elixir
petroleum limited

2018 Annual Report

Elixir Petroleum Limited and controlled entities
ABN 51 108 230 995

Contents

Corporate Directory	**1**
Chairman's Letter	**2**
Review of Operations	**3**
Corporate Governance	**7**
Directors' Report	**8**
Auditor's Independence Declaration	**19**
Independent Audit Report	**20**
Directors' Declaration	**23**
Consolidated Statement of Profit or Loss and Other Comprehensive Income	**24**
Consolidated Statement of Financial Position	**25**
Consolidated Statement of Changes in Equity	**26**
Consolidated Statement of Cash Flows	**27**
Notes to the Consolidated Financial Statements	**28**
Additional Securities Exchange Information	**60**

Corporate Directory

Directors

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

Company Secretary
Mr Dougal Ferguson

Registered and Principal Administration Office
1202 Hay Street
West Perth 6005
Western Australia

PO Box 180
West Perth 1445
Telephone: (+61) 8 9226 2111

Share Registry
Security Transfer Registrars Pty Ltd
PO Box 535
Applecross 6953
Western Australia
Telephone: (+61) 3 9628 2200

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

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

Auditors - UK
Greenwich and Co.
Level 2, 35 Outram Street
West Perth 6005
Western Australia

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

Website and Email
www.elixirpetroleum.com
info@elixirpetroleum.com

Chairman's Letter

Dear Shareholder

Since my letter to Shareholders almost a year ago, your Board has been waiting for approval from the Mongolian Government to award a Production Sharing Contract to Golden Horde Limited (GOH) to explore for coal bed methane (CBM) in the South Gobi Desert. Elixir has an exclusive option to acquire GOH. It is with great pleasure that I can write this year's letter to shareholders confirming that the Production Sharing Contract (PSC) has now been signed and the path is clear for Elixir to complete its acquisition of GOH and commence an exciting exploration programme in Mongolia.

The exclusive option to acquire GOH was due to expire on 30 September 2018 but has now been extended to 30 November 2018 to allow Elixir to again seek shareholder approval to complete the acquisition and issue 79 million shares (Consideration Shares) as payment for GOH. Shareholders have previously approved the issue of the Consideration Shares at general meetings of the Company held on 30 November 2017 and 19 April 2018, however further Shareholder approval is required as the acquisition of GOH did not occur within the three-month time limit to issue the Consideration Shares under the ASX Listing Rules.

In the meantime, the Company has agreed to provide GOH with interim funding via a convertible loan facility for $250,000 to allow it to proceed with the initial exploration programme on the Nomgon IX CBM PSC.

I am also pleased to advise that Elixir has secured an exclusive option over an exciting new opportunity on the north slope of Alaska which is currently one of the most exciting oil exploration areas in the world with significant new oil discoveries being made and large amounts of investment capital being injected into the area. The option to acquire approximately 35,423 acres is subject to completion of due diligence and the acquisition is expected to close on or before 31 October 2018.

As announced on 12 September 2018, the Company has also attracted further investment from investors with a successful capital raise of $1.65 million, which together with our current cash resources, provides the Company with approximately $4 million to complete both acquisitions and commence an active exploration programme in Mongolia and consolidate our position in Alaska.

The Company continues to pursue the French Government with respect to a suitable outcome on the Moselle Permit which was renewed for a second five-year period in December 2017, however due to extensive delays in receiving that renewal, it is now due to expire in January 2019. Although the Company does not see this asset as a core project, we are maintaining the asset in good standing at minimal cost so that the Company can potentially recover some value for Shareholders in the future.

In conclusion, the Board is very pleased to have the opportunity to potentially secure two assets at the size and scale of the Mongolian CBM opportunity and the Alaskan oil exploration opportunity. We are looking forward now to progressing these two large scale exploration projects and are looking forward to exciting news for the Company and Shareholders as our understanding of the potential of these two areas is developed.

As always, I would like to thank Elixir's management and my fellow directors for their efforts during another difficult year. I am confident that once the acquisition of the Mongolian and Alaskan opportunities has been completed, the Company can look forward to exciting times ahead.

Yours sincerely
Ray Barnes
Non-Executive Chairman

OVERVIEW

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

Over the last 12 months, Elixir has been actively pursuing its acquisition of Golden Horde Limited ("GOH") together with other new venture opportunities that have the scale and leverage to attract the necessary exploration capital to mature assets of this nature. This has required a shift in focus from locations such as the Lower 48 of the United States where competition for good quality assets is fierce. This is a direct result of the unconventional shale revolution which now dominates the industry in North America and the more recent increases in oil price which has attracted significant new investment in these areas.

The Mongolian CBM opportunity, together with the more recently announced Alaskan acreage acquisition now provides the Company exposure to not only high margin gas markets but also high impact oil exploration acreage in an area that contains one of the most exciting new oil plays in North America. Both of these exploration assets have the potential to add significant shareholder value due to a combination of factors including potential size, leverage to commodity prices (both gas and oil) and the high equity interest that the Company will have in these projects. This allows Elixir to introduce industry partners at the appropriate time who may introduce larger amounts of capital once the projects are further de-risked.

Elixir is intending to complete these acquisitions in the coming months subject to final due diligence and industry standard conditions being met. More details of the Mongolian and Alaskan opportunities are provided in the Operations Review.

Review of Operations

OPERATIONS REVIEW

Mongolia
Option to Acquire Golden Horde Limited

In October 2017, Elixir executed a Binding Terms Sheet for an option to acquire GOH for Elixir shares ("GOH Consideration Shares"). GOH was established in 2011 with the sole purpose of securing CBM rights (also known as Coal Seam Gas or CSG) in Mongolia in an area of the country adjacent to the existing gas markets of Northern China. GOH undertook a detailed prospecting study in the Nomgon IX PSC area prior to commencing negotiations with the Mineral Resources and Petroleum Authority of Mongolia ("MRPAM") on the commercial terms for a PSC. The MRPAM is a division of the Mining Ministry, which in turn requires approval from the Cabinet of Mongolia ("Cabinet") before any formal award of a PSC can be made.

On 12 September 2018 after several months delay, the Company announced that it had received official notice from GOH that the Mongolian Cabinet had authorised the MRPAM to sign the Nomgon IX CBM PSC with GOH LLC, a wholly owned subsidiary of GOH. On 18 September 2018, GOH notified the Company that the Nomgon IX CBM PSC has been executed between MRPAM and GOH LLC.

With the PSC now signed, GOH has commenced exploration activities with the initial work consisting of field mapping prior to the onset of the northern winter, together with reprocessing of existing gravity data over the PSC area. This work will assist in determining the exact location of the proposed seismic acquisition programme, the 2019 proposed initial drilling programme and the preparation of an initial Prospective Resources Report of the Nomgon IX CBM PSC area.

In addition, GOH will soon commence an environmental impact study (EIS) over the Nomgon IX PSC, which can also be done over the upcoming northern winter and be completed in time for commencement of the 2019 exploration programme. Furthermore, the winter months will be used to set up the various administrative processes required to successfully operate a PSC in a foreign jurisdiction.

Figure 1 – map of Mongolia showing location of Nomgon IX

Elixir and GOH recently agreed to extend and amend the previously executed Binding Terms Sheet to allow the additional time required for completion of the acquisition and issue of the GOH Consideration Shares to occur. In addition, Elixir has agreed to provide GOH with interim funding by way of a convertible loan facility up to a value of $250,000. Subject to final shareholder approval, the acquisition of GOH is scheduled to be completed by mid-November 2018.

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

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

Elixir, through its technical due diligence process, has high graded a number of areas (See Figure 2) which it considers the most prospective for CBM within the PSC. The planned 2019 exploration programme will be initially focussed on these areas where, based on existing gravity data and field mapping, it is interpreted that coals may be present and be at the right depth for CBM production.

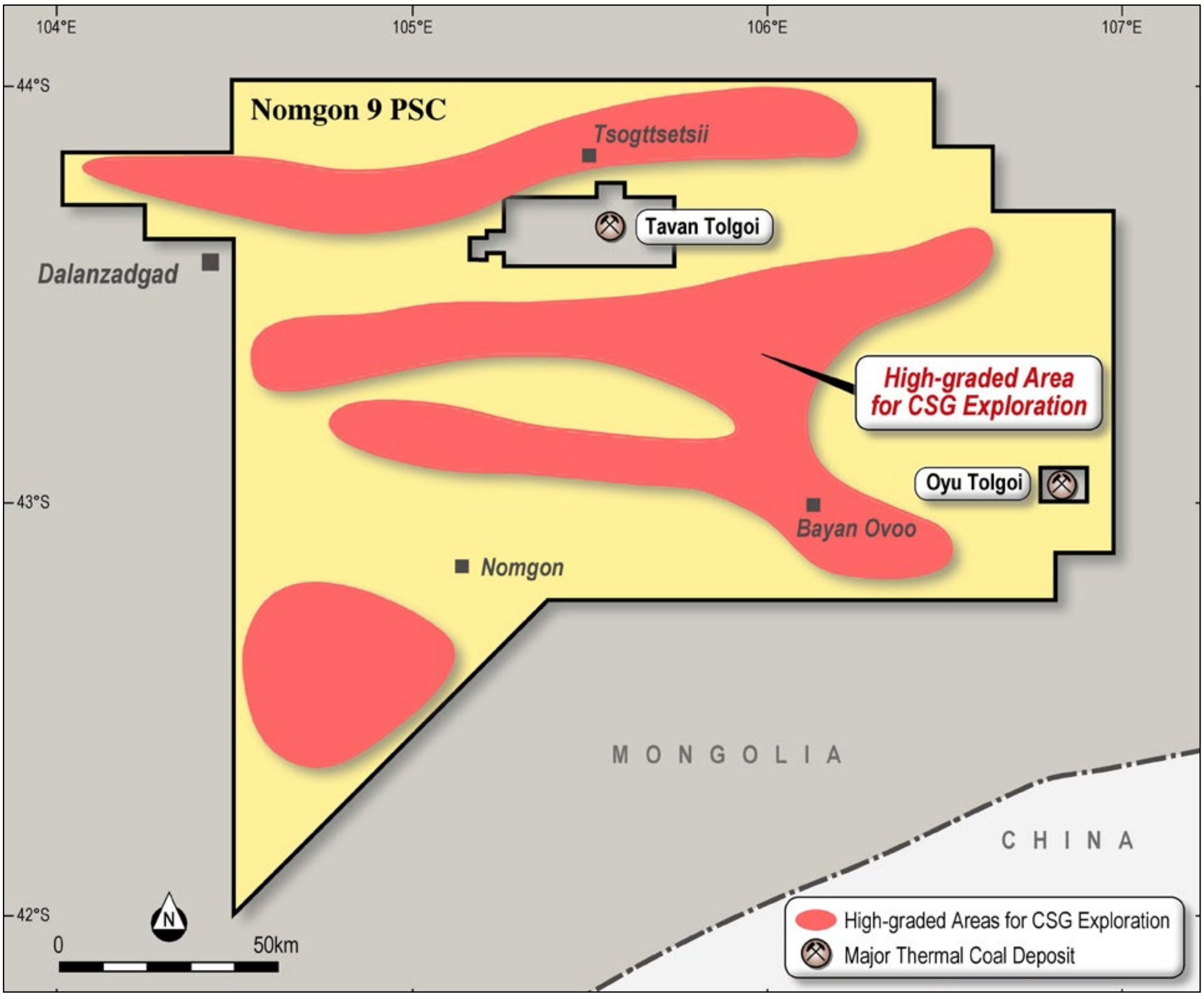

Figure 2: Elixir's internally generated prospectivity map for the PSC Area.

Review of Operations

Alaska

Option to Acquire Leases

On 12 September 2018, Elixir announced that it has signed a Binding Terms Sheet to acquire a 100% Working Interest in 35,423 acres of highly prospective leases in Alaska (the "Leases") which are adjacent to the Umiat oil field (see Figure 3). The consideration for the acquisition of the Alaskan leases consist of reimbursement of the sellers back costs which total US$803,859, together with the assignment of a 5% overriding royalty interest ("ORRI") on the leases being acquired.

Elixir has also entered into an Area of Mutual Interest ("AMI") with the sellers whereby the sellers cannot compete with Elixir for new leases within the AMI. In consideration of entering into the AMI, if Elixir acquires any additional leases in the AMI, the sellers 5% ORRI on the Leases decreases (to a minimum of 1.5%) proportional to the total lease acreage position in the AMI. The recalculated proportional ORRI will then apply to all leases within the AMI. Should Elixir acquire more than 118,000 acres within the AMI, the calculation of the ORRI remains fixed at 1.5% across the Leases and any new leases acquired within the AMI.

The Leases lie within the National Petroleum Reserve of Alaska ("NPRA") which is managed by the United States Bureau of Land Management ("BLM"). Elixir is required to lodge a US$300,000 lease bond with the BLM which is refundable upon cessation or relinquishment of the Leases in good standing. The Leases were originally awarded in 2014 for a period of 10 years, expiring 1 March 2024. Annual rentals are US$3/acre which must be paid on or before the lease anniversary date in order to retain the leases. The Lessor is the BLM which is entitled to receive a 12.5% royalty if and when production commences.

Elixir has paid a non-refundable US$150,000 exclusivity fee which is deductible from the cash consideration on completion of the acquisition. Elixir's exclusivity fee provides it with the exclusive option to acquire the leases on or before 31 October 2018.

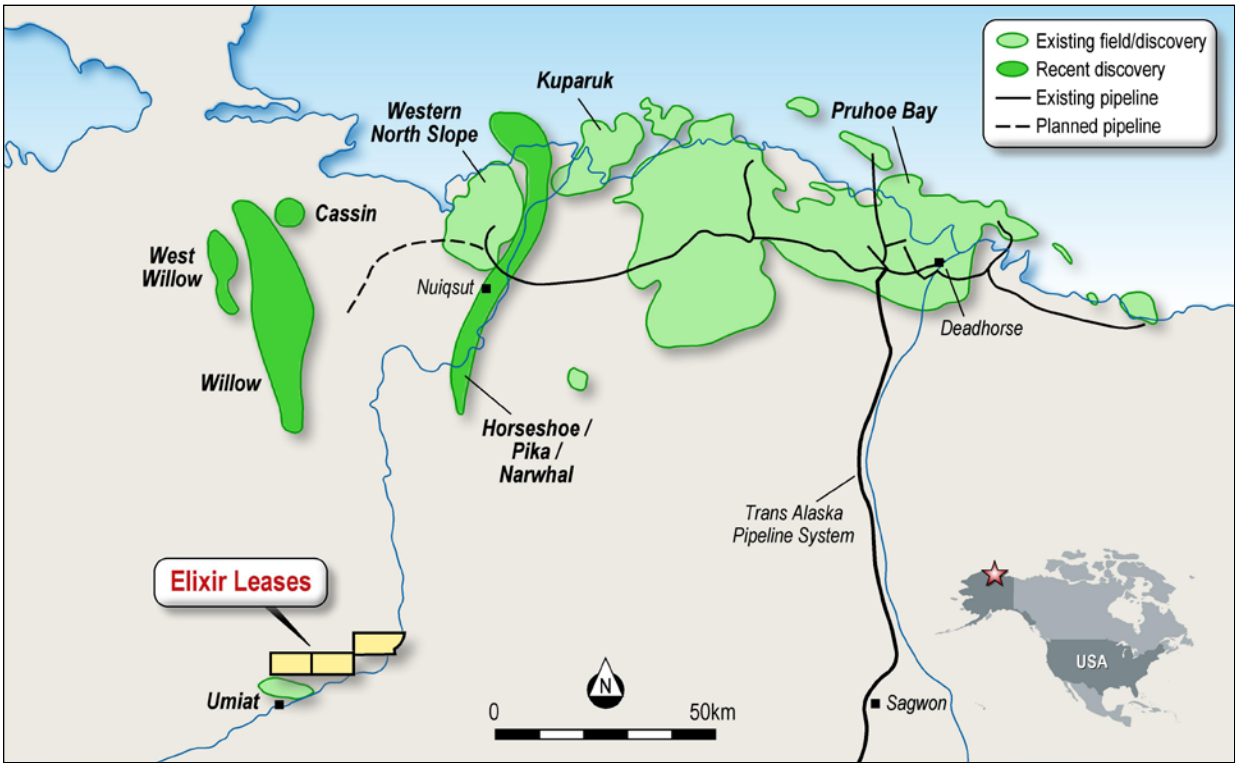

Figure 3: Elixir's Alaskan Lease Acquisition location map.

France

Moselle Permit (EXR 100%, Operator)

The renewal application for the Moselle Permit was lodged in September 2013 with the relevant French authorities. Elixir has committed to a second five-year exploration period and with all obligations relating to the first exploration period previously being met.

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

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

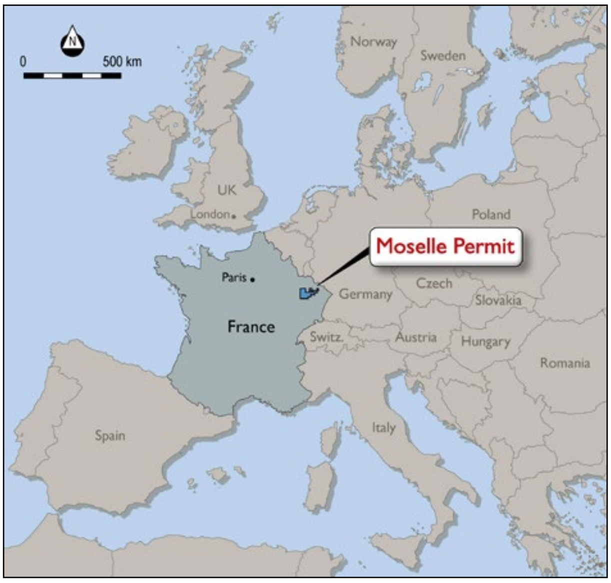

Figure 4: Elixir's Moselle Permit location map.

The application for the extension was lodged with the French authorities on 5 April 2018. Should Elixir be granted a three-year extension of the second exploration period and granted a third five-year exploration period, then Elixir could potentially retain the prospective area of the Moselle Permit until January 2027.

Elixir has recommenced desktop-based exploration activities and will reactivate its previous farm-out efforts for the Moselle Permit, which is considered prospective for both natural gas and oil. Elixir has previously mapped a number of conventional prospects and in 2013 was actively marketing these prospects for farm-out prior to this process being suspended following the extended delay in the renewal process.

Petra Project

(Elixir 25% Working Interest)

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

A number of non-core leases have expired and as at 30 June 2018, the Company had reduced its acreage position from approximately 5,886 net acres to 4,686 net acres.

CORPORATE GOVERNANCE

The Directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement released to ASX and posted on the Company website at www.elixirpetroleum.com/corporate-governance.

Directors' Report

DIRECTORS

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

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

Other than as stated above, each Director held office from 1 July 2017 until the date of this report.

PRINCIPAL ACTIVITIES

Elixir is an oil and gas exploration company focussed on oil and gas exploration in the United States and Europe. There was no significant change in the nature of these activities during the year. During the year the Group entered into an option agreement to acquire Golden Horde Limited ("GOH") which has applied for and recently been awarded a Production Sharing Contract in Mongolia. If the Group exercises its option to acquire GOH, its principal activities will be expanded to include coal bed methane exploration in Mongolia.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2018 (2017: Nil).

REVIEW OF OPERATIONS

Operating Results

For the financial year ended 30 June 2018, the Group recorded a net loss from continuing operations after tax of $899,137 (2017: $3,417,538). The loss was significantly less than last year as a result of there being no impairment charges on previously capitalised exploration and evaluation expenditure (2017: $2,746,616). Other expenses were in line with the previous year and included administration costs of $556,422 (2017: $577,530) and share based payment expenses of $125,912 (2017: $76,366).

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

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

Corporate and Financial

On 23 October 2017 and at the same time as announcing the signing of the Term Sheet with GOH, the Company successfully completed capital raise through the issue of 42,500,000 shares, being made up of a placement of 40,000,000 raising $1,600,000 (before costs) and 2,500,000 Fee Shares (refer to Note 9 and Note 11 for details).

On 20 December 2017, the Company issued a total of 5,000,000 Performance Rights to the Managing Director and a consultant (see Note 11 for details). The Performance Rights have no other rights including but not limited to no voting rights, no dividend rights and no right to a return of capital. The Performance Rights have been issued for nil consideration and upon achievement of the Milestones, convert into fully paid ordinary shares.

Other than noted above, there were no other changes to the capital structure during the financial year.

At 30 June 2018, the Group held cash totalling $2,484,234 (2017: $1,893,285).

Board and Management Changes

Effective 1 October 2017, the Board agreed to re-instate their previously reduced fees due to the Group's increased activity levels, with non-executive director fees reinstated to $36,000 per annum and the Chairman fees reinstated to $45,000 per annum.

Effective 30 October 2017, Mr Sam Willis resigned as non-executive director of the Company.

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

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 2018 that will have a material effect on the Group.

On 12 September 2018, the Company announced that it had signed a Binding Terms Sheet to acquire 35,423 acres of highly prospective leases in Alaska which are adjacent to the Umiat oil field. The consideration for the acquisition of the Alaskan leases consist of reimbursement of the sellers back costs which total US$803,859, together with assignment of a 5% overriding royalty interest ("ORRI") on the leases being acquired. The Company has paid a non-refundable US$150,000 exclusivity fee, which is deductible from the cash consideration on completion of the acquisition, which is expected to occur on or before 31 October 2018.

On 12 September 2018, the Company announced that it had extended the option period to acquire GOH to 30 November 2018 and had also entered into an interim funding arrangement with GOH to allow it to commence operations upon award of the PSC. On 18 September 2018, the Company announced that GOH had signed the PSC and that the Company expects to close the acquisition of GOH in November 2018, following receipt of its shareholders approval to issue the 79 million Consideration Shares.

On 12 September 2018, the Company announced that it had received firm commitments for a placement to raise $1,650,000 (before costs). On 19 September 2018, the Company lodged a Cleansing Prospectus with ASIC and on 20 September 2018, the Company issued 33,000,000 shares the subject of the placement.

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.

Directors' Report

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
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 25 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. He led the recent restructure of Elixir whilst ensuring the good standing of the Company's assets in addition to securing two high impact new venture 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:
Nil

Interests in shares, Options over Shares and Performance Rights in Group companies at the date of this report:
6,508,000 fully paid ordinary Shares
2,000,000 Performance Rights expiring 20 December 2018
2,000,000 Performance Rights expiring 20 December 2020
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 Scott Patrizi – Non-Executive Director

Qualifications: B.Com

Mr Patrizi is a corporate finance professional. He holds a Bachelor of Commerce from the University of Western Australia. Scott has worked for Big 4 accounting firm Deloitte, and also worked for Argonaut Limited, a full service advisory, stockbroking & research and investment house focussed on clients in the natural resources sector, where he gained significant equity capital market experience.

Other current Directorships of Australian listed public companies:
Clancy Exploration Limited (ASX: CLY)

Former directorships of Australian listed public companies in last three years:
Matador Mining Limited (ASX: MZZ)

Interests in shares and Options over shares in Group companies at the date of this report:
1,250,000 fully paid ordinary shares
1,000,000 Listed Options exercisable at $0.04 and expiring on 30 September 2019

COMPANY SECRETARY

Mr Dougal Ferguson currently acts as the Company Secretary. Please refer to the information on Directors detailed above for his qualifications.

Directors' Report

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2018, 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	7	7	2	2	-	-
Mr Sam Willis [(1)]	2	2	1	1	-	-
Mr Dougal Ferguson	7	7	-	-	-	-
Mr Scott Patrizi	7	7	2	2	-	-

(1) Mr Willis resigned on 30 October 2017.

(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, Non-Executive director fees were reinstated to previous levels of $36,000 per annum for non-executives and $45,000 per annum for the Chairman.

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

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

(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. As of 1 October 2017, Non-Executive director fees were reinstated to prior year levels and were reinstated to $36,000 per annum (2017: $24,000) with the Non-Executive Chairman fees reinstated to $45,000 per annum (2017: $36,000).

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 receive a competitive level of base pay that 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 2018, the Managing Director was paid a short-term incentive payment of $26,000 (2017: Nil).

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 may be granted from time to time and are required to be approved by shareholders where option over shares or Performance Rights are issued to Directors. Participation in any incentive scheme is at the board's discretion and no individual has a contractual right to participate in the incentive scheme or to receive any guaranteed benefits. Options or Performance Rights granted under incentive schemes 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 security at grant date
Share Options					
Directors					
29 August 2016	2,000,000	Vested	$0.04	30-Sep-19	$0.01
12 October 2016	1,000,000	Vested	$0.04	30-Sep-19	$0.02
Executive Director					
2 December 2015	1,500,000	Vested	$0.045	30-Nov-18	$0.025
2 December 2015	1,500,000	Vested	$0.045	30-Nov-18	$0.025
29 August 2016	1,000,000	Vested	$0.04	30-Sep-19	$0.01
Performance Rights					
Executive Director					
20 December 2017	2,000,000	Milestone A[1]	Nil	20-Dec-18	$0.069
20 December 2017	2,000,000	Milestone B[2]	Nil	20-Dec-20	$0.069

(1) Milestone A is completion of the proposed acquisition of Golden Horde Limited. Management estimates this milestone has a 100% chance of vesting.

(2) Milestone B is the certification of a Petroleum Resource Management System (PRMS) certified prospective resource of coal bed methane of greater than one trillion cubic feet within the Nomgon IX PSC in Mongolia. Management estimates this milestone has a 100% chance of vesting.

When exercisable, each Option and Performance Right is convertible into one ordinary share of the Company. The Performance Rights have an implied service condition that requires the holder of the Performance Rights to be either an executive director, employee or contractor of the Company when a Milestone is met. Further information on the Options and Performance Rights is set out in Note 11 of the Financial Statements.

Options issued to Directors on 29 August 2016 and 12 October 2016 were issued as part of remuneration as consideration for a reduction in the cash component of the Director's fees (refer section (d) for details). These options are not directly linked to the Group's performance and have vested immediately.

(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 2014 to 2018 financial years:

	Year ended 30 June				
	2014	**2015**	**2016**	**2017**	**2018**
	$	**$**	**$**	**$**	**$**
Revenues and finance income	26,995	26,768	5,167	17,692	33,809
(Loss) after tax	(4,610,064)	(2,124,605)	(735,704)	(3,417,538)	(899,137)
Share price at start of year	0.34	0.16	0.05	0.03	0.03
Share price at end of year	0.16	0.05	0.03	0.03	0.06
Total Shareholder Return (TSR)	(0.21)	(0.16)	(0.03)	(0.02)	0.03
Loss per share	(0.025)	(0.050)	(0.013)	(0.022)	(0.004)

During the year ended 30 June 2017, the Company undertook a share consolidation on a 1:25 basis that reduced the shares on issue, which has an effect on the some elements of prior year's comparatives. Accordingly, the share prices, TSR and loss per share for the years 2014 through to 2016 for the purposes of the above table have been modified by multiplying these amounts by twenty-five to provide a direct comparison with 2017 and 2018 numbers.

(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:

2018	**Short-term benefits**			**Post-employment benefits**	**Share-based payments**			
	Cash salary and fees	**Bonus**	**Other**	**Super-annuation**	**Options**	**Perfor-mance Rights**	**Total**	**Perfor-mance Related**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors								
Ray Barnes	42,750	-	-	-	-	-	42,750	-
Sam Willis[1]	8,000	-	-	-	-	-	8,000	-
Scott Patrizi	33,000	-	-	-	-	-	33,000	-
Subtotal Non-Executive Directors	**83,750**	**-**	**-**	**-**	**-**	**-**	**83,750**	**-**
Executive Director								
Dougal Ferguson[2]	237,443	26,000	27,397	22,557	4,926	96,789	415,112	30.8%
Subtotal other executives	**237,443**	**26,000**	**27,397**	**22,557**	**4,926**	**96,789**	**415,112**	**30.8%**
Total Key Management Personnel	**321,193**	**26,000**	**27,397**	**22,557**	**4,926**	**96,789**	**498,862**	**25.6%**

[1] Mr Willis resigned as a Non-Executive Director on 30 October 2017.
[2] Mr Ferguson accrued $27,397 of annual leave during the year.

2017	**Short-term benefits**			**Post-employment benefits**	**Share-based payments**			
	Cash salary and fees	**Bonus**	**Other**	**Super-annuation**	**Options**	**Perfor-mance Rights**	**Total**	**Perfor-mance Related**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors								
Ray Barnes	36,000	-	-	-	10,006	-	46,006	-
Sam Willis	24,000	-	-	-	10,006	-	34,006	-
Scott Patrizi[1]	17,419	-	-	-	24,942	-	42,361	-
Subtotal Non-Executive Directors	**77,419**	**-**	**-**	**-**	**44,954**	**-**	**122,373**	**-**
Executive Director								
Dougal Ferguson[2]	237,443	-	3,653	22,557	29,608	1,804	295,065	0.6%
Subtotal other executives	**237,443**	**-**	**3,653**	**22,557**	**29,608**	**1,804**	**295,065**	**0.6%**
Total Key Management Personnel	**314,862**	**-**	**3,653**	**22,557**	**74,562**	**1,804**	**417,438**	**0.6%**

[1] Mr Patrizi was appointed as a Non-Executive Director on 12 October 2016.
[2] Mr Ferguson accrued $3,653 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. Performance targets are set annually and for the year ended 30 June 2018, a number of these targets were met and subject to approval of the Remuneration Committee, may become payable in the year ended 30 June 2019 financial year. No performance bonus targets were agreed and no bonuses were paid in the year ended 30 June 2017.

(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 2018	Balance at beginning of year	Granted as compensation	Lapsed/ Expired/ Forfeited	Balance at the end of the year	Vested and exercisable	Vested and unexercisable
Options						
Ray Barnes	1,000,000	-	-	1,000,000	1,000,000	-
Sam Willis[(3)]	1,000,000	-	-	1,000,000[(3)]	1,000,000[(3)]	-
Scott Patrizi	1,000,000	-	-	1,000,000	1,000,000	-
Dougal Ferguson	4,000,000	-	-	4,000,000	4,000,000	-
	7,000,000	-	-	7,000,000	7,000,000	-
Performance Rights[(1)]						
Dougal Ferguson[(2)]	-	4,000,000	-	4,000,000	-	-
	-	4,000,000	-	4,000,000	-	-

(1) Non-Executive Directors are not entitled to receive Performance Rights.
(2) 4,000,000 Performance Rights were granted on 20 December 2017 following shareholder approval (see table below).
(3) Mr Willis resigned as a Non-Executive Director on 30 October 2017 and these were the number of Options he held at that date.

The terms and condition of the Performance Rights Issued during the year to Key Management Personnel are shown in the following table.

Grant Date	Number	Exercise Price	Expiry	Vesting
20 December 2017	2,000,000	Nil	20 December 2018	Milestone A[(1)]
20 December 2017	2,000,000	Nil	20 December 2020	Milestone B[(2)]
Total	**4,000,000**			

(1) Milestone A is completion of the proposed acquisition of Golden Horde Limited.
(2) Milestone B is the certification of a Petroleum Resource Management System (PRMS) certified prospective resource of coal bed methane of greater than one trillion cubic feet within the Nomgon IX PSC in Mongolia.

(j) 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 2018	Balance at beginning of year	Other Purchases/ (Sales)	Other changes during the year (1)	Balance at end of year
Ray Barnes	610,000	-	-	610,000
Sam Willis(2)	2,040,000	-	(2,040,000)	-
Scott Patrizi	1,250,000	-	-	1,250,000
Dougal Ferguson	6,508,000	-	-	6,508,000
	10,408,000	-	(2,040,000)	8,368,000

(1) Other changes include the shareholding of KMP at the time of appointment, resignation or retirement.
(2) Mr Willis resigned as a Non-Executive Director on 30 October 2017.

(k) Loans to key management personnel

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

(l) Other transactions with key management personnel

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 2017 was put to shareholders of the Company at the Annual General Meeting (AGM) held on 30 November 2017. The resolution was passed by a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This is the end of the audited remuneration report.

SHARE OPTIONS

At the date of this report the following unlisted Options over unissued ordinary shares are on issue.

Grant Date	Number	Exercise Price	Expiry	Vesting
2 December 2015	1,500,000	$0.045	30 November 2018	Vested
2 December 2015	1,500,000	$0.045	30 November 2018	Vested
26 August 2016	3,000,000	$0.040	30 September 2019	Vested
12 October 2016	5,000,000	$0.040	30 September 2019	Vested
Total	**11,000,000**			

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

PERFORMANCE RIGHTS

At the date of this report the following Performance Rights are on issue.

Grant Date	Number	Exercise Price	Expiry	Vesting
20 December 2017	2,500,000	Nil	20 December 2018	Milestone A(1)
20 December 2017	2,500,000	Nil	20 December 2020	Milestone B(2)
Total	**5,000,000**			

(1) Milestone A is completion of the proposed acquisition of Golden Horde Limited.

(2) Milestone B is the certification of a Petroleum Resource Management System (PRMS) certified prospective resource of coal bed methane of greater than one trillion cubic feet within the Nomgon IX PSC in Mongolia.

No Performance Rights were converted into ordinary shares during the year or up to the date of this report.

Directors' Report

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year, the Company paid a premium of $14,125 (2017:$15,151) 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. The auditors were not engaged to provide any services other than audit services during the 30 June 2018 financial year (refer Note 14). 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 19 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

28 September 2018

Auditor's Independence Declaration

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

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

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

As lead auditor of Elixir Petroleum Limited for the year ended 30 June 2018, 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, 28 September 2018

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Elixir Petroleum Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Elixir Petroleum Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

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

BDO

Accounting for Share Based Payments

Key audit matter	*How the matter was addressed in our audit*
During the year ended 30 June 2018, the Group issued performance rights to key management personnel and to facilitators which have been accounted for as share-based payments. Refer to Note 11 and 25(m) of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions. Due to the complex and judgmental estimates used in determining the valuation of the share based payments, we consider the accounting for the share based payment expense to be a key audit matter.	Our audit procedures in respect of this area included, but were not limited to the following: • Reviewing the relevant agreements to obtain an understanding of the contractual nature of the share based payment arrangements; • Assessing management's determination of the fair value of the performance rights issued, considering the appropriateness of the valuation model used; • Recalculating the estimated fair value of the performance rights and assessing the valuation inputs where appropriate; and • Assessing the adequacy of the disclosure in the financial report (refer Note 11 and 25(m)).

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor’s responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor’s report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors’ report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Elixir Petroleum Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 28 September 2018

Directors' Declaration

In the Directors' opinion:

1. the financial statements and accompanying notes set out on pages 24 to 59 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 2018 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;
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 2018 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 17 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 17.

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

28 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue from continuing operations			
Interest Income	(1)	**33,809**	17,692
Expenses			
Depreciation expense		**(1,176)**	(871)
Impairment of exploration & evaluation expenditure	(2)	**-**	(2,746,616)
Abandonment expense	(8)	**-**	(6,842)
Lease operating costs		**(8,334)**	(7,336)
Foreign exchange gain/(loss)		**(2,760)**	(946)
Share based payments expense	(11)	**(125,912)**	(76,366)
New ventures and business development	(2)	**(238,342)**	(18,723)
Administration expenses	(2)	**(556,422)**	(577,530)
Loss before income tax		**(899,137)**	(3,417,538)
Income tax expense	(3)	**-**	-
Loss attributable to owners of the Company		**(899,137)**	(3,417,538)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences		**(775)**	(35,516)
Other comprehensive income/(loss) for the period, net of tax		**(775)**	(35,516)
Total comprehensive loss for the year		**(899,912)**	(3,453,054)
Net loss attributable to:			
Members of the parent entity		**(899,137)**	(3,417,538)
		(899,137)	(3,417,538)
Total comprehensive loss attributable to the owners of Elixir Petroleum Limited		**(899,912)**	(3,453,054)
		(899,912)	(3,453,054)
Loss per share for the year attributable to the members of Elixir Petroleum Ltd			
Basic and diluted (loss) per share (cents)	(15)	**(0.43)**	(2.21)

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 2018

		Consolidated	
		2018	2017
	Note	$	$
Assets			
Current assets			
Cash and cash equivalents	(4)	**2,484,234**	1,893,285
Other receivables	(5)	**21,056**	13,072
Total current assets		**2,505,290**	1,906,357
Non-current assets			
Trade and other receivables	(5)	**783,735**	753,064
Property, plant and equipment		**3,528**	4,704
Deferred exploration and evaluation expenditure	(6)	**-**	-
Total non-current assets		**787,263**	757,768
Total assets		**3,292,553**	2,664,125
Liabilities			
Current liabilities			
Trade and other payables	(7)	**102,486**	254,370
Provisions	(8)	**858,708**	800,640
Total current liabilities		**961,194**	1,055,010
Total liabilities		**961,194**	1,055,010
Net Assets		**2,331,359**	1,609,115
Equity			
Issued capital	(9)	**73,658,419**	72,162,176
Reserves	(10)	**571,359**	446,221
Accumulated Losses	(10)	**(71,898,419)**	(70,999,282)
Total equity		**2,331,359**	1,609,115

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Share Capital		Reserves		
	Ordinary	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Consolidated Group					
Balance at 1 July 2016	70,144,916	(67,581,744)	168,248	137,358	2,868,778
Comprehensive income					
Loss for the year	-	(3,417,538)	-	-	(3,417,538)
Exchange differences on translation of foreign operations	-	-	-	(35,516)	(35,516)
Total comprehensive income/(loss) for the year	-	(3,417,538)	-	(35,516)	(3,453,054)
Transactions with owners, in their capacity as owners, and other transfers					
Options issued to advisors for capital raising	(99,765)	-	99,765	-	-
Options expensed during the year	-	-	74,562	-	74,562
Performance rights expensed during the year	-	-	1,804	-	1,804
Shares issued during the year	2,229,469	-	-	-	2,229,469
Share issue costs	(112,444)	-	-	-	(112,444)
Total transactions with owners and other transfers	2,017,260	-	176,131	-	2,193,391
Balance at 30 June 2017	72,162,176	(70,999,282)	344,379	101,842	1,609,115
Balance at 1 July 2017	72,162,176	(70,999,282)	344,379	101,842	1,609,115
Comprehensive income					
Loss for the year	-	(899,137)	-	-	(899,137)
Exchange differences on translation of foreign operations	-	-	-	(774)	(774)
Total comprehensive income/(loss) for the year	-	(899,137)	-	(774)	(899,911)
Transactions with owners, in their capacity as owners, and other transfers					
Options expensed during the year	-	-	4,926	-	4,926
Performance rights expensed during the year	-	-	120,986	-	120,986
Shares issued during the year	1,782,500	-	-	-	1,782,500
Share issue costs	(286,257)	-	-	-	(286,257)
Total transactions with owners and other transfers	1,496,243	-	125,912	-	1,622,156
Balance at 30 June 2018	73,658,419	(71,898,419)	470,291	101,068	2,331,359

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 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Payments to suppliers and employees		**(753,042)**	(580,836)
Net cash (used in) operating activities	(13a)	**(753,042)**	(580,836)
Cash flows from investing activities			
Payments for exploration and evaluation		**(179,482)**	(73,989)
Interest received		**29,989**	10,849
Interest paid		**-**	-
Purchase of property, plant and equipment		**-**	(2,715)
Net cash (used in) investing activities		**(149,493)**	(65,855)
Cash flows from financing activities			
Proceeds from issues of shares		**1,600,000**	2,229,469
Payments for share issue costs		**(103,756)**	(112,444)
Net cash provided by financing activities		**1,496,244**	2,117,025
Net increase/(decrease) in cash held		**593,709**	1,470,334
Cash and cash equivalents at beginning of financial year	(4)	**1,893,285**	423,895
Effect of exchange rates on cash holdings in foreign currencies		**(2,760)**	(944)
Cash and cash equivalents at end of financial year	(4)	**2,484,234**	1,893,285

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

1. Revenue and Other Income

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
Revenue from continuing operations			
Other revenue			
Interest received		**33,809**	17,692
Total revenue		**33,809**	17,692

2. Expenses

Loss before income tax includes the following specific items:

	Note	2018 $	2017 $
Impairment of Exploration and Evaluation Expenditure			
Impairment of Petra Project in Colorado		**-**	2,746,616
Total Impairment of Exploration and Evaluation Expenditure		**-**	2,746,616
Share Based Payments Expense			
Options		**4,926**	74,562
Performance Rights		**120,986**	1,804
Total Share Based Payments Expense	(11)	**125,912**	76,366
Administration and office costs			
Corporate compliance		**78,383**	172,284
Corporate management costs		**401,778**	337,419
Rent of Office space		**24,300**	24,500
General administration		**51,962**	43,327
Total Administration and office costs		**556,422**	577,530
New ventures and business development			
New ventures – Mongolia		**168,947**	-
New ventures – Other		**19,395**	18,723
Corporate advisory		**50,000**	-
Total new ventures and business development		**238,342**	18,723

3. Taxation

		Consolidated Group	
		2018	2017
		$	$
(a)	**Income Tax Expense**		
	Current Tax	-	-
	Deferred tax	-	-
	Income tax expense	-	-
(b)	**Reconciliation of income tax expense to prima facie tax payable**		
	Profit / (Loss) before income tax	**(899,912)**	(3,417,538)
	Income tax expense / (benefit) at 30% (30 June 2017: 30%)	**(269,741)**	(1,025,261)
	Tax effects of amounts which are not deductible (taxable) in calculating taxable income		
	- Foreign tax losses not recognised	**5,541**	21,515
	- Tax losses and other timing differences for which no deferred tax asset has been recognised	**225,167**	1,118,664
	- Permanent differences arising from non-allowable items	**38,126**	22,624
	- Effect of foreign tax differential	**907**	(137,542)
	- Income tax attributable to entity	-	-

	2018	2017
Unrecognised deferred tax assets		
Tax losses	**10,087,621**	9,640,318
Unrealised foreign exchange gains / losses	**30,320**	30,553
Capital Raising Costs	**141,694**	106,098
Provisions and accruals	**298,030**	279,500
Total deferred tax assets	**10,557,665**	10,056,469
Unrecognised deferred tax liability		
Unrealised foreign exchange gains	-	-
Exploration deductions	-	(217,533)
Total deferred tax liability	-	(217,533)
Net deferred tax assets not recognised	**10,557,665**	9,838,936

Significant accounting judgment

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.

3. Taxation (continued)

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.

4. Cash and Cash Equivalents

	Consolidated Group	
	2018	**2017**
	$	**$**
Cash at bank and on hand	**2,484,234**	1,893,285

Risk Exposure

Refer to Note 23 for details of the Group's exposure to foreign exchange risk and interest rate risk in relation to cash and cash equivalents.

5. Other Receivables

	Consolidated Group	
	2018	**2017**
	$	**$**
Current		
GST Receivable	**11,459**	6,362
Interest Receivable	**3,820**	-
Prepaid Insurances	**5,777**	6,710
	21,056	13,072
Non-Current		
Performance Bond (US Operations)	**783,735**	753,064

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 8. 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 2018 (2017: nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business.

6. Deferred exploration & evaluation expenditure

	Consolidated Group	
	2018	2017
	$	$
Balance at 1 July	-	2,615,953
Amount Capitalised during the year	-	170,160
Impairment	-	(2,746,616)
Foreign Exchange Movements	-	(39,497)
Balance at 30 June	-	-

Significant accounting estimates and judgments for impairment amounts

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 exploration and evaluation expenditure, these estimates are dependent on successful development and exploitation, or alternatively sale, of the respective area of interest. No amounts were capitalised during the 2018 financial year as no significant expenditures were made on existing exploration assets.

7. Trade and Other Payables

	Consolidated Group	
	2018	2017
	$	$
Current		
Unsecured liabilities		
Trade payables and accrued expenses	**54,771**	225,065
Other payables	**47,715**	29,305
	102,486	254,370

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.

8. Provisions

	Consolidated Group	
	2018	**2017**
	$	**$**
Current		
Rehabilitation Provisions		
Opening balance at 1 July	**753,064**	775,215
Additional Provisions [(1)]	**-**	6,842
Amounts used	**-**	-
Foreign currency movement	**30,671**	(28,993)
Balance at 30 June	**783,735**	753,064
Short-term Employee Benefits		
Opening balance at 1 July	**47,576**	43,923
Leave entitlements accrued	**27,397**	3,653
Balance at 30 June	**74,973**	47,576
Total Current	**858,708**	800,640

(1) The provision for abandonment of the Pompano Project was increased in 2017 to reflect the full value of the Performance Bond (US$580,208) in place to cover the potential abandonment liabilities. Refer to Notes 5 and 20 for more details.

Significant accounting estimates and judgments for rehabilitation provisions

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 25(n).

9. Issued Capital

	Consolidated 2018 $	Consolidated 2017 $
221,446,872 fully paid ordinary shares (June 2017: 178,946,872 fully paid ordinary shares)	**73,658,419**	72,162,176

For the year ended 30 June 2018	**Shares**	**$**
Balance at 1 July 2017	**178,946,872**	72,162,176
Placement made on 23 October 2017	**40,000,000**	1,600,000
Capital Raising Fee Shares	**2,500,000**	182,500
Share issue costs	**-**	(286,257)
Balance at 30 June 2018	**221,446,872**	73,658,419

For the year ended 30 June 2017 (pre-consolidation)	**Shares**	**$**
Balance at 1 July 2016 (pre-consolidation)	**1,686,831,452**	70,144,916
Tranche 1 Placement (pre-consolidation) on 12 July 2016	**292,548,068**	234,038
Tranche 2 Placement (pre-consolidation) on 17 August 2016	**257,451,932**	205,962
Share Consolidation (1:25) effective 18 August 2016	**(2,147,358,016)**	-
1:1 Rights Issue (post consolidation)	**89,473,436**	1,789,469
Options issued to advisors for capital raising	**-**	(99,765)
Share issue costs	**-**	(112,444)
Balance at 30 June 2017 (post consolidation)	**178,946,872**	72,162,176

(i) Fully paid ordinary shares

Fully paid ordinary shares entitle the holder to 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 on a show of hands or by proxy and upon a poll each shares is entitled to one vote. During the 2017 financial year, the Company undertook a consolidation of its share capital on a 1:25 basis.

(ii) Options of ordinary shares

Refer to Note 11 for information relating to the details of Options over fully paid ordinary shares issued, exercised and lapsed during the financial year and the Options outstanding at year-end. Refer to Note 11 for information relating to Options over fully paid ordinary shares issued to key management personnel during the financial year.

(iii) 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.

Notes to the Financial Statements

For the year ended 30 June 2018

10. Reserves and Accumulated Losses

		Consolidated Group	
		2018 $	2017 $
(a)	**Foreign currency translation reserve**		
	Opening Balance	**101,842**	137,358
	Currency translation differences arising during the year	**(774)**	(35,516)
	Closing Balance	**101,068**	101,842
(b)	**Share-based payment reserve**		
	Opening Balance	**344,379**	168,248
	Options expensed during the year	**4,926**	74,562
	Options issued classified as Share Issue costs	**-**	99,765
	Performance Rights granted/expensed during the year	**120,986**	1,804
	Forfeit of Options/Performance Rights	**-**	-
	Closing Balance	**470,291**	344,379
	Total Reserves	**571,359**	446,221
	Accumulated losses		
	Opening balance	**(70,999,282)**	(67,581,744)
	Net loss for the year	**(899,137)**	(3,417,538)
	Forfeit/Lapse of Options	**-**	-
	Closing balance	**(71,898,419)**	(70,999,282)

The share-based payment reserve is used to recognise the deferred expense in relation to share based payments. Refer to Note 11 for information relating to the details of Options over fully paid ordinary shares issued, exercised and lapsed during the financial year and the Options outstanding at year-end

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.

11. Share Based Payments

Share based payments issued to key management personnel

On 30 November 2017 shareholders approved, amongst other matters, the issue of a total of 4,000,000 Performance Rights to the Managing Director of the Company. The Performance Rights were issued on 20 December 2017 and the proportionate value of these Performance Rights applicable to the year ended 30 June 2018 has been recorded as Share Based Payments in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Further details of share based payment issued to key management personnel are provided in the remuneration report.

Share based payments issued to third parties:

On 30 November 2017 shareholders approved, amongst other matters, the issue of a total of 1,000,000 Performance Rights to a consultant of the Company. The Performance Rights were issued on 20 December 2017 and the proportionate value of these Performance Rights applicable to the year ended 30 June 2018 has been recorded as Share Based Payments in the Consolidated Statement of Profit and Loss.

On 23 October 2017, the Company issued 2,500,000 shares (Fee Shares) to parties that assisted with the placement of 40,000,000 shares raising $1,600,000 before costs. The Fee Shares were issued to the parties in recognition of their assistance with the placement and were issued for no cash consideration. The fair value of the Fee Shares has been determined as $182,500, being the price at which the placement was completed as the value of the service was not able to be determined reliably.

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

Grant Date	Number	Vesting Conditions	Probability of Award	Fair Value	Expiry Date
Performance Rights					
Managing Director					
Class A	2,000,000	Milestone A	100%	$138,000	20-Dec-18
Class B	2,000,000	Milestone B	100%	$138,000	20-Dec-20
Consultant					
Class A	500,000	Milestone A	100%	$34,500	20-Dec-18
Class B	500,000	Milestone B	100%	$34,500	20-Dec-20

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

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

The Performance Rights have been valued at $0.069 per Performance Right being the share price on the day the Performance Rights were issued. The fair value of the Performance Rights has been determined as $276,000 for the Managing Director and $69,000 for the Consultant, being the fair value of the services provided in the event relevant the Milestones are achieved.

The Performance Rights have an implied service condition that requires the holder of the Performance Rights to be either an executive director, employee or contractor of the Company when a Milestone is met.

11. Share Based Payments (continued)

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

	Consolidated Group			
	2018		2017	
Movement in Options	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Opening balance	11,000,000	$0.041	114,000,000	$0.013
1:25 capital consolidation	-	-	(109,440,000)	-
Balance after consolidation	11,000,000	$0.041	4,560,000	$0.325
Options expired	-	-	(1,560,000)	$0.325
Options Granted	-	-	8,000,000	$0.04
Closing balance	11,000,000	$0.041	11,000,000	$0.041
Options exercisable at year end	11,000,000		9,500,000	
Movement in Performance rights				
Opening balance	-		15,000,000	
Performance Rights Granted	5,000,000		-	
Rights Lapsed (1)	-		(15,000,000)	
Closing balance	5,000,000		-	

(i) The remaining 15,000,000 Performance Rights (pre consolidation) were measured against the share price hurdles on 31 July 2016 and none vested and therefore were forfeited.

Significant accounting estimates and judgments for share based payments values

The Group measures the cost of equity-settled transactions with key management personnel and other consultants and advisors 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 as detailed below.

The terms and conditions of the Options issued in prior years are summarised below:

Grant Date	Number	Vesting Conditions	Exercise Price	Expiry Date
Share Options				
Directors				
2 December 2015	1,500,000 [(a)]	12 months service	$0.045	30-Nov-18
2 December 2015	1,500,000 [(a)]	24 months service	$0.045	30-Nov-18
29 August 2016	3,000,000 [(b)]	None	$0.04	30-Sept-19
12 October 2016	1,000,000 [(c)]	None	$0.04	30-Sept-19
Facilitators				
12 October 2016	4,000,000[(d)]	None	$0.04	30-Sept-19

11. Share Based Payments (continued)

The fair value of the Options and 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:

	Director Options [(a)]	Director Options [(b)]	Director Options [(c)]	Facilitator Options [(d)]
Fair Value of Security at measurement date	$0.01	$0.01	$0.02	$0.02
Total Options issued	3,000,000	3,000,000	1,000,000	4,000,000
Total Fair Value	$42,750	$30,020	$24,941	$99,765
Share Price at Grant Date	$0.02	$0.02	$0.04	$0.04
Exercise Price	$0.045	$0.04	$0.04	$0.04
Expected Volatility	100%	100%	100%	100%
Option Life	3 years	3 years	3 years	3 years
Expected Dividends	Nil	Nil	Nil	Nil
Risk Free interest rate	2.93%	2.79%	2.20%	2.20%

	Consolidated Group	
	2018	2017
	$	$
Total share based payments expense is made up of the following;		
Share based payments expense		
Options expense	**4,926**	74,562
Performance Rights expense	**120,986**	1,804
	125,912	76,366

Elixir Petroleum Limited has cancelled its pre-existing lease commitments during December 2013 without penalty.

Reconciliation of Share Based Payments Expense and Equity movement for the 2018 financial year is per below:

Class	Date of Issue	Number	Fair Value	Expense	Equity
Share Options	Issued in prior years	-	-	$4,926	-
Performance Rights	20 December 2017	5,000,000	$345,000	$120,986	-
Fee Shares	23 October 2017	2,500,000	$182,500	-	$182,500
Totals				**$125,912**	**$182,500**

12. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge, best available current information and expectations of future events that may have a financial impact on the Group.

This Note provides an overview of the areas that involved a high degree of judgement or complexity and items that are more likely to be materially adjusted. Detailed information about each of these estimates and judgments is included in the Notes together with information about the basis of calculation for each affected line in the financial statements

Significant accounting estimates and judgments

The areas involving significant estimates and judgments are:

(i) *Recognition of deferred tax asset for carried forward tax losses – Note 3*

(ii) *Income taxes – Note 3*

(iii) *Estimation of fair value of share based payments – Note 11*

(iv) *Estimation of fair value of capitalised exploration and evaluation expenditure – Note 6; and*

(v) *Estimation of rehabilitation costs and exposure to contingent liabilities – Note 20*

Estimates and judgments are continually evaluated however there have been no actual adjustments this financial year as a result of a change in previous estimates used to prepare prior years financial statements.

13. Cash Flow Information

	Consolidated Group	
	2018	**2017**
	$	**$**
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	**(899,137)**	(3,417,538)
Non-operating cash flows		
Interest Income	**(33,809)**	(17,692)
Interest paid	**-**	-
Non-cash flows in profit		
Impairment write down of oil and gas properties	**-**	2,746,616
Provision for abandonment	**-**	6,842
Exploration and evaluation expenditure expensed	**25,000**	40,000
Depreciation, depletion & amortisation	**1,176**	871
Share-based payment	**125,912**	76,366
Net exchange rate differences	**1,985**	4,141
(Increase)/decrease in current assets	**(4,165)**	5,169
Increase/(decrease) in current liabilities	**2,599**	(29,264)
Increase/(decrease) in provisions	**27,397**	3,653
Cash flow used in operations	**(753,042)**	(580,836)

(b) Non-cash financing and investing activities

During the year ended 30 June 2018, the Company issued fully paid shares in lieu of capital raising services to the value of $182,500 (refer Note 11). There were no non-cash financing and investing activities for the year ended 30 June 2017.

14. Auditor's Remuneration

	Consolidated Group 2018 $	Consolidated Group 2017 $
BDO Audit (WA) Pty Ltd		
Remuneration of the auditor for:		
— auditing or reviewing the financial report	**30,247**	27,744
BDO Tax (WA) Pty Ltd	**-**	-
	30,247	27,744
Greenwich and Co. (previously KSI (WA) Pty Ltd)		
Remuneration of the auditor for:		
— auditing or reviewing the financial statement of subsidiaries	**2,750**	4,000
	2,750	4,000

15. Loss per Share

	2018	2017
(a) Reconciliation of earnings used in calculating earnings per share:		
Loss attributable to the ordinary equity holders of the company:	**(899,137)**	(3,417,538)
	Shares	**Shares**
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**208,172,899**	154,961,081
	Cents	**Cents**
(c) Basic and diluted loss per share	**(0.43)**	(2.21)

16. 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 2018	Working Interest 2017
Petra Project[(1)]	Various	Oil & Gas field, exploration project	USA	**25%**	25%
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 25% working interest across all leases in approximately 18,744 net acres in Washington County, Colorado, USA.

[(2)] Cottesloe Oil and Gas LLC ("Cottesloe"), a wholly owned subsidiary of the Group, was a party to a Joint Operating Agreement with respect to the Pompano project. It is unclear whether Cottesloe remains a party to this Agreement. Refer Note 20.

17. Controlled Entities

Controlled Entities Consolidated

Subsidiaries of Elixir Petroleum Limited	Country of Incorporation	Percentage Owned 2018	Percentage Owned 2017
Elixir Petroleum (Australia) Pty Ltd	Australia	**100%**	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%

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 2018 $	Closed Group 2017 $
Financial information in relation to:		
(i) Statement of Profit or Loss and Other Comprehensive Income:		
Loss before income tax	**(876,611)**	(2,369,580)
Income tax expense	**-**	-
Loss after income tax	**(876,611)**	(2,369,580)
Loss attributable to members of the parent entity	**(876,611)**	(2,369,580)
(ii) Accumulated losses:		
Accumulated losses at the beginning of the year	**(70,900,371)**	(68,530,791)
Loss after income tax	**(876,611)**	(2,369,580)
Accumulated losses at the end of the year	**(71,776,982)**	(70,900,371)
(iii) Statement of Financial Position:		
Current Assets		
Cash and cash equivalents	**2,484,234**	1,893,285
Other receivables	**20,071**	11,504
Total current assets	**2,504,305**	1,904,789
Non-current Assets		
Receivables	**-**	-
Investment in subsidiaries	**7**	-
Other plant and equipment	**3,528**	4,704
Total non-current assets	**3,535**	4,704
Total assets	**2,507,840**	1,909,493
Current Liabilities		
Trade and other payables	**82,964**	232,558
Provisions	**74,973**	72,576
Total current liabilities	**157,937**	305,134
Total liabilities	**157,937**	305,134
Net assets	**2,349,903**	1,604,359
Equity		
Issued capital	**73,658,419**	72,162,176
Reserves	**468,466**	342,554
Accumulated losses	**(71,776,982)**	(70,900,371)
	2,349,903	1,604,359

18. 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.

	Consolidated Group	
	2018	**2017**
	$	**$**
Statement of Financial Position		
Assets		
Current Assets	**2,504,305**	1,904,789
Non-current Assets	**3,535**	4,704
Total assets	**2,507,840**	1,909,493
Liabilities		
Current Liabilities	**157,937**	305,132
Total Liabilities	**157,937**	305,132
Net assets	**2,349,903**	1,604,361
Equity		
Issued Capital	**73,658,419**	72,162,176
Accumulated Losses	**(71,776,982)**	(70,900,369)
Share-based Payment Reserve	**468,466**	342,554
Total Equity	**2,349,903**	1,604,361
Statement of Profit or Loss and other Comprehensive Income		
Total loss	**(876,611)**	(3,455,893)
Total comprehensive loss	**(876,611)**	(3,455,893)

As at 30 June 2018 amounts receivable from controlled entities at cost totalled $7,635,195 (2017: $7,342,329). During the year an amount of $267,865 (2017: $1,544,452) was impaired for amounts receivable from controlled entities. No impairment charge was made against the value of investments in controlled entities (2017: $1,080,160).

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 17.

Wholly-owned group

Details of interests in wholly-owned controlled entities are set out at Note 17. 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 2018 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.

19. Capital and Leasing Commitments

	Consolidated Group	
	2018	2017
	$	$
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	**6,180**	24,200
between 12 months and 5 years	**-**	-
	6,180	24,200

20. Contingent Liabilities

Cottesloe Oil and Gas LLC ("Cottesloe"), a wholly owned subsidiary of the Group, was a party to a Joint Operating Agreement ("JOA") with amongst others, Buccaneer Resources LLC ("Buccaneer"), a wholly owned subsidiary of Buccaneer Energy Limited on the Pompano Project ("Pompano"). During 2011 the Operator proposed activities at Pompano which Cottesloe declined to participate in thus impacting our status and future rights and obligations under the JOA. The remaining JV partners ultimately elected to shut in the wells and relinquish the two associated leases during 2012 with abandonment obligations remaining outstanding. The Company 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$580,208 in favour of the previous owner of the platform and associated infrastructure which can be called upon in the event Cottesloe defaults on its share of the abandonment costs of this infrastructure. The cash backed bond provided by Cottesloe does not extend to any costs of abandoning the wells. There is no parent company guarantee in place between the Company and any of the other co-venturers in the Pompano project and therefore there is limited recourse to the Company or any other subsidiary of the Group should a claim be made on Cottesloe for an amount in excess of its assets.

21. Operating Segments

General Information

Identification of reportable segments

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

Management has determined, based on the reports reviewed by the Board of Directors that are used to make strategic decision, that the Group had two reportable segments during 2018 (2017: two) 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 2018	Oil & Gas Exploration (USA) $	Oil & Gas Exploration (France) $	Other Corporate Activities $	Total $
Revenue from external sources	-	-	33,809	33,809
Reportable segment (loss)	(4,663)	(16,285)	(878,189)	(889,137)
Reportable segment assets	784,719	-	2,507,834	3,292,553
Reportable segment liabilities	783,735	20,574	156,885	961,194
30 June 2017				
Revenue from external sources	-	-	17,692	17,692
Reportable segment (loss)	(2,782,957)	(22,938)	(611,643)	(3,417,538)
Reportable segment assets	754,632	-	1,909,494	2,664,125
Reportable segment liabilities	753,064	21,813	280,132	1,055,009

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

22. 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 2018.

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

	Consolidated Group	
	2018	**2017**
	$	**$**
Short-term employee benefits	**374,590**	318,515
Post-employment benefits	**22,557**	22,557
Share-based payments	**101,715**	76,366
Total KMP compensation	**498,862**	417,438

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

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

(iv) Transactions with other related parties:

There were no transactions with related parties during the year.

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

There are no outstanding balances arising from sale/purchases of goods and services (30 June 2017: Nil).

(vi) Loan to / from related parties:

There were no loans to or from related parties during the year (30 June 2017: Nil).

23. 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	
		2018	**2017**
	Note	**$**	**$**
Financial Assets			
Cash and cash equivalents	(4)	**2,484,234**	1,893,285
Loans and receivables	(5)	**799,014**	759,426
Total Financial Assets		**3,283,248**	2,652,711
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	(7)	**102,486**	254,369
Total Financial Liabilities		**102,486**	254,369

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.

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 procedures including approval systems, credit limits, monitoring of exposures against such limits and monitoring of the financial stability of significant counterparties, ensuring to the extent possible, that counterparties to transactions are of credit worthy. Such monitoring is used in assessing receivables for impairment. Risk is also minimised through only investing surplus funds in financial institutions that maintain a high credit rating.

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 17 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 5.

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.

23. Financial Risk Management (continued)

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
Cash and cash equivalents			
AA Rated	(4)	**2,484,234**	1,893,285

(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	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**	**2018 $**	**2017 $**
Financial liabilities due for payment								
Trade and other payables	102,486	254,369	-	-	-	-	102,486	254,369
Total expected outflows	102,486	254,369	-	-	-	-	102,486	254,369
Financial Assets - cash flows realisable								
Cash and cash equivalents	2,484,234	1,893,285	-	-	-	-	2,484,234	1,893,285
Trade, term and loans receivables	21,056	13,072	783,735	753,064	-	-	804,791	766,136
Total anticipated inflows	2,505,290	1,906,357	783,735	753,064	-	-	3,289,025	2,659,421
Net inflow on financial instruments	2,402,804	1,651,988	783,735	753,064	-	-	3,186,539	2,405,052

23. 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:

	2018		2017	
	USD	**GBP**	**USD**	**GBP**
Cash	1,615	-	12,495	-
Trade and other receivables	985	-	1,568	-
Non-current receivables	783,735	-	753,064	-
Trade Payables	(3,635)	(20,574)	(167,491)	(21,813)
	782,700	(20,574)	599,636	(21,813)

(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.

23. Financial Risk Management (continued)

	Consolidated Group	
	Profit	Equity
Year ended 30 June 2018	$	$
+/- 0.9% in interest rates	19,699	19,699
+/- 20% in AUD relative to USD & GBP	152,425	152,425

	Consolidated Group	
	Profit	Equity
Year ended 30 June 2017	$	$
+/- 0.9% in interest rates	10,427	10,427
+/- 20% in AUD relative to USD & GBP	119,927	119,927

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

(iv) Fair values

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.

24. Events After the Reporting Period

The following events occurred subsequent to 30 June 2018 which will have a material effect on the Group.

On 12 September 2018, the Company announced that it had signed a Binding Terms Sheet to acquire 35,423 acres of highly prospective leases in Alaska which are adjacent to the Umiat oil field. The consideration for the acquisition of the Alaskan leases consist of reimbursement of the sellers back costs which total US$803,859, together with assignment of a 5% overriding royalty interest ("ORRI") on the leases being acquired. The Company has paid a non-refundable US$150,000 exclusivity fee, which is deductible from the cash consideration on completion of the acquisition, which is expected to occur on or before 30 October 2018.

On 12 September 2018, the Company announced that it had extended the option period to acquire GOH to 30 November 2018 and had also entered into an interim funding arrangement with GOH to allow it to commence operations upon award of the PSC. On 18 September 2018, the Company announced that GOH had signed the PSC and that the Company expects to close the acquisition of GOH in November 2018, following receipt of its shareholders approval to issue the 79 million consideration shares.

On 12 September 2018, the Company announced that it had received firm commitments for a placement to raise $1,650,000 (before costs). On 19 September 2018, the Company lodged a Cleansing Prospectus with ASIC and on 20 September 2018, the Company issued 33,000,000 shares the subject of the placement.

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

25. Summary of Accounting Policies

Basis of preparation

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

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

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

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

(a) Principles of consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 17 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) 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.

25. Summary of Accounting Policies (continued)

(c) 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.

(d) 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.

25. Summary of Accounting Policies (continued)

Basis of accounting for purposes of reporting by operating segments

(i) Accounting policies adopted

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

(ii) Inter-segment transactions

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

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

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

(iii) Segment assets

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

(iv) Segment liabilities

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

(v) Unallocated items

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

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

25. Summary of Accounting Policies (continued)

(e) 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 25(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.

25. Summary of Accounting Policies (continued)

(f) 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.

(g) 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.

25. Summary of Accounting Policies (continued)

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.

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.

25. Summary of Accounting Policies (continued)

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.

(h) 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.

(i) 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 16.

(j) 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.

25. Summary of Accounting Policies (continued)

(k) 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.

(l) Foreign Currency Transactions and Balances

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.

25. Summary of Accounting Policies (continued)

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.

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.

25. Summary of Accounting Policies (continued)

(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.

(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.

(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.

25. Summary of Accounting Policies (continued)

(v) New standard and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for ended 30 June 2018 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 2018 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 have a 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.

Additional Securities Exchange Information

The shareholder information set out below was applicable as at 25 September 2018.

1. Twenty largest shareholders

	Ordinary shares	Number	Percentage
1	DAVID JAMES WALL	7,750,000	3.04
2	DIDCAL PTY LTD	7,000,000	2.74
3	DOUGAL FERGUSON	6,508,000	2.56
4	PHEAKES PTY LTD	5,500,000	2.16
5	KORE CAPITAL PTY LTD	5,072,770	1.99
6	ALEXANDER HOLDINGS (WA) PTY LTD	5,000,000	1.97
7	METIS PTY LTD	5,000,000	1.97
8	YEA-SAYER PTY LTD	4,500,000	1.77
9	VANTAGE HOUSE LIMITED	4,200,000	1.65
10	SMC CAPITAL PTY LTD	4,175,000	1.64
11	HOLDREY PTY LTD	4,125,000	1.62
12	JORLYIN INVESTMENTS PTY LTD	3,625,000	1.42
13	LS MAJESTIC HOLDINGS (VIC)PTY LTD	3,500,000	1.38
14	ST BARNABAS INVESTMENTS PTY LTD	3,200,000	1.26
15	JETMAX TRADING PTY LTD	3,170,000	1.25
16	233 INVESTMENTS PTY LTD	3,000,000	1.18
17	ZERRIN INVESTMENTS PTY LTD	3,000,000	1.18
18	SCINTILLA STRATEGIC	3,000,000	1.18
19	QUINTERO GROUP LIMITED	3,000,000	1.18
20	MR MARK JOHN SANDFORD	3,000,000	1.18
	Total top 20	**87,325,770**	**34.32%**
	Other	**167,121,102**	**65.68%**
	Total ordinary shares on issue	**254,446,872**	**100.00%**

2. Substantial shareholders

There have been no substantial holder notices provided to the company as at the 25 September 2018.

3. Distribution of equity securities

	Ordinary Shares	Unlisted options
1 - 1,000	65	-
1,001 – 5000	44	-
5,001 - 10,000	27	-
10,001 - 100,000	175	-
100,001 - and above	325	6
	636	**6**

4. Unquoted securities

The total number of unquoted securities on issue and the number of holders for each class of unquoted securities are set out below. Excepting holders that were issued or acquired unquoted securities under an employee incentive scheme, individuals holding more than 20% of any class of unquoted security are listed below.

Class of unquoted security	Number on Issue	Number of Holders
Unlisted executive incentive options	3,000,000	1
Unlisted Director options[1]	4,000,000	4
Unlisted options[2]	4,000,000	2

[1] Holders of Unlisted Director options	Number Held	% Held
Ray Barnes	1,000,000	25.00%
Dougal Ferguson	1,000,000	25.00%
Sam Willis (resigned 30 October 2017)	1,000,000	25.00%
Scott Patrizi	1,000,000	25.00%

[2] Holders of Unlisted options	Number Held	% Held
David James Wall	2,000,000	50.00%
JP Security Holdings Pty Ltd	2,000,000	50.00%

6. Voting rights

Refer Note 9(a) of the Financial Statements for voting rights of ordinary shares. Listed and unlisted option holders have no voting rights until the options are converted into ordinary shares.

7. On-market buy back

There is currently no on-market buy-back program for any of Elixir's listed securities.

8. Company secretary, registered and principal administrative office and share registry

Details can be found in the Corporate Directory at the beginning of the Annual Report.

9. List of interests in petroleum projects

Details of the Company's interests in petroleum projects can be found in the Review of Operations.

elixir petroleum limited

www.elixirpetroleum.com