other changes to the capital structure during the financial year.

At 30 June 2016, the Group held cash totalling $423,895 (2015: $568,500).

Board and Management Changes

During the financial year, Mr Mark O'Clery resigned from his position as non-executive director and Mr Nicholas Ong resigned as Company Secretary, both resignations effective 30 September 2015. Mr Ong was not replaced and Mr Dougal Ferguson, the Managing Director, currently performs the duties of the Company Secretary.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than those events noted above, there were no other significant changes in the state of affairs of the Group during the year that requires separate disclosure.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

The following events occurred subsequent to 30 June 2016 that will have a material effect on the Group.

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

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

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

On 31 August 2016, the Company lodged an Offer Document with ASX for a 1:1 non-renounceable rights issue at $0.02 for all eligible shareholders and the Offer Document was dispatched to shareholders on 7 September 2016 to raise up to $1,789,468 (before costs).

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATIONS

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

INFORMATION ON DIRECTORS

Mr. Ray Barnes – Non-Executive Chairman
Qualifications: B.Sc(Hons)
Board Committees: Member of Audit Committee

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

Other current Directorships of Australian listed public companies:
Nil

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

Interests in shares and Options over shares in Group companies at the date of this report:
610,000 fully paid ordinary shares
80,000 listed Options exercisable at $0.375 and expiring on 30 September 2016
1,000,000 unlisted Options exercisable at $0.04 and expiring on 30 September 2019

Mr Dougal Ferguson – Managing Director
Qualifications: B.Bus, GAICD

Mr Ferguson has over 23 years of experience in senior management positions in listed upstream oil and gas for both domestic and international companies. Mr Ferguson has held senior positions with Salinas Energy Limited, ARC Energy Limited, Adelphi Energy Limited and Discovery Petroleum Limited, whilst also spending seven years in London with Premier Oil plc and Hess Corporation. He has gained broad commercial and technical experience working in business development and commercial roles in small to medium exploration and production companies.

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

Other current Directorships of Australian listed public companies:
Nil

Former Directorships of Australian listed public companies in last three years:
AssembleBay Limited (previously Sirocco Energy Limited)

Interests in shares and Options over shares in Group companies at the date of this report:
6,508,000 fully paid ordinary shares
300,000 listed Options exercisable at $0.375, expiring on 30 September 2016
600,000 incentive Options exercisable at $0.25 and expiring 30 April 2017
3,000,000 incentive Options exercisable at $0.045 and expiring 30 November 2018
1,000,000 unlisted Options exercisable at $0.04 and expiring 30 September 2019

INFORMATION ON DIRECTORS (continued)

Mr. Sam Willis – Non-Executive Director
Qualifications: B.Com
Board Committees: Member of Audit Committee

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

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

Other current Directorships of Australian listed public companies:
Base Resources Limited (ASX: BSE)

Former Directorships of Australian listed public companies in last three years:
New Standard Energy Limited (ASX: NSE)

Interests in shares and Options over shares in Group companies at the date of this report:
2,040,000 fully paid ordinary shares
300,000 listed Options exercisable at $0.375 and expiring on 30 September 2016
80,000 Class A Director Options exercisable at $0.375, expiring on 15 October 2016
80,000 Class B Director Options exercisable at $0.375, expiring on 15 October 2016
1,000,000 unlisted Options exercisable at $0.04 and expiring 30 September 2019

Mr Mark O'Clery – Non-Executive Director (resigned 30 September 2015)
Qualifications: B.Sc (Hons.)

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

Other current Directorships of Australian listed public companies:
Nil

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

Interests in shares and Options over shares in Group companies at the date of resignation (on a post consolidation basis):
252,278 fully paid ordinary shares
120,000 Listed Options exercisable at $0.375 and expiring on 30 September 2016

COMPANY SECRETARY

Mr Dougal Ferguson also currently acts as the Company Secretary and has done since 1 October 2015. Please refer to the information on Directors detailed above for his qualifications.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2016, and the number of meetings attended by each Director.

	Directors' Meetings		Audit Committee		Remuneration Committee [(2)]	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Ray Barnes	9	9	2	2	-	-
Mr Sam Willis	9	9	2	2	-	-
Mr Dougal Ferguson	9	9	-	-	-	-
Mr Mark O'Clery [(1)]	3	3	1	1	-	-

(1) Mr O'Clery resigned 30 September 2015.

(2) No Remuneration Committee meetings were held during the financial year as there were not any matters to consider that were not agreed by the Board. During the financial year, there were no increases to remuneration for any key management personnel or Directors.

REMUNERATION REPORT (Audited)

This remuneration report outlines the Director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

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

(a) Details of key management personnel

(i) Directors

Ray Barnes	Non-Executive Chairman
Dougal Ferguson	Managing Director and Company Secretary
Mr Sam Willis	Non-Executive Director
Mark O'Clery	Non-Executive Director (*resigned 30 September 2015*)

(b) Remuneration Governance

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

(c) Remuneration philosophy

The performance of the Company, among other things, depends upon the quality of its Directors and management. To prosper, the Company must attract, motivate and retain industry skilled Directors and key management personnel. To this end, the charter adopted by the remuneration committee aims to align rewards with achievement of strategic objectives. The remuneration framework applied provides for a mixture of fixed and variable pay and a blend of short and long term incentives as appropriate.

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

(d) Remuneration structure

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

Non-Executive Directors

Non-executive Directors Fees

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders in a general meeting. At the Company's Annual General Meeting held on the 29 November 2011, the shareholders of the Company approved that the aggregate amount of Director fees payable to Non-Executive Directors of the Company be set at $500,000 per annum in total. Non-Executive director fees for the year ended 30 June 2016 were set at $36,000 per annum with the Non-Executive Chairman fees at $45,000 per annum.

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

Retirement benefits and allowances

No retirement benefits or allowances are paid or payable to Directors of the Company (other than statutory or mandatory superannuation contributions, where applicable).

Key Management Personnel

Base pay

Key management personnel are offered a competitive level of base pay which comprises the fixed (unrisked) component of their pay and rewards. Base pay for senior key management personnel is reviewed annually to ensure market competitiveness. There is no guaranteed base pay increases included in any senior key management personnel contracts.

Short term incentives

Payment of short term incentives is at the sole and absolute discretion of the remuneration committee. The remuneration committee assess the achievement of key performance milestones to determine bonus payments. These milestones require performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods.

Short-term bonus payments may be adjusted up or down in line with under or over achievement relative to target performance levels at the discretion of the remuneration committee. For the year ended 30 June 2016 a bonus payment was awarded to Mr Ferguson of $26,000 (10% of his remuneration package) in relation to the successful identification and procurement of binding terms for a material transaction. No other short-term bonus payments were made to key management personnel of the Group (2015: $26,000):

There have been no forfeitures of bonuses by key management personnel during the current or prior periods and no cash bonuses remained unvested at year end.

Long term Incentive - Share-based compensation

Options over shares in the Company and Performance Rights are granted under the Elixir Petroleum Executive Incentive Plan ('Incentive Plan") which was approved by shareholders at a general meeting on 12 November 2013. The Incentive Plan is designed to provide long-term incentives to the Company's employees and consultants to deliver long-term shareholder returns. Pursuant to the Incentive Plan, participants are granted Options or Performance Rights subject to vesting conditions set by the Board. The terms may be related to periods of service or achievement of certain performance standards. Participation in the Incentive Plan is at the board's discretion and no individual has a contractual right to participate in the Incentive Plan or to receive any guaranteed benefits. Options or Performance Rights granted under the Incentive Plan carry no dividend or voting rights.

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

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

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

Grant Date	Number	Vesting Conditions	Exercise Price	Expiry Date	Value per option at grant date
Share Options[(1)]					
Non-Executive Directors					
3 September 2014	2,000,000	Vested	$0.015	15-Oct-16	$0.001
3 September 2014	2,000,000	Vested	$0.015	15-Oct-16	$0.001
Executive Director					
2 May 2014	15,000,000	Vested	$0.01	30-Apr-17	$0.004
2 December 2015	37,500,000	2 December 2016 [(3)]	$0.0018	30-Nov-18	$0.001
2 December 2015	37,500,000	2 December 2017 [(3)]	$0.0018	30-Nov-18	$0.001
Performance Rights[(2)]					
Executive Director					
4 September 2014	15,000,000	Expired unvested[(2)]	None	31-Jul-15	
4 September 2014	15,000,000	Expired unvested[(2)]	None	31-Jul-16	

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

(2) 50% of the Performance Rights expired on 31 July 2015 with the remaining 50% expiring on 31 July 2016 without vesting.

(3) Incentive options with vesting subject to service conditions being met.

When exercisable, each Option is convertible into one ordinary share of the Company. Further information on the Options and Performance Rights are set out in Note 22 of the Financial Statements.

(f) Group performance

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

The table below shows various commonly used measures of performance for the 2012 to 2016 financial years:

	Year ended 30 June				
	2012	2013	2014	2015	2016
	$	$	$	$	$
Revenues and finance income	436,734	286,600	26,995	26,768	5,167
(Loss) after tax	(2,650,931)	(2,087,203)	(4,610,064)	(2,124,605)	(735,704)
Share price at start of year	0.05	0.05	0.02	0.01	0.01
Share price at end of year	0.05	0.02	0.01	0.01	0.01
Total Shareholder Return (TSR)	(0.00)	(0.03)	(0.01)	(0.02)	(0.01)
Loss per share	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)

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

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

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

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

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

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

2015	Short-term benefits			Post-employment benefits	Share-based payment			
	Cash salary and fees $	Bonus $	Other $	Super-annuation $	Options $	Perfor-mance Rights $	Total $	Perfor-mance Related %
Non-Executive Directors								
Ray Barnes[1]	22,500	-	-	-	-	-	22,500	-
Sam Willis	40,500	-	-	-	2,476	-	42,976	5.8%
Mark O'Clery[2]	40,500	-	8,000	-	2,476	-	50,976	5.8%
Michael Price[3]	22,883	-	-	2,117	-	-	25,000	-
Subtotal Non-Executive Directors	**126,383**	**-**	**8,000**	**2,117**	**4,952**	**-**	**141,452**	**3.7%**
Executive Director								
Dougal Ferguson[4] [5]	237,775	26,000	23,757	22,583	40,150	25,341	375,606	24.4%
Subtotal other executives	**237,775**	**26,000**	**23,757**	**22,583**	**40,150**	**25,341**	**375,606**	**24.4%**
Total Key Management Personnel	**364,158**	**26,000**	**31,757**	**24,700**	**45,102**	**25,341**	**517,058**	**18.7%**

(1) Mr Barnes was appointed as Non-Executive Chairman on 10 December 2014.

(2) Mr O'Clery charged $8,000 for technical work done on the Petra Project acquisition on normal commercial terms.

(3) Mr Price resigned as a Non-Executive Director on 31 December 2014.

(4) Mr Ferguson was appointed Managing Director on 4 September 2014.

(5) Mr Ferguson accrued $23,757 of annual leave during the year.

(h) Service agreements

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

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

(1) Mr Ferguson service agreement commenced 1 May 2014. The contract includes a provision for a cash performance based bonus of up to 40% of the employment contract to be paid for the period ending 30 June 2016 of which 10% was earned.

(2) The notice period applies only to the Company

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

(i) Equity instruments held by key management personnel

Options and Performance Rights holdings

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

30 June 2016(1)	Balance at beginning of year	Granted as compen-sation	Other Purch-ases	Lapsed/ Expired/ Forfeited	Other (2)	Balance at the end of the year(4)	Vested and exercisable	Vested and unex-ercisable
Options								
Ray Barnes	2,000,000	-	-	-	-	2,000,000	2,000,000	-
Sam Willis	11,500,000	-	-	-	-	11,500,000	11,500,000	-
Mark O'Clery(5)	7,000,000	-	-	(4,000,000)	(3,000,000)	-	-	-
Dougal Ferguson	22,500,000	75,000,000	-	-	-	97,500,000	22,500,000	-
	43,000,000	75,000,000	-	(4,000,000)	(3,000,000)	111,000,000	36,000,000	-
Performance Rights(1)								
Dougal Ferguson(3)	30,000,000	-	-	(15,000,000)	-	15,000,000	-	-
	30,000,000	-	-	(15,000,000)	-	15,000,000	-	-

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

(2) "Other" includes options held upon appointment, resignation or retirement during the financial year.

(3) 15,000,000 of the Performance Rights expired on 31 July 2015 with the remaining 15,000,000 expired on 31 July 2016 without vesting.

(4) Effective 18 August 2016, the options of the Company were consolidated on a 1:25 basis in accordance with the ASX Listing Rules resulting in 25 times less options exercisable at 25 times the exercise price. The current options held by directors following the reconstruction are listed in the section on Information on Directors earlier in this Directors' Report.

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

Shareholdings

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

30 June 2016	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other Purchases/ (Sales)	Other changes during the year (1)	Balance at end of year(2)
Ray Barnes	4,000,000	11,250,000	-	-	-	15,250,000
Sam Willis	16,500,000	9,000,000	-	-	-	25,500,000
Mark O'Clery(3)	6,306,940	-	-	-	(6,306,940)	-
Dougal Ferguson	21,350,000	65,000,000	-	20,000,000	-	106,350,000
	48,156,940	85,250,000	-	20,000,000	(6,306,940)	147,100,000

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

(2) Effective 18 August 2016, the shares of the Company were consolidated on a 1:25 basis. The current shares held by directors following the reconstruction are listed in the section on Information on Directors earlier in this Directors' Report.

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

(j) Loans to key management personnel

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

(k) Other transactions with key management personnel

New Standard Energy Limited ("NSE"), a director related entity at that time, provided office space and accounting services from 1 February 2014 through to 30 June 2015. The contract was based on normal commercial terms and conditions.

Aggregate amounts charges during the reporting period are as follows:

	Consolidated Group	
	2016	2015
	$	$
Rent of office building and office supplies	**300**	25,000
Accounting services	**-**	2,000
Purchase of computer equipment	**-**	2,500
	300	29,500

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

Voting of Shareholders at Last Year's Annual General Meeting

The adoption of the remuneration report for the financial year ended 30 June 2015 was put to shareholders of the Company at the Annual General Meeting (AGM) held on 21 November 2015. The resolution was passed by a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

SHARE OPTIONS

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

Grant Date	Number	Exercise Price	Expiry	Vesting
Listed Options				
3 September 2014	12,840,001	$0.375	30 September 2016	No vesting
Total	**12,840,001**			
Unlisted Options:				
2 May 2014	600,000	$0.25	30 April 2017	Vested
3 September 2014	80,000	$0.375	15 October 2016	Vested
3 September 2014	80,000	$0.375	15 October 2016	Vested
2 December 2015	1,500,000	$0.045	30 November 2018	2 December 2016
2 December 2015	1,500,000	$0.045	30 November 2018	2 December 2017
26 August 2016	3,000,000	$0.04	30 September 2019	Vested
Total	**6,760,000**			

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

PERFORMANCE RIGHTS

At the date of this report, no Performance Rights are currently on issue. The balance of the Performance Rights issued to Mr Ferguson in 2014 expired unvested on 31 July 2016.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year, the Company paid a premium of $14,985 (2015:$14,985) in respect of a contract insuring the Directors and officers of Elixir against liabilities incurred as such a Director or officer of the Company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the insured liabilities and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

The Company may deploy the Group's auditors for non-audit services and during the year, the auditors were engaged to provide minor services (refer Note 6) including review of tax implications of a proposed transaction. The Directors are satisfied that the auditor has complied with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is included on page 14 of the financial report.

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

Dougal Ferguson
Managing Director
Perth, Western Australia

30 September 2016

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Australia

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

As lead auditor of Elixir Petroleum Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of Elixir Petroleum Limited

Report on the Financial Report

We have audited the accompanying financial report of Elixir Petroleum Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Elixir Petroleum Limited for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 30 September 2016

Directors' Declaration

In the Directors' opinion:

1. the financial statements and accompanying notes set out on pages 18 to 54 are in accordance with the Corporations Act 2001, including:

    a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date.

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

3. the financial statements and accompanying notes are presented in compliance with IFRS and interpretations adopted by the International Accounting Standards Board.

4. the remuneration disclosures set out in the Directors' report (as part of the audited remuneration report) for the year ended 30 June 2016 comply with section 300A of the Corporations Act 2001; and

5. at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 11 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 11.

The Directors have been given the declarations by the chief operating officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors.

Dougal Ferguson
Managing Director
Perth, Western Australia

30 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Revenue and other Income	(3)	**5,167**	26,768
Depreciation and amortisation expense	(4)	**(953)**	(593)
Impairment of exploration & evaluation expenditure	(14)	**-**	(1,051,494)
Abandonment expense	(16)	**-**	(140,935)
Lease operating costs		**(10,947)**	(28,733)
Foreign exchange gain		**1,551**	19,940
Administration and office costs	(4)	**(730,522)**	(949,558)
Loss from continuing operations before income tax		**(735,704)**	(2,124,605)
Income tax expense	(5)	**-**	-
Loss after income tax		**(735,704)**	(2,124,605)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences		**77,000**	366,844
Other comprehensive income for the year		**77,000**	366,844
Total comprehensive loss for the year		**(658,704)**	(1,757,761)
Net loss attributable to:			
Members of the parent entity		**(735,704)**	(2,124,605)
		(735,704)	(2,124,605)
Total comprehensive loss attributable to:			
Members of the parent entity		**(658,704)**	(1,757,761)
		(658,704)	(1,757,761)
Loss per share for the year attributable to the members of Elixir Petroleum Ltd			
Basic and diluted (loss) per share (cents)	(7)	**(0.05)**	(0.23)

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

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current assets			
Cash and cash equivalents	(8)	**423,895**	568,500
Trade and other receivables	(9)	**4,495**	910
Other assets	(12)	**13,746**	19,710
Total current assets		**442,136**	589,120
Non-current assets			
Trade and other receivables	(9)	**775,215**	750,893
Property, plant and equipment	(13)	**2,860**	3,813
Deferred exploration and evaluation expenditure	(14)	**2,615,953**	2,484,762
Total non-current assets		**3,394,028**	3,239,468
Total assets		**3,836,164**	3,828,588
Liabilities			
Current liabilities			
Trade and other payables	(15)	**148,248**	215,149
Provisions	(16)	**819,138**	774,649
Total current liabilities		**967,386**	989,798
Total liabilities		**967,386**	989,798
Net Assets		**2,868,778**	2,838,790
Equity			
Issued capital	(17)	**70,144,916**	69,510,232
Reserves	(25)	**305,606**	174,598
Accumulated Losses	(25)	**(67,581,744)**	(66,846,040)
Total equity		**2,868,778**	2,838,790

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Share Capital		Reserves			
	Ordinary	Accumulated Losses	Option Premium Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$	$
Consolidated Group						
Balance at 30 June 2014	66,721,736	(64,722,339)	-	8,178	(306,486)	1,701,089
Comprehensive income						
Loss for the year	-	(2,124,605)	-	-	-	(2,124,605)
Exchange differences on translation of foreign operations	-	-	-	-	366,844	366,844
Total comprehensive income/(loss) for the year	-	(2,124,605)	-	-	366,844	(1,757,761)
Transactions with owners, in their capacity as owners, and other transfers						
Forfeit of Performance Rights	-	904	-	(6,000)	-	(5,096)
Forfeit of Options	-	-	-	(971)	-	(971)
Options issued during the year	-	-	-	66,075	-	66,075
Performance rights issued during the year	-	-	-	46,958	-	46,958
Shares issued during the year	3,010,000	-	-	-	-	3,010,000
Share issue costs	(221,504)	-	-	-	-	(221,504)
Total transactions with owners and other transfers	2,788,496	904	-	106,062	-	2,895,462
Balance at 30 June 2015	69,510,232	(66,846,040)	-	114,240	60,358	2,838,790
Comprehensive income						
Loss for the year	-	(735,704)	-	-	-	(735,704)
Exchange differences on translation of foreign operations	-	-	-	-	77,000	77,000
Total comprehensive income/(loss) for the year	-	(735,704)	-	-	77,000	(658,704)
Transactions with owners, in their capacity as owners, and other transfers						
Forfeit of Options	-	-	-	(2,476)	-	(2,476)
Options expensed during the year	-	-	-	32,650	-	32,650
Performance rights expensed during the year	-	-	-	23,834	-	23,834
Shares issued during the year	653,551	-	-	-	-	653,551
Share issue costs	(18,867)	-	-	-	-	(18,867)
Total transactions with owners and other transfers	634,684	-	-	54,008	-	688,692
Balance at 30 June 2016	70,144,916	(67,581,744)	-	168,248	137,358	2,868,778

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		**(568,431)**	(845,367)
Net cash (used in) operating activities	(21a)	**(568,431)**	(845,367)
Cash flows from investing activities			
Payments for capitalised exploration, evaluation and development		**(131,654)**	(2,206,817)
Interest received		**5,167**	30,863
Interest paid		**(674)**	-
Purchase of property, plant and equipment		**-**	(2,500)
Net cash (used in) investing activities		**(127,161)**	(2,178,454)
Cash flows from financing activities			
Proceeds from issues of shares		**568,303**	3,010,000
Payments for share issue costs		**(18,867)**	(221,504)
Net cash provided by financing activities		**549,436**	2,788,496
Net (decrease) in cash held		**(146,156)**	(235,325)
Cash and cash equivalents at beginning of financial year	(8)	**568,500**	783,889
Effect of exchange rates on cash holdings in foreign currencies		**1,551**	19,936
Cash and cash equivalents at end of financial year	(8)	**423,895**	568,500

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

1. Notes to the Consolidated Financial Statements

Basis of preparation

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

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

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

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

(a) Principles of consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

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

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

(b) Going concern

For the year ended 30 June 2016 the Group incurred a loss before income tax of $735,704 (2015: 2,124,605) and had a cash balance of $423,895 (2015: $568,500).

As noted in detail within Note 26, the Company completed several capital raisings subsequent to 30 June 2016 raising approximately $2.2 million (before costs). Subsequent to the capital raisings, the Company now has sufficient funding to progress its forecast exploration and new venture program.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(c) Asset acquisition

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

Notes to the Consolidated Financial Statements (continued)

(d) Income Tax

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

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

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

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

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

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

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

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

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

1. Notes to the Consolidated Financial Statements (continued)

(e) Segment Reporting

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

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

Basis of accounting for purposes of reporting by operating segments

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

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

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

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

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

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

1. Notes to the Consolidated Financial Statements (continued)

(e) Segment Reporting (continued)

(v) *Unallocated items*

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

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

(f) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(i) for details of impairment).

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

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

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	25%

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

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

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

1. Notes to the Consolidated Financial Statements (continued)

(g) Interests in oil and gas properties

Exploration & evaluation expenditure
The Group's accounting policy for expenditure on exploration and of evaluation is accounted for in accordance with the area of interest method.

This approach is strongly linked to the Group's oil and gas reserves determination and reporting process and is considered to most fairly reflect the results of the Group's exploration and evaluation activity because only assets with demonstrable value are carried on the statement of financial position.

Once a decision has been made to develop an oil or gas prospect, accumulated exploration and evaluation costs for that prospect are transferred from Deferred Exploration, Evaluation to Development Projects. Once production commences capitalised costs associated with the producing well are transferred to Oil and Gas Properties and are amortised or depreciated over the useful life of the asset.

This method allows the costs of discovery, evaluation and development of a prospect to be aggregated on the statement of financial position and matched against the benefits derived from production once this commences.

Costs
Exploration licence acquisition costs relating to Greenfields oil and gas exploration provinces are expensed as incurred while the costs incurred in relation to established or recognised oil and gas exploration provinces are initially capitalised and then amortised over the shorter term of the licence or the expected life of the project.

All other exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are charged as expenses as incurred except where:

- the expenditure relates to an area of interest that, at reporting date, no assessment of the existence of economically recoverable reserves has been made; or
- where there exists an economically recoverable reserve and it is expected that the capitalised expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

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

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

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

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

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

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

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

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

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

1. Notes to the Consolidated Financial Statements (continued)

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

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

(h) Financial Instruments

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

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

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

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

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

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

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

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

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

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

1. Notes to the Consolidated Financial Statements (continued)

(h) Financial Instruments (continued)

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

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

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

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

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

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

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

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

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

1. Notes to the Consolidated Financial Statements (continued)

(i) Impairment of Assets

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

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

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

(j) Interests in Joint Operations

The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 10.

(k) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the costs of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, e.g. as the result of share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(l) Foreign Currency Transactions and Balances

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

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

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

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

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

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

1. Notes to the Consolidated Financial Statements (continued)

(l) Foreign Currency Transactions and Balances (continued)

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

(m) Employee Benefits

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

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

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

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

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

(n) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the obligation can be reliably estimated.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

1. Notes to the Consolidated Financial Statements (continued)

(n) Provisions (continued)

Provision for restoration and rehabilitation
Provision is made in the statement of financial position for restoration of operating locations. The estimated restoration and rehabilitation costs are initially recognised as part of the capitalised cost of the relevant project which gave rise to the future obligation. During the production phase of the project the capitalised restoration costs is amortised using the units of production method. Any actual costs incurred by the Group are allocated against the provision.

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

(o) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares on issue during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(p) Cash and Cash Equivalents

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

(q) Revenue recognition

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

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

Interest revenue is recognised using the effective interest method.

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

(r) Trade and Other Receivables

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

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

(s) Trade and Other Payables

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

1. Notes to the Consolidated Financial Statements (continued)

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

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

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

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

(u) Comparative Figures

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

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

(v) Critical Accounting Estimates and Judgments

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

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

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

(ii) *Share-based payment transactions*
The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes valuation model, using the assumptions detailed in Note 22.

(iii) *Rehabilitation obligations*
The Group estimates its share of the future removal and remediation costs of oil and gas platforms, production facilities, wells and pipelines at the time of acquisition or installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of remediation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of provision for rehabilitation refer to Note 1(n).

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

1. Notes to the Consolidated Financial Statements (continued)

(v) Critical Accounting Estimates and Judgments (continued)

Key Judgments

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

(i) *Exploration and Evaluation Expenditure*

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

(ii) *Oil & Gas Properties*

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

(iii) *Deferred Tax Assets*

The Group has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the appropriate jurisdictions.

Taxation of oil and gas activities in the US allows a number of alternative treatments which are not available under Australian taxation legislation. In particular, companies may elect to:

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

The election to expense IDC applies to all expenditures incident to and necessary for the drilling of wells and the preparation of wells for the production of oil or gas. Once the election to expense IDC is made, the election is binding upon the taxpayer for the first taxable year for which it is effective and for all subsequent taxable years.

At reporting date a determination had not been made as to whether the cost or percentage depletion method would apply for the current years US income tax calculation. The directors have not recognised a deferred tax asset or liability in respect of this potential difference in the tax base of these properties as they do not believe it is capable of being reliably estimated at reporting date.

1. Notes to the Consolidated Financial Statements (continued)

(w) New standard and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for ended 30 June 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

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

1. Notes to the Consolidated Financial Statements (continued)

(w) New standard and interpretations (continued)

Title of standard	Summary	Impact on 2016 Financial Statements	Application Date/Date adopted by company
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 119 Employee Benefits Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to share-based payment transactions for which the grant date is on or after 1 January 2016.	Annual reporting periods commencing on or after 1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgement in determining where and in what order information is present in the financial disclosures.	There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only.	Annual reporting periods commencing on or after 1 January 2016

2. Parent Entity Information

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

	2016	2015
	$	$
Statement of Financial Position		
Assets		
Current Assets	**409,919**	537,810
Non-current Assets	**2,592,267**	2,428,132
Total assets	**3,002,186**	2,965,942
Liabilities		
Current Liabilities	**133,408**	127,242
Total Liabilities	**133,408**	127,242
Net assets	**2,868,778**	2,838,700
Equity		
Issued Capital	**70,144,916**	69,510,232
Accumulated Losses	**(67,444,386)**	(66,785,772)
Share-based Payment Reserve	**168,248**	114,240
Total Equity	**2,868,778**	2,838,700
Statement of Profit or Loss and other Comprehensive Income		
Total loss	**(658,614)**	(1,757,850)
Total comprehensive loss	**(658,614)**	(1,757,850)

As at 30 June 2016 amounts receivable from controlled entities at cost totalled $7,332,130 (2015: $20,345,662). During the year an amount of $13,216,878 was written off following the winding up of Elixir Petroleum (Europe) Limited. An offsetting reduction in the impairment of amounts receivable of $13,915,250 was booked for the year ended 30 June 2016 resulting in a net carrying value of amounts receivable from controlled entities of $1,509,253 (2015: $1,327,740).

Guarantees
Elixir Petroleum Limited has entered into a cross guarantee with Elixir Petroleum (Australia) Pty Ltd, a wholly owned subsidiary with the full details being disclosed at Note 11.

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

Inter-company Account
Elixir Petroleum Limited provides working capital to its controlled entities. Transactions between Elixir Petroleum Limited and other controlled entities in the Group during the year ended 30 June 2016 consisted of:

- Working capital advanced by Elixir Petroleum Limited.
- Provision of services by Elixir Petroleum Limited.
- Expenses paid by Elixir Petroleum Limited on behalf of its controlled entities.

The above transactions were made interest free with no fixed terms for the repayment of amounts advanced by Elixir Petroleum Limited.

3. Revenue and Other Income

	Consolidated Group	
	2016	2015
	$	$
Revenue from continuing operations		
Other revenue		
Interest received	**5,167**	26,768
Total revenue	**5,167**	26,768

4. Loss for the Year

Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Depreciation of plant and equipment	**953**	593
	953	593
Administration and office costs		
Corporate compliance	**126,781**	123,943
Corporate management costs	**311,263**	485,098
Business Development and Consultants	**42,621**	110,478
Rent of Office space	**27,526**	27,421
General administration	**79,738**	98,987
Share based payments	**142,593**	103,631
	730,522	949,558

During the current year, the Group has continued efforts to reduce corporate management cost and other general and administrative expenses, including all directors agreeing to take shares in lieu of a portion of their fees. Non-cash share based payments expense increased and is a function of valuation of Performance Rights and Options and also shares issued to Key Management Personnel in lieu of fees. None of the Performance Rights or Options had been converted into shares as at the end of the financial year.

5. Tax Expense

	Consolidated Group	
	2016	2015
	$	$
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)		
- Consolidated group	**(220,711)**	(637,381)
Add/less tax effect of:		
- Foreign tax losses not recognised	**8,030**	46,655
- Tax losses and other timing differences for which no deferred tax asset has been recognised	**166,403**	652,375
- Permanent differences arising from non-allowable items	**17,489**	(230,652)
- Effect of foreign tax differential	**28,789**	169,003
Income tax attributable to entity	**-**	-
The following deferred tax balances have not been recognised		
Deferred tax assets		
Tax losses	**9,497,549**	7,122,574
Unrealised foreign exchange gains / losses	**41,208**	18,108
Capital Raising Costs	**71,013**	31,278
Provisions and accruals	**298,433**	45,932
Total deferred tax assets	**9,908,203**	7,217,892
Deferred tax liability		
Unrealised foreign exchange gains	**-**	-
Exploration deductions	**(141,601)**	(245,317)
Total deferred tax liability	**(141,601)**	(245,317)
Net deferred asset not recognised	**9,766,602**	6,972,575

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

6. Auditor's Remuneration

BDO Audit (WA) Pty Ltd		
Remuneration of the auditor for:		
- auditing or reviewing the financial report	**28,190**	35,980
BDO Tax (WA) Pty Ltd	**1,300**	-
	29,490	35,980
Greenwich and Co. (previously KSI (WA) Pty Ltd)		
Remuneration of the auditor for:		
- auditing or reviewing the financial statement of subsidiaries	**8,000**	13,500
	8,000	13,500

7. Loss per Share

		Consolidated Group 2016 $	2015 $
(a)	Reconciliation of earnings used in calculating earnings per share:		
	Loss attributable to the ordinary equity holders of the company:	**(735,704)**	(2,124,605)
		Shares	Shares
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**1,443,350,978**	926,072,877
		Cents	Cents
(c)	Basic and diluted loss per share	**(0.05)**	(0.23)

8. Cash and Cash Equivalents

Cash at bank and on hand	**423,895**	568,500

Information about the Group's exposure to foreign exchange risk and interest rate risk in relation to cash and cash equivalents is provided in Note 24.

9. Trade and Other Receivables

	Consolidated Group 2016 $	2015 $
Current		
Trade receivables	**4,495**	910
Non-Current		
Other receivables (Performance Bond)	**775,215**	750,893

Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as Other Receivables is considered to be the main source of credit risk related to the Group. Due to the nature of these receivables (cash backed bond), their carrying value is assumed to approximate their fair value.

Impaired trade receivables

No Group trade receivables were past due or impaired as at 30 June 2016 (2015: nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business.

10. Joint Arrangements

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

Project	Blocks/Leases	Activity	Location	Working Interest	
				2016	2015
Petra Project[(1)]	Various	Oil & Gas field, exploration project	USA	**50%**	50%
Pompano Project[(2)]	446-L SE/4	Oil & Gas field, production project	USA	**25%**	25%

(1) Elixir, through its wholly owned subsidiary, Elixir Petroleum (Petra) LLC, owns a 50% working interest across all leases in over 30,000 net acres in Washington County, Colorado, USA. Elixir is required to fund further exploration expenditure under a Sale and Purchase Agreement to retain its full 50% working interest across all the leases. If Elixir does not fund the remaining exploration expenditure, certain leases will reduce from a 50% to a 25% working interest.

(2) Cottesloe Oil and Gas LLC ("Cottesloe"), a wholly owned subsidiary of the Group, was a party to a Joint Operating Agreement with respect to the Pompano project. It is unclear whether Cottesloe remains a party to this Agreement. Refer Note 19.

11. Controlled Entities

Controlled Entities Consolidated

Subsidiaries of Elixir Petroleum Limited:	Country of Incorporation	Percentage Owned [(1)]	
		2016	2015
Elixir Petroleum (Australia) Pty Ltd	Australia	**100%**	100%
Elixir Petroleum (Europe) Ltd [(2)]	United Kingdom	**-**	100%
Elixir Petroleum (France) Ltd [(3)]	United Kingdom	**-**	100%
Elixir Petroleum (Moselle) Ltd	United Kingdom	**100%**	100%
Elixir Petroleum (Colorado) LLC	USA	**100%**	100%
Elixir Petroleum (Petra) LLC	USA	**100%**	100%
Cottesloe Oil & Gas LLC	USA	**100%**	100%
Cottesloe Oil & Gas Inc	USA	**100%**	100%

(1) Percentage of voting power is in proportion to ownership.
(2) Elixir Petroleum (Europe) Ltd was de-registered during the financial year.
(3) Elixir Petroleum (France) Ltd was de-registered during the financial year.

11. Controlled Entities (continued)

Elixir Petroleum Limited and Elixir Petroleum (Australia) Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debtors of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

		Closed Group 2016 $	Closed Group 2015 $
Financial information in relation to:			
(i)	**Statement of Profit or Loss and Other Comprehensive Income:**		
	Loss before income tax	**(658,614)**	(9,686,760)
	Income tax expense	**-**	-
	Loss after income tax	**(658,614)**	(9,686,760)
	Loss attributable to members of the parent entity	**(658,614)**	(9,686,760)
(ii)	**Accumulated losses:**		
	Accumulated losses at the beginning of the year	**(67,872,177)**	(58,186,321)
	Value of options lapsed during the year	**-**	904
	Loss after income tax	**(658,614)**	(9,686,760)
	Accumulated losses at the end of the year	**(68,530,791)**	(67,872,177)
(iii)	**Statement of Financial Position:**		
	Current Assets		
	Cash and cash equivalents	**400,766**	528,570
	Trade and other receivables	**4,158**	910
	Other current assets	**4,995**	8,330
	Total current assets	**409,919**	537,810
	Non-current Assets		
	Receivables	**1,502,834**	1,321,116
	Investment in subsidiaries	**168**	16,796
	Other plant and equipment	**2,860**	3,812
	Total non-current assets	**1,505,862**	1,341,724
	Total assets	**1,915,781**	1,879,534
	Current Liabilities		
	Trade and other payables	**133,408**	127,239
	Total current liabilities	**133,408**	127,239
	Total liabilities	**133,408**	127,239
	Net assets	**1,782,373**	1,752,295
	Equity		
	Issued capital	**70,144,916**	69,510,232
	Reserves	**168,248**	114,240
	Accumulated losses	**(68,530,791)**	(67,872,177)
		1,782,373	1,752,295

During the current year the investment in subsidiaries was adjusted to reflect the de-registration of Elixir Petroleum (Europe) Ltd and Elixir Petroleum (France) Ltd.

12. Other Assets

	Consolidated Group	
	2016	2015
	$	$
Prepayments (prepaid insurance)	**13,746**	19,710

13. Property, Plant and Equipment

Property, Plant and Equipment		
Opening balance	**3,813**	1,906
Additions	**-**	2,500
Disposals	**-**	-
Depreciation	**(953)**	(593)
Net Carrying value	**2,860**	3,813

14. Deferred exploration & evaluation expenditure

Balance at 1 July	**2,484,762**	1,000,000
Amount Capitalised during the year	**51,630**	2,490,972
Impairment	**-**	(1,051,494)
Foreign Exchange Movements	**79,561**	45,284
Balance at 30 June	**2,615,953**	2,484,762

The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and exploitation, or alternatively sale, of the respective area of interest. The Directors have determined that the deferred exploration and evaluation expenditure currently capitalised, which relates solely to the Petra Project in Colorado, is appropriate for its early stage of exploration. The impairment charge for 2015 relates to the Moselle Permit in France which was fully impaired in that year.

15. Trade and Other Payables

Current		
Unsecured liabilities		
Trade payables	**11,880**	197,627
Sundry payables and accrued expenses	**136,368**	17,522
	148,248	215,149

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

16. Provisions

	Consolidated Group 2016 $	2015 $
Current		
Oil Well Restoration		
Opening balance at 1 July	**750,892**	484,816
Additional Provisions (1)	**-**	140,935
Amounts used	**-**	-
Foreign currency movement	**24,323**	125,141
Balance at 30 June	**775,215**	750,892
Short-term Employee Benefits		
Opening balance at 1 July	**23,757**	-
Leave entitlements accrued	**20,166**	23,757
Balance at 30 June	**43,923**	23,757
Total Current	**819,138**	774,649

(1) The provision for abandonment of the Pompano Project was increased to US$575,000 during 2015 to reflect the full value of the Performance Bond in place to cover abandonment liabilities. Refer to Note 19 for more details.

17. Issued Capital

	Consolidated Group 2016 $	2015 $
Fully paid ordinary shares	**70,144,916**	69,510,232
	70,144,916	69,510,232

(a) **Movement in ordinary share capital**	**2016 No.**	2015 No.
At the beginning of the reporting period	**1,033,278,356**	431,278,356
Shares issued during the year		
- 4 September 2014	**-**	602,000,000
- 2 November 2015: Share placement	**258,319,589**	-
- 25 November 2015: Share purchase plan	**309,983,507**	-
- 7 December 2015: Shares issued to directors	**85,250,000**	-
At the end of the reporting period	**1,686,831,452**	1,033,278,356

All shares issued in the 2016 financial year were issued at a price of $0.001 per share. Shares issued in the 2015 financial year were issued at $0.005 per share.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

17. Issued Capital (continued)

(b) **Options**

(i) For information relating to the details of Options issued, exercised and lapsed during the financial year and the Options outstanding at year-end refer to Note 22: Share-based Payments.

(ii) For information relating to share Options issued to key management personnel during the financial year refer to Note 22: Share-based Payments.

(c) **Capital Risk Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

18. Capital and Leasing Commitments

	Consolidated Group	
	2016	2015
	$	$
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable—minimum lease payments		
not later than 12 months	**24,200**	5,000
between 12 months and 5 years	**-**	-
	24,200	5,000

19. Contingent Liabilities

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

It is unclear whether Cottesloe is still a party to the JOA, but if this is the case, there is the possibility that in the event of a default by Buccaneer on its share of the abandonment cost of the platform, associated infrastructure and the wells, then Cottesloe will potentially be liable for its increased proportionate share of the cost. Buccaneer states in its latest annual report that it has a 65% working interest in the Pompano project. Cottesloe's only significant asset is a cash backed bond of US$575,000 in favour of the previous owner of the platform and associated infrastructure which can be called upon in the event Cottesloe defaults on its share of the abandonment costs of this infrastructure. The cash backed bond provided by Cottesloe does not extend to any costs of abandoning the wells. There is no parent company guarantee in place between the Company and any of the other co-venturers in the Pompano project and therefore there is limited recourse to the Company or any other subsidiary of the Group should a claim be made on Cottesloe for an amount in excess of its assets.

20. Operating Segments

General Information

Identification of reportable segments

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

Management has determined, based on the reports reviewed by the Board of Directors that are used to make strategic decision, that the Group had two reportable segments during 2016 (2015: three) being oil and gas exploration in France and oil and gas exploration in the United States of America (USA). The Group's management and administration office is located in Australia.

(i) Segment Performance

30 June 2016	Oil & Gas Production (USA) $	Oil & Gas Exploration (UK) $	Oil & Gas Exploration (France) $	Other Corporate Activities $	Total $
Revenue from external sources	-	-	-	5,167	5,167
Reportable segment (loss)	(43,859)	-	(19,336)	(672,509)	(735,704)
Reportable segment assets	3,400,256	-	23,130	412,778	3,836,164
Reportable segment liabilities	801,278	-	32,700	133,408	967,386
30 June 2015					
Revenue from external sources	-	-	-	26,768	26,768
Reportable segment profit/(loss)	(222,449)	5,462	(1,102,279)	(805,339)	(2,124,605)
Reportable segment assets	3,247,034	13,585	26,346	541,623	3,828,588
Reportable segment liabilities	836,820	-	25,736	127,242	989,798

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

21. Cash Flow Information

	Consolidated Group 2016 $	2015 $
(a) Reconciliation of Cash Flow from Operations with Loss		
Loss after income tax	**(735,704)**	(2,124,605)
Non-operating cash flows		
Interest Income	**(5,167)**	(26,768)
Interest paid	**674**	-
Non-cash flows in profit		
Impairment write down of oil and gas properties	**-**	1,051,494
Provision for abandonment	**-**	140,935
Depreciation, depletion & amortisation	**953**	593
Share-based payment	**142,592**	103,631
Net exchange rate differences	**(10,017)**	86,798
(Increase)/decrease in current assets	**(956)**	11,798
Increase/(decrease) in current liabilities	**19,028**	(113,000)
Increase/(decrease) in provisions	**20,166**	23,757
Cash flow used in operations	**(568,431)**	(845,367)

(b) **Non-cash financing and investing activities**

During the year ended 30 June 2016, the Group incurred share based payments expense of $142,592 net of the effect of forfeited options and Performance Rights (2015: $103,631). Included in the share based payments expense are shares issued in lieu of director fees totalling $85,250 (refer to the Remuneration Report). There were no other non-cash financing and investing activities.

22. Share Based Payments

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

Share based payments issued to third parties:
No options were granted to third parties in 2016. No options granted to advisors in 2015 have been exercised.

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

	Consolidated Group			
	2016		2015	
Movement in Options	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Opening balance	43,000,000	$0.013	15,000,000	$0.010
Options Granted	75,000,000	$0.0018	32,000,000	$0.015
Options Forfeited [(1) (2)]	(4,000,000)	$0.015	(4,000,000)	$0.015
Closing balance	114,000,000	$0.0057	43,000,000	$0.013
Options exercisable at year end	39,000,000		7,500,000	
Movement in Performance rights				
Opening balance	30,000,000		1,000,000	
Performance Rights Granted [(3)]	-		30,000,000	
Rights Lapsed [(4)]	(15,000,000)		(1,000,000)	
Closing balance	15,000,000		30,000,000	

(1) 4,000,000 options issued to Michael Price were cancelled following Mr Price's resignation on 31 December 2014.

(2) 4,000,000 options issued to Mark O'Clery were cancelled following Mr O'Clery's resignation on 30 September 2015.

(3) The Performance Rights issued in 2014 were to vest over two years upon the attainment of certain share price related hurdles.

(4) 50% of the Performance Rights were measured on 31 July 2015 and none vested and were subsequently forfeited, with the balancing being measured against the share price hurdles on 31 July 2016 where again, none vested and were forfeited after year end.

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

	Key Management Personnel	Key Management Personnel
Number of options issued	37,500,000	37,500,000
Vesting Date	2 December 2017	2 December 2018
Fair Value of Security at measurement date	$0.00057	$0.00057
Share Price at Grant Date	$0.001	$0.001
Exercise Price	Nil	Nil
Expected Volatility	100%	100%
Option Life	3 years	3 years
Expected Dividends	Nil	Nil
Risk Free interest rate	2.93%	2.93%

The weighted average fair value of all Options granted during the year was $42,775. Vesting of the above Options are subject to the service conditions being met.

22. Share Based Payments (continued)

Shares issued during the year to key management personnel included 85,250,000 shares issued to directors in lieu of cash salaries and fees. The cash salaries and fees not taken amounted to $85,250 and as at the date of shareholder approval being received on 30 November 2015, the weighted average share price of the Company's shares was $0.001 per share. The amount of $85,250 is included in the share based payments expense below and is further detailed in the remuneration report.

	Consolidated Group	
	2016	2015
	$	$
Total share based payments expense is made up of the following;		
Share based payments expense		
- Options expense	**30,174**	45,102
- Performance Rights expense	**23,834**	41,864
Shares issued to Directors in lieu of salaries and fees	**85,250**	-
Corporate advisory fee expense	**3,335**	16,665
	142,593	103,631

23. Related Party Transactions

The Group's main related parties are as follows

(i) Entities exercising control over the Group:

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

(ii) Key Management Personnel Compensation:

Refer to the Remuneration Report contained in the Directors' Report for detailed remunerations disclosures of payments to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

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

	Consolidated Group	
	2016	2015
	$	$
Short-term employee benefits	**294,315**	421,915
Post-employment benefits	**16,948**	24,700
Share-based payments	**139,258**	70,443
Total KMP compensation	**450,521**	517,058

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

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

23. Related Parties (continued)

(iv) Transactions with other related parties:

New Standard Energy Limited ("NSE"), a director related entity at that time, provided office space and accounting services from 1 February 2014 through to 30 June 2015. The contract was based on normal commercial terms and conditions.

Aggregate amounts charges during the reporting period are as follows:

	Consolidated Group	
	2016	2015
	$	$
Rent of office building and office supplies	**300**	25,000
Accounting services	**-**	2,000
Purchase of computer equipment	**-**	2,500
	300	29,500

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

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

There are no outstanding balances arising from sale/purchases of goods and services (30 June 2015: Nil).

(v) Loan to / from related parties:

There were no loans to or from related parties during the year (30 June 2015: Nil).

24. Financial Risk Management

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

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

		Consolidated Group	
		2016	2015
	Note	**$**	$
Financial Assets			
Cash and cash equivalents	(8)	**423,895**	568,500
Loans and receivables	(9)	**779,710**	751,803
Total Financial Assets		**1,203,605**	1,320,303
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	(15)	**148,248**	215,149
Total Financial Liabilities		**148,248**	215,149

Financial Risk Management Policies

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

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

24. Financial Risk Management (continued)

Specific Financial Risk Exposures and Management

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

(a) Credit risk

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

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

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

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries (refer Note 11 for details).

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographic basis, the Group had credit risk exposures to Australia, the USA, France and the United Kingdom given the operations in those regions. Details with respect to credit risk of Trade and Other Receivables is provided in Note 9.

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

		Consolidated group	
		2016	2015
	Note	**$**	$
Cash and cash equivalents			
AA Rated		**423,895**	528,589
A Rated		**-**	39,911
	(8)	**423,895**	568,500

24. Financial Risk Management (continued)

(b) Liquidity risk

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

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

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

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

Financial liability and financial asset maturity analysis

	Within 1 Year		**1 to 5 years**		**Over 5 years**		**Total**	
Consolidated Group	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Financial liabilities due for payment								
Trade and other payables	148,248	215,149	-	-	-	-	148,248	215,149
Total expected outflows	148,248	215,149	-	-	-	-	148,248	215,149
Financial Assets - cash flows realisable								
Cash and cash equivalents	423,895	568,500	-	-	-	-	423,895	568,500
Trade, term and loans receivables	4,495	910	775,215	750,892	-	-	779,710	751,803
Total anticipated inflows	428,390	569,410	775,215	750,892	-	-	1,203,605	1,320,303
Net (outflow) / inflow on financial instruments	280,142	354,261	775,215	750,892	-	-	1,055,357	1,105,154

24. Financial Risk Management (continued)

(c) Market Risk

(i) Interest rate risk

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

(ii) Foreign exchange risk

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

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

During the year the Board decided that it would not be beneficial for the Group to purchase forward contracts or other derivative financial instruments to hedge its foreign exchange risk. Factors which the board considered in arriving at this position included, the expense of purchasing such instruments, the inherent difficulties associated with forecasting the timing and quantum of the USD and GBP outflows and the Group's foreign exchange holdings. The Board regularly monitors the Group's foreign exchange requirements and its foreign exchange risk. The board may in future period enter into transaction to hedge its foreign exchange risk if it is beneficial to do so.

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

	2016		2015	
	USD	**GBP**	**USD**	**GBP**
Cash	-	23,130	-	39,931
Trade and other receivables	337	-	-	-
Non-current receivables	775,215	-	750,892	-
Trade Payables	(26,063)	(32,700)	(85,927)	(25,756)
	749,489	(9,570)	664,965	14,175

(iii) Other price risk

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

Sensitivity Analysis

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

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

	Consolidated Group	
Year ended 30 June 2015	**Profit $**	**Equity $**
+/- 0.9% in interest rates	6,085	6,085
+/- 20% in AUD relative to USD & GBP	568,958	568,958

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

24. Financial Risk Management (continued)

(iv) Fair values

Recurring fair value measurements

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

Fair values of financial instruments not measured at fair value

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

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

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

25. Reserves and Accumulated Losses

	Consolidated Group	
	2016	2015
Foreign currency translation reserve		
Opening Balance	60,358	(306,486)
Currency translation differences arising during the year	77,000	366,844
Closing Balance	**137,358**	60,358
Option Premium Reserve		
Opening Balance	**-**	-
Lapsed Options written to accumulated losses	**-**	-
Closing Balance	**-**	-
Share-based payment reserve		
Opening Balance	**114,240**	8,178
Options granted/expensed during the year	**32,650**	66,076
Performance Rights granted/expensed during the year	**23,834**	46,957
Forfeit of Options/Performance Rights	**(2,476)**	(6,971)
Closing Balance	**168,248**	114,240
Accumulated losses		
Opening balance	**(66,846,040)**	(64,722,339)
Net loss for the year	**(735,704)**	(2,124,605)
Forfeit/Lapse of Options	**-**	904
Closing balance	**(67,581,744)**	(66,846,040)

25. Reserves and Accumulated Losses (continued)

The share-based payment reserve is used to record the deferred expense in relation to share based payments. During the year, share options issued to Mr Mark O'Clery, a former Director, were forfeited upon his resignation resulting in a de-recognition of $2,476.

The foreign currency translation reserve is used to record exchange differences arising on consolidation of subsidiaries with different functional currencies from the Company.

With respect to the payment of dividends (if any) by the Company in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months. No dividends were paid or declared during the current financial year.

26. Events After the Reporting Period

The following events occurred subsequent to 30 June 2016 which will have a material effect on the Group.

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

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

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

On 31 August 2016, the Company lodged an Offer Document with ASX for a 1:1 non-renounceable rights issue at $0.02 for all eligible shareholders and the Offer Document was dispatched to shareholders on 7 September 2016 to raise up to $1,789,468 (before costs).

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

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