



# COMMSEC INVESTOR UPDATE

27 February 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 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<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 ASX release or presentation that relates to Reserve and Contingent Resources estimates for the Grieve CO<sub>2</sub> EOR project and the Reserve and Contingent Resource estimates for the newly acquired Madden Deep Gas Field and the Madden Deep Unit 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 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.

# INVESTMENT HIGHLIGHTS

## 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

## Material Gas & CO<sub>2</sub> acquisition

- Secured significant interest in Madden Gas Field – a material US gas and CO<sub>2</sub> production asset with high quality, long-life reserves & production

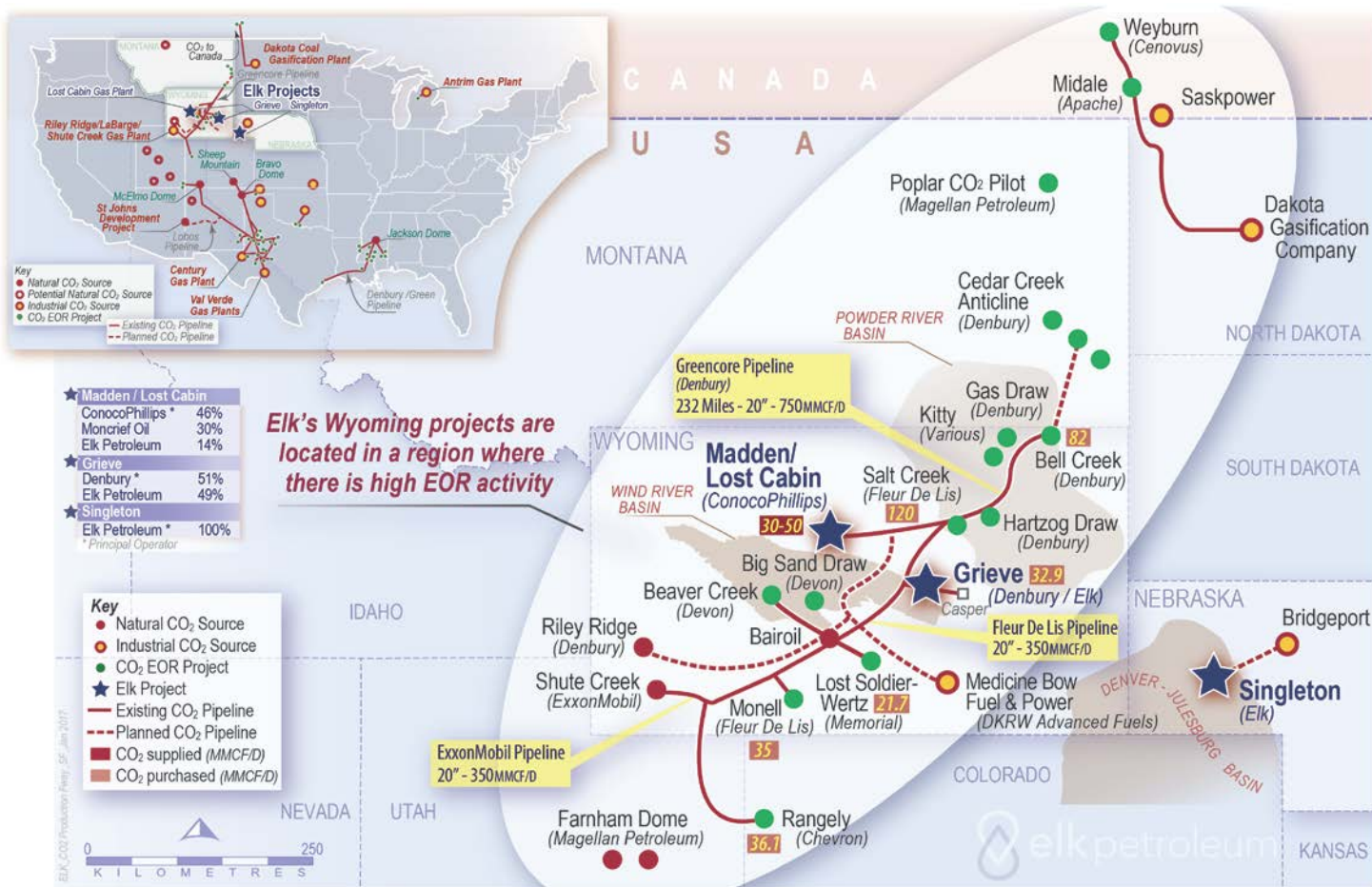
## Long term production

- EOR and production projects are long term producers with forecast production commencing January 2017 with forecast Elk net production 9 to 12 MMboe production through 2023<sup>(1)</sup> with Substantial production growth upside from existing assets

## Cash Flow Positive

- Elk now a meaningful producer with 2017 production at ~3,000 BOEPD
- Forecast net operating income for CY2017 ~US\$7 million and forecast Elk net annual net operating US\$22-US\$38 million per annum for 2017-2023<sup>(2)</sup> period

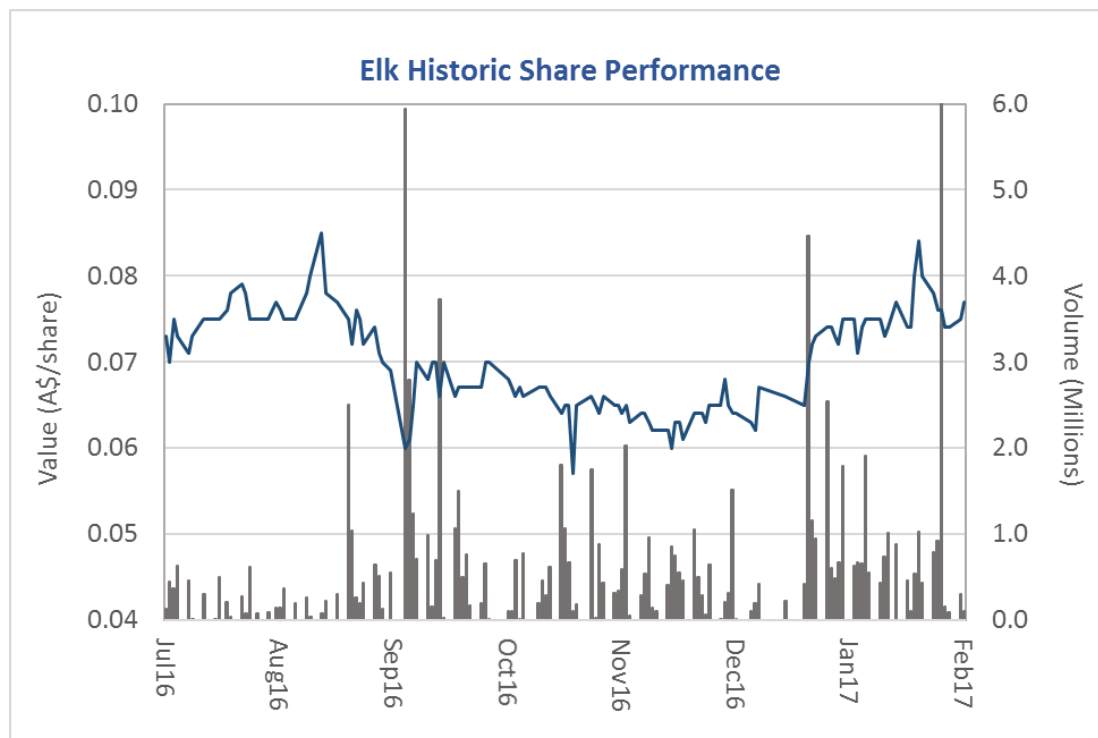
# WHERE WE OPERATE



**Vast CO<sub>2</sub> reserves, extensive CO<sub>2</sub> infrastructure, multiple CO<sub>2</sub> EOR operating projects and numerous new projects for development**



# ELK – CORPORATE SNAPSHOT



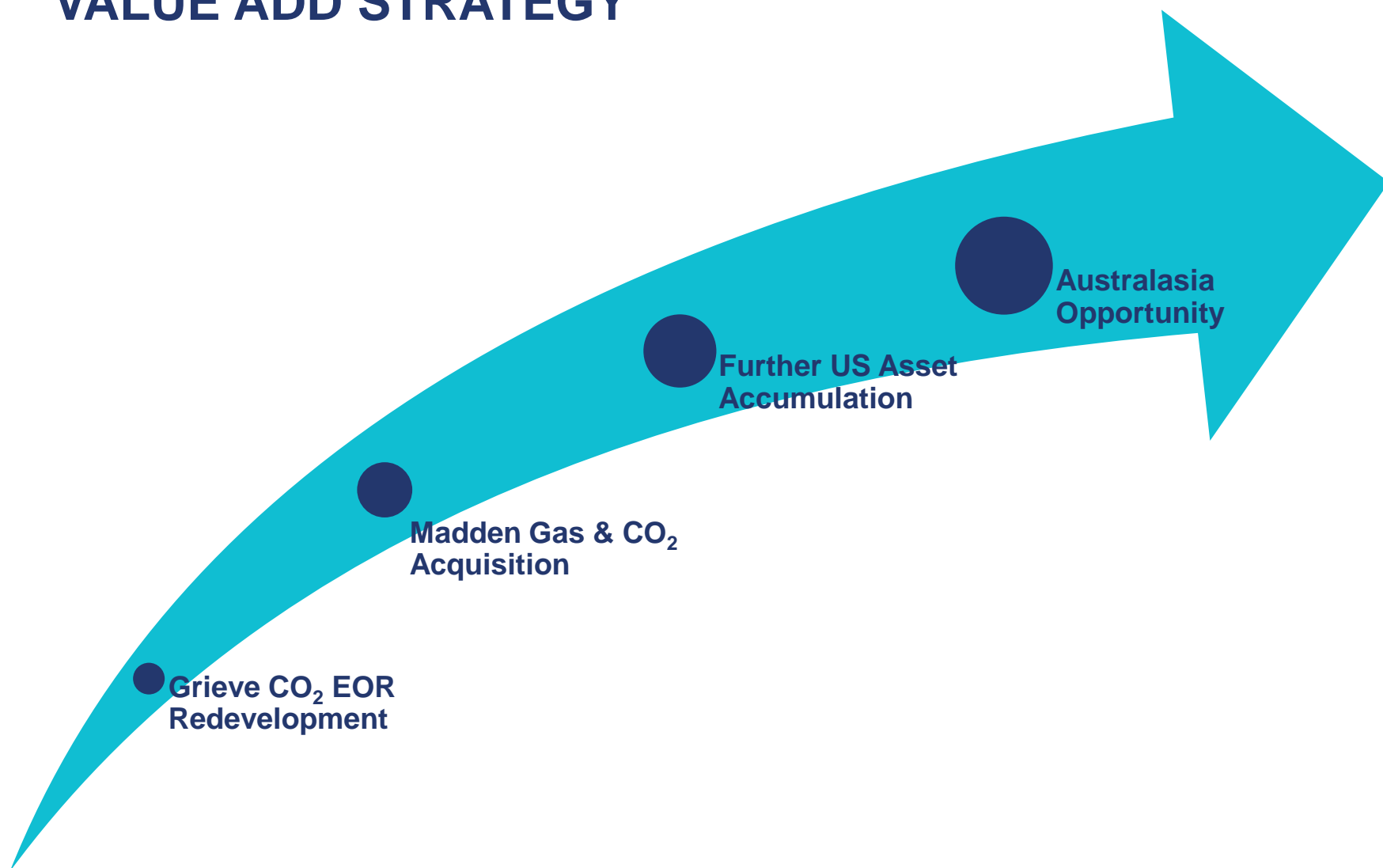
## Capital Structure & reserves

Ordinary Shares	854 m
52-week Low-High (A\$/share)	0.02 - 0.13
Market cap @ \$0.077/share	A\$65.8 m
Cash (30 Dec 2016)	A\$1.13 m
Cash on deposit in US available for completion of the Grieve Project (30 Dec 2016)	A\$14.2 m
2P Reserves <sup>(1)</sup>	~18 MMboe
2C Resources <sup>(2)</sup>	~3.9 MMbbl

## Major shareholders

Republic Investment Management	18.2%
Rich Trend Ventures	5.6%
Catalan Investments	6.6%
Robert Anthony Healy	6.3%
Begley Superannuation	2.7%

# VALUE ADD STRATEGY



# FOUNDATIONS FOR FURTHER GROWTH



## CO<sub>2</sub> Sources

- Direct investment in CO<sub>2</sub> supplies
- Control of CO<sub>2</sub> essential
- Competitive advantage
- Potential profit as 3<sup>rd</sup> party supplier
- Core focus moving forward



## EOR Project Fields

- Ownership & development of CO<sub>2</sub> EOR Projects
- Main financial engine room
- Small club of competitors
- Already a recognized player
- Long-term, low risk cash flows



## CO<sub>2</sub> & Production Infrastructure

- Oil & CO<sub>2</sub> pipelines, gas processing
- Grieve Oil Pipeline shows value of 3<sup>rd</sup> party revenues
- Potential additional value in CCS

# MADDEN GAS & CO2 FIELD



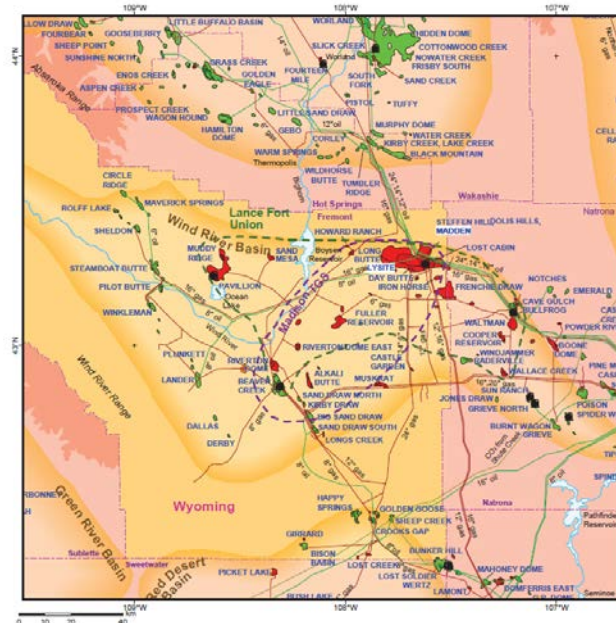


# MADDEN GAS FIELD & LOST CABIN GAS PLANT

## Acquisition Overview

- Consists of the **Madden Gas Field** and the associated **Lost Cabin Gas Plant**
- Madden Gas Field:**
  - Located 60 miles from Grieve Project 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)
  - Highly attractive ownership structure – entire field within a single JV unit with common operatorship
  - Natural CO<sub>2</sub> source
- 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

Madden Gas Field / Lost Cabin Gas Plant Working Interest (%)	
ConocoPhillips	46%
Moncrief Oil	30%
Elk Petroleum*	14%
Various minor interest holders	10%
*Subject to financial settlement on purchase of Freeport McMoRan interest	

## 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

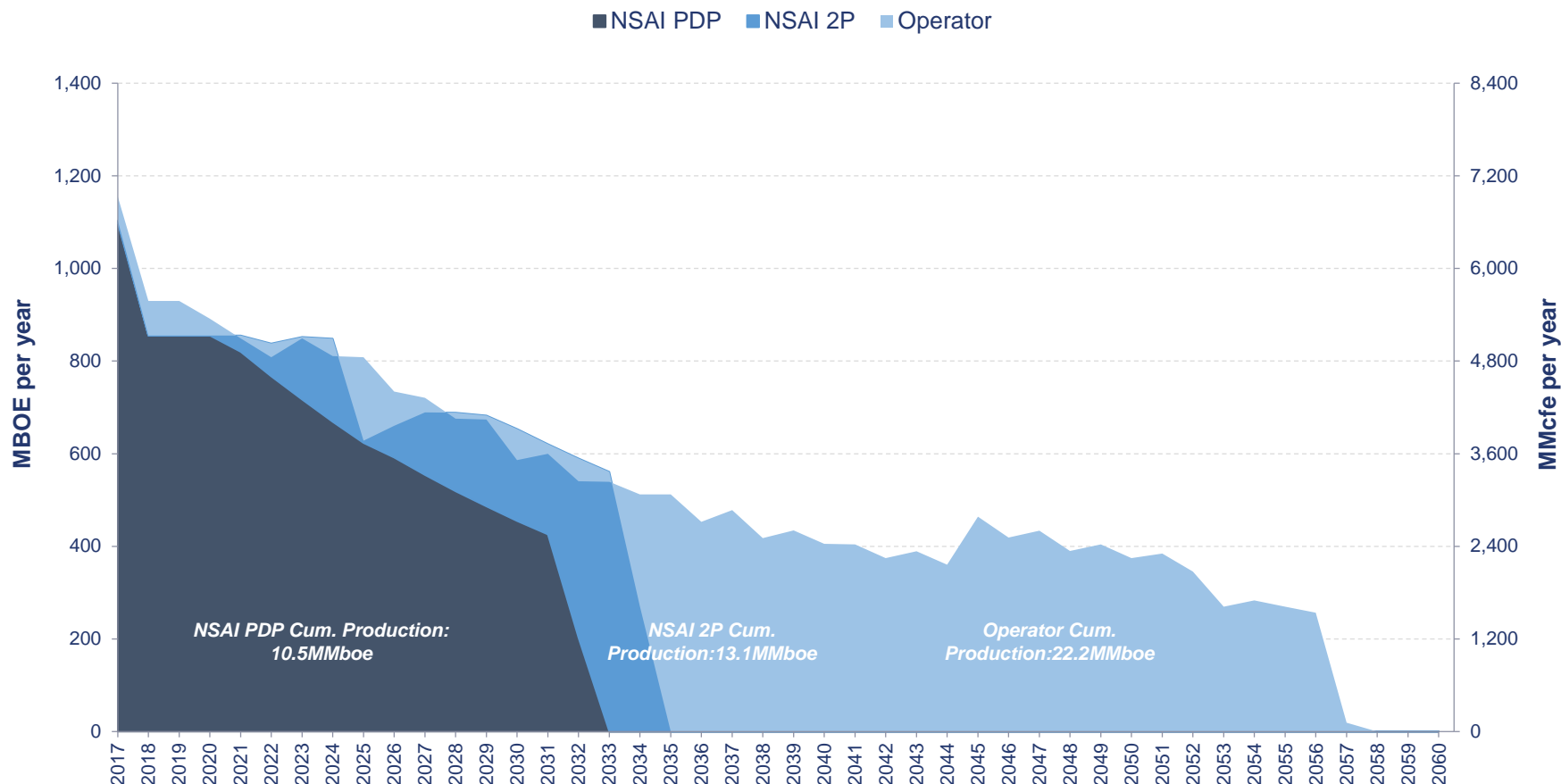
### Geographical Proximity

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>

**Production - not exploration**

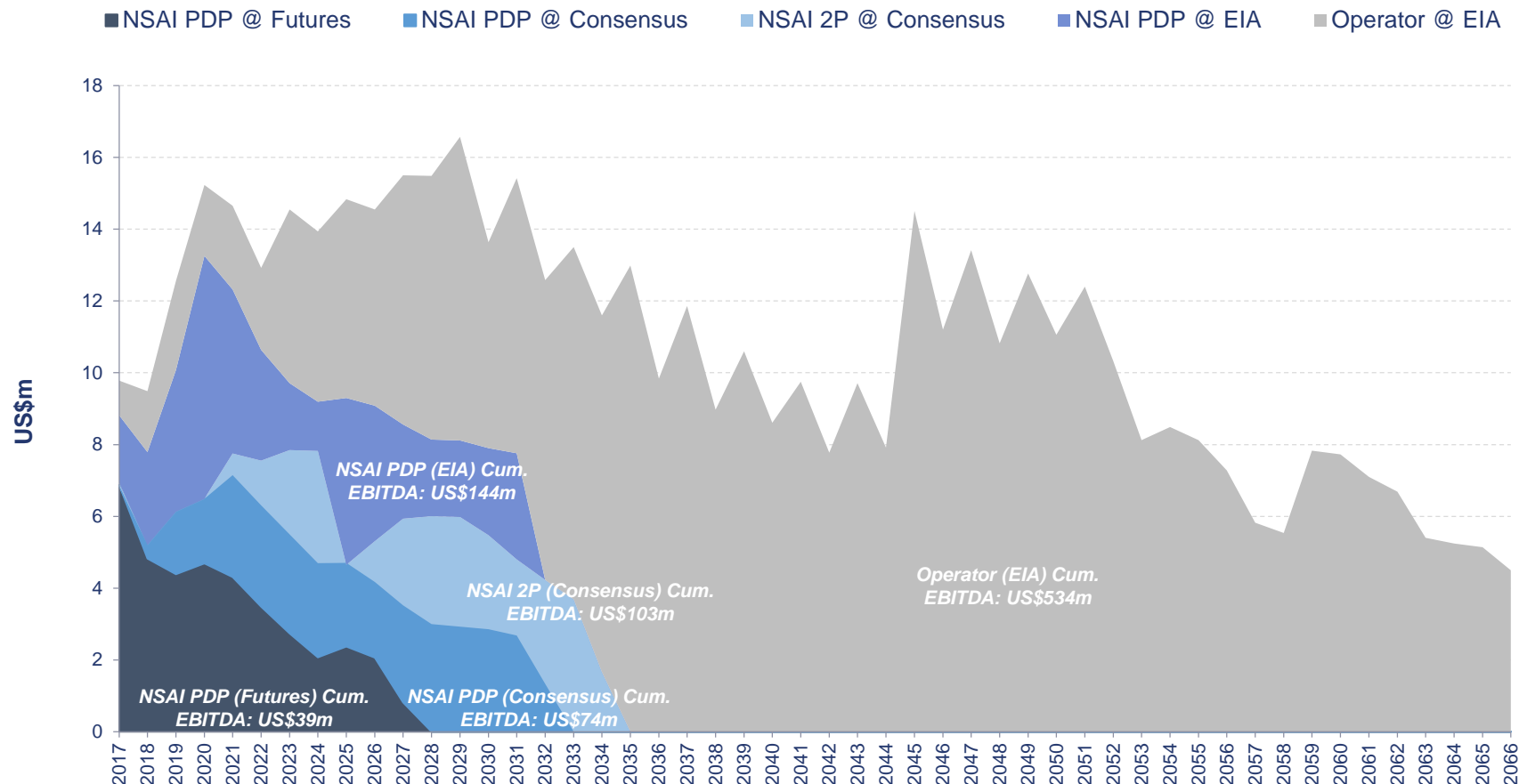
# MADDEN GAS FIELD: PRODUCTION (VOLUME)

Annual Production Volume by Production Profile (Net to Elk, Post-royalty)<sup>(1,2)</sup>



# MADDEN GAS FIELD: EBITDA

## Annual EBITDA by Pricing and Production Profile (Net to Elk)<sup>(1,2)</sup>



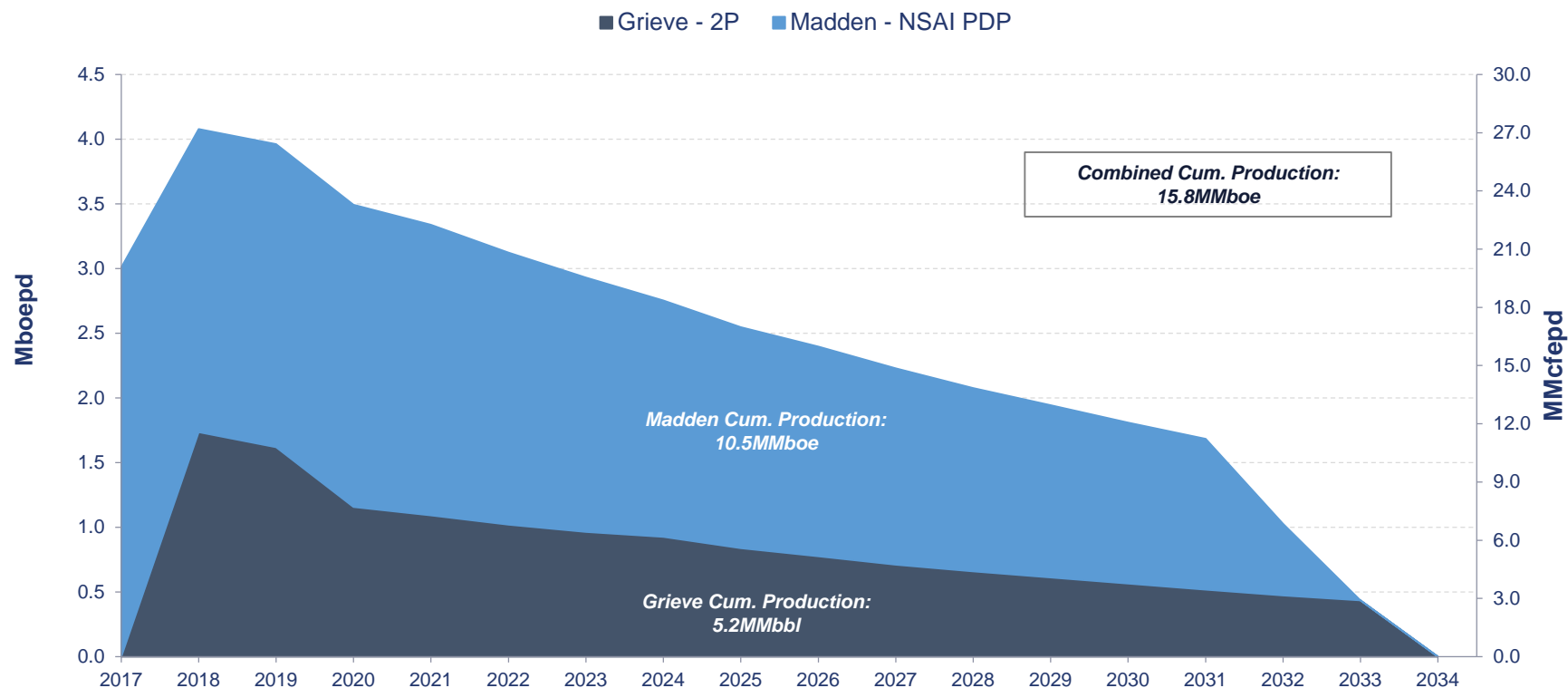


# ELK: A CONSOLIDATED VIEW

# CONSOLIDATED: PRODUCTION

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

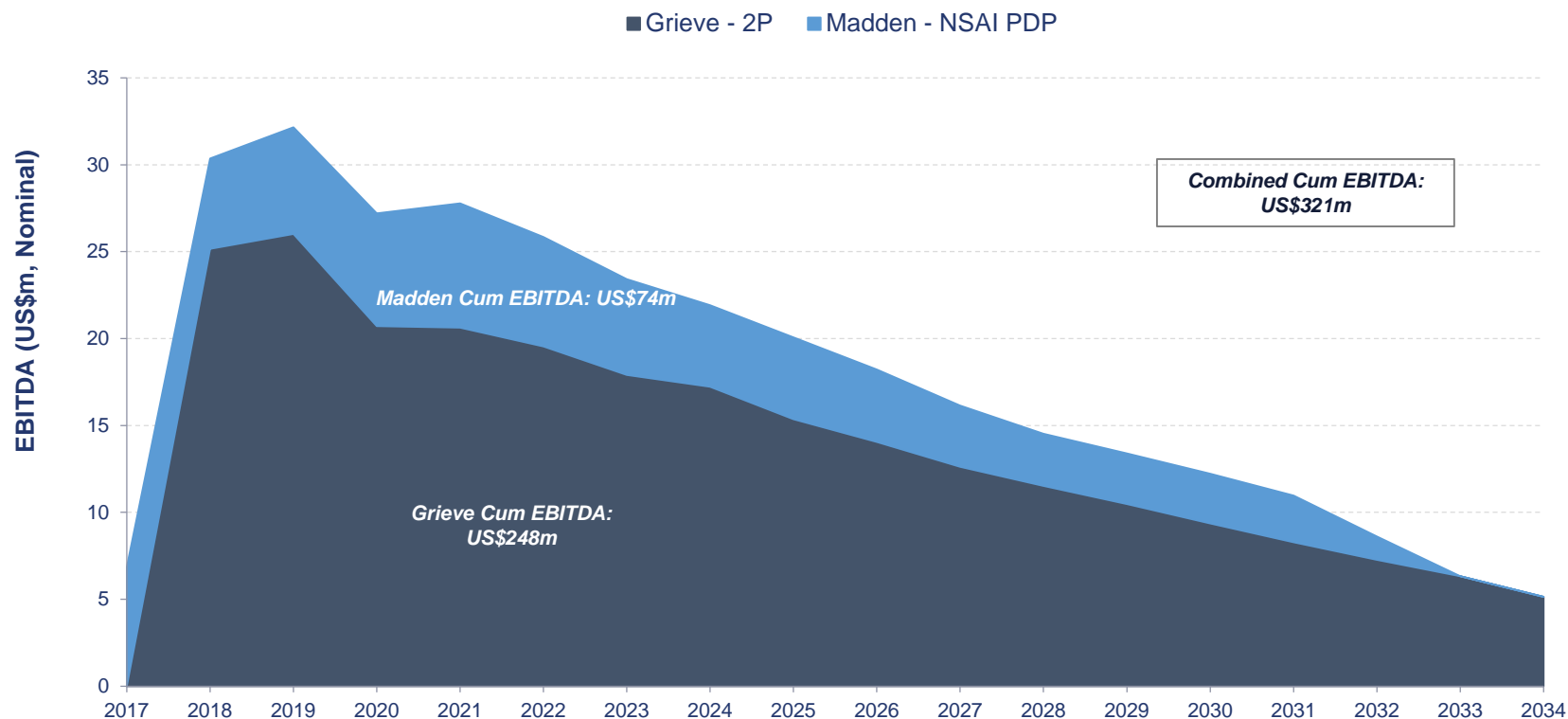
Post Royalty



# CONSOLIDATED: EBITDA

## Consolidated EBITDA (Net to Elk)<sup>(1,2,3,4)</sup>

*Post Royalty, Production Taxes and Opex*



# WHERE TO FROM HERE? THE ROAD AHEAD

**For the year ahead, Elk has 3 clear priorities.....**

- **Priority 1 – Project Delivery**

Absolute No. 1 priority is delivering the Grieve Project completion and reaching 1<sup>st</sup> oil

- **Priority 2 – Growth through acquisition**

Accelerate reaching first cash flow through acquisition of CO<sub>2</sub> EOR-related production asset with additional development potential in need of further capital investment

- **Priority 3 – Financial discipline**

Maintain strong financial discipline and prepare/build the ground-work for refinancing the Grieve Project development financing and strengthening the balance sheet to enable cash returns to shareholders



# 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 80% 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 a 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

## Elk 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>(2,3)</sup>	US\$12-14/bbl
Total projected revenues (Project life, post royalties and production taxes) <sup>(2,3)</sup>	US\$398-531m
First 5 years annual net operating income (Net to Elk) <sup>(2,3)</sup>	US\$23-29m p.a



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