

# Corporate and Transaction Update

January 2017



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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 Grieve CO<sub>2</sub> 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 presentation that relates to Reserve and Contingent Resources estimates for the Grieve CO<sub>2</sub> EOR project and the Contingent Resource estimates for the Singleton CO<sub>2</sub> 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 person 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 and has more than 23 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

# ELK PETROLEUM EXECUTIVE SUMMARY

## Conventional Oil

Elk is focused on redevelopment of historically producing conventional oil fields to produce significant remaining in place oil by applying enhanced oil recovery (“EOR”) methods

## Proven practices

EOR is a well established low risk redevelopment methodology established during low oil price environments to maintain production and profitability from existing assets

## Long term production

EOR and production projects are long term producers with forecast production commencing January 2017:

- 9 to 12 MMboe production through 2023<sup>(1)</sup> (forecast net to Elk)
- US\$21-US\$40 million annual net income 2017-2023<sup>(2)</sup> (forecast net to Elk)

## Acquisitions

- Elk is actively progressing potential acquisitions and is building long-term funding relationships
- Taking advantage of low oil and gas prices and industry portfolio rationalisation

## Engineering - not exploration

# ELK PETROLEUM

- Elk (ASX:ELK) is Australia's only company focused on enhanced oil recovery and is uniquely positioned to take advantage of current low oil price environment
- Over the last year, Elk has delivered significant growth in reserves and production from core conventional oil & gas field production and development assets
- Secured acquisition of Freeport-McMoRan's Wyoming Gas and CO<sub>2</sub> production assets
  - Forecast 2017 Net Elk production = 3,400 BOEPD
  - Forecast 12-month Net Operating free cash flow = ~US\$7 million
  - High quality, long-life, low risk 1P (Proven Developed Producing) Reserves ~12 MMBOE
- Consolidated/increased its ownership of the Grieve project in Wyoming, USA, refinanced development through to production and substantially increased 2P reserves
  - Conventional 2P reserves from the Grieve Field increased 51% from 3.5mmbbls to 5.3mmbbls
  - Targeting first oil production from Grieve Field year end 2017/early 2018
- Grieve Project development represents low F&D cost reserves (US\$10/bbl) and high margin production at current prices (OPEX = US\$7–10/bbl excl. royalties) with low post-production CAPEX
- Madden acquisition and Grieve Project consolidation has delivered a significant increase in Elk's underlying NPV, 2P/EV and has driven a significant increase in Company's equity value
- Elk's transaction and project delivery capability has generated significant profile among US CO<sub>2</sub> EOR operators who are now approaching Elk as a potential partner for further CO<sub>2</sub> EOR production expansion projects
- In current market and our core area of the Rocky Mountains, our investment approach to CO<sub>2</sub> EOR along the lines of the Grieve Project and Madden Gas & CO<sub>2</sub> is highly repeatable



The map illustrates the extensive network of CO2 pipelines and EOR projects across the United States and Canada. A callout box for Elk's Wyoming projects states: "Elk's Wyoming projects are located in a region where there is high EOR activity".

**Elk's Wyoming Projects:**

- Madden / Lost Cabin:** ConocoPhillips\* (46%), Moncrief Oil (30%), Elk Petroleum (14%).
- Grieve:** Denbury\* (51%), Elk Petroleum (49%).
- Singleton:** Elk Petroleum\* (100%).

\* Principal Operator

**Key:**

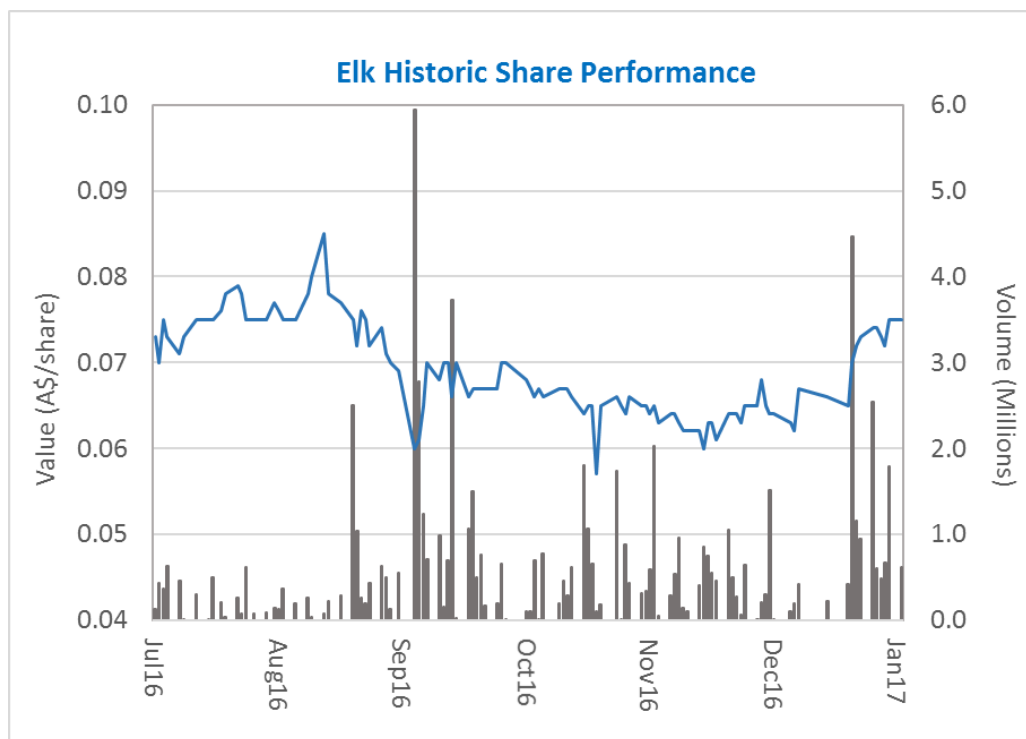
- Natural CO<sub>2</sub> Source (Red dot)
- Industrial CO<sub>2</sub> Source (Orange dot)
- CO<sub>2</sub> EOR Project (Green dot)
- Elk Project (Blue star)
- Existing CO<sub>2</sub> Pipeline (Red line)
- Planned CO<sub>2</sub> Pipeline (Dashed red line)
- CO<sub>2</sub> supplied (MMCF/D) (Red box)
- CO<sub>2</sub> purchased (MMCF/D) (Orange box)

**Other Projects and Pipelines:**

- Greencore Pipeline (Denbury):** 232 Miles - 20" - 750MMCF/D
- ExxonMobil Pipeline:** 20" - 350MMCF/D
- Fleur De Lis Pipeline:** 20" - 350MMCF/D
- Weyburn (Cenovus)**
- Midale (Apache)**
- Saskpower**
- Dakota Gasification Company**
- Poplar CO<sub>2</sub> Pilot (Magellan Petroleum)**
- Cedar Creek Anticline (Denbury)**
- Gas Draw (Denbury)**
- Kitty (Various)**
- Bell Creek (Denbury)**
- Hartzog Draw (Denbury)**
- Grieve (Denbury / Elk)** 32.9
- Fleur De Lis Pipeline** 20" - 350MMCF/D
- Medicine Bow Fuel & Power (DKRW Advanced Fuels)**
- Singleton (Elk)**
- Bridgeport**
- Denver - Julesburg Basin**
- WIND RIVER BASIN**
- POWDER RIVER BASIN**
- WYOMING**
- IDAHO**
- NEVADA**
- UTAH**
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# ELK – CORPORATE SNAPSHOT



## Capital Structure & reserves

Ordinary Shares	854 m
52-week Low-High (A\$/share)	0.02 - 0.13
Market cap @ \$0.075/share	A\$64 m
Cash (30 Sep 2016)	A\$4.6 m
2P Reserves <sup>(1)</sup>	~18 MMboe
2C Resources <sup>(2)</sup>	~3.9 MMbbl

## Major shareholders

Republic Investment Management	18.2%
Cypresswood Capital	6.7%
Catalan Investments	6.6%
Robert Anthony Healy	6.3%
Begley Superannuation	2.7%
Leanne Marshall	2.0%

# ELK KEY MANAGEMENT

## Brad Lingo, CEO

- Over 25 years experience in all phases of oil & gas
- Experienced ASX 200 “company builder”
- Former MD & CEO of Drillsearch Energy (2009 – 15)
- Currently Non-Executive Director of Oilex Ltd
- Previously Chairman at Mont Dor Petroleum (2013-15) and CEO of Sunshine Gas (2003-04)



## Alex Hunter, CFO

- Over 20 years experience with the last 10 in resources focused on M&A and capital raisings
- Most recently GM, Business Development at Drillsearch
- Led several corporate takeovers, post takeover integrations, asset acquisitions, divestments and farm-outs to rationalise and grow the business
- Previously worked in construction and infrastructure project management



## David Evans, COO

- Geologist—29 years upstream global oil & gas development, production and exploration experience
- Former CTO and acting COO Drillsearch
- Significant exposure to Brownfield redevelopments and EOR projects
- Vegas Egypt, Burren Energy PLC, Petro-Canada International,
- Cairn Energy/Command Petroleum, Roxar Limited, Baker Hughes

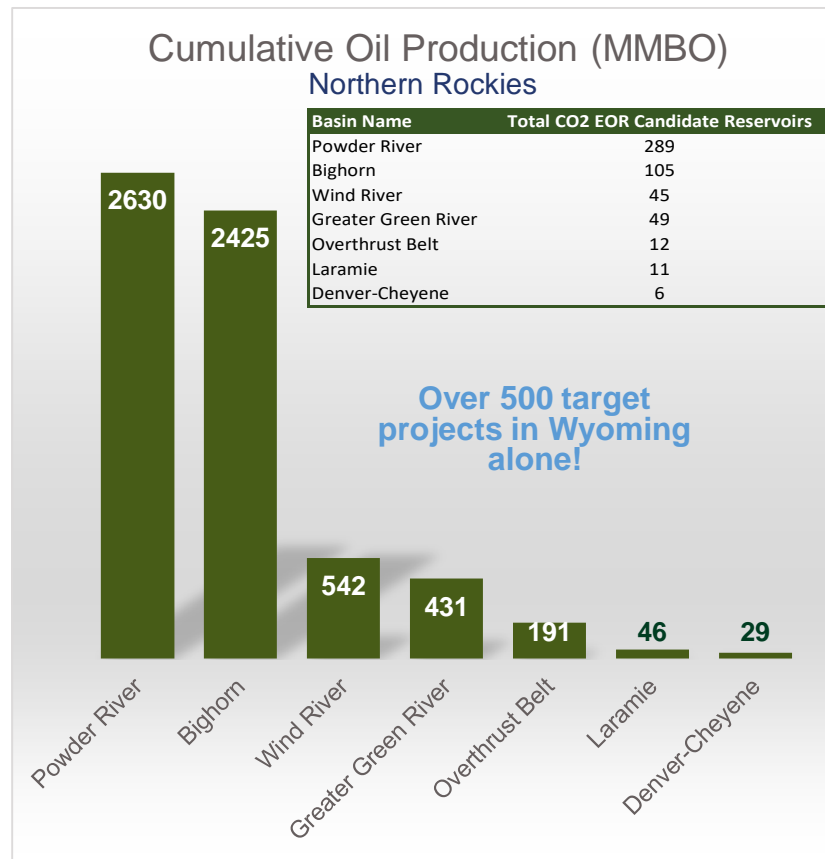


## Established Denver, Colorado operations team

- Scott Hornafius, President, Elk Petroleum USA
- Brian Dolan, Chief Operating Officer, Elk Petroleum USA
- Over 10-years Northern Rockies EOR experience

## CO<sub>2</sub> EOR – BIG BUSINESS IN US, BIG BUSINESS IN ROCKY MOUNTAINS

- Wyoming contains one of largest proven developed CO<sub>2</sub> reserves - 10 TCF - in US with resource potential of 100 TCF
- Over 500 target CO<sub>2</sub> EOR projects identified in Wyoming alone
- Elk well established in Northern Rockies CO<sub>2</sub> EOR Production Fairway
- Beyond Grieve Project, Elk has identified and is pursuing similar bolt-on CO<sub>2</sub> EOR production
- Market conditions also generating significant CO<sub>2</sub> EOR production project acquisition opportunities
- Regulatory environment also conducive to supporting CO<sub>2</sub> EOR – Open for business
- Plenty of scope for both organic and acquisition growth

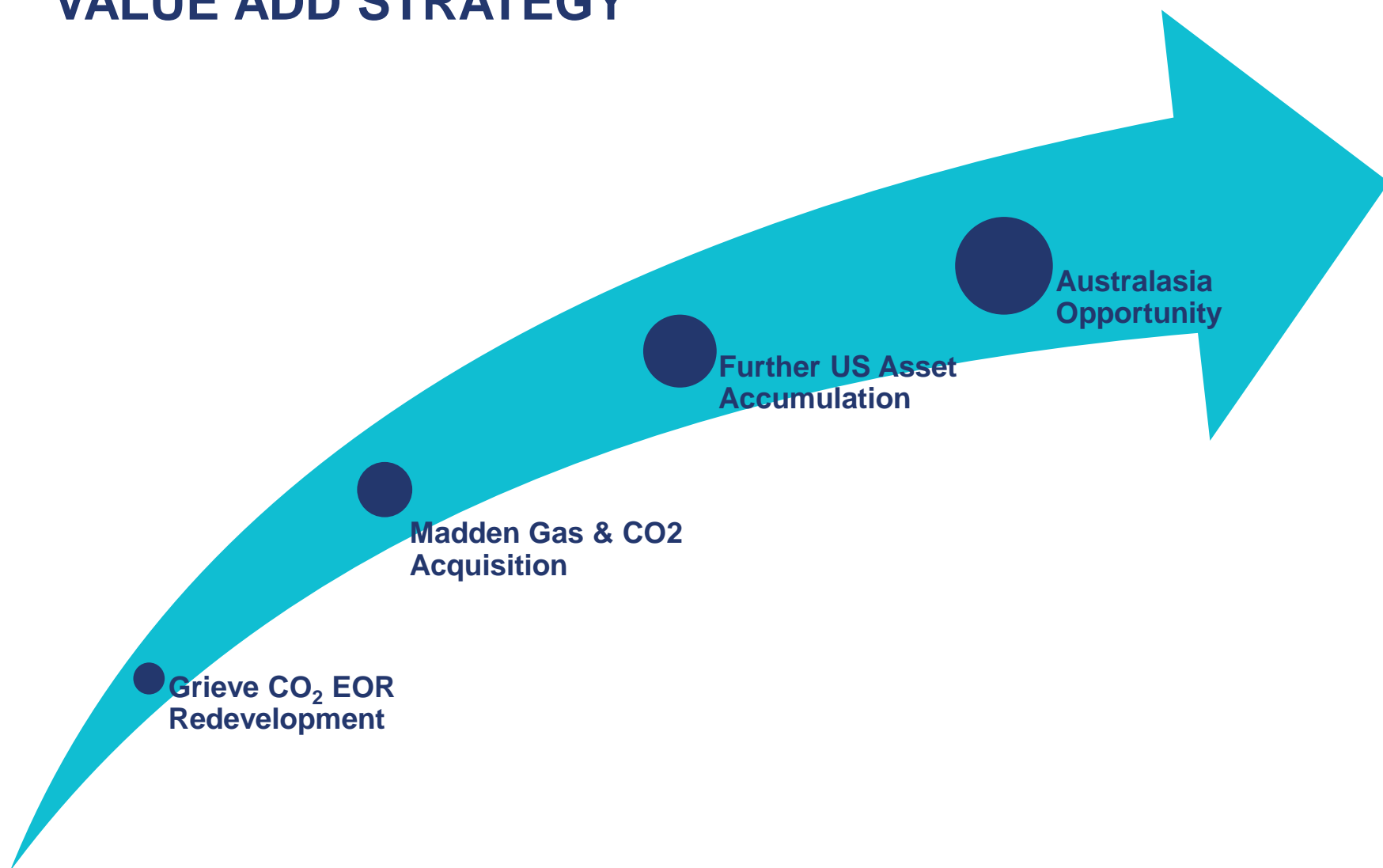


Source: SPE-122921-MS-Estimates of Potential CO<sub>2</sub> Demand for CO<sub>2</sub> EOR in Wyoming Basins

Significant growth potential with deep pipeline of attractive projects



# VALUE ADD STRATEGY



# GRIEVE PROJECT

# GRIEVE CO<sub>2</sub> EOR PROJECT OVER 75% COMPLETE

## Grieve CO<sub>2</sub> EOR project, Casper WY:

- Wind River Basin, Northern Rockies
- Elk (49%) / Denbury Resources (51% Operator)
- Project over 75% complete
- New JV\* materially improves project value to ELK
- New JV delivers material increase in reserves
- Project easily accessible serviced by existing infrastructure
- Outstanding F&D and operating costs
- Strong look forward economics
- Compares favourably to other top tier projects
- Significant additional income from 100% Elk-owned oil export pipeline
- First oil scheduled for late 2017/early 2018

## Grieve CO<sub>2</sub> EOR Project Reserves & Resources

Scenario	Post JV Restructure (MMbbl)	
	Gross	Net
2P (Probable Reserves)	12.3	5.3
3P (Probable + Possible Reserves)	16.4	7.0
3C (Contingent Resources)	16.3	7.0



\*Refer to Elk announcement dated 05 August 2016 for more detailed JV re-structure information

# GRIEVE PROJECT – FULLY FUNDED

## Completed US\$58 million in senior debt funding:

- Benefit Street Partners (BSP) providing US\$58 million conventional term loan oil field development financing\*
- BSP is credit unit of Providence Capital – a recognized global asset management firm
- Full amount available at financial close

## Elk has completed A\$31m entitlement offer & shortfall placement

- 1 New share for every Elk share held @ A\$0.075 per New Elk Share
- Total raising = A\$30.8m (including shares issued for advisors success fees)

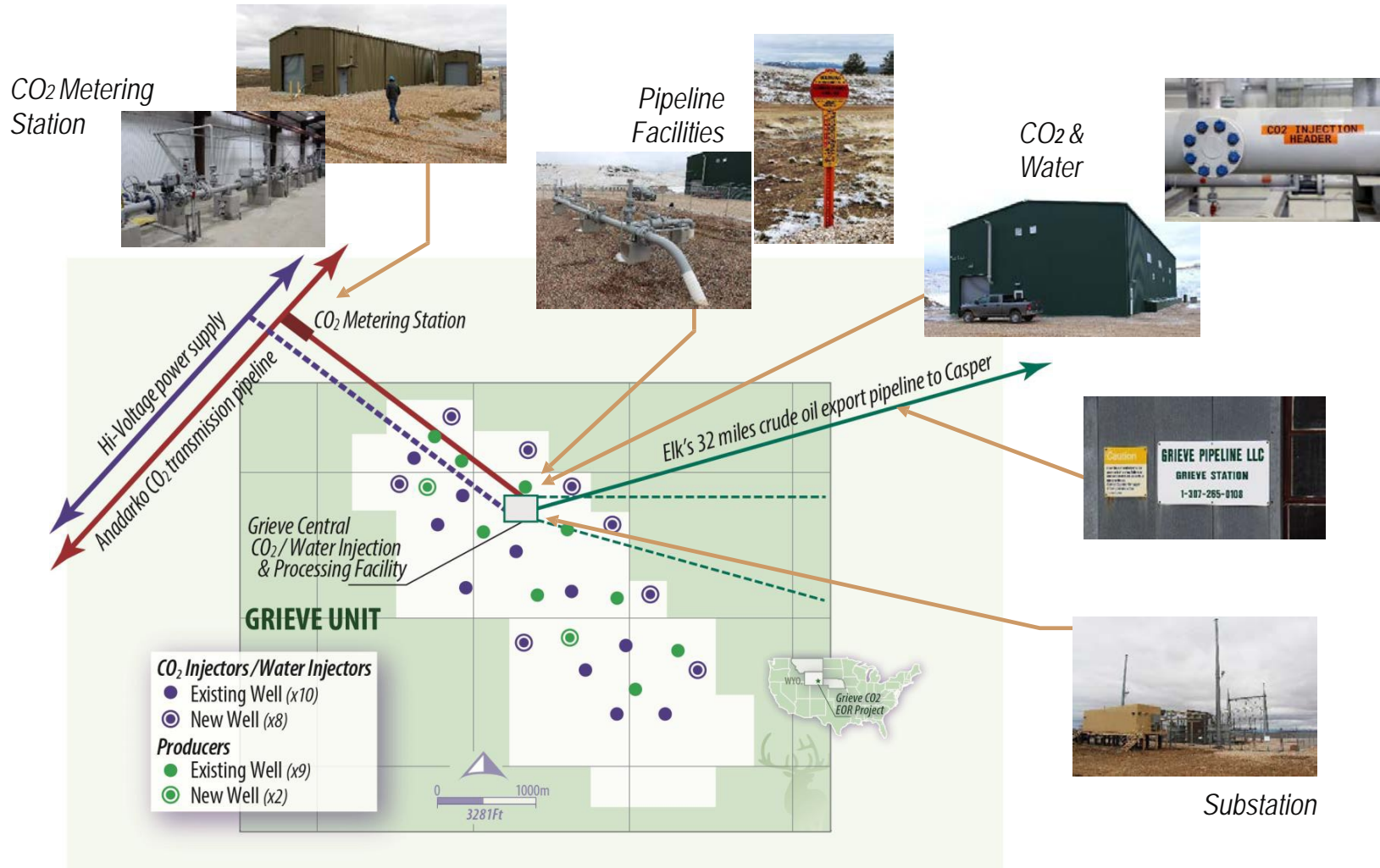
## Debt and Equity funds to be used to fully fund completion of Grieve Project

- Direct Grieve Project & Grieve Oil Pipeline capital costs needed to complete field development
- Equity raising and bank financing transaction costs
- Project oil price hedging through purchased oil price put options
- Corporate working capital

**Fully funded development – Not just bankable but banked!**



# GRIEVE PROJECT – A FIELD-LEVEL VIEW





# GRIEVE PROJECT – DRIVING TO COMPLETION

## Grieve CO<sub>2</sub> EOR project, Casper WY:

- JV restructure/debt financing closed 5 August 2016\*
- Crude oil pipeline repairs commenced August 2016 & completed early October 2016
- Next phase of pipeline works - connection of Grieve Oil Pipeline to Spectra Oil terminal to commence Q4 2016

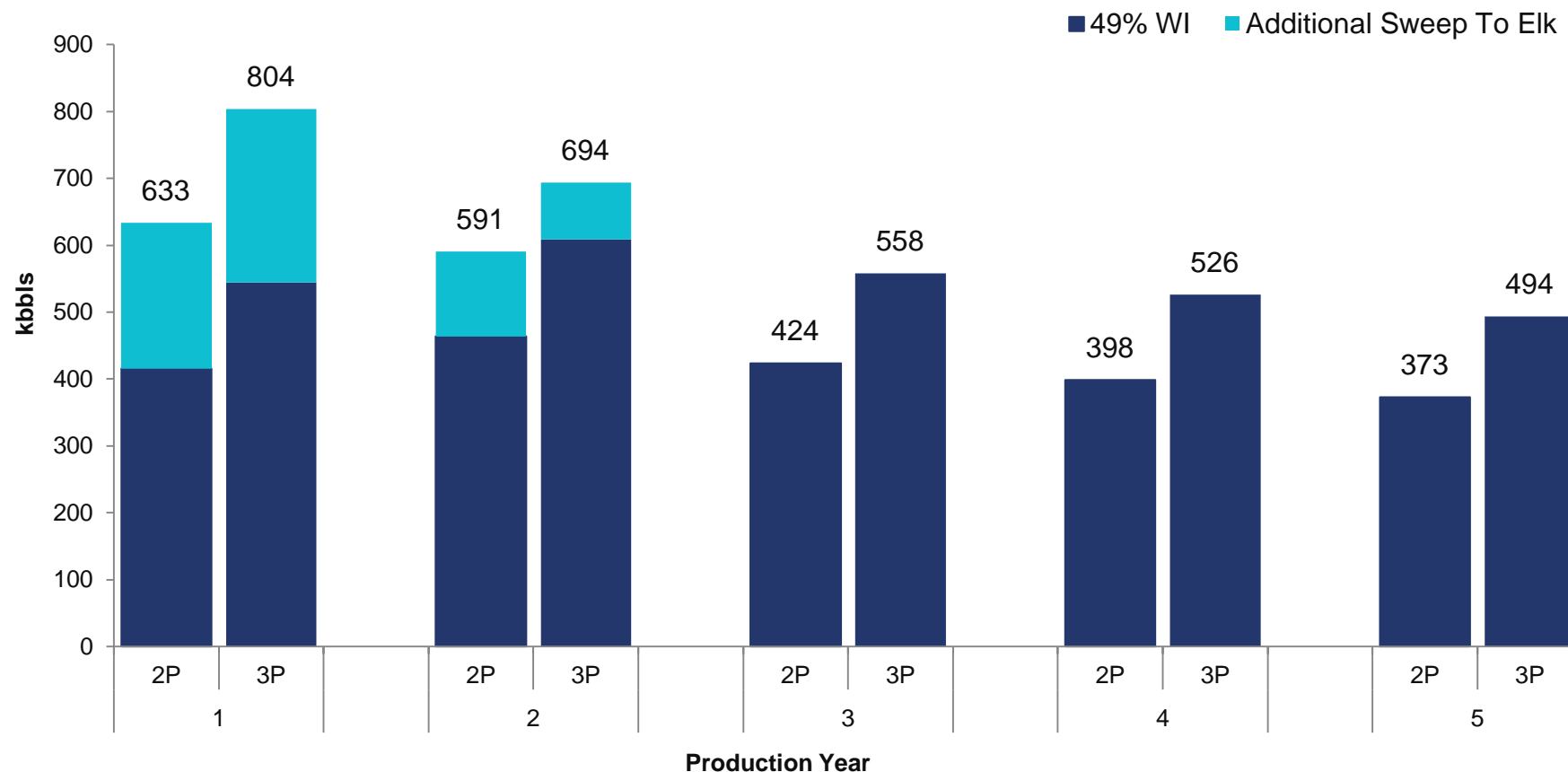


\*Refer to Elk announcement dated 05 August 2016 for more detailed JV re-structure information

# GRIEVE PROJECT: PRODUCTION – NET TO ELK

*Elk's net share of production is estimated to be between 2.4 and 3.1 MMbbls over the first 5 years from first oil*

## 2P & 3P Production (Net to Elk, Post Royalties)<sup>(1)</sup>

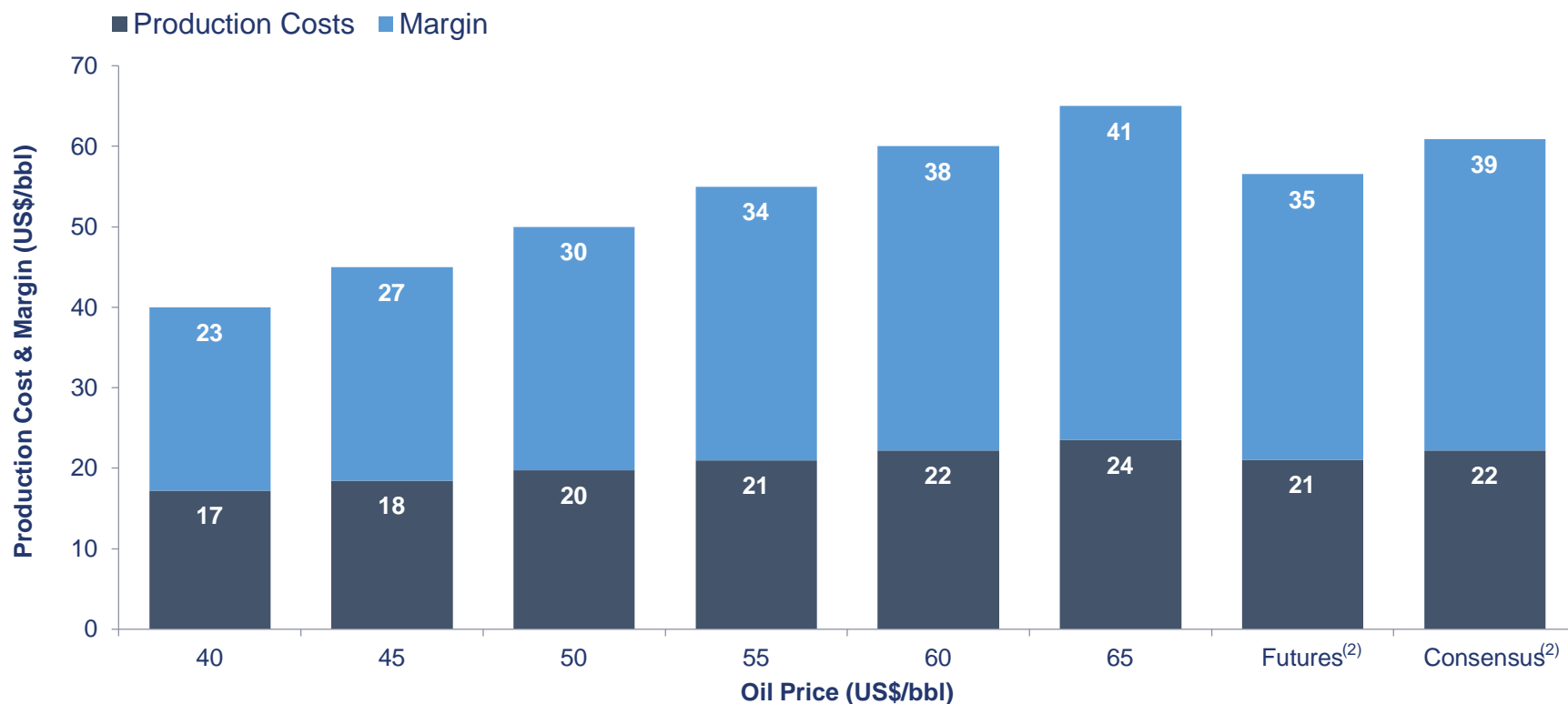


(1) Refer to Elk announcement dated 05 August 2016 for more detailed JV re-structure information

# GRIEVE PROJECT: REVENUE – NET TO ELK

*Production margins remain robust, even in low oil price conditions*

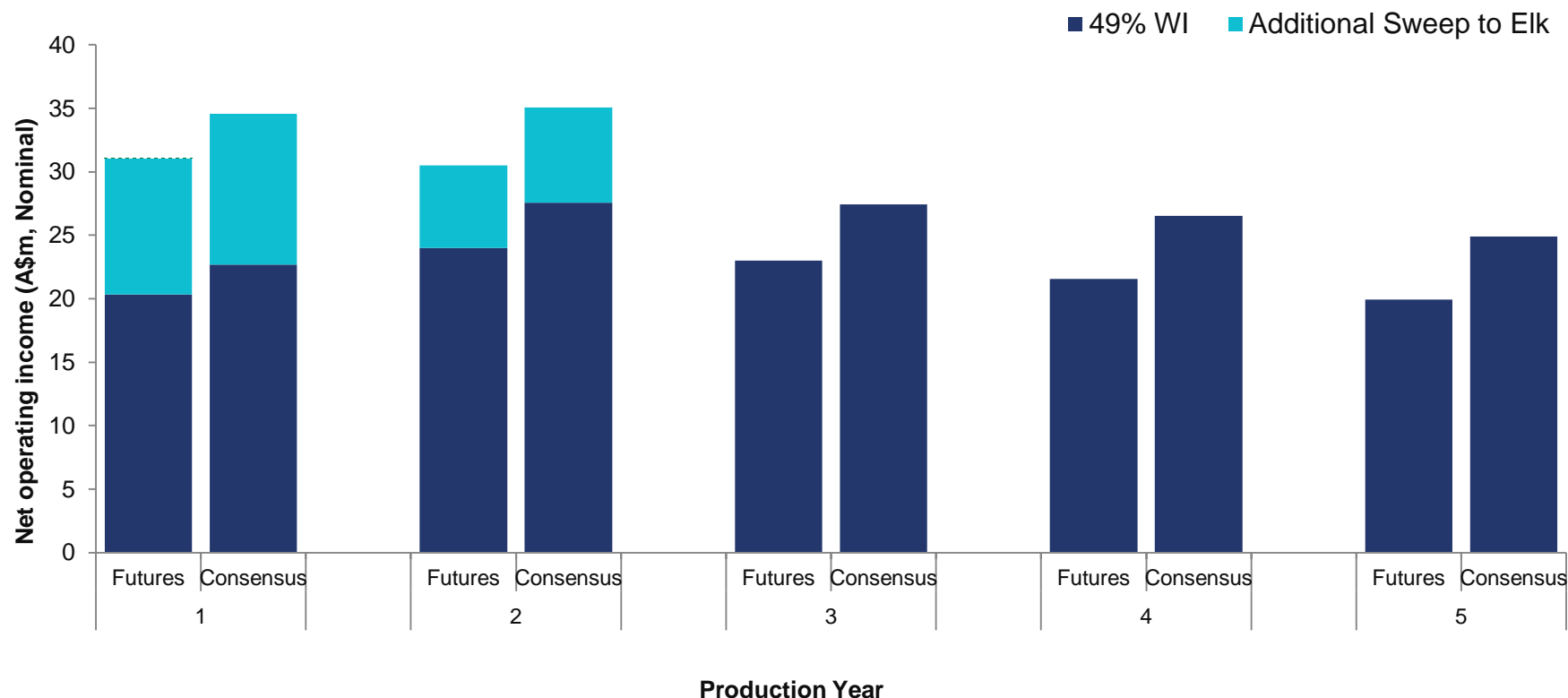
Average Production Costs (Including Royalties) <sup>(1)</sup> of First 5 Years (US\$/bbl, Real)



# GRIEVE PROJECT: EBITDA – NET TO ELK

*The Grieve Project will generate strong and stable cash flows from first oil*

Elk Net operating income (A\$m, Nominal) <sup>(1,2)</sup>



# GRIEVE PROJECT – KEY TAKEAWAYS

- Company's flagship Grieve Project is over 75% complete
- Anticipated to commence production late 2017/early 2018
- Grieve Project fully funded from combination of senior debt and new equity capital funding
- Operated by Denbury Resources, North America's leading CO2 EOR oil development & production company
- Denbury guaranteeing both cost and time for completion and project start-up
- ELK is funding US\$55m, the last 30% of Capex, and in return has increased project interest from 35% to 49%\*
- Elk will receive 75% of the operating profit from 1st million barrels and 65% from 2nd million barrels
- Elk also receives significant additional annuity revenue stream from 100%-owned Grieve Oil Pipeline
- New JV arrangements deliver material increase in Elk 2P oil reserves to 5.3 mmbbls – a 51% increase
- Annual net operating income for first 5-years averages A\$25-30 million pa<sup>(1,2,3)</sup>

## Grieve Project Economics

Project life	20 years
Capex invested to date	US\$145m
Remaining capex spend	US\$29m
Development cost	US\$7-10/bbl
Operating cost (First 5 years, excluding royalties, including production taxes, real)	US\$12-13/bbl
Profit margin (First 5 years, real) <sup>(2,3)</sup>	US\$27-31/bbl
Total projected revenue (Project life, post royalties and production taxes) <sup>(1,2,3)</sup>	A\$378-446m
First 5 years annual net operating income <sup>(4)</sup>	A\$25-30m p.a.

\*Refer to Elk announcement dated 05 August 2016 for more detailed JV re-structure information



# ACQUISITION: MADDEN GAS FIELD & LOST CABIN GAS PLANT

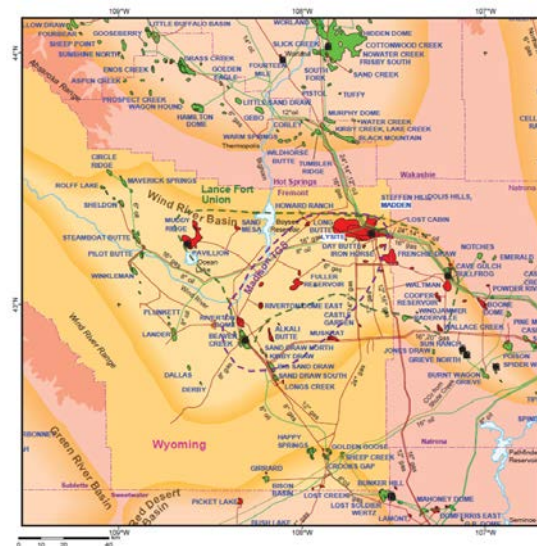


# MADDEN GAS FIELD & LOST CABIN GAS PLANT

## Acquisition Overview

- Consists of the **Madden Gas Field** and the associated **Lost Cabin Gas Plant**
- Madden Gas Field:**
  - Located in the central portion of the Wind River Basin
  - 33<sup>rd</sup> largest gas field in US by Proven Reserves (Source US EIA Report 2015)
  - Natural CO<sub>2</sub> source
  - Gas is processed at the Lost Cabin plant prior to delivery into the Kinder Morgan pipeline system
- Lost Cabin Gas Plant:**
  - Located in Lysite, Wyoming (approximately 90 miles west of Casper & 60 miles from the Grieve Project)
  - Operated by ConocoPhillips (46%)
  - Began operation in 1995
  - 3 gas processing trains with capacity of 310 MMcfd
  - Exclusively processes gas from **Madden Gas Field**
  - 2nd biggest CO<sub>2</sub> supplier for EOR in Northern Rockies

## Location Map – Central Wyoming Wind River Basin



## Key Ownership Interests

Discovery Field Working Interest (%)	
ConocoPhillips	46% (Deep) / 27% (Shallow)
Freeport-McMoRan	14%
Gas Plant Working Interest (%)	
ConocoPhillips	46%
Freeport-McMoRan	14%

Source: Woodmac Report (May 2014), Company Websites

## MADDEN GAS FIELD/LOST CABIN – BENEFITS FOR ELK

### Immediate Cashflow and Production

Madden Gas Field/Lost Cabin Gas Plant will provide Elk with immediate cashflow with significant developmental upside and add more scale to the business in the Wyoming region

### Reserves Upside

The Madden Gas Field has additional proved and probable reserves that provide production upside beyond 2030 with further reserves upside based on current gas prices

### Source of CO<sub>2</sub>

The Madden Gas Field produces CO<sub>2</sub> which supplies other EOR projects in the region and will be able to supply Elk's Grieve Project

### Geographical Proximity

Madden Gas Discovery is located within close proximity to Elk's Grieve Project, which could provide other cost synergies beyond the use of spare CO<sub>2</sub>

**Engineering - not exploration**

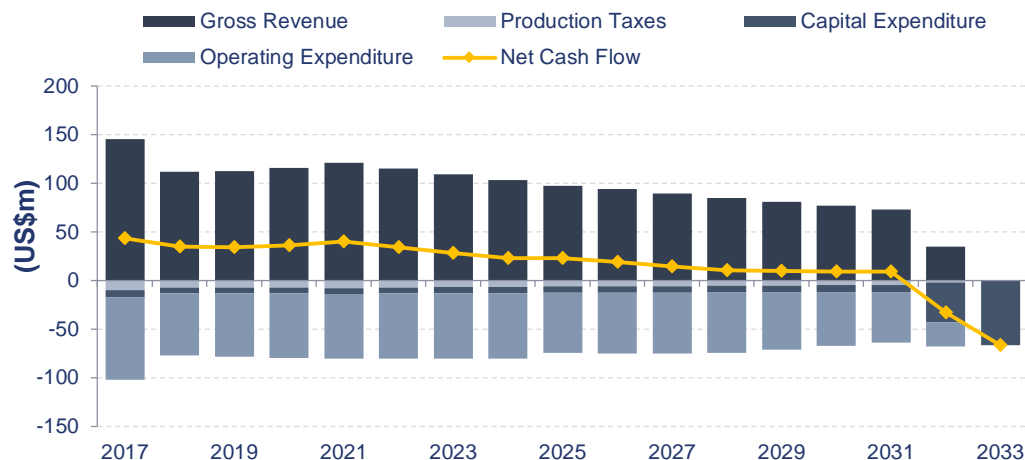
# MADDEN GAS FIELD: KEY METRICS & CASHFLOWS

## NSAI: PDP Production Case (100% W.I.)<sup>(1)</sup>

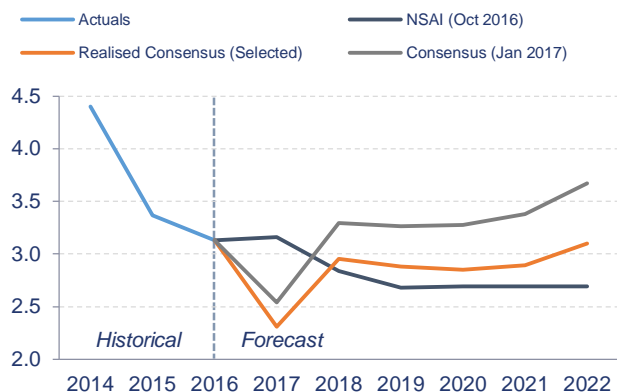
### Key Project Metrics

Item	Unit	Value
Gross Gas Reserves (PDP)	Bcf	878
Total Gross Revenue <sup>(2)</sup>	US\$m	1,564
Total Net Cash Flows	US\$m	269
Project NPV10 (as at 1 Jan 2017)	US\$m	210
Annual EBITDA (First 5 years)	US\$m p.a.	44
Operating Cost (Project Life, Real) <sup>(3)</sup>	US\$/boe	11

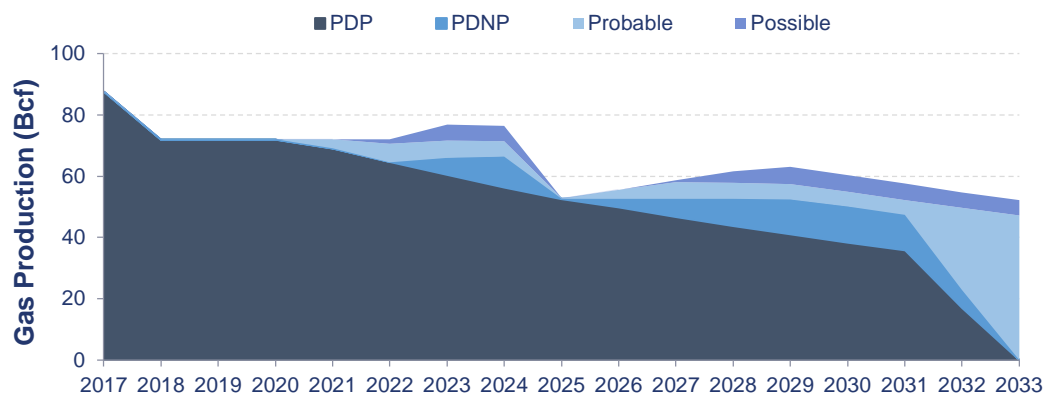
### PDP Project Cash Flows (100% W.I), Pre Financing & Tax <sup>(1,2)</sup>



### Gas Price Assumptions (US\$/Mcf)<sup>(3)</sup>



### Production Profiles (Gross)

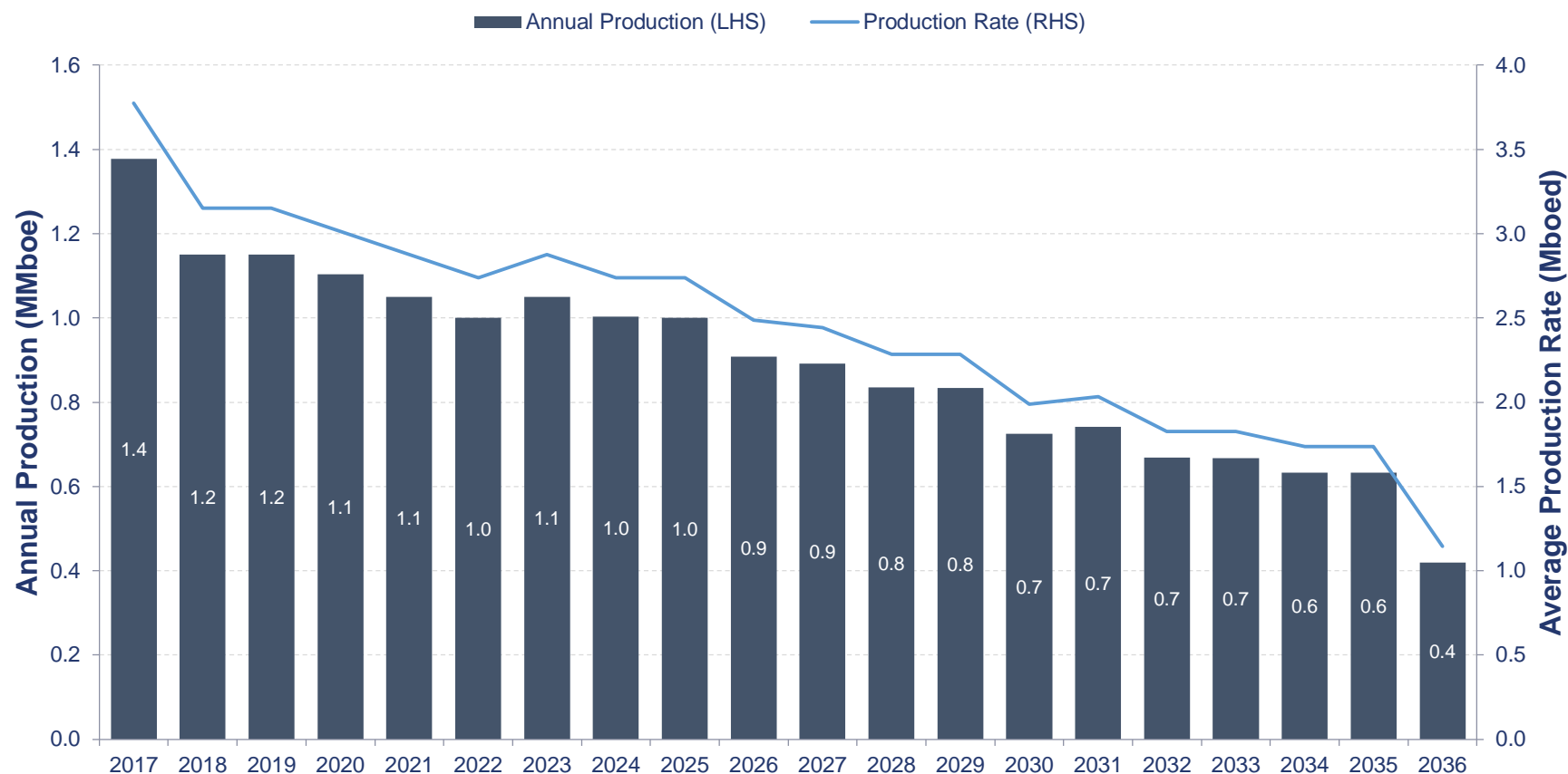


# MADDEN GAS FIELD: PRODUCTION – NET TO ELK

Operator Case (Net to Elk)<sup>(1)</sup>

Forecast Production (Net to Elk)<sup>(1,2)</sup>

Post Royalty



(1) Production profile based on Operator forecast

(2) Oil equivalent volumes are expressed in thousands of barrels of oil equivalent per day (MBOED) determined using the ratio of 6 Mcf of gas to 1 barrel of oil

Source: Operator Forecast (October 2016)

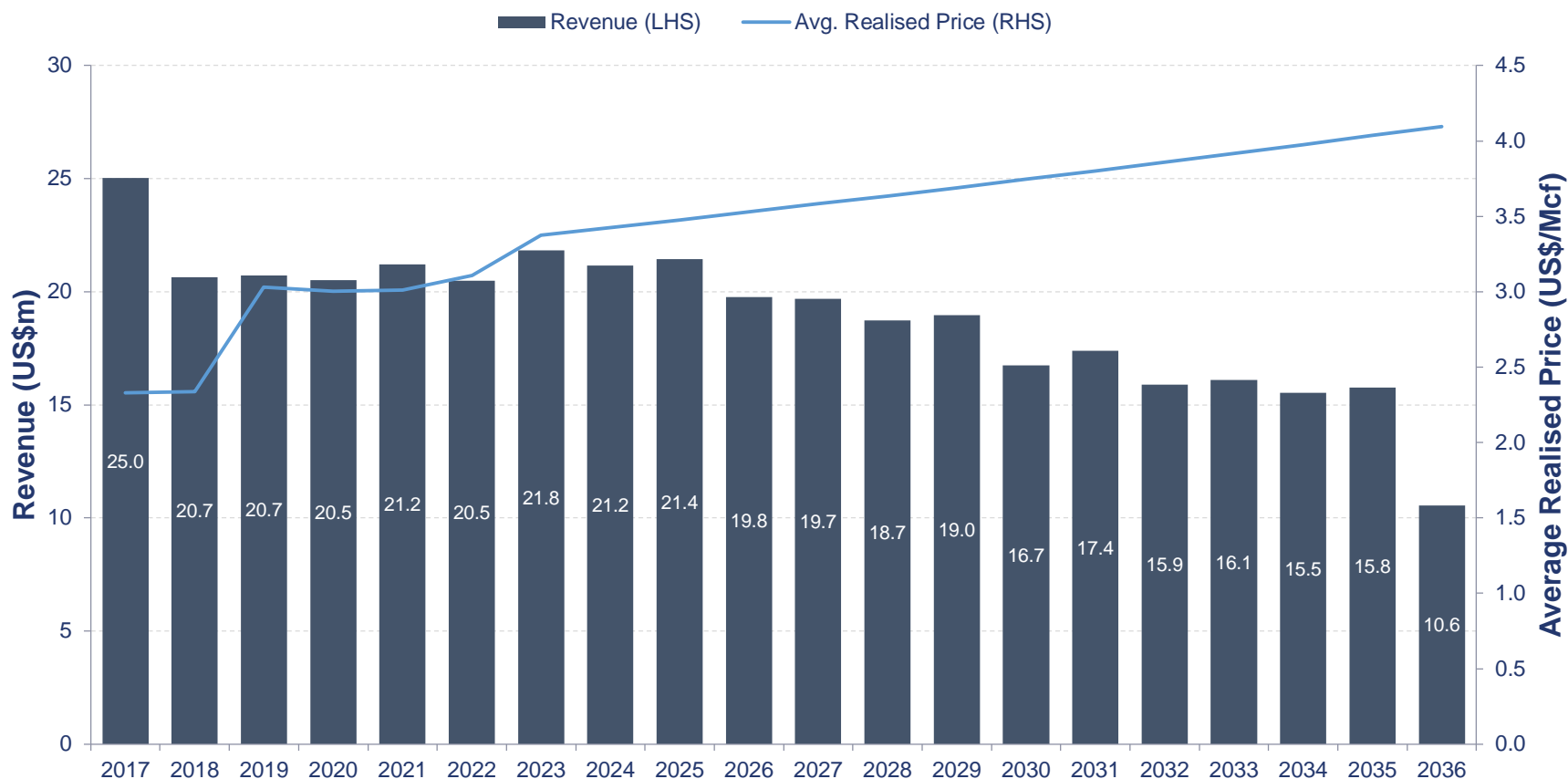


# MADDEN GAS FIELD: REVENUE – NET TO ELK

Operator Case (Net to Elk)<sup>(1)</sup>

Forecast Revenue (Net to Elk)<sup>(1,2)</sup>

Post Royalty, Pre-Production Taxes, Pre-Corporate Tax



(1) Production profile based on Operator forecast

(2) Oil equivalent volumes are expressed in thousands of barrels of oil equivalent per day (MBOED) determined using the ratio of 6 Mcf of gas to 1 barrel of oil

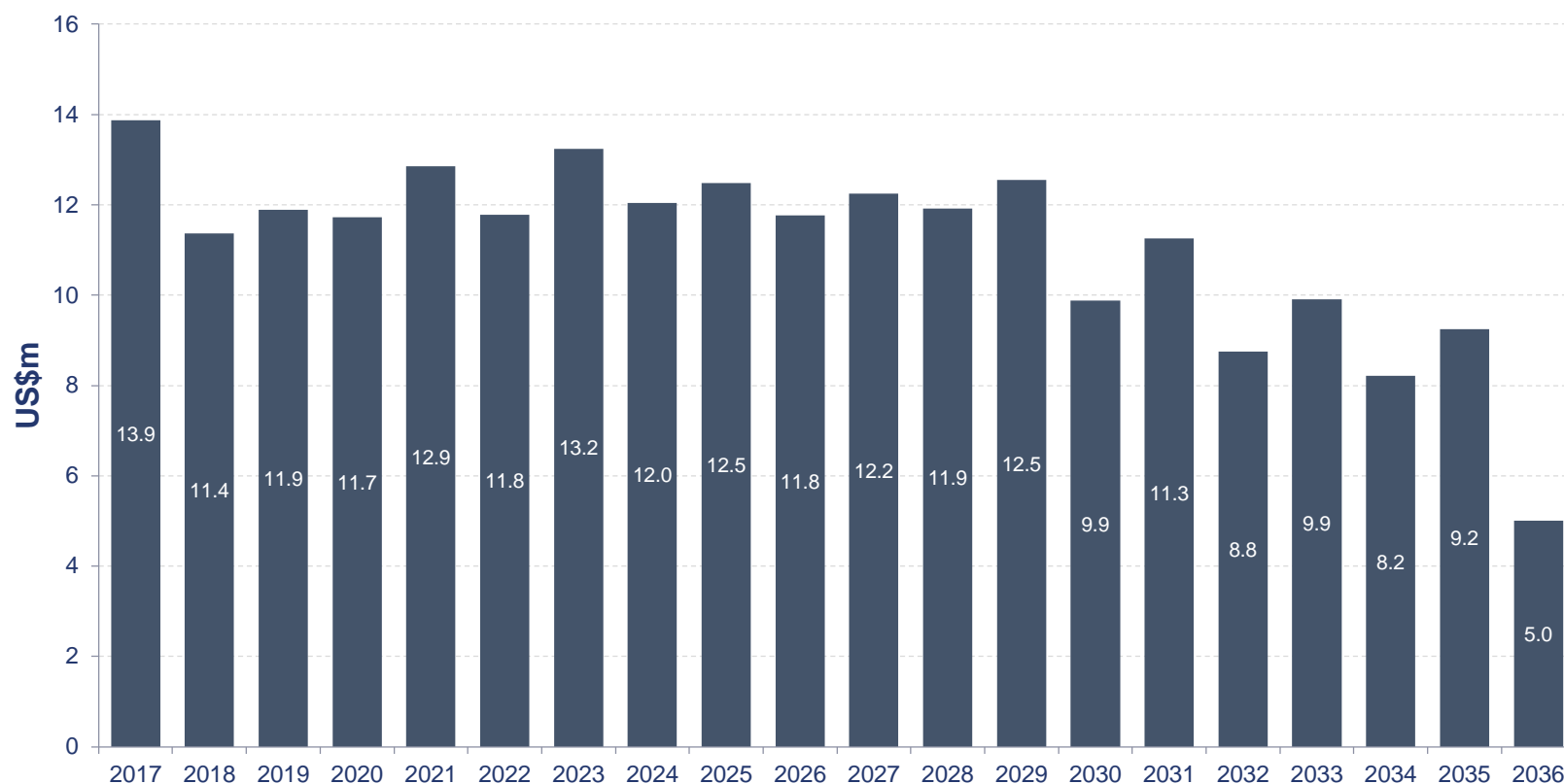
Source: Operator Forecast (October 2016)

# MADDEN GAS FIELD: EBITDA – NET TO ELK

Operator Case (Net to Elk)<sup>(1)</sup>

EBITDA (Net to Elk)<sup>(1,2)</sup>

*Post Royalty, Production Taxes and Opex*



(1) Production profile based on Operator forecast

(2) Oil equivalent volumes are expressed in thousands of barrels of oil equivalent per day (MBOED) determined using the ratio of 6 Mcf of gas to 1 barrel of oil

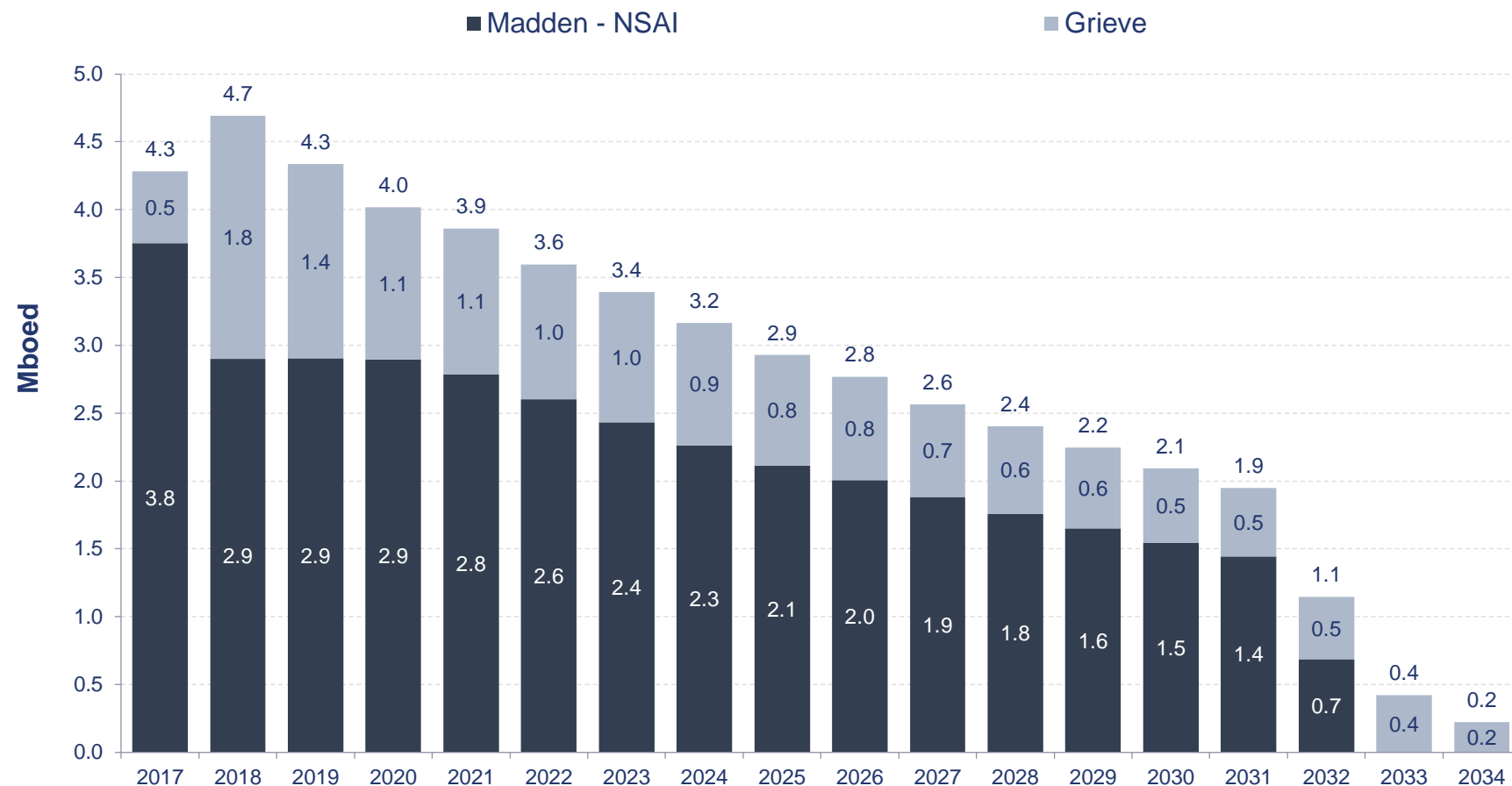
Source: Operator Forecast (October 2016)

# ELK: A CONSOLIDATED VIEW

# PRODUCTION

## Forecast Production (Net to Elk)<sup>(1,2,3)</sup>

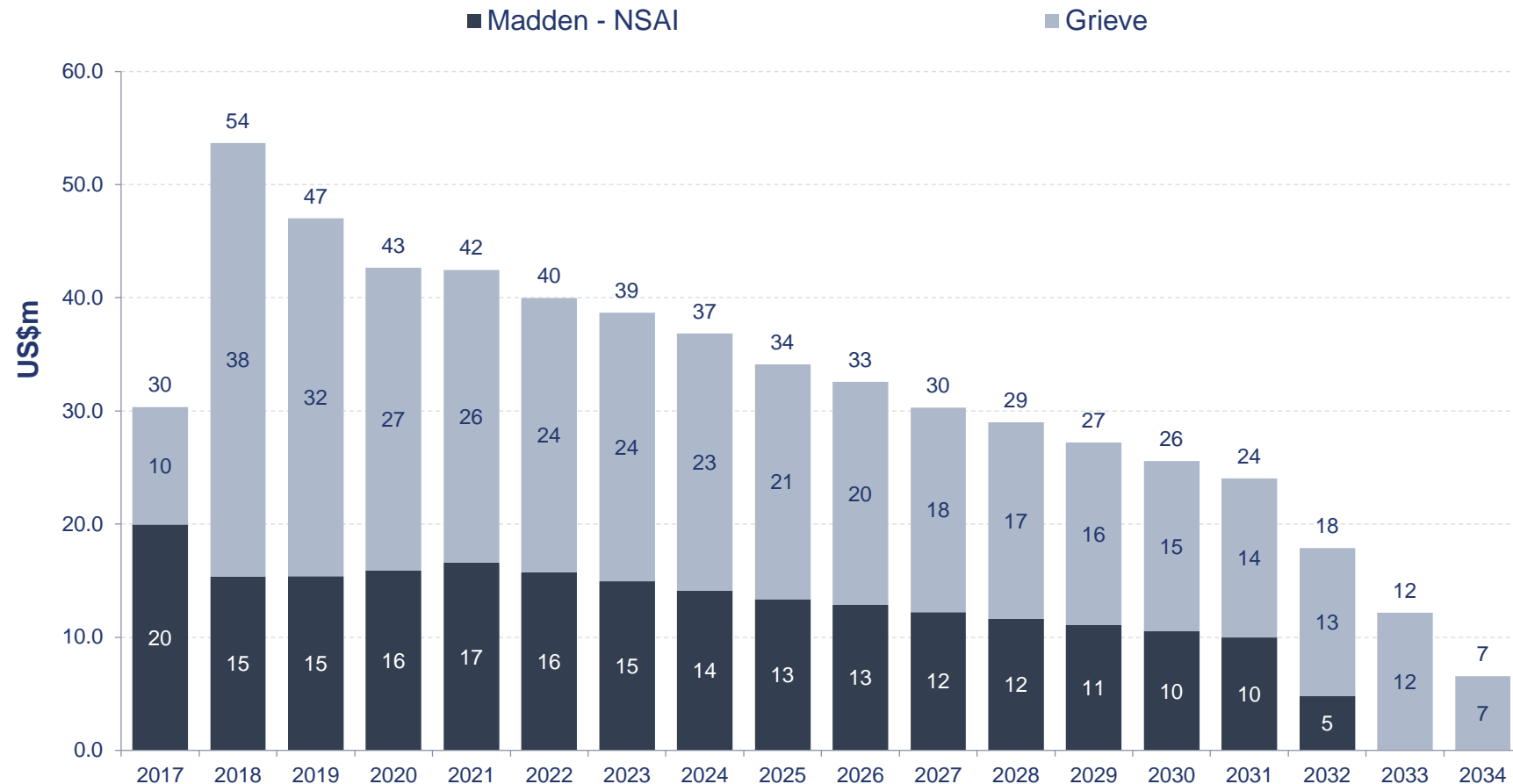
Post Royalty



# REVENUE

## Forecast Revenue (Net to Elk)<sup>(1,2,3)</sup>

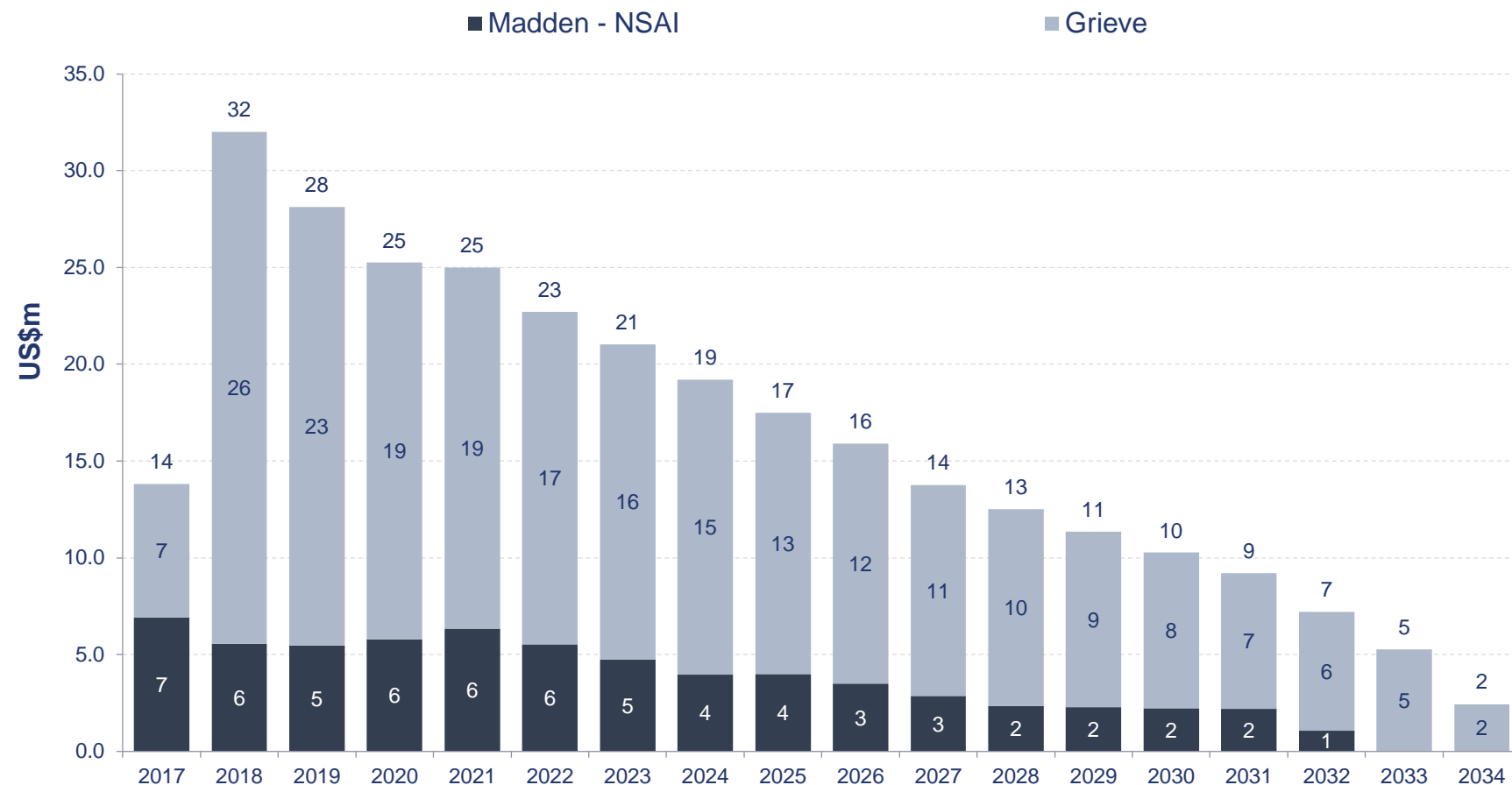
*Post Royalty, Pre Production Taxes, Pre-Tax*



# EBITDA

## Forecast EBITDA (Net to Elk)<sup>(1,2,3)</sup>

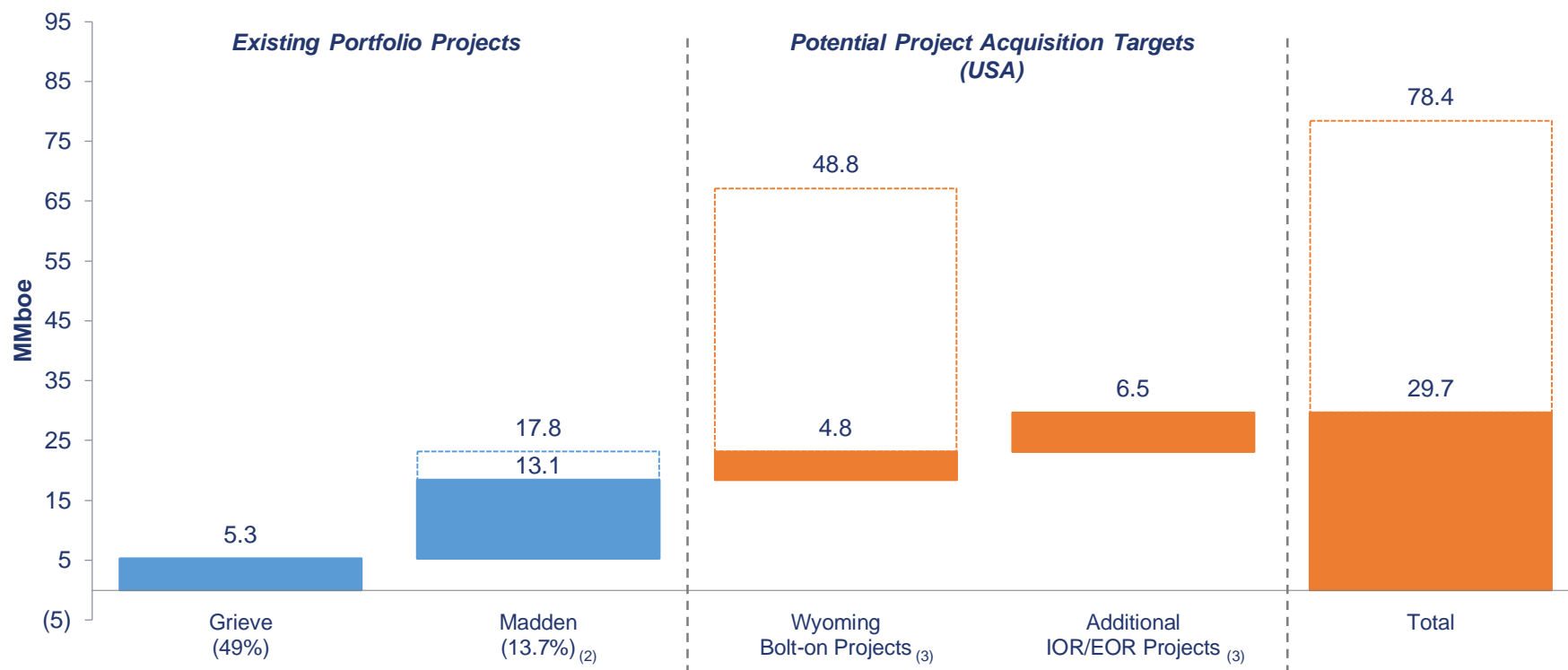
*Post Royalty, Production Taxes and Opex*





# ELK GROWTH POTENTIAL

## Potential 2P Volumes, Net to Elk <sup>(1)</sup>



***Elk has identified additional EOR opportunities that are achievable in the short to medium term***

# KEY TAKEAWAYS – INVESTING IN ELK

- Only ASX-listed oil company focussed on enhanced oil recovery (EOR)
- Main projects are in the prolific Northern Rocky Mountain Oil Fairway in USA
- Madden/Lost Cabin acquisition delivers significant growth in long-life, low risk, high quality reserves & production
- Madden/Lost Cabin acquisition also accelerates Elk achieving positive operating free cash flow effective January 2017
- Company's flagship Grieve Project is over 75% complete
- Grieve Project fully funded from combination of senior debt and new equity capital funding
- Anticipated Grieve first oil production late 2017/early 2018
- Elk is now becoming as CO<sub>2</sub> supplier in its own right with Madden/Lost Cabin acquisition
- Northern Rockies CO<sub>2</sub> EOR production fairway is extensive with additional projects in close proximity to CO<sub>2</sub> infrastructure and Elk's CO<sub>2</sub> reserves supporting additional growth

Key Metrics	
2P Reserves (Net to Elk)	~18 mmboe
Reserve/Production Life ratio <sup>(1)</sup>	15-17 years
Development cost (Grieve Only)	US\$7-10/bbl
Operating cost (First 5 years, excluding royalties, including production taxes, real)	US\$10-11/bbl
Profit margin (First 5 years, real) <sup>(3,4)</sup>	US\$12-14/bbl
Total projected revenues (Project life, post royalties and production taxes) <sup>(2,3,4)</sup>	A\$622-722m
First 5 years annual net operating income (Net to Elk) <sup>(2,3,4)</sup>	A\$31-38m p.a



Elk Petroleum Limited  
Exchange House  
Level 1, Suite 101  
10 Bridge Street  
Sydney NSW AUSTRALIA