ASX Announcement / Media Release

4 January 2017

Elk to acquire Freeport-McMoRan's Wyoming Gas, CO_2 Production Assets

- **Elk to acquire Freeport-McMoRan's interest in Madden Gas Field and Lost Cabin Gas Plant**
- **Ranked by US Energy Information Administration as US's 33rd largest field by proved reserves**
- **2nd largest CO_2 supply source in Wyoming for CO_2 EOR**
- **Materially increases Elk's Proven Reserves delivering 12.9 MMBOE of low-cost, long-life reserves – over a 200% increase**
- **Delivers profitable production of ~3,400 BOEPD (20 MMSCFD+) with long lived production of >15 years**
- **2017 estimated positive free cash flow of over US$7 million**
- **Price US$20 million dollars to be funded principally through debt financing**
- **Reserves independently audited by Netherland Sewell & Associates**

Elk Petroleum Ltd (ASX: ELK) ("Elk" or the "Company") is pleased to advise that it has entered into a formal purchase and sale agreement with subsidiaries of Freeport-McMoRan Inc. ("FCX") to acquire all of FCX's interest in the Madden Gas Field, the Madden Deep Unit Gas Field and the Lost Cabin Gas Plant for US$20 million. The Madden Gas Field and the Lost Cabin Gas Plant are located in Natrona and Freemont counties, Wyoming approximately 95 kms (60 miles) from Elk's Grieve CO_2 enhanced oil recovery project (see map below).

Pursuant to the PSA, Elk will acquire a ~14% non-operating working interest in the Madden Gas Field and the Lost Cabin Gas Plant and associated gas gathering pipeline systems. The Madden Gas Field and the Lost Cabin Gas Plant is operated by Conoco Phillips (46%) and the balance of the unit and gas plant is owned by Moncrief Oil (30%) and various other private interest holders. The purchase of Freeport-McMoRan interest in the Madden Gas Field and the Lost Cabin Gas Plant is not subject to any pre-emptive rights and the PSA is subject to completion of additional due diligence for title, environmental and other customary matters. The acquisition is scheduled to be completed by 22 February 2017 with an effective date 1 January 2017.

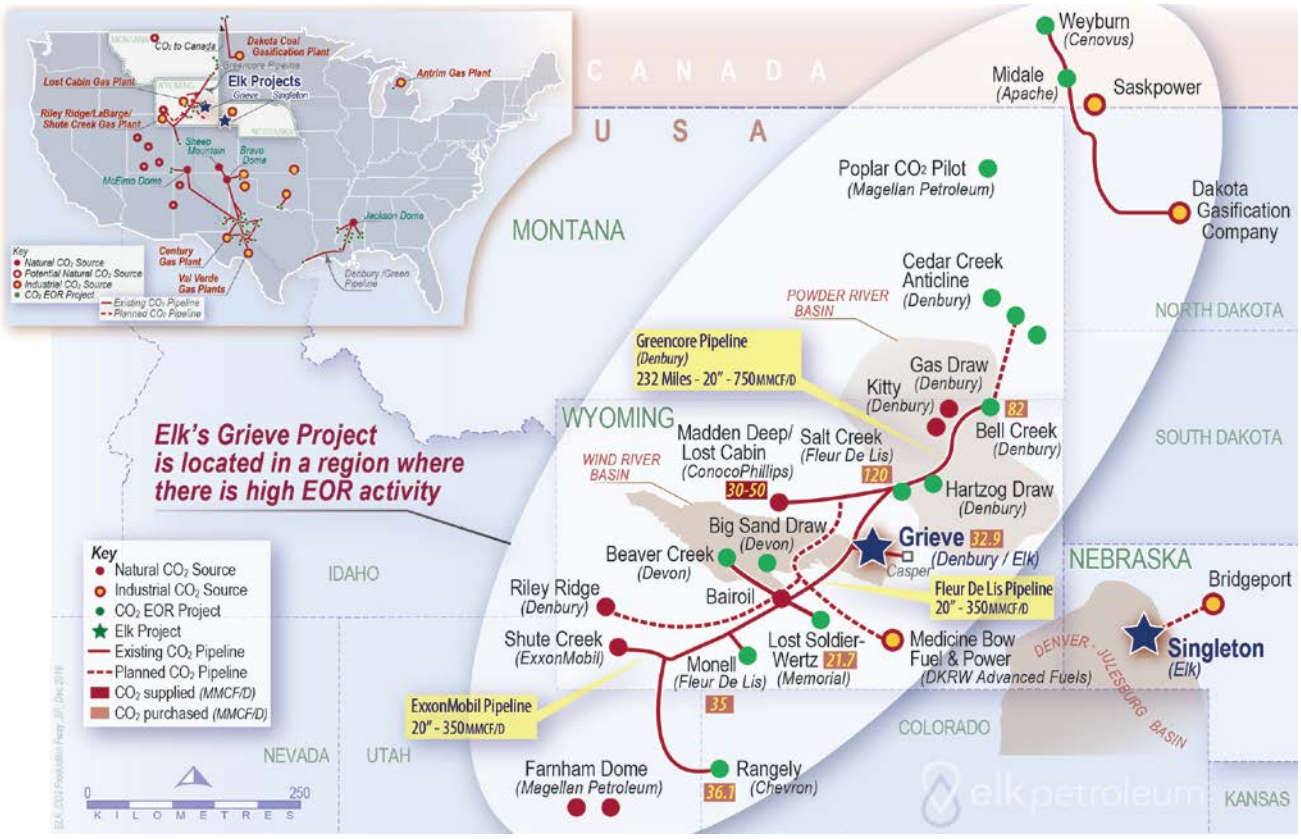
Freeport-McMoRan's sale of its interest in the Madden Gas Field and the Lost Cabin Gas Plant is part of broader, corporate-wide divestment by the company of all oil and gas operations. This sale process was announced in January 2016 and commenced in April 2016. Through this sale process Freeport-McMoRan has been advised by JP Morgan and Lazard.

Madden Gas Field

Discovered in 1968, the Madden Gas Field is a giant, conventional gas field located in the Wind River Basin and one of the largest gas fields in Wyoming. In energy terms, the State of Wyoming is the U.S.'s 4th largest natural gas producer and 8th largest crude oil producer. The field sits on the Madden Anticline and covers an area of over 200 sq. miles / 518 km^2 / 128,000 acres. The field produces from multiple reservoir units ranging in depth from 5,000 to 25,000 feet (1500 meters to 7600 meters). With an estimated original gas in place of over 5.5 TCF, to date the Madden Gas Field has produced over 2.42 TCF of natural gas.

According to the U.S. Department of Energy's, Energy Information Administration, the Madden Gas Field is the 33rd largest gas field in the US as ranked by Proved Reserves (Energy Information Administration's *U.S. Crude Oil and Natural Gas Proved Reserves* 2015 publication).

Madden Gas Field / Lost Cabin Gas Plant Locator Map



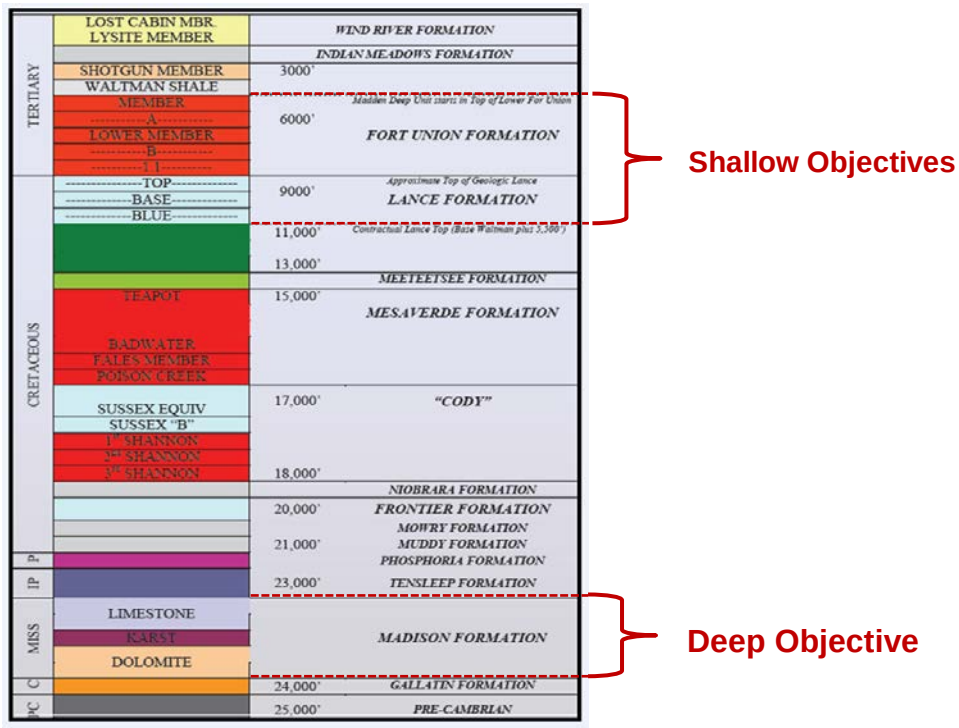
See attached Appendix for a detailed Central Wyoming oil and gas field locator map

Shallow gas production comes from multiple, discontinuous, stacked fluvial sandstones in the Upper Cretaceous to Early Tertiary Lower Fort Union, Lance and Cody Formations and is produced from 165 active gas production wells (see stratigraphic chart below). The make-up of these shallow gas producing sands is similar to the primary gas producing intervals in the Cooper Basin in central Australia.

Conoco, the Operator of the Madden Gas Field has also identified additional development potential within the shallow units from undeveloped zones across 15,000 feet (4500 meters) of gas bearing intervals through well recompletions, vertical infill drilling and horizontal drilling potential to target these discovered, undeveloped gas resources.

The majority of current gas production currently comes from the deeper Carboniferous (Mississippian) Madison Formation from 8 production wells. The Madison Formation reservoir is continuous over a 40 sq. mile (103 km^2) structure with a continuous gas column that extends over 1200 feet (365 meters).

Madden Gas Field Producing Reservoir Units



Collectively, these deeper Madison Formation wells have produced over 1.1 TCF since first discovery and commencement of production in 1995. Individual wells have so far produced between 21 BCF to 225 BCF each. Initial well production rates range from 45 to 60 MMSCF/day. Production from the existing deep wells remains strong and there are no current plans to drill additional wells in the Madison Formation.

Lost Cabin Gas Plant & Gas Gathering System

Production from the Madden Gas Field is transported through an extensive gas gathering system for processing through the dedicated Lost Cabin Gas Plant (LCGP) which includes 3 raw gas processing trains with a total installed raw gas processing capacity of 310 MMSCF/day. The raw gas stream is comprised of 68% methane and ethane, 20% CO_2 and 12% H_2S. Currently approximately 240 MMSCF/day of raw gas is processed through the gas plant. By comparison, the Lost Cabin Gas Plant is very similar in capacity to the Moomba Gas Plant in South Australia's Cooper Basin which was designed 902 mmscf/day (see South Australia Department of State Development – Petroleum Division website) and has current gas processing capacity of 375 TJ per day of with

an 80% utilization rate (see Beach Energy ExchangeSA 2016 Listed Company Presentation) which is equivalent to 355 MMSCF/day of gas processing capacity.

Sales gas is delivered from the gas plant into several interstate sales gas transmission pipelines: Lost Creek Pipeline (for delivery to Colorado Interstate Gas, Wyoming Interstate Gas, and Rockies Express) and Mountain Gas Resources Inc. (for delivery to Colorado Interstate Gas). Both CO_2 and H_2S are also captured and processed for sale. The plant produces 1200-1400 tons per day of sales grade Sulphur the majority of which is transported by rail to supply the fertilizer market in Tampa, Florida with the remainder transported to a local fertilizer plant located in SW Wyoming.

Since 2013, the Lost Cabin Gas Plant has also been equipped to capture, process and deliver for sale most of the CO_2 from the Madden Gas Field raw gas stream. This CO_2 is under a long-term supply contract to Denbury Resources. From 2013 to 2016 the CO_2 from the Lost Cabin Gas Plant was the principal source of CO_2 supply for Denbury's Bell Creek CO_2 EOR Project located north of the Lost Cabin Gas Plant on the Wyoming-Montana border. (see Wyoming's 2nd Biggest CO_2 Supplier section below).

Long-life Reserves

With the Madden Deep Gas Field acquisition, Elk has secured substantial, high quality, long-life reserves that materially increase not only the quantity but the quality of the Company's reserves base. The acquisition delivers approximately 70 BCF (11.6 MMBOE) of Proven (1P) gas reserves and 1.2 mmbbls of natural gas liquids of which 65 BCF (10.8 MMBOE) of the gas reserves and all of the natural gas liquids are reserves classified by Netherland Sewell and Associates, Inc. ("NSAI") as Proved Developed Producing.

Summary of Madden Deep Gas Reserves
As of 30 September 2016

Reserve Category	Gross (BCF)	Elk Net (BCF)
Proved (1P)	977.7	77.6
Proved Developed Producing	903.5	72.1
Proved Developed Non Producing	74.2	5.3
Proved + Probable (2P)	1,123	87.9
Proved + Probable + Possible (3P)	1,262	97.9

Reserves independently audited by Netherland Sewell & Associates, Inc as of 30 September 2016

The significance of the vast majority of the reserves secured through the acquisition being classified as Proved Developed Producing is under the Society of Petroleum Engineers Reserve Classification Guidelines, is that no additional capital investment is required to be made to develop or produce these volumes of hydrocarbons.

On an acquisition cost per unit basis, the Company has acquired these reserves at a cost of US$ 1.55/bbl on a barrel of oil equivalent basis or $0.26/mcf on straight gas equivalent basis.

Long-Term Profitable Production

The Madden Gas Field acquisition also delivers to the Company long-term, low decline rate profitable production with negligible forward capital requirements. Upon completion of the acquisition the Company's current production will increase from no current production to approximately 20 MMCFD/day (3,400 BOEPD).

Over the first 5-years from 2017 through 2022, the Madden Gas Field is estimated to average 202 MMCF/day (35,000 BOEPD) and based solely on Proved Developed Producing reserves generate positive net operating cash flow of approximately US$7-8.5 million per annum to the Company based on the current US Natural Gas price consensus forecasts. The table below sets out the operating financial basis for the Madden Gas Field and Lost Cabin Gas Plant over the last 3-years through the month-ending October 2016:

Madden Gas Field FCX Net Gas Production, Sales & Cash Flow

	2014	2015	2016*
Daily Avg Gas sales (MMCFD)	21.6	21.95	20.0
Annual Gas sales (BCF)	7.9	8.0	6.1
Avg NYMEX Gas Price ($/MMBTU)	$4.41	$2.66	$2.35
Avg Realized Gas Price ($/MMBTU) (after deducting differential)	$4.28	$2.44	$2.14
Total Revenue ($million)	$35.6	$21.9	$13.3
Total Production Expenses ($million)	$19.1	$12.9	$10.5
Production Expense ($/MCF)	$2.42	$1.61	$1.72
Total CAPEX ($million)	$1.5	$1.1	$0.6
Total Cash Margin ($million) (Revenue less Total Production Expense)	$16.5	$8.9	$2.8
Cash Margin ($/MCF)	$2.09	$1.11	$0.46
Total Operating Cash Flow ($million) (Cash Margin less Total CAPEX)	$15.0	$7.8	$2.3
Operating Cash Flow ($/MCF)	$1.90	$0.97	$0.38

*YTD Month End October 2016

Due to a significant decline in US natural gas prices for the 1st half of 2016, the overall financial performance for the Madden Gas Field has been affected. In the 2nd half of 2016, US natural gas prices have significantly rebounded to approximately $3.40 to$3.50 per mcf and the current Futures Curve for 2017 and beyond reflects this continued strengthening in US natural gas prices.

As such, the Company anticipates that the overall financial performance for the Madden Deep Gas Field will be consistent with the financial results of 2015 and 2014 post acquisition of the assets. To mitigate any downside natural gas price risk, the Company intends to put in place a comprehensive natural gas price hedging program to secure the financial performance of the assets.

Based on the NSAI reserve and production forecasts, the Proved Developed Producing reserves from the Madden Gas Field will be producing beyond 2030 with an estimated additional 10-years of production beyond 2030.

Wyoming's 2nd Biggest CO_2 Supplier for Enhanced Oil Recovery

The Madden Gas Field and Lost Cabin Gas Plant is the 2nd biggest supplier of CO_2 into the Northern Rockies CO_2 Gas Transmission and Supply Pipeline Network. Beginning in early 2013, the Lost Cabin Gas Plant commenced capturing produced CO_2 stripped from the Madden Gas Field raw gas production and commenced supplying between 40-60 MMSCF/day of CO_2 under a long-term supply contract to Denbury Resources for its Bell Creek CO_2 EOR Project.

As part of these supply arrangements, Denbury Resources constructed a CO_2 receiving and compression facility adjacent to the Lost Cabin Gas Plant and the 232-mile (373 km) Greencore CO_2 Gas Pipeline which has an ultimate capacity to transport 725 MMSCF/day of CO_2 for enhanced oil recovery projects in Wyoming and Montana. According to the Wyoming Oil & Gas Conservation Commission, between early 2013 and early 2016 approximately 36 BCF of CO_2 was supplied to Denbury under these long-term supply arrangements for the Bell Creek CO_2 EOR Project which is currently producing 3,000 BOPD. In early 2016, Denbury requested a temporary suspension of additional CO_2 deliveries due to capital expenditure limitations on implementing a delay in further expansion of the Bell Creek CO_2 EOR Project.

The amount of currently available CO_2 supply from the Lost Cabin Gas Plant is capable of supporting the development of additional CO_2 EOR project of a similar size to Elk's current Grieve CO_2 EOR Project. Current Proven Developed CO_2 reserves in the Madden Gas Field are approximately 220 BCF with total recoverable CO_2 resource potential of over 1 TCF. Securing a direct ownership position in the 2nd most significant CO_2 supply in the Northern Rockies CO_2 EOR Production Fairway provides direct support for Elk pursuing new CO_2 EOR within the Northern Rockies.

Acquisition Funding

Elk intends to primarily fund the acquisition of the Madden Gas Field and Lost Cabin Gas Plant assets from Freeport-McMoRan through debt financing. The Company is engaged in discussions with multiple debt providers and anticipates accessing additional debt capacity under the existing Benefit Street Partner's debt facility which was put in place to fund the Grieve CO_2 EOR Project development.

Strong Commercial Deal and Ideal Strategic Fit

As previously outlined by the Company and most recently contained in the Company's November 2016 Annual General Meeting Presentation a key focus for the Company is the acquisition of high quality, long-life reserve, low risk production assets with positive cash flow that also provide a strong strategic fit with the Company's focus on CO_2 EOR development and production.

The Company considers that the acquisition of Freeport-McMoRan's interests in the Madden Gas Field, Madden Deep Unit and the Lost Cabin Gas Plant will provide a very strong fit with all of these criteria as well as a strong geographic fit with the Company's current operations in the Northern Rockies and the Grieve CO_2 EOR Project which is located in the same county in Wyoming and the same geologic basin as the Madden Gas Field assets. As set out above the Madden Gas Field and the Lost Cabin Gas Plant acquisition represents:

- Material ownership in long-life, high quality natural gas and CO_2 reserves in one of the largest conventional natural gas fields in the US;
- Significant Proved Developed Producing reserves providing a low risk production base;
- Strong, long-term profitable production generating significant positive cash flow;
- Material growth potential through continued development of multi-TCF undeveloped and unexploited established behind-pipe gas resources throughout the Madden Gas Field;
- Additional financial upside through the continued commodity price strengthening; and
- Secure, long-term access to material developed, producing CO_2 reserves and supplies to underpin the Company's continued focus on CO_2 EOR project development and production in the Northern Rockies.

Elk is being advised by Miro Advisors and Norton Rose Fulbright in relation to the acquisition and financing of Freeport McMoRan's interest in the Madden Gas Field and Lost Cabin Gas Plant.

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ABOUT ELK PETROLEUM

Elk Petroleum Limited (ASX: ELK) is an oil and gas company specialising in Enhanced Oil Recovery (EOR), with assets located in one of the richest onshore oil regions of the USA, the Rocky Mountains. Elk's strategy is focused on applying proven EOR technologies to mature oil fields, which significantly de-risks the Company's strategy of finding and exploiting oil field reserves.

COMPETENT PERSONS STATEMENT

The reserves and resources assessment follows the guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS).

The Reserves and Contingent Resources in this announcement relating to the Madden Gas Field and Madden Deep Unit to be acquired from Freeport-McMoRan Inc. is based on an independent review and audit conducted by Netherland, Sewell & Associates, Inc. and fairly represents the information and supporting documentation reviewed. The review and audit was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Shane M. Howell and Mr. John R. Cliver, both Vice Presidents of Netherland, Sewell & Associates, Inc., an independent petroleum advisory firm. Mr. Howell is a Registered Professional Geologist in the State of Texas and Mr. Cliver is a Registered Professional Engineer in the State of Texas. Mr. Howell's qualifications include Master of Science in Geological Sciences, San Diego State University and a Bachelor of Science in Geological Sciences, San Diego State University. Mr. Howell has more than 10 years of relevant experience. Mr. Cliver's qualifications include a Masters of Business Administration from the University of Texas, Austin and a Bachelor of Science in Chemical Engineering from Rice University. Mr. Cliver has more than 10 years of relevant experience. Mr. Howell and Mr. Cliver meet the requirements of Qualified Petroleum Reserve and Resource Evaluator as defined in Chapter 19 of the ASX Listing Rules.

The Reserves and Contingent Resources in this announcement relating to the Grieve CO_2 EOR project, operated by Denbury Resources, is based on an independent review and audit conducted by VSO Petroleum Consultants, Inc. and fairly represents the information and supporting documentation reviewed. The review and audit was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Grant Olsen, a Director of VSO Petroleum Consultants, Inc., an independent petroleum advisory firm. Mr. Olsen is a Registered Professional Engineer in the State of Texas and his qualifications include a Bachelor of Science and Master of Science (both in Petroleum Engineering) from Texas A&M University. He has more than 10 years of relevant experience. Mr. Olsen is a member of the Society of Petroleum Engineers (SPE) and an Associate

Member of the Society of Petroleum Evaluation Engineers. Mr. Olsen meets the requirements of Qualified Petroleum Reserve and Resource Evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this report.

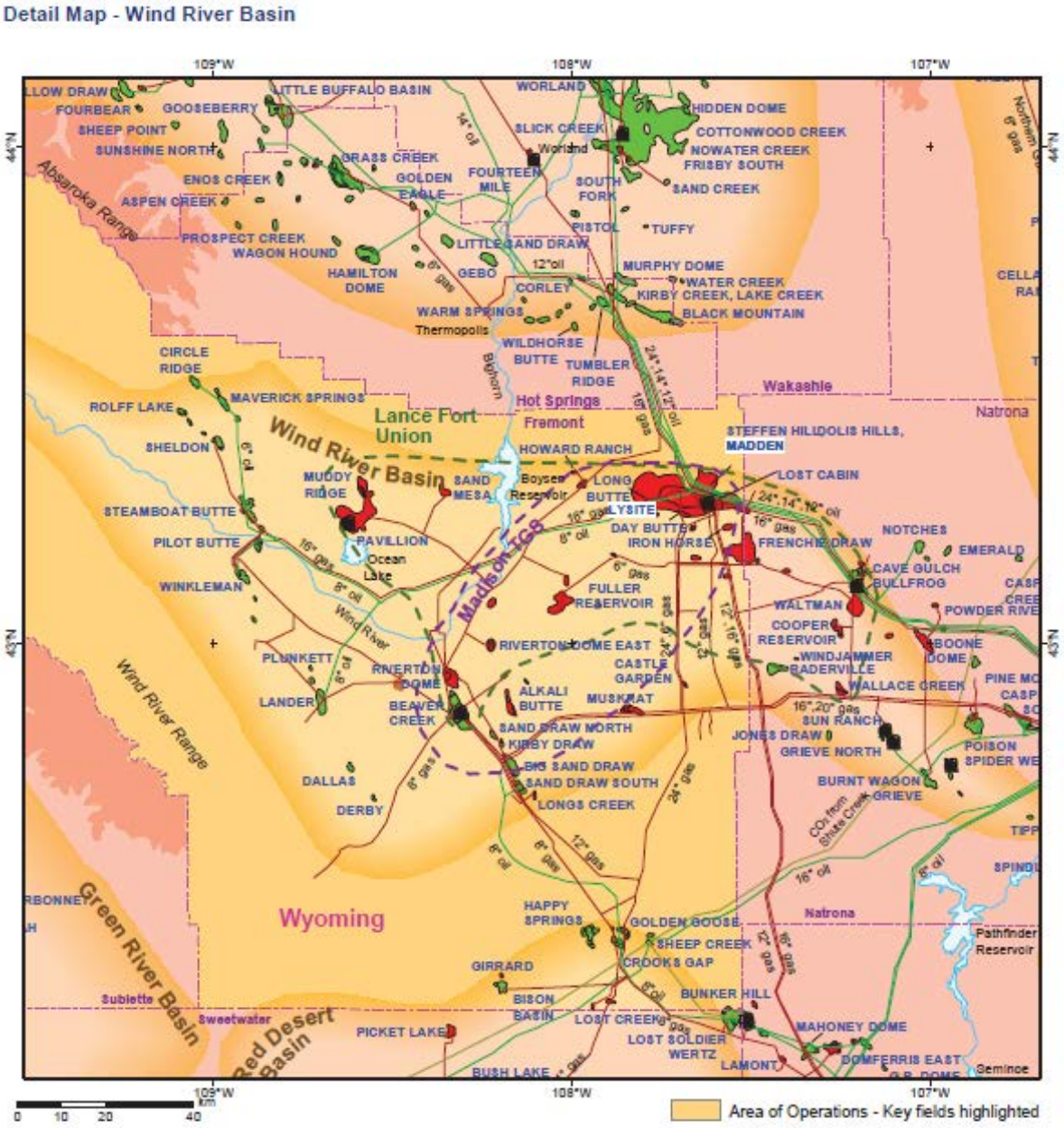
The information in this ASX release or presentation that relates to Reserve and Contingent Resources estimates for the Grieve CO_2 EOR project and the Reserve and Contingent Resource estimates for the newly acquired Madden Deep Gas Field and the Madden Deep Unit Singleton CO_2 EOR project have been compiled and prepared by Mr. David Evans, COO and Mr. Brian Dolan, COO-USA and VP-Engineering of Elk Petroleum Inc. who are both qualified persons as defined under the ASX Listing Rule 5.11 and both have consented to the use of the reserves figures in the form and context in which they appear in this presentation.

Mr. Evans is a full-time employee of the company. Mr. Evans earned a Bachelor of Science with Honours in Geology from the University of London, United Kingdom, a Post Graduate Diploma, Petroleum Exploration from Oxford Brookes University, United Kingdom and a Master of Applied Science, Geology from the University of Canberra and Australian National University in Canberra, ACT. Mr. Evans has more than 30 years of relevant experience. Mr. Evans has sufficient experience that is relevant to the company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr. Evans consents to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

Mr. Dolan is a full-time employee of the company. Mr. Dolan earned a degree in Mechanical Engineering from the University of Colorado at Boulder. Mr. Dolan has more than 24 years of relevant experience. Mr. Dolan has sufficient experience that is relevant to the company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr. Dolan consents to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

Central Wyoming – Wind River Basin Oil & Gas Fields

Madden Gas Field, Lost Cabin Gas Plant & Grieve CO_2 EOR Project



Source: Wood MacKenzie