ASX Announcement / Media Release

10 March 2017

Madden/Lost Cabin working interest final acquisition price of US$17.5m agreed and closing financing completed

- **Adjusted final acquisition price of US$17.5 million agreed with Freeport McMoRan**
- **Scheduled closing date 17 March 2017 (US CST), transaction effective date 1 January 2017**
- **US$15.5 million acquisition price balance* payable in two tranches:**
  - **US$10 million on closing**
  - **US$5.5 million by 15 July 2017 (US CST)**
- **US$10 million convertible loan completed to fund closing payment**
- **2017 estimated positive free cash flow of ~US$7 million**

**(US$2 million deposit paid in January 2017)*

Elk Petroleum Ltd (ASX: ELK) ("Elk" or the "Company") is pleased to advise that it has executed a closing agreement with subsidiaries of Freeport-McMoRan Inc. ("FCX") in relation to the acquisition of FCX's ~14% interest in the Madden Gas Field, the Madden Deep Unit Gas Field and the Lost Cabin Gas Plant in Wyoming, USA, ("Madden") previously announced by Elk on 4 January 2017.

Revised Acquisition Price US$17.5 million

Under the final closing agreement, the parties have agreed a reduced acquisition price of US$17.5 million and revised closing date of 17 March 2017 (US CST). A US$2 million deposit was paid by Elk in January 2017. The remaining balance of US$15.5 million is payable in two tranches, the first tranche of US$10 million on closing ("Closing Payment"), and the second tranche of US$5.5 million by 15 July 2017 ("Final Payment").

The original US$20 million acquisition price previously agreed under the Purchase and Sale Agreement ("PSA") has been adjusted down by US$2.5 million to US$17.5 million to reflect various capital improvement works identified by Elk during due diligence reviews undertaken during the pre-closing due diligence period and in accordance with pre-closing price adjustment provisions under the PSA.

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Funding Completed

Elk has completed a US$10 million convertible loan to finance the Closing Payment with a number of parties, with key terms detailed below:

- 3 year loan term
- 11% annual interest payable semi annually
- Convertible to Elk shares at A$0.103/share at fixed AUD/USD exchange rate of 0.76
- Rolling conversion optionality as follows:
    - 1/3 of loan amount on first anniversary
    - 1/2 of the remaining loan amount on second anniversary
    - Balance of loan amount on third anniversary
    - Borrower option to pay out loan amount at any time with payout penalties (being a 20% premium of the loan balance repaid payable by Elk) applying in first 18 months

Appendix 3B notices in relation to the US$10 million convertible loan will be released to the ASX as convertible funds are received prior to closing. The Final Payment is expected to be sourced from Madden project cash flow and additional external funding as required. Discussions are ongoing with potential funding parties.

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).

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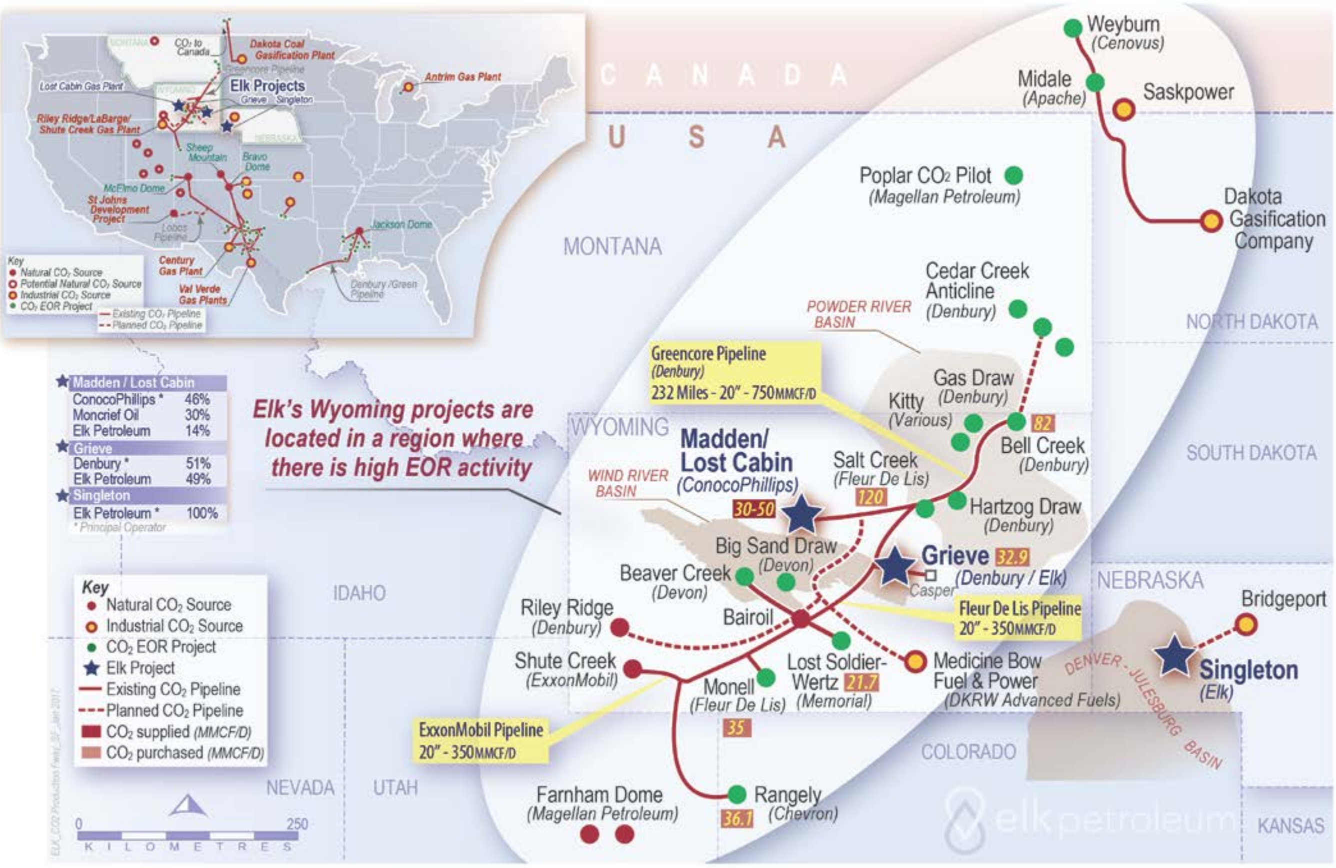
Madden Gas Field / Lost Cabin Gas Plant Locator Map



Long-life Reserves

The Madden acquisition delivers Elk approximately 70 BCF (11.7 MMBOE) of Proven (1P) gas reserves of which 65 BCF (10.8 MMBOE) are classified by Netherland Sewell and Associates, Inc. ("NSAI") as Proved Developed Producing ("PDP").

Summary of Madden Deep Gas Reserves
As of 30 September 2016

Reserve Category	**Elk Net (BCF)**
Proved (1P)	70.2
Proved Developed Producing	64.9
Proved Developed Non Producing	5.3
Proved + Probable (2P)	80.5
Proved + Probable + Possible (3P)	90.5

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

The asset is forecast to generate positive net operating cash flow of over US$7 million per annum to the Company.

Significantly, because the majority of the reserves secured through the acquisition are classified as PDP under the Society of Petroleum Engineers Reserve Classification Guidelines, no additional capital investment is required to produce these identified hydrocarbon volumes.

Based on the revised acquisition price, Elk has acquired these 1P Reserves at a cost of US$0.25/MCF which is equivalent to US$1.50/BOE on a barrel of oil equivalent basis.

Long-Term Profitable Production

The Madden acquisition delivers long-term, low decline rate profitable production with negligible forward capital requirements in the PDP case. The table below sets out the production, sales and cash flow for Elk's acquired working interest in the Madden Gas Field and Lost Cabin Gas Plant for calendar years 2014, 2015 and 2016:

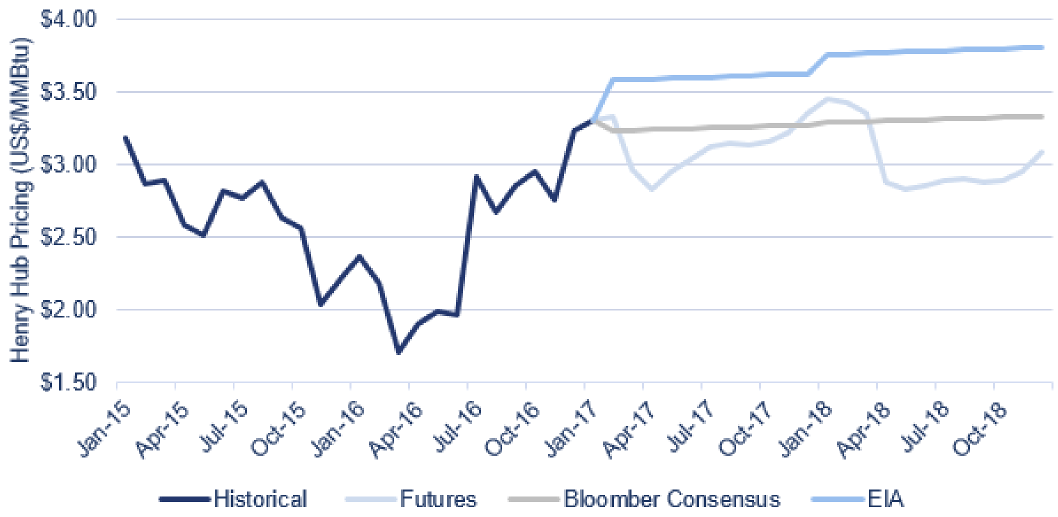
Madden Gas Field FCX Net Gas Production, Sales & Cash Flow (US$)

	2014	**2015**	**2016**
Daily Avg Gas sales (MMCFD)	21.6	22.0	20.2
Annual Gas sales (BCF)	7.9	8.0	7.4
Avg NYMEX Gas Price ($/MMBTU)	$4.41	$2.66	$2.46
Avg Realized Gas Price ($/MMBTU) (after deducting differential)	$4.28	$2.44	$2.24
Total Revenue ($million)	$35.6	$21.9	$16.6
Total Production Expenses ($million)	$19.1	$12.9	$12.5
Production Expense ($/MCF)	$2.42	$1.61	$1.69
Total CAPEX ($million)	$1.5	$1.1	$0.5
Total Cash Margin ($million) (Revenue less Total Production Expense)	$16.5	$8.9	$4.1
Cash Margin ($/MCF)	$2.09	$1.11	$0.55
Total Operating Cash Flow ($million) (Cash Margin less Total CAPEX)	$15.0	$7.8	$3.6
Operating Cash Flow ($/MCF)	$1.90	$0.97	$0.49

In January 2017 Elk's share of Madden production was 23.5 MMCF/day (4,175 BOEPD) and Elk's share of production revenue was US$2.5 million. Operator forecasts received by Elk show a Madden Unit production life of 50 years.

The achieved Madden sales gas prices in FY2016 were at historic lows. The table below illustrates the current Henry Hub NYMEX futures gas price is materially higher than 2016, and is forecast by industry proponents to be at prices significantly higher than both 2015 and 2016 in the short to medium term.

Henry Hub Pricing [1,2,3]



(1) Henry Hub NYMEX Futures as of 1 March 2017
(2) Bloomberg Consensus as of 1 March 2017
(3) EIA forecast as of January 2017

Elk is being advised by RFC Ambrian 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.