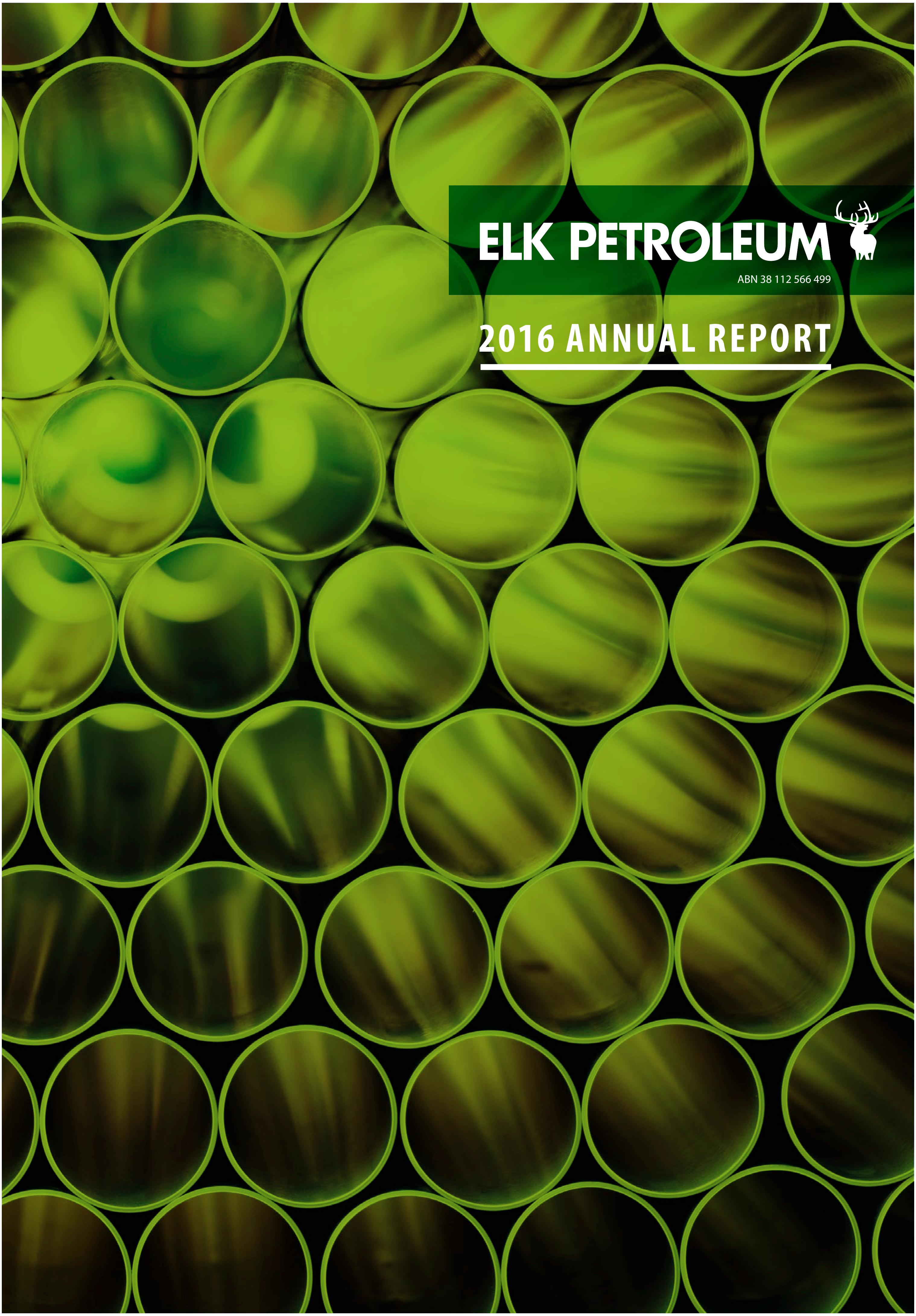

ELK PETROLEUM

ABN 38 112 566 499

2016 ANNUAL REPORT

CONTENTS

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Elk Petroleum Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

DIRECTORS

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

Neale Taylor (Chairman)

Bradley Lingo (Managing Director) (appointed 1 August 2015)

Russell Krause

Matthew Healy

Tim Hargreaves

PRINCIPAL ACTIVITIES

The Company specialises in developing enhanced oil recovery ("EOR") projects. During the year the principal activities of the Company consisted of the development of a CO_2 EOR project at the Grieve oil field in Wyoming, USA, continuation of operations at the Singleton Unit in Nebraska in anticipation of future implementation of an EOR project in the Singleton Unit and the acquisition of the Singleton South oil field in Nebraska focusing on development of potential by-passed oil pool on the southern flank of the Singleton Unit. The Grieve CO_2 EOR project is operated by Denbury Onshore LLC and current operations are focused on development of facilities and on CO_2 and water injection to re-pressure the Grieve field prior to commencing first oil production.

REVIEW OF OPERATIONS

The loss for the Group after providing for income tax amounted to $7,168,313 (30 June 2015: $3,645,970). The loss reflects the Company's increased corporate activities over the year as set out in the financial review (section f) below.

Operations review

During the 2015-2016 financial year, the Company has continued development and assessment of four main projects.

a. Grieve Field, Elk 49% (from 35% as at 30 June 2016), and Denbury Operator 51% (from 65% as at 30 June 2016)

As reported in last year's annual report Elk having dismissed the lawsuit with Denbury started the new year in extensive mutually agreed good faith negotiations with our Joint Venture Partner. Considerable efforts during the year resulted in negotiations being completed and simultaneous agreements signed early in the new financial year (August 5th 2016), closing both the Joint Venture restructure with Denbury, Elk moving from a 35% to a 49% interest and the associated implementation of senior debt financing with Benefit Street Partners. Benefit Street Partners having provided Elk with a US$58 million senior debt loan facility to be used in connection with the Grieve Project JV restructuring and project funding.

This restructure of the Grieve Joint Venture delivered a 51% increase in Elk net 2P Reserves to 5.3 MMbbls during FY 2015-16.

To maintain project delivery schedules during negotiations on the development of the Grieve CO_2 EOR Project, for first oil, during the financial year prior to completing the Joint Venture restructure, Elk already funded US$2 million as part of its US$55 million total commitment to the Grieve JV Project. Elk's remaining contribution commitments will be made over the next 18 months. First production from the Grieve enhanced oil recovery project is targeted for the last quarter of 2017. Subsequent progress payments will comprise of both debt and equity contributions and will continue under a fixed price turnkey contract between Elk and Denbury, with a milestone payments process overseen and verified by an independent third party engineer. The remaining major engineering works to be completed on Grieve being the oil processing and CO_2 recompression facilities works.

The CO_2 enhanced oil recovery redevelopment plan for the Grieve Project is based on restoring the field's original pre-production reservoir pressure of approximately 3,000-3,100 PSI before commencing oil production. This eliminates the need to install artificial lift pumping (Beam Pumps or 'Nodding Donkeys') to produce oil to surface, thereby reducing production well capital and operating expenditure. Under the proposed development plan, all of the CO_2 produced is recycled and injected back into the field to recover more of the remaining oil. Ultimately at the end of Grieve field life the CO_2 can be left in the fully depleted oil reservoirs or potentially reused on other CO_2 EOR candidate fields in the region, as the transmission infrastructure will already be in place.

Injection of CO_2 and water has been undertaken on the Grieve Field since mid-2015 and field repressurisation is on schedule. As a result, a milestone has been achieved in the Field with field pressure increasing above minimum miscible pressure of 2256 PSI (minimum miscible pressure being the point when CO_2 becomes miscible in oil) and downhole surveys in April 2016 indicated a downhole pressure of 2504 PSI. At minimum miscible pressure CO_2 begins to dissolve into the oil in the reservoir causing the oil to swell and reducing its viscosity. As the pressure further increases through the continued injection of CO_2, this enables the CO_2 to displace the remaining oil from the rock pores in the reservoir, pushing it towards production wells in the field. Reaching minimum miscible pressure is a key milestone in any successful miscible CO_2 enhanced oil recovery project. The Company believes that based on the current repressurisation and CO_2 injection plan, Grieve Project production is possible in Q4 2017. With Denbury supplying and covering the full cost of CO_2 required to reach facility start-up and projected point of positive operating cash flow.

DIRECTORS' REPORT

b. Grieve Pipeline 100% Elk owned and operated.

Elk holds a 100% interest in the crude oil pipeline running from the Grieve oil field through its subsidiary Grieve Pipeline, LLC. The Grieve oil pipeline is a 32-mile-long (8-inch diameter) steel pipeline that extends from the Grieve CO_2 EOR project to a receiving station located on the Spectra Energy oil storage facility in Casper, Wyoming, our point of oil sale. Casper is a regional export hub with onward oil export links via pipeline, rail head and road.

Early in the financial year Elk received a draft proposed Asset Purchase Agreement from a potential pipeline buyer. After careful consideration it was decided not to proceed with a sale. The pipeline was determined to be strategically important asset in two regards. First, the pipeline is seen by Elk as a material piece of infrastructure to the development of the Grieve Project and its restructure as well as providing security for the implementation of senior debt financing with Benefit Street Partners for the Grieve CO_2 EOR project. Subsequent to end of year this significance was borne out when Denbury entered into an oil transportation agreement with Elk to use the pipeline to transport to the market point of sale in Casper. For Grieve Oil Export Pipeline transportation access the Grieve Unit will be charged US$3/bbl (escalated) on 100% of production payable to Elk Grieve Oil Pipeline, LLC. Second, with the start-up of the Grieve CO_2 EOR project it was recognised that the Grieve Pipeline could also provide additional oil transport services to third parties generating additional income for the Company.

During the year Elk Grieve Oil Pipeline, LLC undertook a detailed condition survey and subsequent to year end pipeline remediation work is currently underway, in order to be ready for first oil export in Q4 2017. Capital expenditure over the 2016-17 financial year will be $2.25 million and covers pipeline repairs, cathodic protection, design and long lead items ordering along with installation and commissioning of equipment at Grieve and Spectra facilities.

c. Singleton South Field 100% Elk owned and operated.

During the year Elk announced the acquisition of a 100% operated working interest in certain relatively low cost, low risk oil property's from a wholly-owned subsidiary of Oklahoma based Devon Energy Inc. The properties are immediately south and contiguous to Elk's Singleton Oil Field Enhanced Oil Recovery (EOR) Project in Banner County, Nebraska. Located in the north-eastern portion of the prolific Denver-Julesburg Basin (the 'DJ Basin'). The property was acquired for an entire consideration of US$100,000. Elk estimates that Devon's total investment in the acquired properties to be in excess of US$10 million.

The properties consist of:

- All of Devon's oil and gas leasehold interests in Banner County, Nebraska covering 9,738 gross acres (5,987 net acres);
- Two oil exploration wells – one vertical well, Opis 1P and one horizontal well, Opis 1H – both of which have been completed as oil producers; and
- All of the oil production, processing facilities, storage and oil truck load-out equipment.

The properties are essentially new with the leases first being acquired in 2012 and the Opis 1P well drilled and completed in early 2013 and the Opis 1H well drilled and completed in late 2013 with production facilities constructed shortly thereafter.

In undertaking the pre-development technical review of the Singleton EOR Project, the Company had identified that in the southern portion of the Singleton Oil Field some of the oil production was being contributed from a better developed lower Muddy Formation interval J3 sand. This was later confirmed by Elk prior to purchase during detailed technical due diligence of the Devon Oil Properties, and analysis of drilling results from the Opis 1P and Opis 1H exploration wells. The shallow depth and relatively thick section of J3 sand present in the Opis 1P and Opis 1H wells contained oil pay. Devon's primary objective in drilling these 2 wells were the deeper (and after production testing) high water cut non-commercial Mississippi Limestone oil play. The J3 oil sands were not tested and are now behind casing in these 2 suspended wells. With the added bonus of newly installed oil production facilities at the Opis 1H production well we have the flexibility to support the Singleton Unit EOR Project or renter the Opis 1P well and production test the J3 oil sand.

Elk estimates that the Devon Oil Properties contain approximately 3C contingent oil resources of 2.5 MMbbls and 78 Mbbls of 2P oil reserves net to Elk. The acquisition represents a 25-35% increase in the Company's current 3C contingent oil resources.

Subsequent to year end your Board has approved a budget of US $195k to start the production appraisal stage utilisiing the Devon Opis-1P well by re-entering this well and completing the J3 sand to test its oil production potential over a long term oil production test. In addition, water injection will be restarted in the Singleton Unit at the W3 water injection well.

The Company believes that if appraisal production testing at the Opis 1P and Opis 1H wells can be established, the J3 sand oil pool contained in the acreage extending from the southern portion of the Singleton Oil Field southern boundary of Banner County may be able to be developed in CY 2017.

d. Singleton Unit 100% Elk owned and operated.

Elk's foundation project in the Nebraska portion of the DJ Basin is on the Singleton Oil Field and the Singleton EOR Project as well as extension of this activity to other mature oil fields in the area around the Singleton Field. The main focus is on executing an EOR Project in the J1 and J2 sands of the Muddy Formation – the same formation and sands that are being redeveloped at the Company's Grieve Oil Field CO_2 EOR Project in Wyoming. The acquisition during the year of the Devon Oil Properties to the south of the Singleton Oil Field present significant synergies for the development of the overall Singleton Oil Field and the EOR Project.

The primary focus of Devon's Opis 1P and 1H wells, the Mississippi Limestone had very high water cut oil in this primary objective. In order to manage the produced water, Devon was required to truck a significant volume of water to a remote disposal location. At current oil prices the cost of water disposal to a remote location via a trucking operation at an estimated cost of US$2.50 barrel of water made continuing production uneconomic.

The produced water from the Opis 1P, from the Mississippi Limestone can provide a water production source necessary for repressuring the Singleton Unit Oil Field as the initial phase of the EOR Project in the primary oil producing J1 and J2 sands. The cost of this solution is estimated to be approximately USD0.15 per barrel of water. The presence of a much larger unexploited oil pool in the southern quadrant of the Singleton Unit and across the former Devon acreage 'Singleton South', the J3 sand can provide additional initial oil production in the greater Singleton Oil Field redevelopment project area while the EOR flooding project is progressing.

During the year Elk has continued with water injection in the Singleton Unit at a modest rate of 4800 barrels per month at the W-10 injection well. Subsequent to the year we are currently re-entering the W-4 injection well to check its integrity for injection restart. The Company will be making a reservoir pressure measurement in the Opis-1 well after perforating the J3 sand at the end of August to ascertain if the J3 sand in the area to the south of the Singleton Unit is in pressure communication with the J1 and J2 sands in the Singleton Unit. These data will help us better devise an integrated field re-development plan that would optimise the use of EOR techniques available to us.

Throughout the year we have continued with negotiations with interested parties who have pipeline right of way rights to investigate the construction of a CO_2 pipeline from corn ethanol plants in eastern Nebraska to our oil fields in the DJ basin for EOR purposes.

e. Environmental regulation

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

f. Financial review

The consolidated entity incurred a loss of $7,168,313 after providing for income tax (2015: $3,645,970). Revenue remained limited during the year, with the Company in a restructuring, development and assessment phase throughout the year, with first oil expected from the Grieve Project JV in December 2017 quarter.

The major cost drivers contributing to the increased 2015-16 loss included increased costs for use of consultants and legal costs to assess the Grieve Project JV restructure, increased associated travel costs relating to the same assessment process, increasing the executive capacity and corporate infrastructure of the Company with the appointment of a new Managing Director, Chief Financial Officer and Chief Operating Officer during the year, increased interest costs relating to the convertible note funding implemented late in FY15 and recognising the $1.2m liability for the Crow Tribe Dispute (refer Note 27).

Cash at the end of the period was A$18,103,239 which is primarily contributed by the rights issue in late June 2016 and the Company raised approximately A$11 million (before costs) subsequent to the end of the reporting period. The purpose of this raising was for funding of the restructuring of the Grieve Project JV and ongoing working capital.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year other than those disclosed elsewhere in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to year end, there have been three major events, being

i. Restructuring of the Grieve CO_2 Enhanced Oil Recovery (EOR) Project ("Grieve Project") Joint Venture ("Grieve JV") with Denbury Onshore LLC ("Denbury");

ii. Completing a senior term loan facility with Benefit Street Partners ("BSP") for US$58 million for the Grieve Project restructure. The Company has transferred USD10.2 million to a specific Reserve Account as required under the financing arrangement with BSP; and

iii. Shortfall placement subscriptions for all remaining Shortfall shares under the non-renounceable pro-rata entitlement offer ("Entitlement Offer") launched on 3 June 2016 and partially completed on 23 June 2016.

DIRECTORS' REPORT

The Company executed final binding agreements and completed the restructure of the Grieve Project JV with Denbury on Thursday 4 August 2016 Central Daylight Time ("CDT") in Dallas, Texas. The key terms of the completion of the restructure of the Grieve CO_2 EOR Project joint venture between Elk and Denbury are:

- Elk's working interest in Grieve Project increases to 49% with the right to receive 70% of the net operating cash flow from the first 2 million barrels of production;
- Denbury remains the Operator of the Grieve Project JV and provides a firm commitment to complete the Grieve CO_2 EOR Project development pursuant to a fixed price turnkey contract containing a detailed field development and execution plan and detailed completion milestones;
- Under the fixed price turnkey contract, Elk will fund US$55 million to complete the development of the Grieve Project with Denbury to cover any cost overruns;
- Denbury will supply and cover full cost of CO_2 to be injected into the Grieve field required to reach first oil production and any additional CO_2 up to 82 BCF will be provided on advantageous commercial terms at Denbury's cost of CO_2;
- All of the oil production from the Grieve Project will be shipped via Elk's 100%-owned and operated Grieve Oil Pipeline under a binding long-term regulated pipeline tariff at a haulage charge of US$3.00 per barrel;
- Denbury has transferred to Elk a 49% interest in any Grieve Project assets with an estimated value of approximately US$60 million;
- Denbury will forego recovery from Elk 100% of Grieve Project funding indebtedness with an estimated amount of US$20 million associated with the prior joint venture funding arrangements; and
- Elk and Denbury have entered into a binding settlement agreement under which all prior claims arising out of the original Grieve Project JV arrangements will be released including legal claims included in the civil lawsuit which the parties previously withdrew pending negotiating a commercial settlement (see ASX announcement 16 July 2015).

The Company completed closing a senior term loan facility with Benefit Street Partners ("BSP") for US$58 million for the Grieve Project JV restructure on Friday 5 August 2016 evening Dallas, Texas local time.

Funds under the Term Loan facility with BSP can only be used to fund the US$ 55 million in field development expenditures committed to by Elk as part of the Grieve JV restructure, minor upgrades to Elk's 100% owned Grieve oil pipeline and associated costs. Funds under the Term Loan facility are immediately available for this purpose.

In conjunction with putting in place the Term Loan facility the Company has implemented a significant oil price hedging program to underwrite a strong oil price going forward for the Grieve Project. Under this program the Company has purchased US$45/bbl put options for 75% of its share of forecast oil production from the Grieve Project during in calendar year 2017 and 2018. The put options create a US$45/bbl floor price for the hedged volumes, but do not limit the oil price upside for the project.

The Company launched an entitlement offer on 3 June 2016, and on 27 June 2016 issued approximately 261.6 million new fully paid ordinary shares at $0.075 per share to raise $19.6 million (before costs). In August and September 2016 Elk issued approximately 146.5 million shares priced at $0.075 per share ("Shortfall Shares") to sophisticated investors and institutional investors new to the Elk register to raise an additional $11 million.

Also subsequent to year, the following changes were made to the Group structure:

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

* Subsidiaries of Elk Petroleum Inc.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

Name:	Neale Taylor
Title:	Non-Executive Director and Chairman
Experience and expertise:	Dr Taylor has extensive technical, operating and commercial experience in oil and gas exploration and production with Esso Australia, Nexus Energy, and Cambrian Oil & Gas Plc. He is a former non-executive director of Terra Gas Trader, former non-executive chairman of Tap Oil, a former managing director of Cambrian Oil & Gas Plc and director of various subsidiaries of Xtract Energy Plc. He is a member of the Society of Petroleum Engineers and a Fellow of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the audit committee
Interests in shares:	1,129,771 shares
Interests in options:	50,000 $0.25 22 July 2017 listed options
Interests in rights:	406,731 performance rights, 180,000 retention rights

Name:	Bradley Lingo (appointed 1 August 2015)
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	Mr Lingo is an experienced international resource & energy executive with a proven track record of successfully of building companies in the upstream and midstream oil & gas energy sectors. Mr Lingo held previous roles in business development, new ventures, mergers and acquisitions and corporate finance with Tenneco Energy and El Paso Corporation in the US and Australia, and Senior Vice President and Head of Oil & Gas at the Commonwealth Bank of Australia. More recently Mr Lingo was Managing Director and CEO of Drillsearch Energy Limited, where he oversaw more than an eight-fold increase in share price and market cap over a period of six years, helping build that company into one of Australia's leading onshore oil and gas producers. Mr Lingo's skills include leadership, ability to build market confidence, financial and technical skills, organisation building, business development and funding capability, and entrepreneurship. His experience also includes equity and debt capital raising, project and transaction financing and structuring to achieve attractive financial, tax, accounting and legal treatment for complex commercial, project and financing transactions, similar to Elk's current needs.
Other current directorships:	Oilex Pty Ltd
Former directorships (last 3 years):	Drillsearch Energy Limited, Mont Dór Petroleum Limited, Ambassador Energy Limited, Acer Energy Limited
Special responsibilities:	Member of the risk committee and remuneration committee
Interests in shares:	13,173,836 shares

DIRECTORS' REPORT

Name:	Matt Healy
Title:	Non-Executive Director
Experience and expertise:	Mr Healy is an executive with more than 18 years experience working in senior management and operational roles for multinational organisations, primarily working on asset strategy and project development. His particular expertise is in business management as well as the overall repositioning and development of large scale property assets having held executive positions at industry leading companies such as the Westfield Group and Lend Lease Group. Matt holds a Bachelor of Engineering (Applied Science) from University of Technology, Sydney as well as an MBA Executive from the Australian Graduate School of Management (AGSM), Sydney.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the audit committee and chair of the remuneration committee
Interests in shares:	1,353,008 shares
Interests in options:	50,000 $0.25 22 July 2017 listed options
Interests in rights:	40,000 performance rights, 90,000 retention rights
Name:	Russell Krause
Title:	Non-Executive Director
Experience and expertise:	Mr Krause has over 25 years' experience in Stockbroking and Investment Management with a primary focus on the resources sector. He has held a number of Directorships and Senior Management positions with a number of Australia's leading firms, including firms with US oil and gas assets. For the past ten years he has worked on a number of North American oil and gas projects in relation to Capital Raising and Corporate Advisory.
Other current directorships:	Carbine Tungsten Limited, Red Sky Energy Limited, Austex Oil Limited
Former directorships (last 3 years):	None
Special responsibilities:	Member of the remuneration committee, risk committee and chair of the audit committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	40,000 performance rights, 20,000 retention rights
Name:	Timothy Hargreaves
Title:	Non-Executive Director
Experience and expertise:	Mr Hargreaves has over 35 years' experience in technical and managerial roles in the petroleum and minerals sectors in Asia and the Middle East for major companies including BHP, Union Texas Petroleum and Fletcher Challenge Petroleum as well as start-ups and independents. He has led successful exploration and commercialisation campaigns in Pakistan and Egypt which were dependent upon technical and commercial innovation in complex regulatory environments. Since 2009 he has been Research Director of Resources for Republic Investment Management, a Singapore based investment fund that is a major investor in Elk and has been a major participant in the rejuvenation of Elk including being the lead investor in the Convertible Loan Facility of April 2015 and a sub-underwriter of the June 2016 Entitlement Offer. He is a Director of Skyland Petroleum Limited (ASX : SKP) and is a former Director of The Environmental Group Limited (ASX : EGL).
Other current directorships:	Skyland Petroleum Limited
Former directorships (last 3 years):	The Environmental Group Limited
Special responsibilities:	Chair of the risk committee
Interests in shares:	9,192,397 shares
Interests in options:	833,333 $0.25 22 July 2017 listed options
Interests in rights:	40,000 performance rights, 20,000 retention rights

EXECUTIVES

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

Alexander Hunter – *CFO, Sydney* (appointed 11 April 2016)

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

David Evans – *COO, Sydney* (appointed 1 May 2016)

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

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

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

Current directorships: JCurve Solutions Limited.

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

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

Current directorships: Argonaut Resources Limited and ShareRoot Limited.

J. Scott Hornafius – *President, Denver*

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

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
N. Taylor	18	18	2	2	1	1
B. Lingo*	16	16	–	–	–	–
M. Healy	16	18	2	2	1	1
R. Krause	14	18	2	2	–	1
T. Hargreaves	18	18	–	–	–	–

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

* Appointed 1 August 2015

There were no separate risk committee meetings held during the year.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

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

Non-Executive Directors and Company Secretary remuneration

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay or fee and non-monetary benefits (fixed annual remuneration)
- short term incentives
- long term incentives
- other remuneration such as superannuation, long service leave and special allowances

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

Remuneration of Elk's key management personnel comprises some or all of the following elements: fixed salary/fee; rights scheme; and other benefits including motor vehicle allowances and health insurances.

1. Fixed Annual Remuneration ('FAR)

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

2. Short Term Incentives ('STI')

The Board retains the discretion to make special cash awards (up to 20% FAR). In addition to this, the Board may also offer Funding and Retention Awards to executives in accordance with their employment contracts which are approved by the shareholders. For the year ended 30 June 2016, the Company has provided a cash bonus of $146,765 and ordinary shares to the value of $50,235 to Mr Lingo in accordance with these awards which were previously approved by the shareholders in the 2015 AGM.

3. Long Term Incentives ('LTI')

Long term incentives are made as share-based payments in the form of retention rights and performance rights within the Company's Employee Incentive Rights ('EIR') Plan and Non-Executive Directors & Advisers ("NEDA") Plan. These plans have been approved by shareholders and full explanation of these plans are available on Elk's website: www.elkpet.com. There has been no change in the plan's rates and criteria for the 30 June 2016 year end. As noted below the Company is taking a review of its incentive plan (no awards has been made under these incentive plans subsequent to 30 June 2016). The Company retains a previous Employee Options Plan, but no new options have been issued since approval of the EIR and NEDA plans. All retention and performance rights granted to directors were approved by shareholders under ASX Listing Rule 10.14.

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

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

Consolidated entity performance and link to remuneration
Remuneration incentives under existing employee plans for certain individuals are directly linked to performance of the consolidated entity. Vesting of performance rights are dependent on share price targets being met.

Remuneration consultants
During the year, no remuneration consultants were engaged. See below for remuneration consultant engaged post 30 June 2016.

Voting and comments made at the Company's Annual General Meeting ('AGM')
At the 30 June 2014 year end AGM, the remuneration report vote for, while carried, had more than 25% of the votes cast against the resolution and as a result, this constituted a first strike for the purposes of the Corporations Act.

At the 30 June 2015 year end AGM, the remuneration report vote was carried by poll, with 97.90% of the votes cast for the resolution and as a result there was no second strike for the purposes of the Corporations Act. The Company therefore has no strike against it remuneration report going into the 30 June 2016 year end AGM.

Post year end incentive review
Subsequent to 30 June 2016, the Board commenced a review of its remuneration framework for employees, non-executive directors and advisors. The Company has retained the independent remuneration specialist group, Mastertek, to assist the Company (1) to benchmark its base pay, fees and non-monetary benefits, and (2) develop proposals to revise the Company's incentive or reward plans.

The latter work aims to better align incentives/rewards with the changed nature of the Company's activities with rapidly approaching first oil production and cash flow from its Grieve CO2 EOR project as well as initiating development work at its Singleton South and Singleton Unit properties and seeking new producing properties with EOR potential.

The focus of this re-alignment will be to adopt revised incentive/reward plans with awards linked to increases in Proved Developed Producing Reserves and increases in annual oil or oil-equivalent production. Awards are likely to be paid out in shares or a mixture of cash and shares depending upon increases achieved.

This change in incentive/reward focus was flagged in July 2015 when the Company announced a summary of the current MD/CEO's employment terms and conditions, including the Company's commitment to develop and seek shareholder approval for such an incentives or reward system.

This work is underway and one or more resolutions are likely to be tabled for shareholder consideration at the Company's 2016 AGM. It is likely any new approved plan/s would apply to performance from 1 July 2016 and no incentive rights under the Company's existing plans have been granted for periods from 1 July 2016 pending adoption of one or more new plans.

DIRECTORS' REPORT

Details of remuneration

Amounts of remuneration

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

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

- Neale Taylor
- Matthew Healy
- Russell Krause
- Tim Hargreaves
- Bradley Lingo (appointed 1 August 2015)

And the following persons:

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	**Director/KMP fees $**	**Cash bonus $**	**Other $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
N. Taylor[1]	135,000	–	1,000	15,000	–	16,342	167,342
M. Healy	67,500	–	–	–	–	467	67,967
R. Krause	45,000	–	–	–	–	–	45,000
T. Hargreaves	45,000	–	–	–	–	–	45,000
Executive Directors:							
B. Lingo*	297,976	146,765	–	22,858	–	50,235	517,834
Other Key Management Personnel:							
A. Hunter**	63,031	–	–	4,827	–	–	67,858
D. Evans***	46,749	–	–	3,865	–	–	50,614
S. Hornafius****	479,852	–	45,341	19,194	–	37,988	582,375
D. Franks[2]	–	–	–	–	–	5,565	5,565
A. Bursill[2]	–	–	–	–	–	–	–
	1,180,108	146,765	46,341	65,744	–	110,597	1,549,555

* Appointed 1 August 2015

** Appointed 11 April 2016

*** Appointed 1 May 2016

**** See service agreement on page 13 for S Hornafius' remuneration

1. Excludes consultancy fees paid to entity related to N. Taylor, refer to Note 29, related party transactions.
2. D. Franks and A. Bursill company secretary services are paid to Franks & Associates Pty Ltd, a company in which they are a director and principal respectively. Franks & Associates Pty Ltd were paid $227,455 (2015: $168,766), excluding GST and out-of-pocket expenses, during the year.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2015	**Director/KMP fees $**	**Base salary and fees $**	**Other $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
N. Taylor	114,920	164,545	1,000	20,080	–	24,530	325,075
M. Healy	63,750	–	1,000	–	–	467	65,217
R. Krause*	13,125	–	–	–	–	–	13,125
T. Hargreaves**	6,544	–	–	–	–	–	6,544
T. Strasser***	47,251	–	1,000	4,374	–	4,298	56,923
B. Smith****	34,379	–	–	3,184	–	4,313	41,876
Executive Directors:							
R. Cook****	36,563	–	–	–	–	17,116	53,679
Other Key Management Personnel:							
S. Hornafius	420,767	–	35,276	12,566	–	75,488	544,097
D. Franks	–	–	–	–	–	5,565	5,565
A. Bursill	–	–	–	–	–	–	–
	737,299	164,545	38,276	40,204	–	131,777	1,112,101

* Appointed 13 March 2015

** Appointed 12 May 2015

*** Ceased 13 March 2015

**** Ceased 21 November 2014

DIRECTORS' REPORT

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

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Non-Executive Directors:						
N. Taylor	90%	92%	–	–	10%	8%
M. Healy	99%	99%	–	–	1%	1%
R. Krause[1]	100%	100%	–	–	–	–
T. Hargreaves[2]	100%	100%	–	–	–	–
T. Strasser[3]	–	92%	–	–	–	8%
B. Smith[4]	–	90%	–	–	–	10%
Executive Directors:						
R. Cook[4]	–	68%	–	–	–	32%
B. Lingo[5]	62%	–	28%	–	10%	–
Other Key Management Personnel:						
A. Hunter[6]	100%	–	–	–	–	–
D. Evans[7]	100%	–	–	–	–	–
S. Hornafius	93%	86%	–	–	7%	14%
D. Franks	–	–	–	–	100%	100%
A. Bursill	–	–	–	–	–	–

1. Appointed 13 March 2015
2. Appointed 12 May 2015
3. Ceased 13 March 2015
4. Ceased 21 November 2014
5. Appointed 1 August 2015
6. Appointed 11 April 2016
7. Appointed 1 May 2016

Service agreements

Managing Director (MD) and Chief Executive Officer (CEO) – **Bradley Lingo** (effective 1 August 2015)

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

Mr Lingo's base annual remuneration salary was initially set at $350,000, inclusive of superannuation contributions and subject to annual adjustment. This has increased to $400,000 for the year ended 30 June 2017 further to the terms and conditions under the Service Agreement.

Chief Financial Officer (CFO) – **Alexander Hunter** (effective 11 April 2016)

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

Mr Hunter's base annual remuneration salary is set at $300,000, inclusive of superannuation contributions and subject to annual adjustment.

Chief Operating Officer (COO) – **David Evans** (effective 1 May 2016)

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

Mr Evans' base annual remuneration salary is set at $300,000, inclusive of superannuation contributions and subject to annual adjustment.

Chief Executive Officer (CEO) to 31 July 2015, president Elk Petroleum Inc. – **Scott Hornafius**

Dr Hornafius commenced employment as Chief Executive Officer of the Company and President of Elk Petroleum Inc. from 1 June 2013 for a period of 3 years which expired on 30 June 2016. Dr Hornafius is currently employed on an ongoing monthly basis at a base annual remuneration of US$350,000 per annum.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Date	Shares	Issue price	$
B. Lingo	30 June 2016	610,266	$0.082	50,235

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2016.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Performance rights

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

Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
13/08/2013	30/06/2016	30/06/2016	$0.032
30/11/2013	30/06/2016	30/06/2016	$0.030
30/11/2013	30/06/2016	30/06/2016	$0.045
30/11/2013	30/06/2017	30/06/2017	$0.022
30/11/2013	30/06/2018	30/06/2018	$0.007
05/09/2014	30/06/2017	30/06/2017	$0.020
18/12/2014	30/06/2017	30/06/2017	$0.002
30/06/2016	30/06/2018	30/06/2018	$0.049

Performance rights granted carry no dividend or voting rights.

DIRECTORS' REPORT

Details of performance rights over ordinary shares granted and vested for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Value of rights vested $
N. Taylor*	30/06/2016	30/06/2018	280,000	13,832	–
M. Healy*	30/06/2016	30/06/2018	40,000	1,976	–
R. Krause*	30/06/2016	30/06/2018	40,000	1,976	–
T. Hargreaves*	30/06/2016	30/06/2018	40,000	1,976	–
S. Hornafius	30/06/2016	30/06/2018	400,000	19,760	–
D. Franks	30/06/2016	30/06/2018	250,000	12,350	–

* These rights were issued under the Shareholder approved NEDA Plan, where approval had been sought under ASX Listing Rule 10.14.

Retention rights

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

Grant date	Vesting date and exercisable date	Expiry date	Share price target for vesting	Fair value per right at grant date
13/08/2013	30/06/2016	30/06/2016	$0.000	$0.080
18/12/2014	30/06/2017	30/06/2017	$0.000	$0.020
30/06/2016	30/06/2018	30/06/2018	$0.000	$0.082

Retention rights granted carry no dividend or voting rights.

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

Details of retention rights over ordinary shares granted and vested for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Value of rights vested $	Number of rights lapsed	Value of rights lapsed $
N. Taylor*	30/06/2016	30/06/2018	40,000	3,293	933	–	–
M. Healy*	30/06/2016	30/06/2018	20,000	1,646	–	–	–
R. Krause*	30/06/2016	30/06/2018	20,000	1,646	–	–	–
T. Hargreaves*	30/06/2016	30/06/2018	20,000	1,646	–	–	–

* All these rights were issued under the Shareholder approved NEDA Plan, where approval had been sought under ASX Listing Rule 10.14.

Additional information

The earnings of the Group for the five years to 30 June 2016 are summarised below:

	2016 $	2015 $	2014 $	2013 $	2012 $
Loss after income tax	(7,168,313)	(3,645,970)	(7,346,965)	(5,595,663)	(3,912,862)

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

	2016	2015	2014	2013	2012
Share price at financial year end ($)	0.07	0.02	0.11	0.17	0.15
Basic earnings per share (cents per share)	(2.72)	(1.85)	(4.08)	(3.51)	(2.87)

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	At appointment date	Additions	Other	Balance at the end of the year
Ordinary shares					
N. Taylor*	715,545	–	392,115	22,111	1,129,771
M. Healy	1,353,008	–	–	–	1,353,008
T. Hargreaves	3,543,669	–	5,648,728	–	9,192,397
B. Lingo (appointed on 1 August 2015)**	–	620,000	11,796,070	610,266	13,026,336
R. Krause	–	–	–	–	–
S. Hornafius (President – US Operations)	235,408	–	–	–	235,408
D. Evans (COO) (appointed 1 May 2016)	–	100,000	–	–	100,000
A. Hunter (CFO) (appointed 11 April 2016)	–	–	–	–	–
D. Franks (Joint Company Secretary)	–	–	1,750,000	–	1,750,000
A. Bursill (Joint Company Secretary)	–	–	–	–	–
	5,847,630	720,000	19,586,913	632,377	26,786,920

* Other – represent the conversion of retention rights

** Other – issued in relation to the vesting of A and B CEO awards

DIRECTORS' REPORT

Option holding

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

	Balance at the start of the year	Granted	Exercised	Other	Balance at the end of the year
Options over ordinary shares					
N. Taylor	50,000	–	–	–	50,000
M. Healy	50,000	–	–	–	50,000
T. Hargreaves	833,333	–	–	–	833,333
B. Lingo (appointed on 1 August 2015)	–	–	–	–	–
R. Krause	–	–	–	–	–
S. Hornafius (President – US Operations)	–	–	–	–	–
D. Evans (COO) (appointed 1 May 2016)	–	–	–	–	–
A. Hunter (CFO) (appointed 11 April 2016)	–	–	–	–	–
D. Franks (Joint Company Secretary)	–	–	–	–	–
A. Bursill (Joint Company Secretary)	–	–	–	–	–
	933,333	–	–	–	933,333

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their related parties, is set out below:

	Balance at the start of the year	Granted	Lapsed	Other	Balance at the end of the year
Performance rights over ordinary shares					
N. Taylor	1,543,228	280,000	(1,416,497)	–	406,731
M. Healy	–	40,000	–	–	40,000
T. Hargreaves	–	40,000	–	–	40,000
R. Krause	–	40,000	–	–	40,000
B. Lingo (appointed on 1 August 2015)	–	–	–	–	–
S. Hornafius (President – US Operations)	7,280,327	400,000	(1,969,570)	–	5,710,757
D. Evans (COO) (appointed 1 May 2016)	–	–	–	–	–
A. Hunter (CFO) (appointed 11 April 2016)	–	–	–	–	–
D. Franks (Joint Company Secretary)	614,425	250,000	(367,299)	–	497,126
A. Bursill (Joint Company Secretary)	–	–	–	–	–
	9,437,980	1,050,000	(3,753,366)	–	6,734,614

Retention rights holding

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

	Balance at the start of the year	Granted	Exercised/ expired/lapsed	Other	Balance at the end of the year
Retention rights over ordinary shares					
N. Taylor	175,000	40,000	(35,000)	–	180,000
M. Healy	70,000	20,000	–	–	90,000
T. Hargreaves	–	20,000	–	–	20,000
R. Krause	–	20,000	–	–	20,000
B. Lingo (appointed on 1 August 2015)	–	–	–	–	–
S. Hornafius (President – US Operations)	–	–	–	–	–
D. Evans (COO) (appointed 1 May 2016)	–	–	–	–	–
A. Hunter (CFO) (appointed 11 April 2016)	–	–	–	–	–
D. Franks (Joint Company Secretary)	–	–	–	–	–
A. Bursill (Joint Company Secretary)	–	–	–	–	–
	245,000	100,000	(35,000)	–	310,000

Loans to directors and executives

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

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

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

Grant date	Expiry date	Exercise price	Number under option
23/07/2014	22/07/2017	$0.250	125,000
23/07/2014	22/07/2017	$0.250	2,600,000
29/07/2014	22/07/2017	$0.250	12,950,000
05/09/2014	22/07/2017	$0.250	7,000,000
01/04/2016	31/03/2018	$0.075	1,333,333
			24,008,333

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

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

Grant date	Expiry date	Exercise price	Number under rights
30/11/2013	30/06/2017	$0.000	2,000,000
30/11/2013	30/06/2018	$0.000	2,000,000
05/09/2014	30/06/2017	$0.000	2,706,388
18/12/2014	30/06/2017	$0.000	126,731
30/06/2016	30/06/2018	$0.000	1,810,000
			8,643,119

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

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

Grant date	Expiry date	Exercise price	Number under rights
05/09/2014	30/06/2017	$0.000	510,000
18/12/2014	30/06/2017	$0.000	226,286
30/06/2016	30/06/2018	$0.000	195,000
			931,286

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

Shares issued on the exercise of options
There were no ordinary shares of Elk Petroleum Ltd issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of Elk Petroleum Ltd issued on the exercise of performance rights during the year ended 30 June 2016 and up to the date of this report.

Shares issued on the exercise of retention rights

The following ordinary shares of Elk Petroleum Ltd were issued during the year ended 30 June 2016 and up to the date of this report on the exercise of retention rights granted:

Date retention rights granted	Exercise price	Number of shares issued
13/08/2013	$0.000	25,750

INDEMNITY AND INSURANCE OF OFFICERS

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

INDEMNITY AND INSURANCE OF AUDITOR

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF BDO EAST COAST PARTNERSHIP

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

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

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

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

On behalf of the directors

Neale Taylor

Neale Taylor
Chairman

28 September 2016
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

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

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

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

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 28 September 2016

CONTENTS

GENERAL INFORMATION

The financial statements cover Elk Petroleum Ltd as a group consisting of Elk Petroleum Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Elk Petroleum Ltd's functional and presentation currency.

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

REGISTERED OFFICE

Suite 4 Level 9
341 George Street
Sydney NSW 2000
Australia

PRINCIPAL PLACE OF BUSINESS

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2016.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

		Consolidated	
	Note	2016 $	2015 $
Revenue	4	58,729	42,289
Expenses			
Cost of sales		(316,666)	(263,582)
Professional and corporate services	5	(1,453,158)	(1,019,422)
Administrative expenses	5	(936,477)	(347,425)
Directors and employees costs	5	(2,050,133)	(1,346,307)
Other expenses	5	(1,980,669)	(430,770)
Finance costs	5	(489,939)	(280,753)
Loss before income tax expense		(7,168,313)	(3,645,970)
Income tax expense	6	–	–
Loss after income tax expense for the year attributable to the owners of Elk Petroleum Ltd		(7,168,313)	(3,645,970)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		43,164	892,763
Other comprehensive income for the year, net of tax		43,164	892,763
Total comprehensive income for the year attributable to the owners of Elk Petroleum Ltd		**(7,125,149)**	**(2,753,207)**

		Cents	Cents
Basic earnings per share	35	(2.72)	(1.85)
Diluted earnings per share	35	(2.72)	(1.85)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	Consolidated 2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	7	18,103,239	1,567,344
Trade and other receivables	8	1,800,703	168,172
Non-current assets classified as held for sale	9	–	813,479
Total current assets		19,903,942	2,548,995
Non-current assets			
Property, plant and equipment	10	158,335	26,145
Oil and gas properties – Grieve project	11	38,478,594	26,030,398
Oil and gas properties – South Singleton Field	12	332,455	–
Oil and gas properties – Singleton project	13	2,717,413	2,883,331
Other	14	239,159	39,190
Total non-current assets		41,925,956	28,979,064
Total assets		61,829,898	31,528,059
Liabilities			
Current liabilities			
Trade and other payables	15	13,565,264	4,376,790
Borrowings	16	4,245	3,585,360
Total current liabilities		13,569,509	7,962,150
Non-current liabilities			
Borrowings – Denbury JV	17	21,607,955	18,930,906
Other financial liabilities	18	487,248	
Provisions	19	3,380,956	3,216,439
Total non-current liabilities		25,476,159	22,147,345
Total liabilities		39,045,668	30,109,495
Net assets		**22,784,230**	**1,418,564**
Equity			
Issued capital	20	66,082,643	37,761,520
Reserves	21	1,903,338	1,690,482
Accumulated losses		(45,201,751)	(38,033,438)
Total equity		**22,784,230**	**1,418,564**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Consolidated	Contributed equity $	Foreign Currency Translation reserve $	Option reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2014	36,919,205	(1,290,329)	1,909,518	(34,387,468)	3,150,926
Loss after income tax expense for the year	–	–	–	(3,645,970)	(3,645,970)
Other comprehensive income for the year, net of tax	–	892,763	–	–	892,763
Total comprehensive income for the year	–	892,763	–	(3,645,970)	(2,753,207)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (Note 20)	842,315	–	–	–	842,315
Share-based payments (Note 36)	–	–	178,530	–	178,530
Balance at 30 June 2015	**37,761,520**	**(397,566)**	**2,088,048**	**(38,033,438)**	**1,418,564**

Consolidated	Contributed equity $	Foreign Currency Translation reserve $	Option reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2015	37,761,520	(397,566)	2,088,048	(38,033,438)	1,418,564
Loss after income tax expense for the year	–	–	–	(7,168,313)	(7,168,313)
Other comprehensive income for the year, net of tax	–	43,164	–	–	43,164
Total comprehensive income for the year	–	43,164	–	(7,168,313)	(7,125,149)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (Note 20)	28,321,123	–	–	–	28,321,123
Share-based payments (Note 36)	–	–	169,692	–	169,692
Balance at 30 June 2016	**66,082,643**	**(354,402)**	**2,257,740**	**(45,201,751)**	**22,784,230**

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		24,084	38,952
Payments to suppliers		(4,349,745)	(3,238,825)
Interest received		11,056	4,451
Finance costs		(1,229)	(162,099)
Management fees and other receipts		30,283	20,080
Net cash used in operating activities	34	(4,285,551)	(3,337,441)
Cash flows from investing activities			
Acquisition of plant and equipment		(175,654)	(7,890)
Acquisition of leases		(112,559)	–
Exploration and development expenditure		(2,887,322)	(200,337)
Payment for security and bonds deposits		(211,992)	–
Proceeds from disposal of oil and gas properties, net of costs		–	1,807,479
Proceeds from disposal of plant and equipment		22,667	–
Proceeds from release of security and bonds deposits		–	960,466
Net cash from/(used in) investing activities		(3,364,860)	2,559,718
Cash flows from financing activities			
Proceeds from issue of shares	20	25,360,794	850,000
Share issue transaction costs		(957,374)	(137,222)
Proceeds from borrowings		–	5,268,712
Repayment of borrowings		(141,289)	(4,068,754)
Net cash from financing activities		24,262,131	1,912,736
Net increase in cash and cash equivalents		16,611,720	1,135,013
Cash and cash equivalents at the beginning of the financial year		1,567,344	403,258
Effects of exchange rate changes on cash and cash equivalents		(75,825)	29,073
Cash and cash equivalents at the end of the financial year	7	**18,103,239**	**1,567,344**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Going concern

The Group incurred a loss for the year after tax of $7,168,313 (2015: $3,645,970) and a net cash out flow from operating activities of $4,285,551 (2015: $3,337,441). These outcomes reflect the Group's pre-production development status on the Grieve CO_2 EOR Project in Wyoming and several early stage projects in Nebraska with material funding recently put in place. Profits are forecast to occur after the 2017/18 year. The financial report has been prepared on the basis of a going concern but a number of short term sensitivities are noted, as described below.

Subsequent to year end the Company executed a US$58 million senior funding facility with Benefit Street Partners for the purpose of funding a revised JV structure with Denbury for the development of the Grieve CO_2 EOR Project and funding of project related Elk overheads. The Company's view based on operator project planning indicates that the Grieve CO_2 EOR Project is expected to commence late in the December quarter of 2017 and the Company expects the project to provide a long term material cash flow to the Group; however, net positive cash flow to Group is not expected to occur until later in 2018. The Group has raised approximately $30 million additional equity subsequent to the year-end to supplement the Grieve Project JV restructure requirements as well as cover development and operations on Elk's other projects and remaining corporate administrative costs over the intervening period. There exists material future timing and other uncertainties that bear on the Company's current financial position to meet all of these needs over this intervening period and may cast significant doubt over Elk's ability to continue as a going concern over this period.

It is noted that the Company's current forecasts do not require any material raising (comparative to recent raisings undertaken by the Company) unless a major transaction was contemplated.

Should the Group be unable to meet its short term funding requirements at the times required, it may be necessary to reduce costs, and/or raise additional debt and/or equity, including realising the value of some or all assets and discharge its liabilities in the normal course of business at amounts different to those stated in the financial statements.

Management believe that there is significant value of assets in excess of carrying value which would deliver cash above present cash needs if asset sales were required. Hence the financial report has been prepared on the basis of a going concern since the Directors believe that adequate funding will be raised to enable the Group to pay its debts as and when they become due for a period of twelve months from the date of approving this report.

In a wider sense, until the Company has material positive cash flow from the Grieve CO_2 EOR Project and other projects, which are under development, the Company is likely to need to raise money from time to time for such new ventures and for corporate working capital purposes in pursuit of its objectives to grow the value of the Company. Any such fund raisings may be such to factors beyond the control of the consolidated entity and its Directors. When the Group requires further funding for its programs, then it is the Group's intention that the additional funds would be raised in a manner deemed most expedient and appropriate by the Board of Directors at the time.

The financial statements do not include any adjustment relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 30.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elk Petroleum Ltd ('Company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Elk Petroleum Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

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

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

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

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

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

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Rendering of services revenue is recognised when services have been completed.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are net off against the non-current assets classified as held for sale on the face of the statement of financial position.

Joint ventures

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

Property, plant and equipment

Costs and valuation

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

Depreciation/Amortisation

Property, plant and equipment, excluding land, are depreciated at rates based on the expected useful economic life of each item, using the straight line method. Oil field plant is amortised using the lesser of its useful life or the life of the field based on the straight-line or unit of production method respectively. Buildings and equipment, which includes vehicles and furniture, are depreciated on the straight-line basis at rates, which will reduce their book values to estimated residual values over their expected useful lives. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. The major depreciation rates for all periods presented are:

- Plant and equipment, including assets held under lease 4-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Development expenditure

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

Exploration and evaluation expenditure

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

When the technical feasibility and commercial viability of extracting a mineral resource has been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised oil field development expenditure. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment

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

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

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

Leases

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

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

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

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

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

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Oil and gas properties

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation

Oil and gas properties and plant and equipment, other than freehold land, are depreciated to their residual values on a unit of production basis. The remaining assets use the diminishing value approach. Oil and gas properties – plant and equipment are amortised on a unit of production basis.

Impairment

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

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

Impairment of non-financial assets

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

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

Borrowings

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

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

Environmental rehabilitation expenditure

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

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

Finance costs

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

Provisions

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

Employee benefits

Wages and salaries

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Share-based payments

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 3. OPERATING SEGMENTS

Geographical segments

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

Australia

The parent Company of the Group is based in Sydney and comprises the corporate head office function.

US

The subsidiaries of the Group are based in Casper, Wyoming and comprise administration, production, exploration, evaluation and development of oil and gas fields and ownership of pipelines. The Company and its subsidiaries opened a small office in Denver, Colorado, where the President of the subsidiaries is based together with the Vice President of Operations of the subsidiaries. All remaining operations continue to be managed out of Casper.

Operating segment information

Consolidated – 2016	United States $	Australia $	Total $
Revenue			
Sales to external customers	24,084	–	24,084
Interest revenue	464	10,592	11,056
Other revenue	23,589	–	23,589
Total revenue	48,137	10,592	58,729
Total revenue above	48,137	10,592	58,729
Other expenses	(4,034,657)	(3,192,385)	(7,227,042)
Loss before income tax expense	(3,986,520)	(3,181,793)	(7,168,313)
Income tax expense			–
Loss after income tax expense			(7,168,313)
Assets			
Segment assets	43,215,622	18,614,276	61,829,898
Total assets			61,829,898
Liabilities			
Segment liabilities	37,927,086	1,118,582	39,045,668
Total liabilities			39,045,668

Consolidated – 2015	United States $	Australia $	Total $
Revenue			
Sales to external customers	30,770	–	30,770
Interest revenue	2,693	1,758	4,451
Other revenue	7,068	–	7,068
Total revenue	40,531	1,758	42,289
Total revenue above	40,531	1,758	42,289
Other expenses	(2,260,224)	(1,428,035)	(3,688,259)
Loss before income tax expense	(2,219,693)	(1,426,277)	(3,645,970)
Income tax expense			–
Loss after income tax expense			(3,645,970)
Assets			
Segment assets	30,059,600	1,468,459	31,528,059
Total assets			31,528,059
Liabilities			
Segment liabilities	26,256,101	3,853,394	30,109,495
Total liabilities			30,109,495

NOTE 4. REVENUE

	Consolidated	
	2016 $	2015 $
Sales revenue		
Sale of oil	24,084	30,770
Rendering of services	23,589	7,068
	47,673	37,838
Other revenue		
Interest	11,056	4,451
Revenue	**58,729**	**42,289**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 5. EXPENSES

	Consolidated 2016 $	2015 $
Loss before income tax includes the following specific expenses:		
Professional and corporate services		
Accounting, auditing and tax fees	283,129	284,994
Consultants fees	720,919	398,140
Legal fees	245,241	160,443
Share registry, ASX and ASIC fees	38,775	57,979
Contract services – company secretary	165,094	117,866
	1,453,158	1,019,422
Administrative expenses		
Serviced office	130,709	91,108
Travel and accommodation	369,166	34,379
Insurance	79,814	99,229
Computer, website and marketing	49,060	29,476
Other	307,728	93,233
	936,477	347,425
Director and employee costs		
Directors and executives' fees and salaries	607,448	535,687
Non-executive directors' fees	223,601	112,250
Employee wages	1,030,871	515,851
Employee benefits	188,213	182,519
	2,050,133	1,346,307
Finance costs		
Interest and finance charges paid/payable	489,939	280,753
Other expenses		
Foreign exchange (gain)/loss	152,651	(609)
Depreciation and amortisation	174,978	242,823
Share-based payment expense	169,692	178,530
Other – retired leases/disposed assets	–	10,026
Loss arising from Crow Tribe Dispute*	1,199,526	–
Impairment	283,822	–
	1,980,669	430,770

* As per the announcement on the ASX on 23 February 2016, the Company has been advised that the US District Court in Montana has issued a decision in favour of the Bureau of Indian Affairs (BIA) in relation to a permit dispute with the Crow Tribe. Subsequent to year end, Elk has agreed to settle the amount for the previously noted liability of US$869,177 payable in 20 equal monthly payments commencing July 2016, therefore a liability has been recognised in the current period financial statements in accordance with the requirements of AASB 110 Events after the Reporting Period. See Note 27 for further details.

NOTE 6. INCOME TAX BENEFIT

	Consolidated	
	2016 **$**	2015 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(7,168,313)	(3,645,970)
Tax at the statutory tax rate of 30%	(2,150,494)	(1,093,791)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	85,147	–
Share-based payments	50,908	53,559
Non-deductible/(taxable) amounts	36,004	62,785
	(1,978,435)	(977,447)
Current year tax losses not recognised	1,978,435	977,447
Income tax expense	–	–

	Consolidated	
	2016 **$**	2015 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	43,113,797	36,519,013
Potential tax benefit @ 30%	12,934,139	10,955,704

Unused tax losses include losses of the US subsidiaries which is subject to an expiry period of 20 years, beginning from the year 2026. The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

NOTE 7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 **$**	2015 $
Cash on hand and deposits on call	**18,103,239**	1,567,344

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016 $	**2015 $**
Trade receivables	337,649	43,497
Prepayments	1,261,467	124,675
Other receivables	201,587	–
	1,463,054	124,675
	1,800,703	**168,172**

Terms and conditions relating to the above financial instruments:

- Trade receivables are non-interest bearing and generally on 60 day terms;
- Other receivables are non-interest bearing and have repayment terms between 30 and 90 days; and
- Security deposits are interest bearing and provide security towards performance bonds provided by the consolidated entity bank to state governmental agencies against environmental obligations.

The prepayments include prepaid legal fees of $1,230,241 in relation to the restructuring of the Grieve CO_2 EOR project between Elk and Denbury – refer to Note 33 for further details.

NOTE 9. CURRENT ASSETS – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated	
	2016 $	**2015 $**
Oil and gas properties – Grieve pipeline	**–**	**813,479**

Grieve oil pipeline
In the financial year ended 30 June 2015, the Grieve oil pipeline was transferred from non-current assets at carrying value. Offers received as at that date have not materialised in any sale but on the basis that the value of these offers were higher than carrying value, the directors estimate the carrying value remains appropriate.

During this financial year, the Directors have decided to retain this asset and as such the asset has been transferred to oil and gas properties. The value in use of the Grieve pipeline under the LOI with Denbury exceeds the carrying value of the asset in non-current assets.

NOTE 10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2016 $	Consolidated 2015 $
Furniture and fittings – at cost	561,588	374,692
Less: Accumulated depreciation	(410,499)	(367,664)
	151,089	7,028
Plant and equipment – at cost	118,221	175,579
Less: Accumulated depreciation	(110,975)	(156,462)
	7,246	19,117
	158,335	**26,145**

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

Consolidated	Office furniture and fittings $	Plant and equipment $	Total $
Balance at 1 July 2014	18,592	29,399	47,991
Disposals	–	(4,442)	(4,442)
Exchange differences	3,283	9,886	13,169
Depreciation expense	(14,847)	(15,726)	(30,573)
Balance at 30 June 2015	7,028	19,117	26,145
Additions	175,654	–	175,654
Exchange differences	(816)	810	(6)
Depreciation expense	(30,777)	(12,681)	(43,458)
Balance at 30 June 2016	**151,089**	**7,246**	**158,335**

Property, plant and equipment secured under finance leases
Refer to Note 28 for further information on property, plant and equipment secured under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 11. NON-CURRENT ASSETS – OIL AND GAS PROPERTIES – GRIEVE PROJECT

	Consolidated	
	2016 $	**2015 $**
Oil properties acquired – at cost	52,004	50,550
Less: Accumulated amortisation	(20,073)	(19,512)
	31,931	31,038
Oil field plant and equipment – at cost	1,130,542	265,643
Less: Accumulated amortisation	(314,223)	(261,162)
	816,319	4,481
Oil field development expenditure – at cost	38,771,394	26,986,410
Less: Accumulated amortisation	(1,241,940)	(1,207,221)
	37,529,454	25,779,189
Closure costs – at cost	100,890	215,690
	38,478,594	**26,030,398**

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

Consolidated	Oil and gas properties $	Total $
Balance at 1 July 2014	15,882,152	15,882,152
Additions	12,822	12,822
Expenditure during the year	7,073,333	7,073,333
Disposals	(171,689)	(171,689)
Exchange differences	4,148,428	4,148,428
Write off of assets	(802,719)	(802,719)
Amortisation expense	(111,929)	(111,929)
Balance at 30 June 2015	26,030,398	26,030,398
Expenditure during the year	11,273,306	11,273,306
Asset reclassified from held for sale (Note 9)	853,272	853,272
Exchange differences	512,513	512,513
Provision for closure costs	(114,800)	(114,800)
Amortisation expense	(76,095)	(76,095)
Balance at 30 June 2016	**38,478,594**	**38,478,594**

Expenditure during the year was principally financed by Denbury through their facility and extended trade credit.

Additions above relate to equipment costs attributed to the project during the year. Expenditure includes field/well development costs capitalised during the year.

NOTE 12. NON-CURRENT ASSETS – OIL AND GAS PROPERTIES – SOUTH SINGLETON FIELD

	Consolidated	
	2016 $	2015 $
Oil field plant and equipment – at cost	53,931	–
Oil field development expenditure – at cost	84,471	–
Closure costs – at cost	194,053	–
	332,455	–

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

Consolidated	Oil and gas properties $	Total $
Balance at 1 July 2014	–	–
Balance at 30 June 2015	–	–
Additions	135,513	135,513
Expenditure during the year	2,524	2,524
Exchange differences	365	365
Provision for closure costs	194,053	194,053
Balance at 30 June 2016	332,455	332,455

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 13. NON-CURRENT ASSETS – OIL AND GAS PROPERTIES – SINGLETON PROJECT

	Consolidated	
	2016 $	2015 $
Oil field plant and equipment – at cost	46,887	21,125
Less: Accumulated amortisation	(1,431)	–
	45,456	21,125
Oil field development expenditure – at cost	1,395,102	1,245,856
Less: Impairment	(282,220)	–
	1,112,882	1,245,856
Closure costs – at cost	1,559,075	1,616,350
	2,717,413	**2,883,331**

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

Consolidated	Oil and gas properties $	Total $
Balance at 1 July 2014	3,841,553	3,841,553
Additions	7,890	7,890
Expenditure during the year	207,524	207,524
Exchange differences	832,735	832,735
Transfers in/(out)	(1,906,051)	(1,906,051)
Amortisation expense	(100,320)	(100,320)
Balance at 30 June 2015	2,883,331	2,883,331
Additions	62,350	62,350
Expenditure during the year	86,281	86,281
Exchange differences	80,371	80,371
Impairment of assets	(282,220)	(282,220)
Provision for closure costs	(57,275)	(57,275)
Amortisation expense	(55,425)	(55,425)
Balance at 30 June 2016	**2,717,413**	**2,717,413**

Additions above relate to equipment costs attributed to the project during the year. Expenditure includes field/well development costs capitalised during the year.

NOTE 14. NON-CURRENT ASSETS – OTHER

	Consolidated	
	2016 **$**	2015 $
Security deposits	97,738	–
Environmental bond deposits	141,421	39,190
	239,159	**39,190**

Environmental bond deposits represents the restricted funds set aside as required with the State and Federal regulatory agencies for Elk Petroleum's wells and oil fields. These are rolled on an annual basis and matched to the underlying asset.

NOTE 15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2016 **$**	2015 $
Trade payables	12,296,272	4,156,958
Accruals and other liabilities	1,268,992	219,832
	13,565,264	**4,376,790**

Refer to Note 23 for further information on financial risk management and instruments.

Trade payables are non-interest bearing. Refer to Note 29 for further information on related party transactions.

An amount of $10,231,268 is included within trade payables as outstanding to Denbury Onshore LLC as at 30 June 2016 (30 June 2015: $3,929,881). This amount reflects the Denbury advised joint venture expenditure above the loan limit.

The accrual and other liabilities includes the liability owing to BIA–Crow Tribe of $704,738. Refer to Note 27 for further details.

Subsequent to year end, the Company has restructured the Grieve CO_2 Enhanced Oil Recovery (EOR) Project ("Grieve Project") Joint Venture ("Grieve JV") with Denbury Onshore LLC ("Denbury"). As the restructure occurred subsequent to year end, the Company is required to account for the Grieve Project under the original transaction agreement with Denbury. Note 33 outlines some of the expected changes in accounting treatment in the 30 June 2017 financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 16. CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2016 $	**2015 $**
Other loans	–	3,582,829
Lease liability	4,245	2,531
	4,245	**3,585,360**

Refer to Note 23 for further information on financial risk management and instruments.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2016 $	**2015 $**
Total facilities		
Convertible loan – secured	–	3,582,829
Used at the reporting date		
Convertible loan – secured	–	3,582,829
Unused at the reporting date		
Convertible loan – secured	–	–

On 16 April 2015, the Company entered into 12.5% interest (compounded monthly) secured convertible loan facilities agreements totalling $3.6 million for a period of 12 months. Interest is accrued and is either paid together with the principal at the end of the loan term or can be converted into new shares of the Company at $0.038 per share. During the year, the notes and capitalised interest were all fully converted to ordinary shares.

NOTE 17. NON-CURRENT LIABILITIES – BORROWINGS – DENBURY JV

	Consolidated	
	2016 $	**2015 $**
Financial liability to Denbury JV	**21,607,955**	**18,930,906**

Refer to Note 23 for further information on financial risk management and instruments.

The Denbury financial liability relates to the Elk Petroleum Inc.'s portion of JV costs incurred at the Grieve EOR project, being Tranche 2 of the loan financing arrangements as per Elk's agreement with Denbury Onshore, LLC (a subsidiary of Denbury Resources NYSE:DNR) executed in April 2011, plus interest accrued under that agreement.

Included in the Denbury loan is interest capitalised for the financial year of US$1,632,731 (2015:US$1,458,971).

In line with billing arrangement, a further amount of $10,231,268 is included within trade payables as outstanding to Denbury Onshore LLC as at 30 June 2016 (30 June 2015: $3,929,881).

Subsequent to year end, the Company has restructured the Grieve CO_2 Enhanced Oil Recovery (EOR) Project ("Grieve Project") Joint Venture ("Grieve JV") with Denbury Onshore LLC ("Denbury"). As the restructure occurred subsequent to year end, the Company is required to account for the Grieve Project under the original transaction agreement with Denbury. Note 33 outlines some of the expected changes in accounting treatment in the 30 June 2017 financial year.

NOTE 18. NON-CURRENT LIABILITIES – OTHER FINANCIAL LIABILITIES

	Consolidated	
	2016 $	**2015 $**
Other financial liability – BIA Crow Tribe	467,237	–
Lease liability	20,011	–
	487,248	–

Refer to Note 23 for further information on financial risk management and instruments.

The other financial liability – BIA crow tribe relates to the payments in relation to the Crow Tribe which is greater than 12 months – See Note 27 for details.

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

	Consolidated	
	2016 $	**2015 $**
Other financial liability – BIA Crow Tribe	467,237	–
Lease liability	24,256	2,531
Convertible loan – secured	–	3,582,829
	491,493	**3,585,360**

Assets pledged as security
During the reporting year, a number of US bank facilities were secured by mortgages over the assets of Elk Petroleum, Inc., a US subsidiary of the consolidated entity but were subsidiary to Elk's Denbury loan. These facilities were paid out and liens cancelled in September 2014.

Subsequent to year end, the Company has restructured the Grieve CO_2 Enhanced Oil Recovery (EOR) Project ("Grieve Project") Joint Venture ("Grieve JV") with Denbury Onshore LLC ("Denbury"), including security arrangements. See Note 33 for the changes in the security arrangements in the 30 June 2017 financial year.

Convertible notes were secured over the assets of the Company and Elk Petroleum, Inc., a US subsidiary of the Group. The security provided in relation to Elk's 35% working interest in the Grieve Oil CO_2 EOR Project is secondary to Elk's Denbury loan.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 19. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2016 $	2015 $
Rehabilitation costs	**3,380,956**	3,216,439

Rehabilitation
A provision for rehabilitation is recognised in relation to the exploration and production activities for costs associated with the rehabilitation of the various sites. Estimates of the rehabilitation obligations are based on anticipated technology and legal requirements and future costs. In determining the rehabilitation provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation to rehabilitation in the future. The Singleton Oil Field liability was re-estimated for FY2015 financial statements. The revised estimate is based on actual costs to abandon the Singleton Unit 5 well in 2015 and a decrease in number of wells under this provision. This updated data has resulted in a significant decrease in estimated total abandonment liability provision from the previous year. Furthermore, an inflation rate adjustment occurred in the calculation change for both Grieve Oil Field and Singleton Oil Field from 6.0% to 4.3%.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated – 2016	Rehabilitation costs $
Carrying amount at the start of the year	3,216,439
Additional provisions recognised	103,697
Amounts used	(229,492)
Foreign exchange difference	92,450
Additional amount capitalised during the year as part of exploration asset	197,862
Carrying amount at the end of the year	**3,380,956**

NOTE 20. EQUITY – ISSUED CAPITAL

	Consolidated			
	2016 Shares	2015 Shares	**2016 $**	2015 $
Ordinary shares – fully paid	**672,309,014**	201,113,393	**66,082,643**	37,761,520

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2014	188,894,512		36,919,205
Share issue – share purchase plan	7 July 2014	125,000	$0.120	15,000
Share issue – exercise of 2011 retention rights	7 July 2014	174,707	$0.000	–
Share issue – share purchase plan	23 July 2014	2,600,000	$0.120	312,000
Share issue to underwriters	29 July 2014	4,483,334	$0.120	538,000
Share issue to holders of convertible loan	16 April 2015	3,950,000	$0.024	94,800
Share issue to holders of convertible loan	12 May 2015	789,470	$0.025	19,737
Share issue – exercise of 2012 retention rights	30 June 2015	96,370	$0.000	–
Share issue costs		–	$0.000	(137,222)

Details	Date	Shares	Issue price	$
Balance	30 June 2015	201,113,393		37,761,520
Share issue – placement	2 December 2015	13,333,333	$0.030	400,000
Share issue – placement	7 December 2015	8,333,333	$0.030	250,000
Share issue – placement	11 January 2016	39,999,984	$0.063	2,519,999
Share issue – suppliers	16 March 2016	890,524	$0.095	84,600
Share issue – placement	1 April 2016	13,333,333	$0.075	1,000,000
Share issue – conversion of convertible notes	16 April 2016	107,145,743	$0.038	4,071,538
Share issue – suppliers	21 April 2016	592,105	$0.095	56,250
Share issue – placement	24 May 2016	25,332,171	$0.075	1,899,913
Share issue – rights issue and shortfall	28 June 2016	261,599,079	$0.075	19,619,931
Share issue – vesting of 2013 retention rights	30 June 2016	25,750	$0.000	–
Share issue – vesting of A and B CEO awards	30 June 2016	610,266	$0.082	50,235
Less share issue costs		–	$0.000	(1,631,343)
Balance	30 June 2016	**672,309,014**		**66,082,643**

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

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

Capital risk management
The directors' primary objective is to maintain a capital structure that ensures the lowest cost of capital available to the Group. At balance date, the Group has external borrowings for working capital, plant and equipment and for the Denbury JV.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 21. EQUITY – RESERVES

	Consolidated	
	2016 **$**	2015 $
Foreign currency reserve	(354,402)	(397,566)
Share-based payments reserve	2,257,740	2,088,048
	1,903,338	1,690,482

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

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

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

Consolidated	Foreign currency $	Share-based payment $	Total $
Balance at 1 July 2014	(1,290,329)	1,909,518	619,189
Foreign currency translation	892,763	–	892,763
Share-based payment	–	178,530	178,530
Balance at 30 June 2015	(397,566)	2,088,048	1,690,482
Foreign currency translation	43,164	–	43,164
Share-based payment	–	169,692	169,692
Balance at 30 June 2016	**(354,402)**	**2,257,740**	**1,903,338**

NOTE 22. EQUITY – DIVIDENDS

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

NOTE 23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

Price risk

The Group was exposed to price risk during the year. However, due to the low volume of sales in 2016 and 2015, any risk arising from the changes in commodity price is considered to be minimal in these both years.

Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 23. Financial risk management and instruments (continued)

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

Consolidated	2016 Weighted average interest rate %	2016 Balance $	2015 Weighted average interest rate %	2015 Balance $
Financial liability – Denbury JV	11.00%	21,607,955	11.00%	18,930,906
Net exposure to cash flow interest rate risk		**21,607,955**		**18,930,906**

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

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

	Basis points increase			Basis points decrease		
Consolidated – 2016	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Financial liability – Denbury JV	100	**(216,079)**	**(216,079)**	100	**216,079**	**216,079**

	Basis points increase			Basis points decrease		
Consolidated – 2015	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Financial liability – Denbury JV	100	(189,309)	(189,309)	100	189,309	189,309

Credit risk

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

Liquidity risk

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

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

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities, except for the Denbury JV loan which is shown as its carrying amount at year end. This is because the amount of interest that will be payable is dependent on the date of repayment to Denbury which is not confirmed at the reporting date, due to this the amount of interest to be paid cannot be accurately disclosed. Therefore, these totals may differ from their carrying amount in the statement of financial position. For the convertible loans, it assumes monthly capitalisation of interest payments.

Consolidated – 2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	–	13,565,264	–	–	–	13,565,264
Other loan – BIA Crow Tribe	–	467,237	–	–	–	467,237
Interest-bearing – variable						
Lease liability	18.00%	4,245	5,357	14,654	–	24,256
Financial liability to Denbury JV	11.00%	–	–	21,607,955	–	21,607,955
Total non-derivatives		14,036,746	5,357	21,622,609	–	35,664,712

Consolidated – 2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	–	4,376,790	–	–	–	4,376,790
Interest-bearing – variable						
Lease liability	7.20%	2,531	–	–	–	2,531
Financial liability to Denbury JV	11.00%	–	–	18,930,906	–	18,930,906
Interest-bearing – fixed rate						
Convertible loans	12.50%	4,071,538	–	–	–	4,071,538
Total non-derivatives		8,450,859	–	18,930,906	–	27,381,765

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 24. FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated – 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Other loan – Denbury JV	–	21,607,955	–	21,607,955
Other loan – BIA Crow Tribe	–	467,237	–	467,237
Obligations under finance leases	–	24,256	–	24,256
Total liabilities	–	22,099,448	–	22,099,448

Consolidated – 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Non-current assets classified as held for sale	–	–	813,479	813,479
Total assets	–	–	813,479	813,479
Liabilities				
Other loan – Denbury JV	–	18,930,906	–	18,930,906
Convertible loans	–	3,582,829	–	3,582,829
Obligations under finance leases	–	2,531	–	2,531
Total liabilities	–	22,516,266	–	22,516,266

There were no transfers between levels during the financial year.

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

The fair value of the Grieve pipeline, included in non-current assets classified as held for sale in 2015, was determined based on its carrying value being lower than the value of offers received to date.

NOTE 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

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

	Consolidated	
	2016 $	**2015 $**
Short-term employee benefits	1,373,214	940,120
Post-employment benefits	65,744	40,204
Share-based payments	110,597	131,777
	1,549,555	**1,112,101**

NOTE 26. REMUNERATION OF AUDITORS

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

	Consolidated	
	2016 $	**2015 $**
Audit services – BDO East Coast Partnership		
Audit or review of the financial statements	**76,700**	**80,378**
Audit services – unrelated firms		
Audit or review of the financial statements	**50,912**	**30,414**

NOTE 27. CROW TRIBE

The Company was involved in a legal dispute with the Crow Tribe over the validity of an agreement to lease at Uluru, Montana, USA. The Company has appealed a decision made by the Bureau of Indian Affairs (BIA) that a valid lease existed. The Interior Board of Indian Appeals (IBIA) took Elk's appeal under advisement on March 31, 2011.

During 2013, the IBIA provided an opinion on the matter. That opinion was appealed and the IBIA has rejected Elk's appeal of the earlier Bureau of Indian Affairs decision in favour of the Crow Tribe.

As a result of the IBIA's decision and Elk's view of the matters in dispute, in March 2014, Elk filed a Complaint seeking Declaratory Relief in a Montana permit dispute with the Crow Tribe. This matter after being pursued through a number of judicial bodies established to deal with such matters through the Bureau of Indian Affairs was heard at Elk's request by a US District Court in Montana. The Crow Tribe filed an Answer and Counterclaim to Elk's Complaint for Declaratory Relief in February 2015 and Elk responded. On 23 February 2016, the Company was advised that the US District Court in Montana issued a decision in favour of the BIA, including that Elk is liable for payments under the Indian Mineral Development Act Agreement (IMDAA) and owes BIA US$869,177. Subsequent to year end, Elk agreed to settle the amount for the previously noted liability of US$869,177 payable in 20 equal monthly payments commencing July 2016, therefore a liability has been recognised in the current period financial statements in accordance with the requirements of AASB 110 Events after the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 28. COMMITMENTS

	Consolidated	
	2016 **$**	**2015** **$**
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	139,047	3,948
One to five years	84,007	–
	223,054	**3,948**
Lease commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	4,245	2,531
One to five years	20,011	–
Total commitment	24,256	2,531
Less: Future finance charges	–	–
Net commitment recognised as liabilities	**24,256**	**2,531**
Representing:		
Lease liability – current (Note 16)	4,245	2,531
Lease liability – non-current (Note 18)	20,011	–
	24,256	**2,531**

NOTE 29. RELATED PARTY TRANSACTIONS

Parent entity
Elk Petroleum Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 31.

Joint operations
Interests in joint operations are set out in Note 32.

Key management personnel
Disclosures relating to key management personnel are set out in Note 25 and the remuneration report included in the directors' report.

Transactions with related parties
Caper Creative, a company of which R Cook's daughter is a director, was paid $5,975 in 2015 for graphic design services. R Cook was a director of the Company until 21 November 2014.

Franks & Associates Pty Ltd, a company in which D Franks and A Bursill are director and principal respectively, were paid company secretarial and accounting fees of $227,455 (2015: $161,043), excluding GST and out-of-pocket expenses, during the year.

Katherine Hornafius, S Hornafius' daughter, was paid US$8,200 (AUD$11,006) consulting fees (2015: $Nil) for research activities related to quantifying the value of "green" nature of enhanced oil production from a carbon dioxide-EOR project sourcing its supply of carbon dioxide from anthropogenic sources.

Oil & Gas Worx Pty Ltd ("OGW") is a company in which N Taylor is a director. In 2015, Elk incurred services from OGW totalling $181,000. There were no services incurred in 2016. In 2016, Elk paid $82,000 relating to the accrued expenses from 2015. These amounts were previously included as fees to directors in the 2015 Remuneration Report and relate to supplementary consulting services provided by N Taylor over the period from 1 January 2014 to 11 September 2015; the services were provided in relation to the January 2014 loan, various 2014 capital raisings, the Metgasco merger proposal, the April 2015 convertible loan facility, and a number of other tasks that are outside N Taylor's duties as a non-executive director. As at 30 June 2016, $99,000 remained unpaid (2015: $181,000).

Loans to/from related parties
In 2015, Mr. T Hargreaves held convertible notes with a subscription value of $100,000 in the company. The loan accrued interest at 12.5% up until maturity on 15 April 2016 which was capitalised. No interest was paid during the year ended 30 June 2015 or 30 June 2016. The convertible notes were fully settled in 2016 via conversion to ordinary shares at $0.038 per share, being 2,982,062 shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 30. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016 $	**2015 $**
Loss after income tax	(7,125,146)	(2,753,209)
Total comprehensive income	(7,125,146)	(2,753,209)

Statement of financial position

	Parent	
	2016 $	**2015 $**
Total current assets	18,509,511	1,468,456
Total assets	23,902,811	5,272,044
Total current liabilities	1,118,582	3,853,484
Total liabilities	1,118,582	3,853,484
Equity		
Issued capital	66,082,643	37,761,520
Share-based payments reserve	2,257,740	2,088,048
Accumulated losses	(45,556,154)	(38,431,008)
Total equity	22,784,229	1,418,560

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1, except for the following:

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

NOTE 31. INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business/ Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Elk Petroleum Inc. LLC	USA	100.00	100.00
Grieve Pipeline LLC*	USA	100.00	100.00
North Grieve LLC*	USA	100.00	100.00
Natrona Pipeline LLC*	USA	100.00	100.00
Elk Operating Company LLC*	USA	100.00	100.00
Elk Grieve Project LLC*	USA	100.00	–
Singleton EOR Project LLC*	USA	100.00	–

* Subsidiaries of Elk Petroleum Inc.

NOTE 32. INTERESTS IN JOINT OPERATIONS

Elk Petroleum Inc., a controlled entity, entered into a joint operation with Denbury Onshore, LLC (a subsidiary of Denbury Resources NYSE:DNR) in May 2011 in which Denbury gained a 65% working interest in and is the operator of the Grieve oil project. Elk retains a 35% working interest in the Grieve field. Details of the terms of these original arrangements are set out below.

Under the original agreement, the Grieve CO_2 EOR Project joint operation covers all geological horizons at the Grieve Field except the Niobrara formation in which Elk has retained 100% working interest. The terms of the joint operation require Denbury to fully carry Elk for the first US$28.571 million gross expenditure of the project (=US$10 million Elk share) and to provide access to loan funds to cover Elk's share of development and operating costs for up to a further US$12 million net to Elk should the project costs exceed US$28.751 million gross. Under these arrangements, the US$12 million loan plus accrued interest (at 11%) is to be paid out of Elk's share of oil production until "payout" is reached. There was some minor 2011-2012 oil production that was accrued and Elk's share of this pre-development oil production and sales is to be credited to the "payout" amount.

To implement the development of the CO_2 EOR Project on the Grieve Field Denbury is to construct and operate a newly built oil and CO_2 processing and CO_2 recompression facilities at the Grieve field as well as built a 3-mile-long carbon dioxide supply pipeline required for the project. Under these original arrangements, the cost of these newly-built facilities owned by Denbury is to be recovered by Denbury through a monthly processing and transportation fee calculated by amortising Denbury's 100% investment in these facilities over 15 years at a 12% interest rate.

Elk transferred to Denbury it rights to the carbon dioxide supply contract with ExxonMobil as well as the rights to the carbon dioxide transportation contract with Anadarko. Under various agreements with Denbury, Elk retains certain rights to the supply the carbon dioxide and Anadarko's transportation of carbon dioxide under it various agreement with Denbury. In January 2013, Denbury acquired a number of rights from ExxonMobil; these rights included the rights to the carbon dioxide supply contract with ExxonMobil. Denbury has advised Elk that it will meet all its obligations to Elk under the original agreements. Elk has accounted for its share of the Grieve Property with a corresponding entry in borrowings.

On 4 August 2016, the above arrangements were subsequently amended and materially modified – see Note 33 for subsequent event.

On 18 May 2015, EPI filed a civil lawsuit in the Wyoming Federal Court asserting several breaches of the agreements between EPI and Denbury including the Participation and Development Agreement (PDA) signed on 6 May 2011 that provides for the development and operation of the Grieve CO_2 EOR project. Since filing the lawsuit, EPI has discussed these matters with Denbury in an effort to find a resolution to the dispute. A resolution was not reached prior to the requirement for Denbury to respond to Elk's Complaint. Denbury therefore filed an Answer to Elk's Complaint and Counterclaims in the United States District Court for the District of Wyoming. Please refer to subsequent events note below relating to this matter.

As part of the Restructuring of the Grieve CO_2 Enhanced Oil Recovery (EOR) Project, both Denbury and the Company withdrew their respective claims and these claims were fully settled on 4 August 2016 – see Note 33 for subsequent event.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 33. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, there have been three major events, being

i. Restructuring of the Grieve CO_2 Enhanced Oil Recovery (EOR) Project ("Grieve Project") Joint Venture ("Grieve JV") with Denbury Onshore LLC ("Denbury");
ii. Completing a senior term loan facility with Benefit Street Partners ("BSP") for US$58 million for the Grieve Project restructure. The Company has transferred USD10.2 million to a specific Reserve Account as required under the financing arrangement with BSP; and
iii. Shortfall placement subscriptions for all remaining Shortfall shares under the non-renounceable pro-rata entitlement offer ("Entitlement Offer") launched on 3 June 2016 and partially completed on 23 June 2016.

The Company executed final binding agreements and completed the restructure of the Grieve Project JV with Denbury on Thursday 4 August 2016 Central Daylight Time ("CDT") in Dallas, Texas. The key terms of the completion of the restructure of the Grieve CO_2 EOR Project joint venture between Elk and Denbury are:

- Elk's working interest in Grieve Project increases to 49% with the right to receive 70% of the net operating cash flow from the first 2 million barrels of production;
- Denbury remains the Operator of the Grieve Project JV and provides a firm commitment to complete the Grieve CO_2 EOR Project development pursuant to a fixed price turnkey contract containing a detailed field development and execution plan and detailed completion milestones;
- Under the fixed price turnkey contract, Elk will fund US$55 million to complete the development of the Grieve Project with Denbury to cover any cost overruns;
- Denbury will supply and cover full cost of CO_2 to be injected into the Grieve field required to reach first oil production and any additional CO_2 up to 82 BCF will be provided on advantageous commercial terms at Denbury's cost of CO_2;
- All of the oil production from the Grieve Project will be shipped via Elk's 100%-owned and operated Grieve Oil Pipeline under a binding long-term regulated pipeline tariff at a haulage charge of US$3.00 per barrel;
- Denbury has transferred to Elk a 49% interest in any Grieve Project assets with an estimated value of approximately US$60 million;
- Denbury will forego recovery from Elk 100% of Grieve Project funding indebtedness with an estimated amount of US$20 million associated with the prior joint venture funding arrangements; and
- Elk and Denbury have entered into a binding settlement agreement under which all prior claims arising out of the original Grieve Project JV arrangements will be released including legal claims included in the civil lawsuit which the parties previously withdrew pending negotiating a commercial settlement (see ASX announcement 16 July 2015).

The Company completed closing a senior term loan facility with Benefit Street Partners ("BSP") for US$58 million for the Grieve Project JV restructure on Friday 5 August 2016 evening Dallas, Texas local time.

Funds under the Term Loan facility with BSP are to be used to fund the US$ 55 million in field development expenditures committed to by Elk as part of the Grieve JV restructure, minor upgrades to Elk's 100% owned Grieve oil pipeline and associated costs. Funds under the Term Loan facility are immediately available.

In conjunction with putting in place the Term Loan facility the Company has implemented a significant oil price hedging program to underwrite a strong oil price going forward for the Grieve Project. Under this program the Company has purchased US$45/bbl put options for 75% of its share of forecast oil production from the Grieve Project during in calendar year 2017 and 2018.The put options create a US$45/bbl floor price for the hedged volumes, but do not limit the oil price upside for the project.

The Company launched an entitlement offer on 3 June 2016, and on 27 June 2016 issued approximately 261.6 million new fully paid ordinary shares at $0.075 per share to raise $19.6 million (before costs). In August and September 2016 Elk issued approximately 146.5 million shares priced at $0.075 per share ("Shortfall Shares") to sophisticated investors and institutional investors new to the Elk register to raise an additional $11 million.

As a result of the restructuring of the Grieve Project, the following accounting treatments are expected in the FY17 year:

i. No change to the net asset position at the date of the signing of the binding agreement. The Grieve project assets and liabilities owing to Denbury will be reduced through the reversal of charges from Denbury from 1 February 2016, including JB expenses and interest of loans previously invoiced by Denbury to the Company; and
ii. Payments for the US$55m Turnkey Project will first be used to extinguish the remaining trade creditor liabilities and borrowings owed to Denbury, with the balance to be capitalised as part of the carrying value of Elk's share of the Grieve oil field.

Also subsequent to year, the following changes were made to the Group structure:

Name	Principal place of business/ Country of incorporation	Ownership interest Current %	30/06/2016 %
Elk Petroleum Inc. LLC	USA	100.00	100.00
Grieve Pipeline LLC*	USA	100.00	100.00
North Grieve LLC*	USA	100.00	100.00
Natrona Pipeline LLC*	USA	Ceased	100.00
Elk Operating Company LLC*	USA	100.00	100.00
Elk Grieve Project LLC*	USA	100.00	100.00
Singleton EOR Project LLC*	USA	100.00	100.00

* Subsidiaries of Elk Petroleum Inc.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 34. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated 2016 $	2015 $
Loss after income tax expense for the year	(7,168,313)	(3,645,970)
Adjustments for:		
Share-based payments	169,692	178,530
Foreign exchange differences	152,651	(806)
Depreciation and amortisation	174,978	242,822
Impairment of development expenditure	283,822	–
Loss on asset disposal	–	10,260
Loss arising from Crow Tribe Dispute	1,199,526	–
Finance costs	488,709	–
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(7,593)	84,537
Decrease in inventories	–	8,519
Increase/(decrease) in trade and other payables	420,977	(215,333)
Net cash used in operating activities	**(4,285,551)**	**(3,337,441)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 35. EARNINGS PER SHARE

	Consolidated	
	2016 $	**2015 $**
Loss after income tax attributable to the owners of Elk Petroleum Ltd	**(7,168,313)**	(3,645,970)

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	263,176,566	196,669,387
Weighted average number of ordinary shares used in calculating diluted earnings per share	**263,176,566**	**196,669,387**

	Cents	**Cents**
Basic earnings per share	(2.72)	(1.85)
Diluted earnings per share	(2.72)	(1.85)

NOTE 36. SHARE-BASED PAYMENTS

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

Under the option plan, directors and employees are invited to participate in the plan and receive options. An individual may receive the options or nominate a relative or associate to receive them. This plan is currently not in use.

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

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

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

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

2016

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

2015

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

Options granted under the plan are for no consideration.

The weighted average remaining contractual life of employee share options outstanding at the end of the financial year was nil (2015: 1 year). The weighted average exercise price is $0.20 (2015: $0.20).

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

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Vested	Lapsed	Balance at the end of the year
13/08/2013	30/06/2016	$0.000	3,450,306	–	–	(3,450,306)	–
30/11/2013	30/06/2016	$0.000	1,077,519	–	–	(1,077,519)	–
30/11/2013	30/06/2016	$0.000	1,000,000	–	–	(1,000,000)	–
30/11/2013	30/06/2017	$0.000	2,000,000	–	–	–	2,000,000
30/11/2013	30/06/2018	$0.000	2,000,000	–	–	–	2,000,000
05/09/2014	30/06/2017	$0.000	2,706,388	–	–	–	2,706,388
18/12/2014	30/06/2017	$0.000	126,731	–	–	–	126,731
30/06/2016	30/06/2018	$0.000	–	1,810,000	–	–	1,810,000
			12,360,944	1,810,000	–	(5,527,825)	8,643,119

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

Performance rights are issued for nil consideration and will vest after three years to ordinary shares based on market based performance conditions. The fair value of the performance rights granted on 5 September 2014, 18 December 2014 and 30 June 2016 were $0.0200, $0.0020 and $0.0494 respectively.

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Vested	Lapsed	Balance at the end of the year
15/08/2012	30/06/2015	$0.000	1,311,000	–	–	(1,311,000)	–
12/12/2012	30/06/2015	$0.000	592,000	–	–	(592,000)	–
13/08/2013	30/06/2016	$0.000	3,450,306	–	–	–	3,450,306
30/11/2013	30/06/2016	$0.000	1,077,519	–	–	–	1,077,519
30/11/2013	30/06/2015	$0.000	1,000,000	–	–	(1,000,000)	–
30/11/2013	30/06/2016	$0.000	1,000,000	–	–	–	1,000,000
30/11/2013	30/06/2017	$0.000	2,000,000	–	–	–	2,000,000
30/11/2013	30/06/2018	$0.000	2,000,000	–	–	–	2,000,000
05/09/2014	30/06/2017	$0.000	–	2,706,388	–	–	2,706,388
18/12/2014	30/06/2017	$0.000	–	126,731	–	–	126,731
			12,430,825	2,833,119	–	(2,903,000)	12,360,944

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.44 years (2015: 1.72 years).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Note 36. Share-based payments (continued)

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

2016 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
13/08/2013	30/06/2016	$0.000	56,054	–	–	(56,054)	–
05/09/2014	30/06/2017	$0.000	510,000	–	–	–	510,000
18/12/2014	30/06/2017	$0.000	226,286	–	–	–	226,286
30/06/2016	30/06/2018	$0.000	–	195,000	–	–	195,000
			792,340	195,000	–	(56,054)	931,286

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

Retention rights are issued for nil consideration and will vest after three years to ordinary shares based on continuity of employment conditions. The fair value of the retention rights issued on 5 September 2014, 18 December 2014 and 30 June 2016 were $0.0800, $0.0200 and $0.0823 respectively.

2015 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
15/08/2012	30/06/2015	$0.000	181,000	–	(175,374)	(5,626)	–
12/12/2012	30/06/2015	$0.000	51,000	–	(41,083)	(9,917)	–
13/08/2013	30/06/2016	$0.000	78,000	–	–	(21,946)	56,054
05/09/2014	30/06/2017	$0.000	–	510,000	–	–	510,000
18/12/2014	30/06/2017	$0.000	–	280,000	–	(53,714)	226,286
			310,000	790,000	(216,457)	(91,203)	792,340

The weighted average remaining contractual life of retention rights outstanding at the end of the financial year was 1.21 years (2015: 1.93 years).

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

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Neale Taylor
Chairman

28 September 2016
Sydney

INDEPENDENT AUDITOR'S REPORT

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Elk Petroleum Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Independence

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

Opinion

In our opinion:

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

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

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

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity and/or debt and/or the reduction of costs. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

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

Opinion

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

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 28 September 2016

SHAREHOLDERS INFORMATION

The shareholders information set out below was applicable as at 21 September 2016.

DISTRIBUTION OF EQUITABLE SECURITIES

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	99	1
1,001 to 5,000	270	–
5,001 to 10,000	194	–
10,001 to 100,000	492	24
100,001 and over	322	27
	1,377	**52**
Holding less than a marketable parcel	**457**	**22**

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	Ordinary shares % of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	200,210,889	**24.27**
CYPRESSWOOD CAPITAL PTE LTD	57,000,000	**6.91**
MR ROBERT ANTHONY HEALY	53,867,591	**6.53**
CATALAN INVESTMENTS PTY LTD	27,330,626	**3.31**
NATIONAL NOMINEES LIMITED	23,752,894	**2.88**
BEGLEY SUPERANNUATION CO PTY LTD <BEGLEY ENGINEERING S/F A/C>	22,629,760	**2.74**
BNP PARIBAS NOMS PTY LTD <DRP>	20,928,455	**2.54**
CITICORP NOMINEES PTY LIMITED	19,690,306	**2.39**
MS TRACEY LEANNE MARSHALL	17,251,466	**2.09**
CHNG SENG CHYE	15,403,809	**1.87**
LINK TRADERS (AUST) PTY LTD	14,992,389	**1.82**
CAIRNGLEN INVESTMENTS PTY LTD <WOODFORD SUPER FUND A/C>	14,666,667	**1.78**
HO DUAN JUAT	11,871,658	**1.44**
UBS NOMINEES PTY LTD	10,866,144	**1.32**
RICH TREND VENTURES LTD	10,670,000	**1.29**
MR BRADLEY WILLIAM LINGO	10,643,162	**1.29**
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,568,167	**1.28**
MRS TRACY FRASER	10,095,238	**1.22**
TEO PENG KWANG	10,080,000	**1.22**
EAST TIMOR TRADING LDA	10,000,000	**1.21**
	572,519,221	**69.41**

	Options over ordinary shares Number held	Options over ordinary shares % of total options issued
MR LUKE KUKULJ	4,188,333	18.47
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,916,667	12.86
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,248,167	9.91
CORAL PRODUCTION CORPORATION	1,800,000	7.94
MR ROBERT ANTHONY HEALY	1,500,000	6.62
UNITING PROPERTIES PTY LTD	1,225,000	5.40
MR RODNEY HARPER + MRS ELIZABETH HARPER <HARPER MUMBY SUPER FUND A/C>	1,200,000	5.29
IVYLINE INVESTMENTS PTY LTD <THE BERNLOR HOLDINGS S/F A/C>	1,125,000	4.96
BEGLEY SUPERANNUATION CO PTY LTD <BEGLEY ENGINEERING S/F A/C>	833,333	3.68
INVIA CUSTODIAN PTY LIMITED <HARGREAVES S/FUND A/C>	833,333	3.68
DJ CARMICHAEL PTY LTD	800,000	3.53
JOJO ENTERPRISES PTY LTD <SFI FAMILY A/C>	416,667	1.84
MRS MARGARET MURDOCK + MR NICHOLAS MURDOCK	416,666	1.84
MR MARK JOHN TURNER	265,000	1.17
MR JASWINDER SINGH TAKHAR	209,000	0.92
MSRF PTY LIMITED <MICHAEL SMITH RETIREMENT A/C>	200,000	0.88
MR SALVATORE DI VINCENZO	166,668	0.74
MR AARON JENN LUNG LIM	166,666	0.74
L E E T INVESTMENTS PTY LTD	150,000	0.66
MRS MANISHA MUDE	150,000	0.66
	20,810,500	**91.78**

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued expiring on 31/03/2018 @ $0.075	1,333,333	1

Holders of 20% or more of unquoted equity securities:

Name	Class	Number held
CAIRNGLEN INVESTMENTS	Options expiring 31/03/2018 @ $0.075	1,333,333

SHAREHOLDERS INFORMATION

Unlisted rights

Rights	Expiry	Number on issue	Number of holders
Performance rights 2013	30 June 2017	2,000,000	1
Performance rights 2013	30 June 2018	2,000,000	1
Retention rights 2014	30 June 2017	736,286	4
Performance rights 2014	30 June 2017	2,833,119	8
Retention rights 2015	30 June 2018	195,000	6
Performance rights 2015	30 June 2018	1,810,000	9

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

	Ordinary shares Number held	Ordinary shares % of total shares issued
REPUBLIC INVESTMENT MANAGEMENT PTE. LTD.*	154,501,980	19.21
CYPRESSWOOD CAPITAL PTE LTD**	57,000,000	8.49
MR ROBERT ANTHONY HEALY***	53,884,136	6.70

* Based on the shares on issue at 21 September 2016, the holding would represent 18.73% of the Company rather than the percentage disclosed on the historic Form 604

** Based on the Top 20 Shareholder listing, the shares held by the Company as at 21 September 2016 would represent 6.91% of the Company rather than the percentage disclosed on the historic Form 604.

*** Mr Healy has advised directly to the Company that he currently holds the noted shares, which represents 6.55% of the Company.

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

ON-MARKET BUY BACK
There is no current on-market buy back.

LISTING RULES 3.13.1 AND 14.3
The Annual General Meeting is scheduled to be held on 28 November 2016.

RESERVES AND RESOURCES
Refer to 2016 Shareholder Review for the year ended 30 June 2016 of the Annual Report.

CORPORATE DIRECTORY

DIRECTORS

Neale Taylor (Chairman)

Bradley Lingo (Managing Director and Chief Executive Officer)

Matt Healy (Non-Executive Director)

Russell Krause (Non-Executive Director)

Timothy Hargreaves (Non-Executive Director)

COMPANY SECRETARIES

David Franks and Andrew Bursill

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Suite 101, Level 1
10 Bridge Street
Sydney NSW 2000

Telephone: + 61 2 9093 5400

SHARE REGISTER

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

Telephone: +61 3 9415 5000
Facsimile: +61 3 9473 2500

AUDITOR

BDO East Coast Partnership
1 Margaret Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

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

As at the date of this report, the Company also had one series of options listed on the Australian Securities Exchange (ASX code: ELKO).

WEBSITE

www.elkpet.com

CORPORATE GOVERNANCE STATEMENT

www.elkpet.com/about-elk/corporate-governance/

ELK PETROLEUM