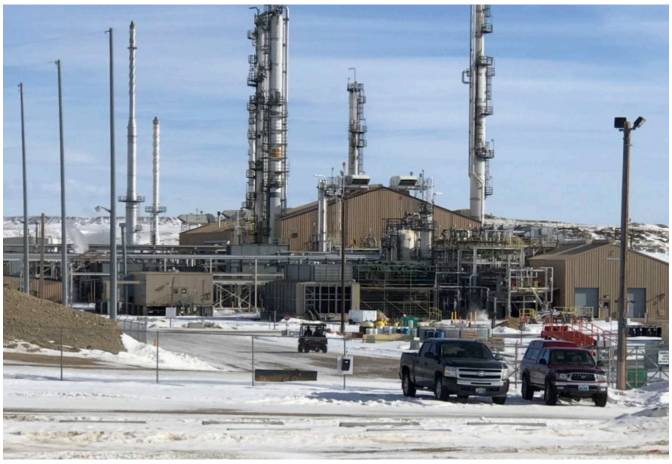
elk petroleum

Q2

QUARTERLY REPORT
DEC 2016

HIGHLIGHTS



Grieve CO_2 EOR Project on Schedule

Over 36 BCF of CO_2 injected into Grieve Field with CO_2 and water injection continuing at 25-35 mmscf/day of CO_2 and 4,650 bwpd with field pressures increasing in line with expectations

Final detailed engineering for construction of balance of oil production and CO_2 recycle facilities completed by Denbury and Jacobs Engineering

Detailed project construction schedule agreed with commencement of new construction works to commence April/May 2017

Project schedule confirms expected first oil production late 2017/early 2018

Grieve Oil Pipeline Works Completed

Completed pipeline repair and replacement works to Grieve Crude Oil Pipeline

Repair works were completed within budget and on schedule

Remaining works involve installation of additional cathodic protection facilities which commenced Jan 2017

Madden Gas Field Acquisition

Elk negotiated acquisition of Freeport McMoRan's interest in Madden Gas Field and Lost Cabin Gas Plant

Madden Gas Field ranked by US Govt Energy Information Administration as 33rd largest gas field in USA by Proven Reserves

Lost Cabin Gas Plant is 2nd largest CO_2 supplier for enhanced oil recovery in Wyoming providing Elk with access to meaningful CO2 supplies for future EOR projects

Acquisition delivers net to Elk approximately 3,400 BOEPD of production and expected A$2.3 million net operating cash flow for March 2017 Quarter

Upon completion of purchase, Elk Producing 1P Reserves will be 12 MMboe and 2P Reserves will increase to approximately 18 MMboe – a 250% increase

Solid and Improving Financial Position

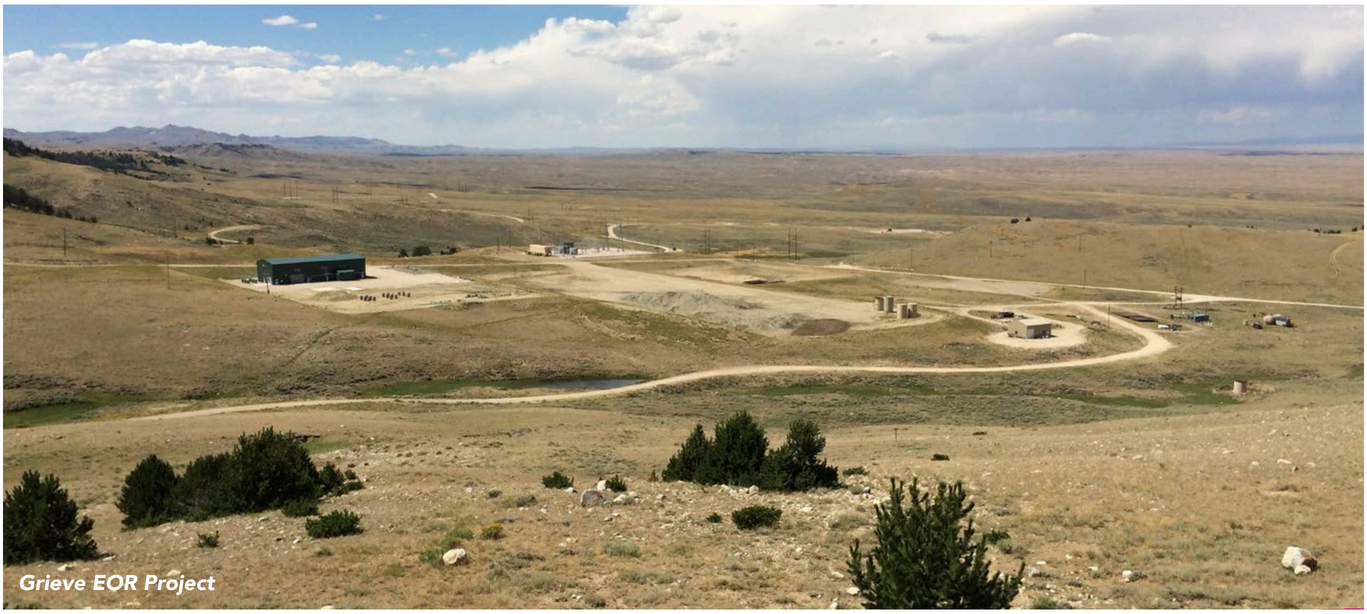
Cash on deposit of $15.3 million, with $14.2 million held in a debt service reserve account dedicated to the completion of the Grieve Project under the Grieve Term Loan

Grieve Project substantially funded by Benefit Street Partners under Grieve Term Loan with US$43.5 million funded

Cash flow positive expected in March 2017 quarter with projected Elk net operating cash flow of $2.3 million

Substantial and sustained improvement of oil and gas prices

Cover image: Wind River Basin, Wyoming



GRIEVE CO_2 EOR PROJECT

Elk 49%/Denbury Resources (51% – operator)
Elk Net Reserves = 1P Reserves = NA/2P Reserves = ~5.3 MMBOE

During the December Quarter substantial progress has been achieved with the completion of the final engineering for the completion of the Grieve Central Production Facilities ("GCPF") completed by Jacobs Engineering and delivered by Denbury to Elk. As part of the finalization of these engineering and construction drawings, in mid-November a comprehensive HAZOP review was conducted in which Elk participated along with the Grieve Project independent engineer. The Company was very impressed with the results of this review with Denbury, Jacobs and the independent engineer and the involvement of the Elk Team in this review process.

In early December, the Company also held its first semi-annual Grieve Project management meeting since the completion of the Grieve Project joint venture restructure. During these meetings, the Company reviewed with Denbury a comprehensive first-look updated field development plan and project execution schedule. Based on this updated field development plan, Denbury confirmed that the overall recoveries expected from the Grieve Field are expected to be in-line with Elk's independent reserves assessment of 12.5 mmbbls 2P Gross Recoverable oil from the Project. The final field development plan is expected to be completed by the end of February 2017.

The overall project execution schedule presented by Denbury is consistent with Elk's prior guidance that the Grieve Project will reach completion and commence first oil production by late 2017/early 2018. Under the project execution schedule presented by Denbury, field development well and construction work is expected to commence in the April/May 2017 time period with the commencement of the remaining well workover projects and well testing to be completed in August 2017. In parallel with this the remaining infield oil production and CO_2 and water injection flowlines work will commence in July 2017 and be completed in October 2017.

The detailed construction schedule also contemplates that the GCPF mechanical construction contract and completion of the installation of these facilities will commence in early June 2017 and be completed by December 2017. As part of this work the installation of instrumentation and electrical control systems will commence in August 2017. Following the completion of the GCPF mechanical construction contract and installation, commissioning of the facilities will commence.

This review, field development plan and scheduling process demonstrates the new level of engagement of Elk with Denbury in the Grieve Project and is clear demonstration of the improved relationship with Denbury as operator following the restructure of the Grieve Project joint venture.

During the December Quarter, substantial progress has also been made on procurement of all the major plant and equipment required for the fabrication and construction of the GCPF and is expected to be completed by the end of February 2017.

CO_2 injection into the Grieve Field also continued with CO_2 injection continuing at 25-35 mmscf/day and water injection at approximately 4,650 barrels of water per day. As of the end of the quarter, a total of the pressure in the Grieve Field has increased to approximately 2600+ PSI. As of 31 December 2016, approximately 36 BCF of CO_2 has been injected in to the Grieve Field and it is expected that 40.5 BCF of CO_2 will have been injected into the Grieve Field by March 2017. Under the current field development plan, at first oil production it is expected that approximately 52 BCF of CO_2 will be injected into the Grieve Field.

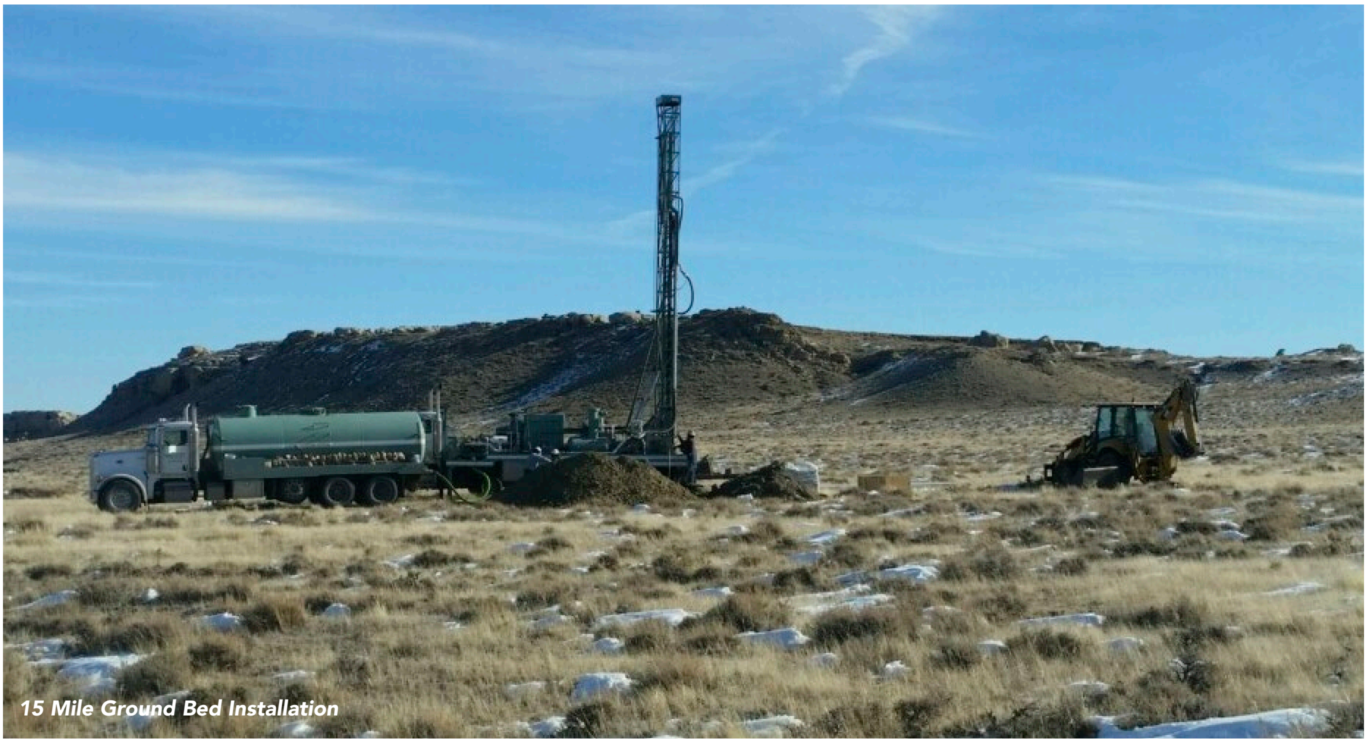
GRIEVE OIL PIPELINE

Elk (100% – operator)

During the December Quarter, Elk completed the repair and pipeline replacement works required to ready the Grieve Crude Oil Pipeline for production. These works included the replacement of approximately 3,000 meters of pipeline. The repairs were completed over a number individual excavation locations along the pipeline and completed within 30-days.

The overall pipeline repair works were completed on schedule and within budget. The remaining Grieve Crude Oil Pipeline upgrade work involves the installation of additional cathodic protection facilities along the pipeline.

This work commenced in January 2017 and is expected to be completed during February 2017.



15 Mile Ground Bed Installation

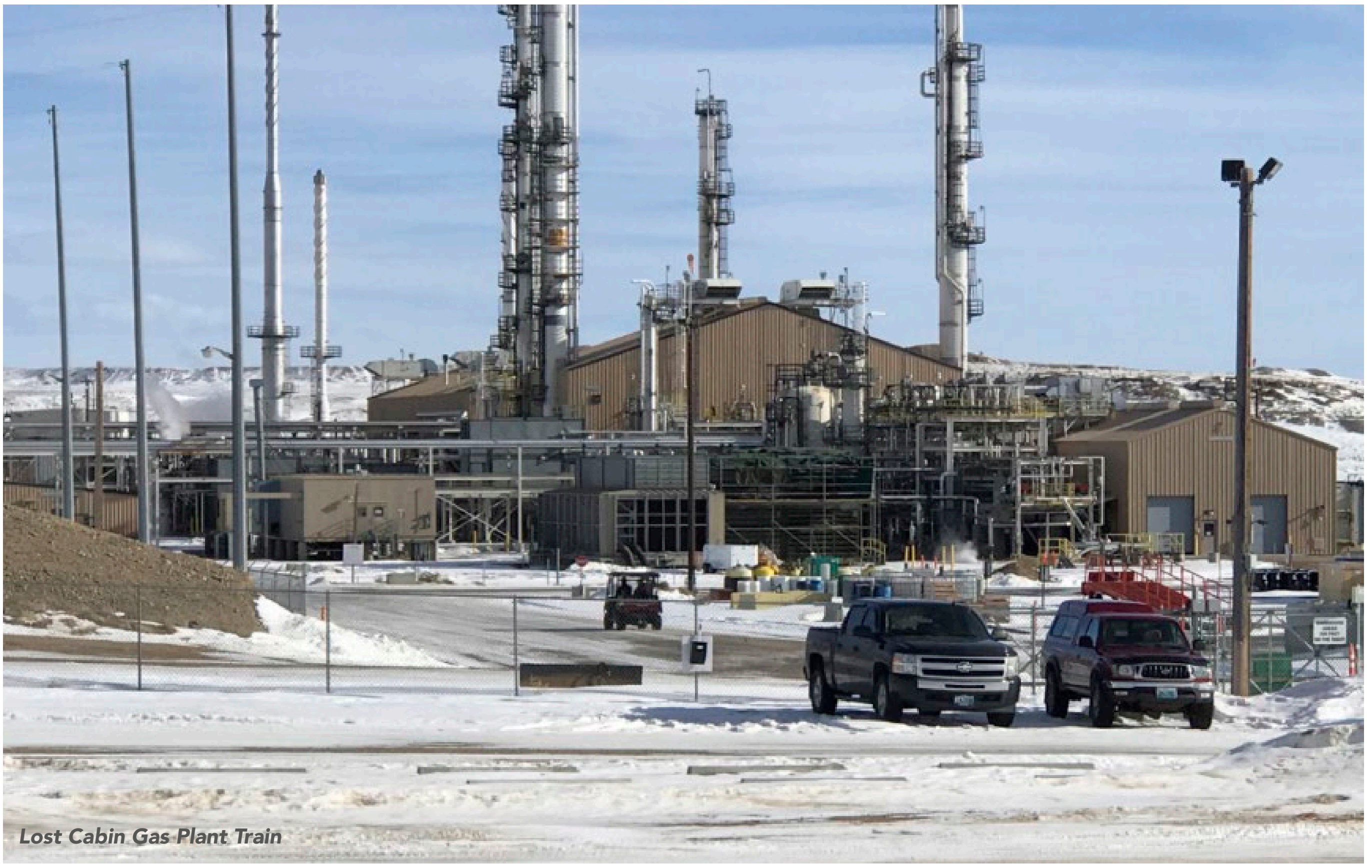
Grieve CO_2 Pipeline

MADDEN GAS FIELD/LOST CABIN GAS PLANT ACQUISITION

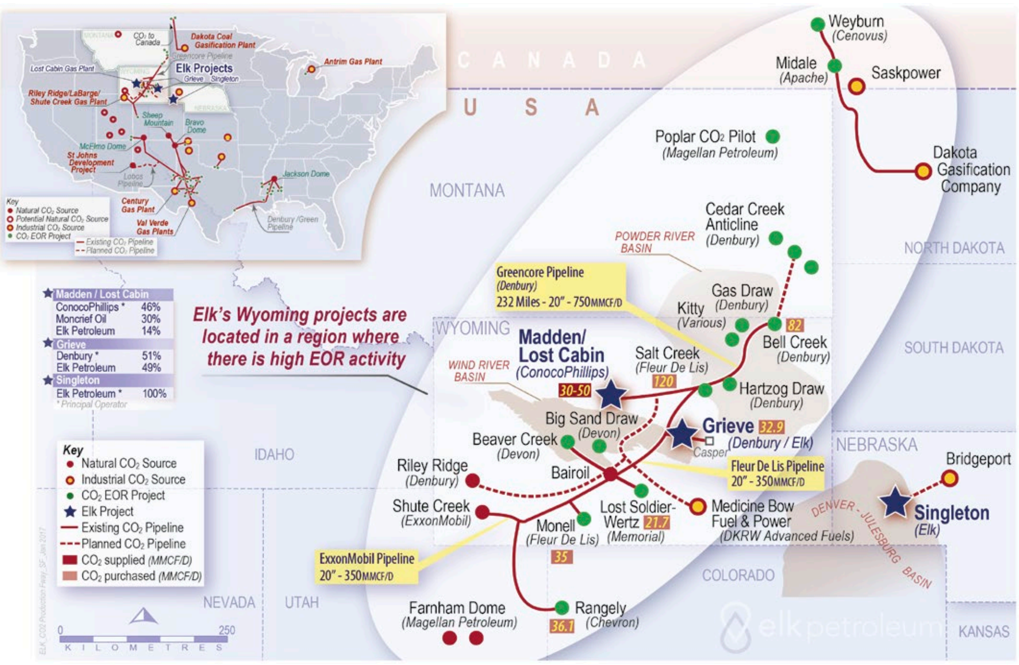
Elk (~14%/ConocoPhillips (46% – operator)
Elk Net Reserves = 1P Reserves = ~11.7 MMBOE/2P Reserves = ~13.4 MMBOE

Following the end of the December 2016 Quarter, on 4 January 2017, Elk announced (see ASX release) that it had 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).

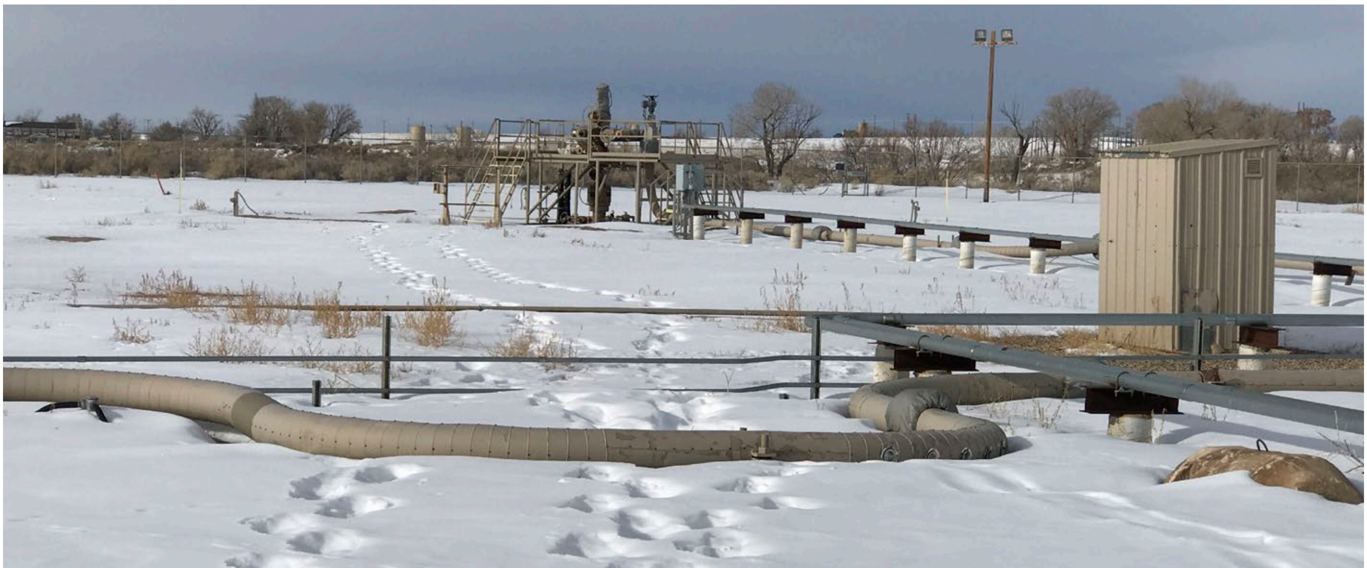
Pursuant to the PSA, Elk will acquire a ~14% non-operating working interest in the Madden Gas Field and the Lost Cabin Gas Plant and associated gas gathering pipeline systems. The Madden Gas Field and the Lost Cabin Gas Plant is operated by Conoco Phillips (46%) and the balance of the unit and gas plant 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



Lost Cabin Gas Plant Train



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.



Madden Deep Field Big Horn 2-3 Wellhead

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.

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).

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 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 for 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 high 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 EOR Project located north of the Lost Cabin Gas Plant on the Wyoming-Montana border.

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 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 and increases Elk's 2P oil and gas reserves by 250% to approximately 18 MMBOE up from 5.2 MMBOE attributable to the Grieve CO_2 EOR Project.

Singleton CO_2 EOR Project/Singleton South Project

Elk (100% – operator)

During the December Quarter, the decision was taken to place the Singleton CO_2 EOR Project on care and maintenance following the unsuccessful result from the recompletion and production testing of the Muddy Formation oil bearing interval in the Opis-1P well in the Singleton South Oil Project area. The Company will continue to evaluate the viability of the redevelopment of the Singleton Oil Field through CO_2 enhanced oil recovery but is currently minimizing any expenditures on this project.

CORPORATE AND FINANCIAL UPDATE

Benefit Street Partners Grieve Term Loan

During the Quarter Elk continued to manage its Grieve CO_2 EOR Project working interest and associated US$58m debt facility with Benefit Street Partners (the "Grieve Term Loan") and the associated oil price hedging program.

During the Quarter US$13m was drawn from the Grieve Term Loan to finance Grieve CO_2 EOR Project construction under Elk's revised unit operating agreement with Denbury Resources and to finance remedial works on Elk's 100% owned Grieve Oil Pipeline. A total US$43.5m had been drawn from the Grieve Term Loan at the end of the Quarter. The US$58m loan facility is forecast to be fully drawn by September 2017. The US dollar debt service reserve account controlled by Grieve Term Loan Lenders had a balance at 31 December of $14.2m.

Forecast oil production from the Grieve CO_2 EOR Project is due to commence in late calendar year 2017 during the project commissioning period, and will ramp up to full production following commissioning. Forecast production revenue from the Grieve CO_2 EOR Project will be applied to servicing the Grieve Term Loan interest payments and funding corporate working capital.

To provide certainty around the expected oil price to be received once the Grieve Project commences production and the expected cash flows from oil production, the Company has implemented an oil price hedging program in conjunction with the Grieve Term Loan. The Company has built this hedging program through the use of purchased oil price puts options at US$45/bbl for 75% of its share of forecast oil production from the Grieve Project during calendar year 2018 and 2019. These put contracts provide the Company with a US$45/bbl floor price for the hedged volumes without capping the oil price the company may actually receive if oil prices are higher than US$45/bbl.

Funding Arrangements for Madden Deep Gas Project and Lost Cabin Gas Plant

As outlined above, on 4 January 2017 after the end of the Quarter, Elk announced that it had entered into a purchase and sale agreement with Freeport-McMoRan Inc. to acquire all of their interest in the Madden Gas Field, the Madden Deep Unit Gas Field and the Lost Cabin Gas Plant (the "Madden Deep Gas Project"), for US$20m. Pursuant to these purchase arrangements, 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. Acquisition completion is scheduled for 22 February 2017 with an effective date 1 January 2017.

On completion, the Madden Deep Gas Project will realise immediate positive net operating cash flow to Elk of an estimated $2.3 million during the March Quarter (based on current US Natural Gas price consensus forecasts and AUD/USD exchange rate). On 23 January 2017, the U.S. Government Energy Information Administration ("EIA") released its **Short-Term Energy Outlook** and has forecast that U.S. Henry Hub natural gas spot prices will average US$3.55/MMbtu in 2017 and US$3.73/ MMbtu in 2018. In the **Short-Term Energy Outlook**, the EIA highlighted that for 2016 the Henry Hub natural gas spot price averaged US$2.51/MMbtu – the lowest annual average Henry Hub natural gas price since 1999.

Elk is currently working with financiers to finalise debt financing of the Madden Deep Gas Project, and anticipates accessing additional debt capacity under the existing Benefit Street Partner's Grieve Term Loan which was put in place to fund the Grieve CO_2 EOR Project development.

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 Deep Gas Project will provide a very strong fit with 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 Deep Gas Project. Elk's acquisition announcement dated 4th January 2017, and to Elk's corporate presentation dated 18th January 2017 provide further discussion and analysis of the economics of the Madden Deep Gas Project and strategic rationale for the acquisition.

Cash Position

Elk's net cash flow from operating activities during the Quarter was $20.7 million, with cash on deposit at the end of the Quarter of $15.3 million. Of this cash, $14.2 million on deposit in a debt service reserve account is dedicated to the completion of the Grieve Project under the Grieve Term Loan. Elk's estimated cash outflows for the next Quarter of $31.1 million (including the US$20 million acquisition of a working interest in the Madden Deep Gas Project) will be funded from acquisition financing, existing cash and positive cash flow following completion of acquisition of a working interest in the Madden Deep Gas Project.

Corporate

During the Quarter Mr Matt Healy resigned from the Office of Director of the Company. Elk's Company Annual General Meeting was held on 28 November 2016. All resolutions proposed at the AGM were passed without resort to polling. An amended Constitution was approved at the 28 November AGM and published to the ASX on 28 November 2016.

Elk's refreshed corporate branding was introduced to shareholders at the AGM.

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.

For further information please contact:

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About Elk Petroleum

Elk Petroleum Limited ABN 38 112 566 499 (ASX: ELK) is an oil and gas producer and developer with assets located in one of the richest onshore oil regions of the USA: the Rocky Mountains.

Listed on the ASX in 2005, Elk's strategy is focused on applying established enhanced oil recovery (EOR) technologies to mature oil fields. This strategy significantly de-risks the process of finding and exploiting oil field reserves.

Leveraging proven EOR technology and experience particularly those involving CO_2 flood technology, Elk is currently involved in two mature oil fields in the Rocky Mountain region of the USA and is pursuing other opportunities that will benefit from the application of EOR technologies.

For more information on Elk, see Elk's most recent Investor Presentations which are available on Elk's website www.elkpet.com.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ELK PETROLEUM LIMITED

ABN	**Quarter ended ("current quarter")**
38 112 566 499	**31 DECEMBER 2016**

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		7	7
1.2	Payments for			
	(a)	exploration & evaluation		
	(b)	development	(18,075)	(29,661)
	(c)	production	(146)	(311)
	(d)	staff costs	(749)	(1,393)
	(e)	administration and corporate costs	(782)	(2,072)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		7	10
1.5	Interest and other costs of finance paid		(980)	(1,088)
1.6	Income taxes paid		-	-
1.7	Research and development refunds		-	-
1.8	Other (provide details if material)		-	-
1.9	**Net cash from / (used in) operating activities**		**(20,718)**	**(34,508)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(2,557)	(2,940)
	(b)	tenements (see item 10)	(23)	(23)
	(c)	investments	-	-
	(d)	other non-current assets	-	(94)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other		
	- Payment to acquire put options	-	(5,774)
2.6	**Net cash from / (used in) investing activities**	**(2,580)**	**(8,831)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	9,994
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(386)	(1,094)
3.5	Proceeds from borrowings	20,099	57,781
3.6	Repayment of borrowings (1)	(174)	(20,514)
3.7	Transaction costs related to loans and borrowings	(8)	(6,148)
3.8	Dividends paid	-	-
3.9	Other	327	(13,448)
	- Amount transferred from / (to) Reserve Account as required under the financing arrangement with Benefit Street Partners ("BSP") (2)		
3.10	**Net cash from / (used in) financing activities**	**19,858**	**26,571**

(1) Payment of Crow Tribe monthly settlement instalments ($174,000) for the quarter (YTD: $346,000) and repayment of borrowings associated with Elk's US$55 million Grieve restructure agreement with Denbury (YTD: $20,168,000).

(2) US dollar debt service reserve account controlled by Benefit Street Partners associated with Elk's term loan agreement. Balance at 31 December 2016 is $14.2m.

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	4,629	18,103
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(20,718)	(34,508)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,580)	(8,831)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	19,858	26,571
4.5	Effect of movement in exchange rates on cash held	(60)	(206)
4.6	**Cash and cash equivalents at end of period**	**1,129**	**1,129**
	Cash on deposit in US available for completion of the Grieve Project under the Grieve Term Loan (in addition to item 4.6 above)*	***14,204***	***14,204***

*US dollar debt service reserve account associated with Elk's Grieve term loan agreement, balance at 31 December 2016 $14.2m.

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	1,129	4,629
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,129**	**4,629**
	Cash on deposit in US available for completion of the Grieve Project under the Grieve Term Loan (in addition to item 5.5 above)*	***14,204***	***13,783***

*US dollar debt service reserve account associated with Elk's Grieve term loan agreement, balance at 31 December 2016 $14.2m.

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	172
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.1	Loan facilities	80,155	60,141
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

The company has a senior term loan facility with Benefit Street Partners for US$58 million for the Grieve Project JV restructure. Under the term loan, the funds can only be used to fund the field development expenditures committed by Elk as part of the Grieve JV restructure, minor upgrades to Elk's 100% owned Grieve oil pipeline and associated costs.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	-
9.2	Development [(1)]	2,900
9.3	Production	10
9.4	Staff costs	700
9.5	Administration and corporate costs	500
9.6	Other (provide details if material) - Acquisition of ~14% interest in Madden Gas Field and Lost Cabin Gas Plant [(2)]	27,000
9.7	**Total estimated cash outflows**	**31,110**

[(1)] The abovementioned estimated Development cash outflow of $2,900,000 for Grieve development will be primarily funded from draw down of Elk's US$58m financing facility provided by Benefit Street Partners.

[(2)] Elk intends to primarily fund the acquisition of the Madden Gas Field and Lost Cabin Gas Plant assets through debt financing. The Company is engaged in discussions with multiple debt providers and anticipates accessing additional debt capacity under the existing Benefit Street Partners debt facility. The acquisition is scheduled to be completed in the next quarter with an effective date 1 January 2017.

In addition, the Madden field will realise immediate positive net operating cash flow of estimated $2,300,000 next quarter (based on current US Natural Gas price consensus forecasts). See ASX release on 4 January for further information on the transaction.

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
	Natrona County, Wyoming	WYW-173011	Oil and Gas Lease	49%	0%
	Natrona County, Wyoming	WYW-173178	Oil and Gas Lease	49%	0%
10.2	Interests in mining tenements and petroleum tenements acquired or increased				
	Banner County, Nebraska	8118, 36-17-54W	Oil and Gas Lease	0%	100%
	Cheyenne County, Nebraska	8126, 16-12-52W	Oil and Gas Lease	0%	100%
	Cheyenne County, Nebraska	8127, 16-12-53W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8150, 10-12-54W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8151, 16-12-54W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8152, 16-15-54W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8155, 16-13-55W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8157, 16-12-56W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8159, 36-15-56W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8162, 36-16-57W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8164, 16-13-58W	Oil and Gas Lease	0%	100%
	Kimball County, Nebraska	8165, 16-14-58W	Oil and Gas Lease	0%	100%

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ......*Original executed*........................ Date: 31 January 2017
(Company secretary)

Print name: David Franks

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

Table 1 - Summary of petroleum tenements as at 31 December 2016			
Project	**Location**	**Lease Reference**	**Interest**
Grieve (Outside) Federal	Natrona County, Wyoming	WYW-181111	100%
Grieve (Outside) Federal	Natrona County, Wyoming	WYW-181112	100%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015813	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015814	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015815	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-016008	49%
Grieve (In & Out) Federal Grieve Unit – Surface Use	Natrona County, Wyoming	WYW-015824	49%
36-17-54W	Banner County, Nebraska	8118	100%
16-12-52W	Cheyenne County, Nebraska	8126	100%
16-12-53W	Cheyenne County, Nebraska	8127	100%
10-12-54W	Kimball County, Nebraska	8150	100%
16-12-54W	Kimball County, Nebraska	8151	100%
16-15-54W	Kimball County, Nebraska	8152	100%
16-13-55W	Kimball County, Nebraska	8155	100%
16-12-56W	Kimball County, Nebraska	8157	100%
36-15-56W	Kimball County, Nebraska	8159	100%
36-16-57W	Kimball County, Nebraska	8162	100%
16-13-58W	Kimball County, Nebraska	8164	100%
16-14-58W	Kimball County, Nebraska	8165	100%
Singleton Unit	Banner County, Nebraska, USA	N/A	100%
South Singleton (OPIS) Unit	Banner County, Nebraska, USA	N/A	100%
Singleton Leases (7)	Banner County, Nebraska USA	N/A	100%

Table 2 - Summary of petroleum tenements acquired in Quarter

Project	Location	Lease Reference	Interest
36-17-54W	Banner County, Nebraska	8118	100%
16-12-52W	Cheyenne County, Nebraska	8126	100%
16-12-53W	Cheyenne County, Nebraska	8127	100%
10-12-54W	Kimball County, Nebraska	8150	100%
16-12-54W	Kimball County, Nebraska	8151	100%
16-15-54W	Kimball County, Nebraska	8152	100%
16-13-55W	Kimball County, Nebraska	8155	100%
16-12-56W	Kimball County, Nebraska	8157	100%
36-15-56W	Kimball County, Nebraska	8159	100%
36-16-57W	Kimball County, Nebraska	8162	100%
16-13-58W	Kimball County, Nebraska	8164	100%
16-14-58W	Kimball County, Nebraska	8165	100%

Table 3 - Summary of petroleum tenements disposed of in Quarter

Project	Location	Lease Reference	Interest
Grieve (Outside) Federal	Natrona County, Wyoming	WYW-173011	49%
Grieve (Outside) Federal	Natrona County, Wyoming	WYW-173178	49%