elk petroleum

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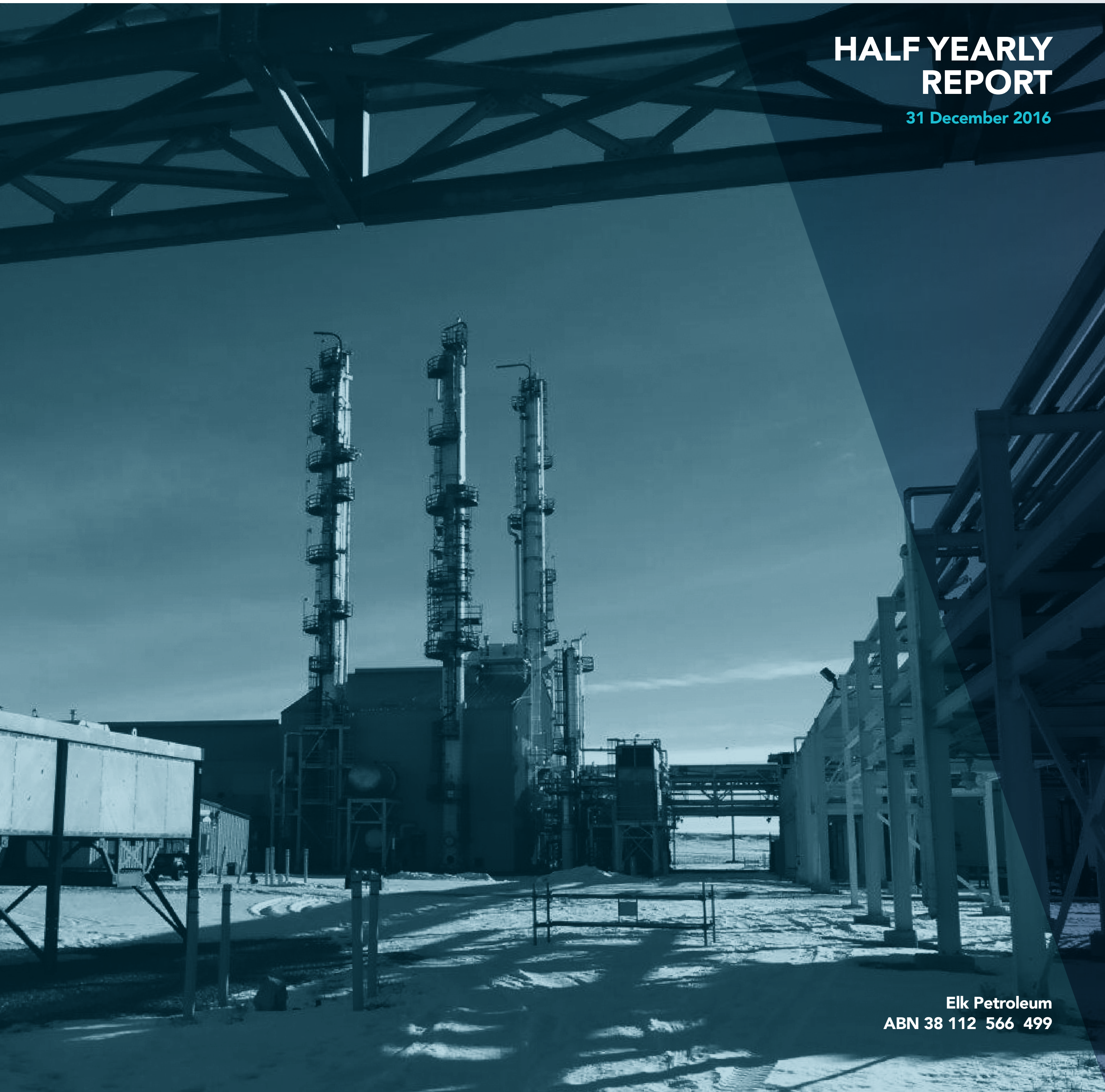


HALF YEARLY REPORT

31 December 2016

Elk Petroleum
ABN 38 112 566 499

Full restructure of Grieve Project

Completed a comprehensive restructuring of the joint venture and development arrangements for the Grieve Project with our joint venture partner, Denbury Resources Inc. This restructure delivered a material increase in Elk's ownership interest in the Grieve Project and a material increase in Elk's share reserves, production and overall economic interest in the Project.

HIGHLIGHTS

Denbury CO_2 Compression Units

Train 1 with raw gas inlet piping

Corporate Recapitalisation to fully fund Grieve Project to completion

The Company undertook a major recapitalisation. In support of the Grieve Project restructure, the company completed two significant funding transactions and for the first time the Grieve Project is now fully funded through to final project completion and first oil production.

Became significant gas producer with Madden Gas and CO_2 Field acquisition

Elk negotiated a formal purchase and sale agreement to acquire all of the Freeport – McMoRan Inc. interest in the Madden gas Field.

Madden Gas Plant Train 1

DIRECTORS' REPORT 31 DECEMBER 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Elk Petroleum Ltd (referred to hereafter as the 'Company' or 'Parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of Elk Petroleum Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Neale Taylor (Chairman)
Bradley Lingo (Managing Director)
Russell Krause
Timothy Hargreaves
Matt Healy (resigned 14 October 2016)

Principal activities

The Company specialises in developing enhanced oil recovery ("EOR") projects. During the half year, the principal activities of the Company consisted of the development of a CO_2 EOR project at the Grieve oil field in Wyoming, USA, and continuation of operations at the Singleton Unit in Nebraska. The Grieve CO_2 EOR project is operated by Denbury Onshore LLC and current operations are focused on development of facilities and on CO_2 and water injection to re-pressure the Grieve field prior to commencing first oil production expected in late CY2017/ early CY2018.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of Operations

The first half of the 2017 Financial Year has been one of a rapid and dramatic positive transformation of the Company. This period was dominated by the following major events – the comprehensive commercial restructuring of the Grieve CO_2 EOR Project (the "Grieve Project"), the significant re-capitalization of the Company to assure that the Grieve Project was for the first time fully funded through to completion and first oil production, and substantial corporate focus on finalising the acquisition of a significant working interest in the Madden Gas and CO_2 Field – the 33rd biggest gas field in the United States by Proven Reserves as rated by the US Government – and the Lost Cabin Gas Plant. The Company announced the acquisition days after the half-year period end, resulting in the Company becoming a significant cash-flow positive natural gas and CO_2 producer in CY2017.

Grieve CO_2 EOR Project

Elk 49%/Denbury Resources 51% (Operator)
Elk Net 2P Reserves = ~5.3 MMBOE

In the first half of the financial year, the Company achieved two major milestones for the Grieve CO_2 EOR Project (the "Grieve Project").

Comprehensive Grieve Project Commercial Restructuring – Firstly, the Company completed a comprehensive commercial restructuring of the joint venture and development arrangements for the Grieve Project with our joint venture partner, Denbury Resources Inc. ("Denbury"). This restructure delivered a material increase in the Company's ownership interest in the Grieve Project and a material increase in the Company's share of reserves, production and overall economic interest in the Project. The completion of the restructuring was announced early in the first quarter of the Financial Year on 5 August 2016.

The restructuring resulted in Elk's ownership interest in the project increasing from 35% to 49%, the Company's 2P net oil reserves increasing by 51% to 5.3 mmbbls up from 3.5 mmbbls and the Company's net economic interest increasing to 60% over the life of the Project. The restructure also saw the elimination of approximately US$20 million in non-recourse project debt funding provided by Denbury. The impacts of this restructuring are for the first time fully reflected in the Company's Half-Year Accounts included in this Half-Yearly Financial report.

The key terms of the restructure between Elk and Denbury are:

- Elk's working interest in the Grieve Project increases to 49% with the right to receive 70% of the net operating cash flow from the first 2 million barrels of production;
- Denbury retains Operatorship of the Grieve Project JV and provides a firm commitment to complete the Grieve CO_2 EOR Project development pursuant to a fixed price turnkey contract containing a detailed field development and execution plan with fixed completion milestones;
- Under the fixed price turnkey contract, Elk funds US$55 million to complete the development of the Grieve Project with Denbury to cover any cost overruns;
- Denbury will supply, at no cost to Elk all the CO_2 to be injected into the Grieve field required to reach first oil production and any additional CO_2 up to 82 BCF will be provided on advantageous commercial terms at Denbury's cost of CO_2;
- All of the oil production from the Grieve Project will be shipped via Elk's 100%-owned and operated Grieve Oil Pipeline under a binding long-term regulated pipeline tariff at a haulage charge of US$3.00 per barrel;
- Denbury will forego recovery from Elk 100% of Grieve Project funding indebtedness with an estimated amount of US$20 million associated with the prior joint venture funding arrangements; and
- Elk and Denbury have entered a binding settlement agreement under which all prior claims arising out of the original Grieve Project JV arrangements will be released including legal claims included in the civil lawsuit which the parties previously withdrew pending negotiating a commercial settlement (see ASX announcement 16 July 2015).

DIRECTORS' REPORT 31 DECEMBER 2016 continued

Grieve Project Fully Funded through major recapitalization – Secondly, to assure that the Grieve Project was fully funded through to completion and first oil production, the Company undertook a major recapitalization. In support of the Grieve Project restructure, the Company completed two significant funding transactions. With the completion of these funding transactions, the Grieve Project is now fully funded through to full project completion and first oil production which is scheduled for late CY2017/early CY2018.

The first funding transaction was announced early in the first quarter of the 2017 financial year on 8 August 2016 with the closing of a senior Term Loan Facility with Benefit Street Partners ("BSP") for US$58 million to fund the completion of the Grieve Project through to first oil production. Under the Term Loan Facility, US$55 million is dedicated to funding the direct capital costs of the Grieve Project pursuant to the Turnkey Fixed-Price EPC contract with Denbury put in place as part of the complete commercial restructuring of the project.

At the same time as putting in place the Term Loan Facility the Company implemented a significant oil price hedging program to underwrite a strong oil price going forward for the Grieve Project. In this program the Company purchased US$45/bbl put options for 75% of its share of forecast oil production from the Grieve Project during calendar year 2018 and 2019. The put options create a US$45/bbl floor price for the hedged volumes, but do not limit any oil price upside for the project.

The second major funding transaction was the launch and completion of a major equity capital raising through an entitlement offer during the First Quarter, raising $30.6 million (before costs) with the issuance of 408.1 new fully paid ordinary shares at $0.075 per share.

Grieve Project Implementation – With the completion of the project restructure and comprehensive funding arrangements to assure project completion, the Grieve Project JV is now undertaking the remaining works needed to complete the enhanced oil recovery project.

During the Half-Year, Denbury as operator and Turnkey EPC contractor developed a comprehensive project execution and completion plan and commenced delivery of this plan. As per the project execution plan, the remaining major engineering works to be completed on Grieve Project, the construction of the oil processing and CO_2 recompression facilities works, remain on track to achieve project completion and first oil production in late CY2017/early CY2018.

During the Second Quarter, substantial progress was achieved with the completion of the final engineering design for the Grieve Central Production Facilities ("GCPF") 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. This collaborative process resulted in substantial progress being achieved on procurement of all the major equipment plant and equipment required for the fabrication and construction of the GCPF.

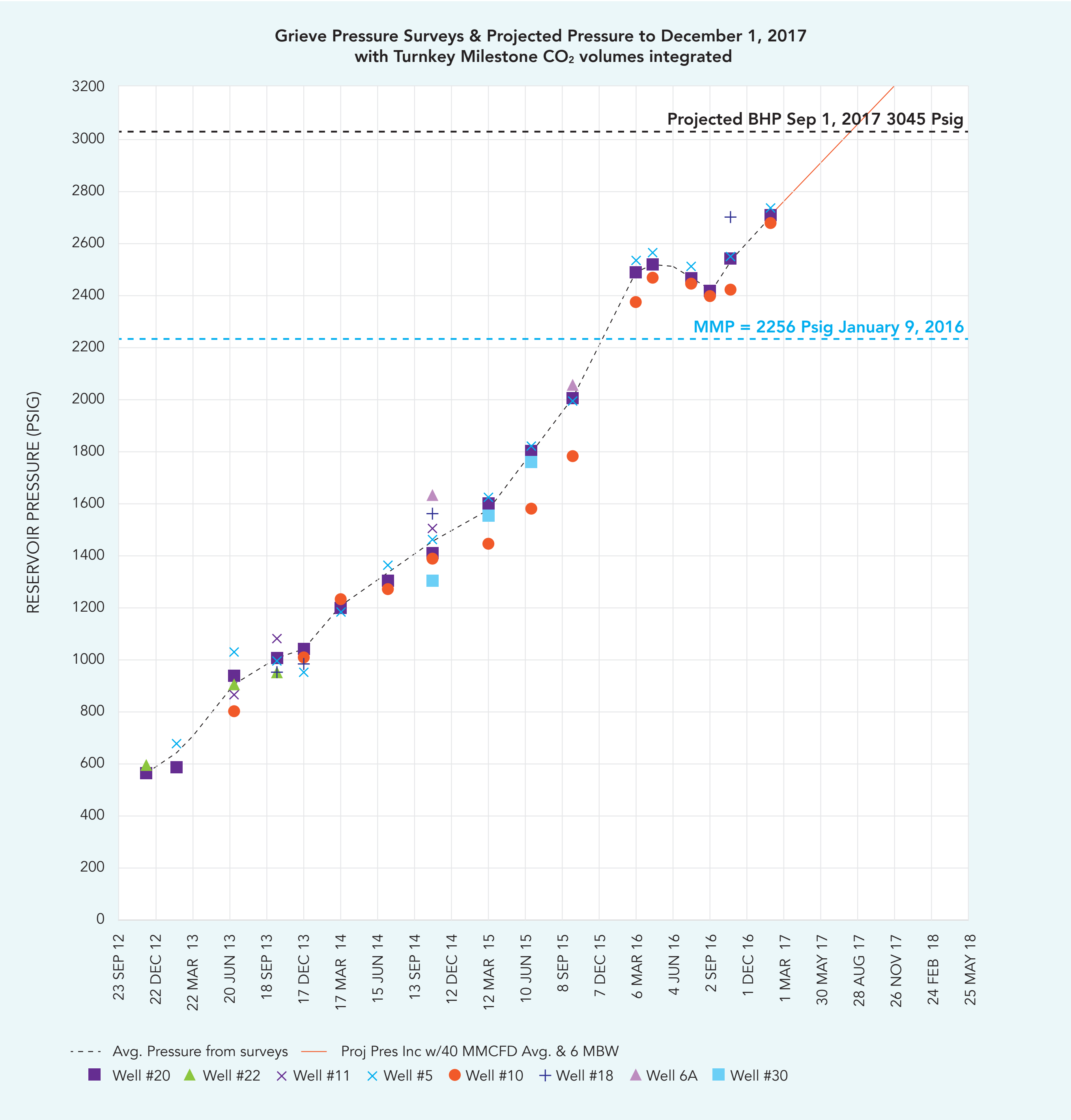
Mid December saw the Company actively participate in the first semi-annual Grieve Project management meeting since the completion of the Grieve Project joint venture restructure. Over two days the Company reviewed with Denbury a comprehensive first-look updated field development plan and project execution schedule. The meetings demonstrating a refreshing level of engagement with Denbury as Operator following the restructure of the Grieve Project joint venture. Concluding with Denbury confirming that the overall recoveries expected from the Grieve Field are 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 in March 2017.

Under the project execution schedule presented by Denbury, field development well and construction work is expected to commence in April/May 2017, with the commencement of the remaining well workover and testing to be completed in August 2017. Whilst well intervention work takes place the remaining infield oil production, CO_2 and water injection flowlines will be laid by October 2017. With the inclusion of phased mechanical and electrical installation and commissioning works the overall project execution schedule presented by Denbury remains consistent with Elk's prior guidance. The Grieve Project will be completed and commence first oil production by late CY2017/early CY2018.

DIRECTORS' REPORT 31 DECEMBER 2016 continued

GRIEVE CO_2 INJECTION PRESSURE PLOT GRAPH AS AT 30 JANUARY 2017



From an operational perspective post second quarter, CO_2 and water injection into the Grieve Field continues. Total CO_2 injected into the Grieve Field as of the end of January 2017 was 37.5 BCF with a corresponding average bottom hole pressure (BHP) of 2704 psi as detailed in the January 30, 2017 pressure plot above. This is a highly encouraging result with the repressurization of the Grieve reservoir continuing in-line with or ahead of expectations and schedule. Under the current field development plan, Denbury is seeking to fully return the Grieve Field reservoir to its original, pre-production pressure of approximately 3000 psi before commencing enhanced oil recovery first oil production operations. At the current CO_2 and water injection rates, reservoir repressurization is expected to reach 3000 psi as early as late in the June Quarter and ultimately by September 2017.

DIRECTORS' REPORT 31 DECEMBER 2016 continued

Grieve Oil Pipeline

Elk (100% – Operator)

Elk through its subsidiary Elk Grieve Oil Pipeline, LLC owns and operates 100% of the 32-mile-long, 8-inch diameter steel export oil pipeline that extends from the Grieve CO_2 EOR project to a receiving station at the Spectra Energy oil storage facility in Casper, Wyoming, our point of oil sale. During the first Quarter Denbury entered into an oil transportation agreement with Elk to use the pipeline to transport its share of Grieve oil to Casper, for a charge of US$3/ bbl (escalated) on 100% of production.

Within days of closing the senior Term Loan Facility with Benefit Street Partners in early August 2016 Elk mobilized to location and safely undertook and completed, within budget all corrosion related pipeline repairs as of 6th October 2016, with minimum disturbance for our stakeholders. During the Half-Year period, approximately US $2.2 million was spent on upgrading Elk's 100% owned Grieve oil pipeline. This included digging 64 inspection trenches along the pipes length and renewing around 10,000ft of pipeline. Late in the December Quarter we began pipeline cathodic protection works with an early February 2017 completion date. In addition, preliminary design drawings to connect the pipeline into Grieve and Spectra facilities were completed during the quarter.

GRIEVE PIPELINE CATHODIC PROTECTION INSTALLATION

DIRECTORS' REPORT 31 DECEMBER 2016 continued

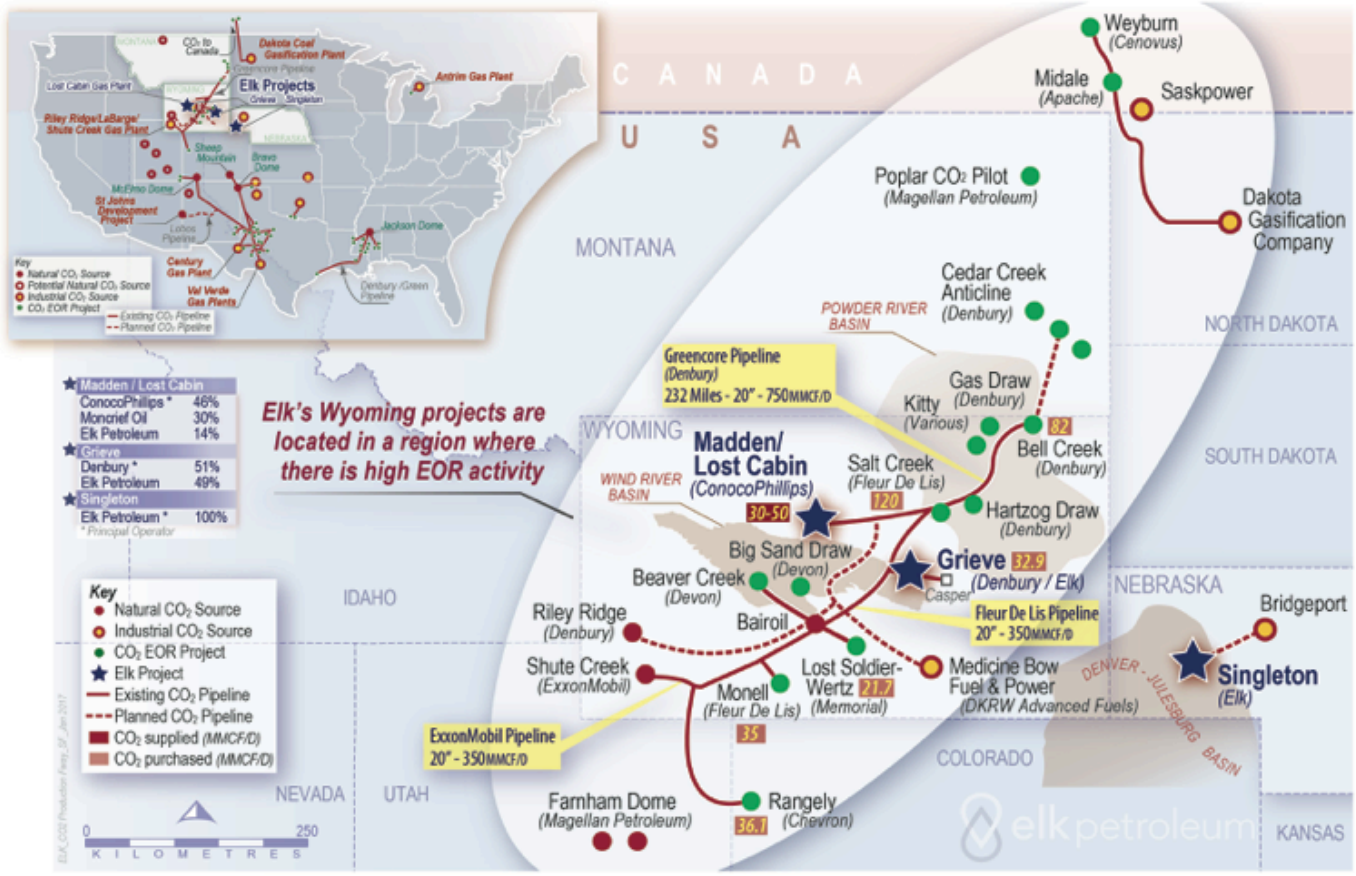
Madden Gas Field/Lost Cabin Gas Plant Acquisition

Elk (~14%/ConocoPhillips (46% – operator)

Elk Net 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. On 10 March 2017 Elk announced a revised acquisition price of US$17.5m and expected closing date of 17 March 2017 (US CST). 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).

ELK'S GRIEVE CO_2 ENHANCED OIL RECOVERY PROJECT MAP



LOST CABIN GAS PLANT

DIRECTORS' REPORT 31 DECEMBER 2016 continued

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 extensive due diligence for title, environmental and other customary matters. The acquisition is scheduled to be completed by mid-March 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 is the second largest gas field and gas producer 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% H2S. 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 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 H2S 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)

Singleton South Field, Nebraska, 100% Elk owned and operated. During the September Quarter Elk mobilized crews and safely re-entered, worked over and production tested the lower Muddy Formation J3 oil prone sand in the Opis-1P well. Twenty feet of behind pipe J3 Sand with similar characteristics to the nearby Singleton Unit oil production well number 5 was stimulated and placed on pump. Oil was recovered on test from the J3 sand, however it was deemed sub economic, with the sand having lower permeability and higher water saturation than the equivalent Singleton Unit 5 well sand 1,200 feet to the north. Post well analysis determined that the J3 sand at this well location is not in communication with the Singleton Unit 5 well, being outside the better-quality sand fairway of the Singleton Unit. While the results from the Opis-1P test were discouraging, there remains significant oil production potential in Nebraska, particularly for EOR projects. The well however has not been abandoned as its potential as a water injection source to support a future Singleton Unit EOR Project continues to be evaluated, along with the viability of the redevelopment of the Singleton Oil Field through CO_2 enhanced oil recovery. During the December Quarter, given the progress the Company was making on securing the Madden Gas and CO_2 Field acquisition, the decision was taken to place the Singleton CO_2 EOR Project on care and maintenance to minimize expenditures on this project.

Review of financial results

The loss for the Group after providing for income tax amounted to $5,930,356 (31 December 2015: $3,463,831).

The major cost drivers contributing to the increased loss included:

- changes in the fair value of oil put options placed by the Company during the half year (non- cash $2.2 million);
- increased costs for the use of consultants and legal costs to assess the Grieve Project JV restructure and other projects ($0.6 million);
- increasing the executive capacity and corporate infrastructure with the appointment of a Chief Financial Officer and Chief Operating Officer ($0.5 million).

DIRECTORS' REPORT 31 DECEMBER 2016 continued

- increased foreign exchange gain on translation of cash balances ($0.4 million);
- increased production costs ($0.2 million);
- offset by a reduction in the loss arising from Crow Tribe which was recognised in full in 2015 ($1.2 million) and a reduction in finance costs owing to the Grieve Project JV restructure ($0.3 million).

During the half year, the Company executed final binding agreements and completed the restructure of the Grieve Unit redevelopment with Denbury Resources ("Denbury"). Under this agreement Elk will contribute US$55m to fund remaining Grieve Unit project capital costs through to production and release 100% of Grieve Project funding indebtedness associated with prior joint venture funding arrangements and all prior claims arising out of the original Grieve Project JV arrangements with Denbury. As a result of the restructuring of the Grieve project the following occurred:

- There was no change to the net asset position at the date of the signing of the binding agreement. The Grieve Project assets and liabilities owing to Denbury were reduced through the reversal of charges from Denbury from 1 February 2016, including JV expenses and interest of loans previously invoiced by Denbury to the Company; and
- Payments for the US$39 million in field development expenditures to 31 December 2016, committed to by Elk as part of the Grieve JV restructure, were first used to extinguish the remaining creditor liabilities and borrowings owed to Denbury, with the balance capitalised as part of the carrying value of Elk's share of the Grieve oil field.

The Company completed closing a senior Term Loan Facility with Benefit Street Partners ("BSP") for US$58 million for the Grieve Project JV on 5 August 2016. Funds under the Term Loan facility with BSP are used to fund the US$55 million in field development expenditures committed to by Elk as part of the Grieve JV restructure, minor upgrades to Elk's 100% owned Grieve oil pipeline and associated costs. Total amount drawn as at 31 December 2016 is $60.1 million (US$43.5 million).

In conjunction with putting in place the Term Loan Facility the Company implemented an oil price hedging program to underwrite a strong oil price going forward for the Grieve Project. Under this program the Company purchased put options at US$45/bbl for 75% of its share of forecast oil production from the Grieve Project during the calendar year 2018 and 2019. The put options 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. The initial put options cost $5.8 million (US$4.4 million).

The Company also successfully completed an entitlement offer of approximately 148.5 million ordinary shares at 0.075 per share to sophisticated investors and institutional investors new to the Company register raising $11.1 million.

Cash at the end of the period was $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.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year other than those disclosed elsewhere in this report.

Matters subsequent to the end of the financial half-year

The Company announced on 4 January 2017 that it had entered into a formal purchase and sale agreement ("PSA") 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 ("Madden"). On 10 March 2017 Elk announced execution of a final closing agreement, whereby 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"). Madden project is located in Natrona and Freemont counties, Wyoming approximately 95 kms (60 miles) from Elk's Grieve CO_2 enhanced oil recovery project.

Pursuant to the PSA, the Company 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. Madden Madden Gas Project 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 Madden Project 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 complete on mid-March 2017 with an effective date 1 January 2017. On 10 March 2017 Elk announced that it had completed a US$10 million convertible loan to finance the Madden Closing Payment and associated costs, with convertible note features are detailed in the announcement. Elk is in discussions with various parties to obtain additional funding.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Neale F. Taylor

Neale Taylor
Chairman

15 March 2017
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

BDO

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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ELK PETROLEUM LIMITED

As lead auditor for the review of Elk Petroleum Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Elk Petroleum Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 15 March 2017

FINANCIAL STATEMENTS

As at 31 December 2016

General information

The financial statements cover Elk Petroleum Ltd as a Group consisting of Elk Petroleum Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Elk Petroleum Ltd's functional and presentation currency.

Elk Petroleum Ltd is a listed public Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office
Suite 4 Level 9
341 George Street
Sydney NSW 2000
Australia

Principal place of business
Exchange House
Level 1, Suite 101
10 Bridge Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the notes to the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

	Note	31 December 2016 $	31 December 2015 $
Other income		18,348	1,756
Expenses			
Depreciation and amortisation expense		(42,805)	(84,470)
Production costs		(322,696)	(141,128)
Professional and corporate services	3	(874,083)	(308,531)
Administrative expenses		(590,280)	(545,898)
Directors and employees costs	3	(1,427,421)	(884,671)
Loss on derivatives	5	(2,202,924)	-
Other expenses	3	(483,894)	(1,199,367)
Finance costs		(4,601)	(301,522)
Loss before income tax expense		(5,930,356)	(3,463,831)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Elk Petroleum Ltd		(5,930,356)	(3,463,831)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,351,659	188,030
Other comprehensive income for the half-year, net of tax		1,351,659	188,030
Total comprehensive income for the half-year attributable to the owners of Elk Petroleum Ltd		(4,578,697)	(3,275,801)
		Cents	**Cents**
Basic loss per share	15	(0.75)	(1.69)
Diluted loss per share	15	(0.75)	(1.69)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31 December 2016 $	30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents		1,129,420	18,103,239
Trade and other receivables		101,864	1,800,703
Restricted cash	4	14,213,054	-
Total current assets		15,444,338	19,903,942
Non-current assets			
Derivative financial instruments	5	3,802,725	-
Property, plant and equipment		163,245	158,335
Oil and gas properties - Grieve project	6	68,154,543	38,478,594
Oil and gas properties - Singleton South project	7	577,269	332,455
Oil and gas properties - Singleton project	8	2,777,357	2,717,413
Other		303,496	239,159
Total non-current assets		75,778,635	41,925,956
Total assets		91,222,973	61,829,898
Liabilities			
Current liabilities			
Trade and other payables	9	1,702,324	13,565,264
Other financial liabilities		5,272	4,245
Borrowings - Benefit Street Partners	11	161,804	-
Total current liabilities		1,869,400	13,569,509
Non-current liabilities			
Borrowings - Denbury JV	10	-	21,607,955
Other financial liabilities		138,096	487,248
Provisions		3,981,433	3,380,956
Borrowings - Benefit Street Partners	11	53,456,095	-
Total non-current liabilities		57,575,624	25,476,159
Total liabilities		59,445,024	39,045,668
Net assets		31,777,949	22,784,230
Equity			
Issued capital	12	79,605,019	66,082,643
Reserves		3,305,037	1,903,338
Accumulated losses		(51,132,107)	(45,201,751)
Total equity		31,777,949	22,784,230

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2016

	Contributed equity $	Foreign Currency Translation reserve $	Option reserve $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2015	37,761,520	(397,566)	2,088,048	(38,033,438)	1,418,564
Loss after income tax expense for the half-year	-	-	-	(3,463,831)	(3,463,831)
Other comprehensive income for the half-year, net of tax	-	188,030	-	-	188,030
Total comprehensive income / (loss) for the half-year	-	188,030	-	(3,463,831)	(3,275,801)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	644,447	-	-	-	644,447
Share-based payments	-	-	52,905	-	52,905
Balance at 31 December 2015	38,405,967	(209,536)	2,140,953	(41,497,269)	(1,159,885)

	Contributed equity $	Foreign Currency Translation reserve $	Option reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	66,082,643	(354,402)	2,257,740	(45,201,751)	22,784,230
Loss after income tax expense for the half-year	-	-	-	(5,930,356)	(5,930,356)
Other comprehensive income for the half-year, net of tax	-	1,351,659	-	-	1,351,659
Total comprehensive income / (loss) for the half-year	-	1,351,659	-	(5,930,356)	(4,578,697)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 12)	13,522,376	-	-	-	13,522,376
Share-based payments	-	-	50,040	-	50,040
Balance at 31 December 2016	79,605,019	997,257	2,307,780	(51,132,107)	31,777,949

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2016

	31 December 2016 $	31 December 2015 $
Cash flows from operating activities		
Receipts from customers	7,242	-
Payments to employees and suppliers	(3,460,443)	(1,618,338)
Interest and other receipts	10,588	1,756
Finance costs	(4,601)	(146)
Net cash used in operating activities	(3,447,214)	(1,616,728)
Cash flows from investing activities		
Payments for acquisition of leases	(54,496)	-
Payments for oil and gas properties and plant and equipment	(1,540,210)	(211,812)
Payments for development	(33,962,492)	(31,797)
Payment for bonds and deposits	(60,000)	(152,854)
Purchase of put options	(5,773,528)	-
Net cash used in investing activities	(41,390,726)	(396,463)
Cash flows from financing activities		
Proceeds from issue of shares	9,690,941	650,000
Share issue transaction costs	(813,583)	(5,553)
Proceed from borrowings (BSP loan)	57,780,101	-
Transaction costs related to borrowings	(4,188,335)	-
Repayment of borrowings	(20,514,812)	(2,680)
Transfer to restricted cash account	(13,667,249)	-
Net cash from financing activities	28,287,063	641,767
Net decrease in cash and cash equivalents	(16,550,877)	(1,371,424)
Cash and cash equivalents at the beginning of the financial half-year	18,103,239	1,567,344
Effects of exchange rate changes on cash and cash equivalents	(422,942)	2,268
Cash and cash equivalents at the end of the financial half-year	1,129,420	198,188

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the additional new accounting policies adopted below:

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The subsequent changes in fair value are recognised in the profit or loss unless the derivative have been designated as hedging instrument in which the movements are taken into equity.

The significant judgment and estimates used in determining the fair value of the derivatives are disclosed in Note 5.

Restricted cash
Restricted cash are cash deposits held with third party for specific purposes such as interest and loan principal repayment and it is not available for general use.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern
The Group incurred a loss for the half year after tax of $5,930,356 (31 December 2015: $3,463,831) and a net cash out flow from operating activities of $3,447,214 (31 December 2015: $1,616,728). These outcomes reflect the Group's pre-production development status on the Grieve CO_2 EOR Project in Wyoming which is fully funded through to production. Cash flows from the Grieve Project are forecast to occur in late CY2017 / early CY2018. The ability of the entity to continue as a going concern is dependent upon the finalisation of the acquisition of a ~14% working interest in the Madden/Lost Cabin gas production project. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the entity to continue as a going concern.

The financial report has been prepared on the basis of a going concern but a number of short term sensitivities are noted, as described below.

The Company's view based on operator project planning indicates that the Grieve CO_2 EOR Project is expected to commence late in late CY2017 / early CY2018 and the Company expects the project to provide a long term material cash flow to the Group; however, net positive cash flow to Group is not expected to occur until later in the CY 2017 / early CY2018. The Madden/Lost Cabin Gas production project is cash flow positive and this cash flow will cover development and operational costs on Elk's other projects and corporate administrative costs over the intervening period. Finalisation of the Madden/Lost Cabin acquisition requires a second tranche payment of US$5.5m due in July 2017 that will be funded from a combination of other available funding sources including reserve based lending at the project level or equity placement, corporate bonds or convertible notes at a corporate level. The Company has a strong history of raising funds to meet its acquisition, development and operating activities.

Additionally the Company has the ability to reduce costs, and/or raise additional debt and/or equity, including realising the value of some or all assets and discharge its liabilities in the normal course of business at amounts different to those stated in the financial statements.

Management believe that there is significant value of assets in excess of carrying value which would deliver cash above present needs if asset sales were required. Hence the financial report has been prepared on the basis of a going concern

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 1. Significant accounting policies (continued)

since the Directors believe that adequate funding will be raised to enable the Group to pay its debts as and when they become due for a period of twelve months from the date of approving this report.

The financial statements do not include any adjustment relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

Note 2. Operating segments

The Group's reportable segments are based on geographical areas as follows. The exploration assets located in the US have been aggregated in the US reportable segment.

Australia
The parent Company of the Group is based in Sydney and comprises the corporate head office function.

US
The subsidiaries of the Group are based in Casper, Wyoming and comprise administration, production, exploration, evaluation and development of oil and gas fields and ownership of pipelines. The Company and its subsidiaries opened a small office in Denver, Colorado, where the President of the subsidiaries is based together with the Vice President of Operations of the subsidiaries. All remaining operations continue to be managed out of Casper.

Operating segment information

31 December 2016	United States $	Australia $	Total $
Other income			
Interest and other income	7,715	10,633	18,348
Total other income	7,715	10,633	18,348
Total other income above	7,715	10,633	18,348
Other expenses	(3,573,378)	(2,375,326)	(5,948,704)
Loss before income tax expense	(3,565,663)	(2,364,693)	(5,930,356)
Income tax expense			-
Loss after income tax expense			(5,930,356)
Assets			
Segment assets	89,817,087	1,405,886	91,222,973
Total assets			91,222,973
Liabilities			
Segment liabilities	59,229,988	215,036	59,445,024
Total liabilities			59,445,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 2. Operating segments (continued)

31 December 2015	United States $	Australia $	Total $
Other income			
Interest and other income	555	1,201	1,756
Total other income	555	1,201	1,756
Total other income above	555	1,201	1,756
Other expenses	(2,219,492)	(1,246,095)	(3,465,587)
Loss before income tax expense	(2,218,937)	(1,244,894)	(3,463,831)
Income tax expense			-
Loss after income tax expense			(3,463,831)
30 June 2016			
Assets			
Segment assets	43,215,622	18,614,276	61,829,898
Total assets			61,829,898
Liabilities			
Segment liabilities	37,927,086	1,118,582	39,045,668
Total liabilities			39,045,668

Note 3. Expenses

	31 December 2016 $	**31 December 2015 $**
Loss before income tax includes the following specific expenses:		
Professional and corporate services		
Accounting, auditing and tax fees	125,754	150,425
Consultants and legal fees	688,989	126,620
Share registry, ASX and ASIC fees	59,340	31,486
	874,083	308,531
Director and employee costs		
Non-executive directors fees	103,125	112,500
Employee benefits	1,274,256	719,266
Share -based payments	50,040	52,905
	1,427,421	884,671
Other expenses		
Foreign exchange (gain)/loss	423,219	(159)
Loss arising from Crow Tribe Dispute	-	1,199,526
Provision for rehabilitation	60,675	-
	483,894	1,199,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 4. Current assets - Restricted cash

	31 December 2016 $	30 June 2016 $
Restricted cash	14,213,054	-

The restricted cash is on deposit in a debt service reserve account dedicated to fund debt, interest and expenditures relating to the completion of the Grieve Project under the Grieve Term Loan with Benefit Street Partners.

Note 5. Non-current assets - derivative financial instruments

	31 December 2016 $	30 June 2016 $
Derivative financial instruments	3,802,725	-

The Company implemented an oil price hedging program to underwrite a strong oil price going forward for the Grieve Project. Under this program the Company purchased put options at US$45/bbl for 75% of its share of forecast oil production from the Grieve Project during the calendar year 2018 and 2019. The put options 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.

During the period, as a result of the derivatives financial instruments being marked-to-market at the reporting period end, a loss on fair value adjustment of $2,202,924 have been recognised in the statement of profit or loss and other comprehensive income.

The fair value of derivative financial instruments have been determined by a third party expert using the following valuation techniques and assumptions:

- Methodology: Turnbull-Wakeman Average Rate Option pricing model – adjusted for skew.
- Expected exercise period: 2 to 3 years
- Volatility range: 24% to 33%
- Future oil price: $56.

The Group's derivatives are not traded in active markets, however, all significant inputs required to fair value an instrument are observable (Level 2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 6. Non-current assets - Oil and gas properties - Grieve project

	31 December 2016 $	30 June 2016 $
Oil properties acquired - at cost	53,477	52,004
Less: Accumulated amortisation	(20,641)	(20,073)
	32,836	31,931
Oil field plant and equipment - at cost	2,760,896	1,130,542
Less: Accumulated amortisation	(329,781)	(314,223)
	2,431,115	816,319
Oil field development expenditure - at cost	66,257,971	38,771,394
Less: Accumulated amortisation	(1,277,125)	(1,241,940)
	64,980,846	37,529,454
Provision for closure costs	709,746	100,890
	68,154,543	38,478,594

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Oil and gas properties $	Total $
Balance at 1 July 2016	38,478,594	38,478,594
Additions	1,519,932	1,519,932
Expenditure during the half-year	25,679,918	25,679,918
Exchange differences	1,875,944	1,875,944
Provision for closure costs	606,544	606,544
Amortisation expense	(6,389)	(6,389)
Balance at 31 December 2016	68,154,543	68,154,543

Additions above relate to equipment costs attributed to the project during the year. Expenditure includes field/well development costs and borrowing costs capitalised during the year.

Note 7. Non-current assets - Oil and gas properties - Singleton South project

	31 December 2016 $	30 June 2016 $
Oil field plant and equipment - at cost	69,773	53,931
Oil field development expenditure - at cost	335,083	84,471
Provision for closure costs	172,413	194,053
	577,269	332,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 7. Non-current assets - Oil and gas properties - Singleton South project (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Oil and gas properties $	Total $
Balance at 1 July 2016	332,455	332,455
Additions	56,987	56,987
Expenditure during the half-year	192,954	192,954
Exchange differences	21,960	21,960
Provision for closure costs	(27,087)	(27,087)
Balance at 31 December 2016	577,269	577,269

Additions above relate to equipment costs attributed to the project during the year. Expenditure includes field/well development costs capitalised during the year.

Note 8. Non-current assets - Oil and gas properties - Singleton project

	31 December 2016 $	**30 June 2016 $**
Oil field development expenditure - at cost	50,239	46,887
Less: Accumulated amortisation	(2,274)	(1,431)
	47,965	45,456
Oil field development expenditure - at cost	1,552,254	1,395,102
Less: Impairment	(290,216)	(282,220)
	1,262,038	1,112,882
Provision for closure costs	1,467,354	1,559,075
	2,777,357	2,717,413

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Oil and gas properties $	Total $
Balance at 1 July 2016	2,717,413	2,717,413
Additions	13,075	13,075
Expenditure during the half-year	101,648	101,648
Exchange differences	81,438	81,438
Provision for closure costs	(135,440)	(135,440)
Amortisation expense	(777)	(777)
Balance at 31 December 2016	2,777,357	2,777,357

Additions above relate to equipment costs attributed to the project during the year. Expenditure includes field/well development costs capitalised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 9. Current liabilities - Trade and other payables

	31 December 2016 $	30 June 2016 $
Trade payables	190,123	12,296,272
Accruals and other liabilities	1,016,020	1,268,992
Interest payable	496,181	-
	1,702,324	13,565,264

Trade payables are non-interest bearing and generally on 30 to 60 day terms.

Note 10. Non-current liabilities - Borrowings - Denbury JV

	31 December 2016 $	30 June 2016 $
Financial liability to Denbury JV	-	21,607,955

The Company executed final binding agreements and completed the restructure of the Grieve Project JV with Denbury on 4 August 2016. Under this agreement Denbury forego recovery from Elk 100% of Grieve Project funding indebtedness associated with prior joint venture funding arrangements and all prior claims arising out of the original Grieve Project JV arrangements were released. As a result of the restructuring of the Grieve project the following occurred:

i) There was no change to the net asset position at the date of the signing of the binding agreement. The Grieve Project assets and liabilities owing to Denbury were reduced through the reversal of charges from Denbury from 1 February 2016, including JV expenses and interest of loans previously invoiced by Denbury to the Company; and

ii) Payments for the US$39 million in field development expenditures to 31 December 2016, committed to by Elk as part of the Grieve JV restructure, were first used to extinguish the remaining creditor liabilities and borrowings owed to Denbury, with the balance capitalised as part of the carrying value of Elk's share of the Grieve oil field.

Note 11. Borrowings - Benefit Street Partners

	31 December 2016 $	30 June 2016 $
Current		
Borrowings - Benefit Street Partners	2,705,797	-
Unamortised borrowing transaction costs	(2,543,993)	-
Total current borrowings – Benefit Street Partners	161,804	-
Non-current		
Borrowings - Benefit Street Partners	57,434,837	-
Unamortised borrowing transaction costs	(3,978,742)	-
Total non-current borrowings – Benefit Street Partners	53,456,095	-
Total borrowings – Benefit Street Partners	53,617,899	-

The Company completed closing a three year senior term loan facility with Benefit Street Partners ("BSP") for US$58 million for the Grieve Project JV on 5 August 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 11. Borrowings - Benefit Street Partners (continued)

The interest rate is based on fixed spreads over LIBOR floating rate and the principal is repayable monthly once production commences.

Funds under the Term Loan facility with BSP are used to fund the US$55 million in field development expenditures committed to by Elk as part of the Grieve JV restructure, minor upgrades to Elk's 100% owned Grieve oil pipeline and associated costs. Total amount drawn as at 31 December 2016 is $60.1 million (US$43.5 million).

Note 12. Equity - Issued capital

	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 $	30 June 2016 $
Ordinary shares - fully paid	854,046,208	672,309,014	79,605,019	66,082,643

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	672,309,014		66,082,643
Share issue	29 August 2016	32,907,335	$0.075	2,468,050
Share issue	1 September 2016	98,901,505	$0.075	7,417,613
Share issue	12 September 2016	14,670,000	$0.075	1,100,250
Share issue – suppliers	12 September 2016	4,000,000	$0.100	400,000
Share issue	20 September 2016	1,996,000	$0.075	149,700
Share issue – suppliers	7 October 2016	29,262,354	$0.095	2,779,924
Share issue costs		-		(793,161)
Balance	31 December 2016	854,046,208		79,605,019

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 13. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

Note 14. Events after the reporting period

The Company announced on 4 January 2017 that it had entered into a formal purchase and sale agreement ("PSA") 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 ("Madden"). On 10 March 2017 Elk announced execution of a final closing agreement, whereby 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"). Madden project is located in Natrona and Freemont counties, Wyoming approximately 95 kms (60 miles) from Elk's Grieve CO_2 enhanced oil recovery project.

Pursuant to the PSA, the Company 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. Madden Madden Gas Project 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 Madden Project 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 complete on mid-March 2017 with an effective date 1 January 2017.

On 10 March 2017 Elk announced that it had completed a US$10 million convertible loan to finance the Madden Closing Payment and associated costs, with convertible note features are detailed in the announcement. Elk is in discussion with various parties to obtain additional funding.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 15. Earnings per share

	31 December 2016 $	31 December 2015 $
Loss after income tax attributable to the owners of Elk Petroleum Ltd	(5,930,356)	(3,463,831)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	786,297,715	204,419,552
Weighted average number of ordinary shares used in calculating diluted earnings per share	786,297,715	204,419,552
	Cents	**Cents**
Basic loss per share	(0.75)	(1.69)
Diluted loss per share	(0.75)	(1.69)

Note 16. Commitments

Under the Grieve Project JV, as at 31 December 2016, the Company has three remaining milestone payments amounting to $22.1 million (US$16 million) to be completed by September 2017. These milestone payments will be funded by the balance of the Benefit Street Partners Loan and Restricted cash balance.

DIRECTORS' DECLARATION

31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Neale F. Taylor

Neale Taylor
Chairman

15 March 2017
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ELK PETROLEUM LTD

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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elk Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Elk Petroleum Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Elk Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Elk Petroleum Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ELK PETROLEUM LTD

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Elk Petroleum Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 15 March 2017

Corporte Directory

Directors	Neale Taylor (Chairman) Bradley Lingo (Managing Director) Russell Krause Timothy Hargreaves
Company secretary	David Franks and Andrew Bursill
Registered office	Suite 4 Level 9 341 George Street Sydney NSW 2001 Telephone: +61 2 9299 9690 Facsimile: +61 2 9299 9629
Principal place of business	Exchange House Level 1, Suite 101 10 Bridge Street Sydney NSW 2000
Share register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford VIC 3067 Telephone: +61 3 9415 5000 Facsimile: +61 3 9473 2500
Auditor	BDO East Coast Partnership 1 Margaret Street Sydney NSW 2000
Solicitors	Norton Rose Fulbright Level 18, Grosvenor Place 225 George Street Sydney NSW 2000
Stock exchange listing	Elk Petroleum Ltd shares are listed on the Australian Securities Exchange (ASX code: ELK) As at the date of this report, the company also had one series of options listed on the Australian Securities Exchange (ASX code: ELKO).
Website	www.elkpet.com

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.

elk petroleum