

# CORPORATE UPDATE

11 April 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.



# Elk Corporate Overview

## Oil Development

- 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
- Grieve CO<sub>2</sub> EOR project development 80% complete, forecast production late 2017/early 2018

## Natural Gas & CO<sub>2</sub> Production

- Madden/Lost Cabin Gas Field is a large conventional gas and CO<sub>2</sub> production asset with high quality, long-life reserves & production delivering free cash flow to Elk
- Average production to date in 2017 of 23.9 MMCF/day (4,000 BOE/day) net to Elk
- Strategic interest in material CO<sub>2</sub> production supports Elk’s CO<sub>2</sub> EOR strategic focus

## Proven Practices & Opportunity

- EOR is a well established low risk redevelopment methodology
- ~90% of CO<sub>2</sub> EOR projects developed in USA are technical and commercial successes
- Abundance of large mature conventional oil fields suitable for CO<sub>2</sub> EOR redevelopment

## Long term Profitable Production

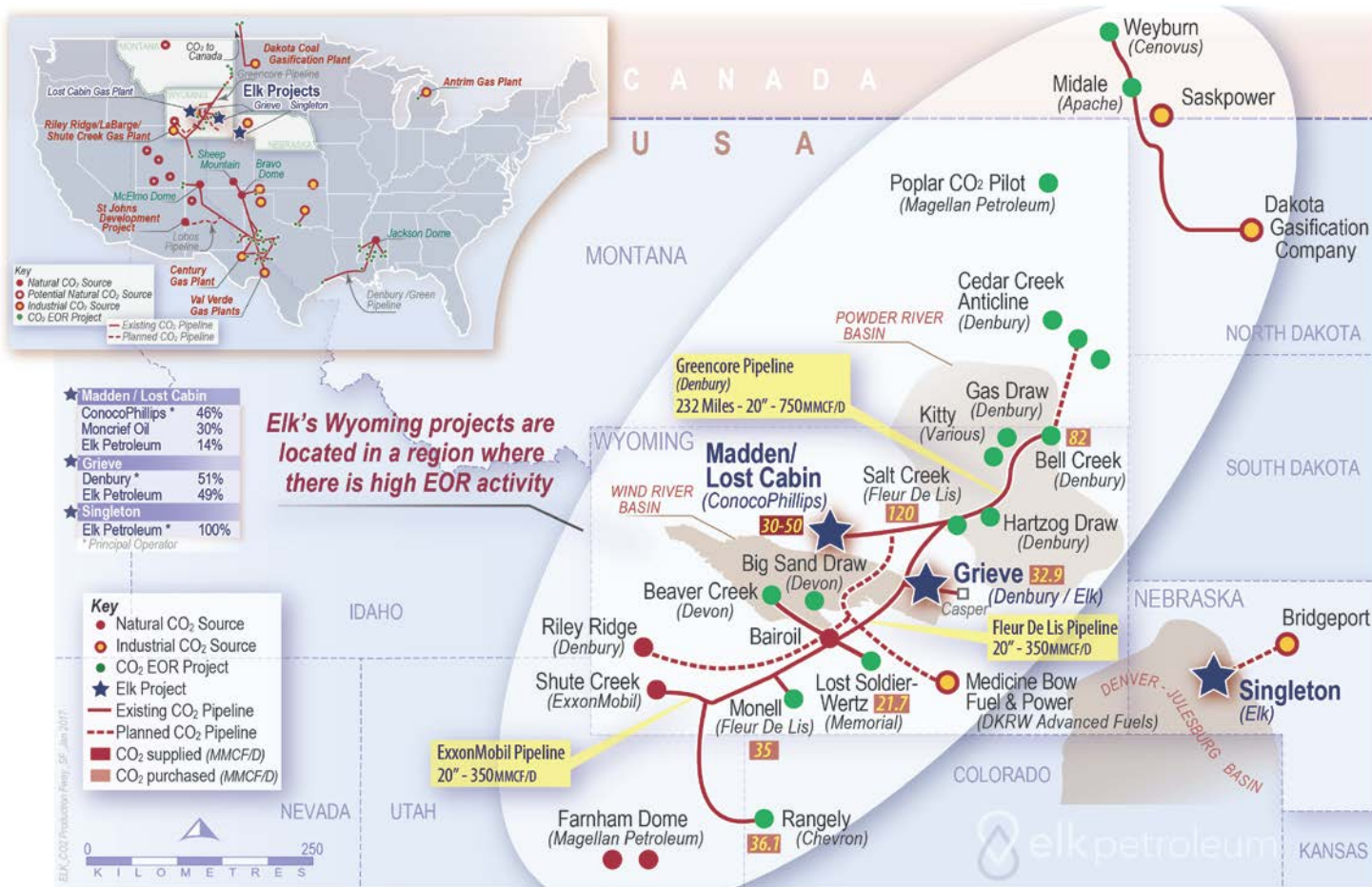
- Typical CO<sub>2</sub> EOR projects have a 15+ year reserve life and annuity style cash flows
- Grieve-minimal ongoing capex and opex
- Madden/Lost Cabin operator forecast 50 year project life

## Cash Flow Positive

- Forecast 2017 project free cash flow of ~US\$7 million and forecast Elk consolidated project free cash flow of US\$22-US\$30 million<sup>(1)</sup> per annum for 2017-2023 period



# Key Projects in Wyoming, USA



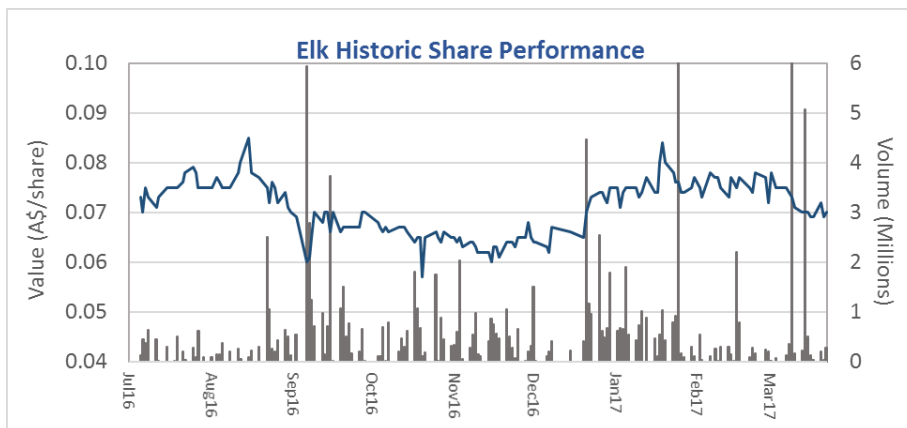
**Vast CO<sub>2</sub> reserves, extensive CO<sub>2</sub> infrastructure, multiple CO<sub>2</sub> EOR operating projects and numerous new projects for development**



# Corporate Snapshot

Elk Reserves & Resources (1 January 2017)	MMBOE
PDP (Proved Developed Producing Reserves)	11.9
1P (Proved Reserves)	13.3
2P (Proved + Probable Reserves)	20.5
3P (Proved + Probable + Possible Reserves)	24.2

Elk Production (Madden/Lost Cabin)	MMCF/Day	BOE/Day
January 2017 (operator estimate)	23.5	3,900
February 2017 (operator estimate)	24.2	4,000



Capital Structure	
Ordinary Shares	854 m
52-week Low-High (A\$/share)	0.02 - 0.13
Market cap @ \$0.071/share	A\$61 m
Unrestricted cash (30 Dec 2016)	A\$1.13 m
Restricted cash (30 Dec 2016)	A\$14.2 m

Major shareholders	
Republic Investment Management	19.3%
Rich Trend Ventures	5.6%
Robert Anthony Healy	6.3%
Begley Superannuation	2.7%
Brad Lingo	2.0%



# Grieve CO<sub>2</sub> EOR Project



# Grieve Project Overview

## Asset overview and ownership

- Carbon Dioxide Enhanced Oil Recovery (CO<sub>2</sub> EOR) project- redevelopment of producing conventional oil field
- Located in Wind River Basin, Northern Rockies, Wyoming
- Elk 49% working interest and ~60% economic interest<sup>1</sup>
- 51% owned and operated by Denbury Resources, North America's leading CO<sub>2</sub> EOR oil development & production company

## Project construction nearing completion

- Fixed time and cost construction contract with Denbury
- ELK is funding US\$55m remaining construction works, fully funded with senior debt and equity financing in place
- Project construction over 80% complete, production expected late 2017/early 2018

## Favourable economics

- Elk to receive 75% of the operating profit from 1st million barrels and 65% from 2nd million barrels
- Enhanced revenue stream from 100% Grieve Oil Pipeline
- Forecast annual project free cash flow for first 5-years averages US\$18-26 million pa<sup>(1,2,3,4)</sup>

## Grieve Project Economics (US\$)

Project life	20 years
Capex invested to date	\$157m
Remaining capex spend	\$17m
Development cost	\$7-10/bbl
Operating cost (First 5 years, including royalties and production taxes, real)	\$10-13/bbl
Profit margin (First 5 years, real) <sup>(1,2,3)</sup>	\$29-39/bbl
Total projected revenue (Project life, post royalties and production taxes) <sup>(1,2,3)</sup>	\$261-334m
First 5 years annual project free cash flow <sup>(1,2,3)</sup>	\$18-26m p.a.

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

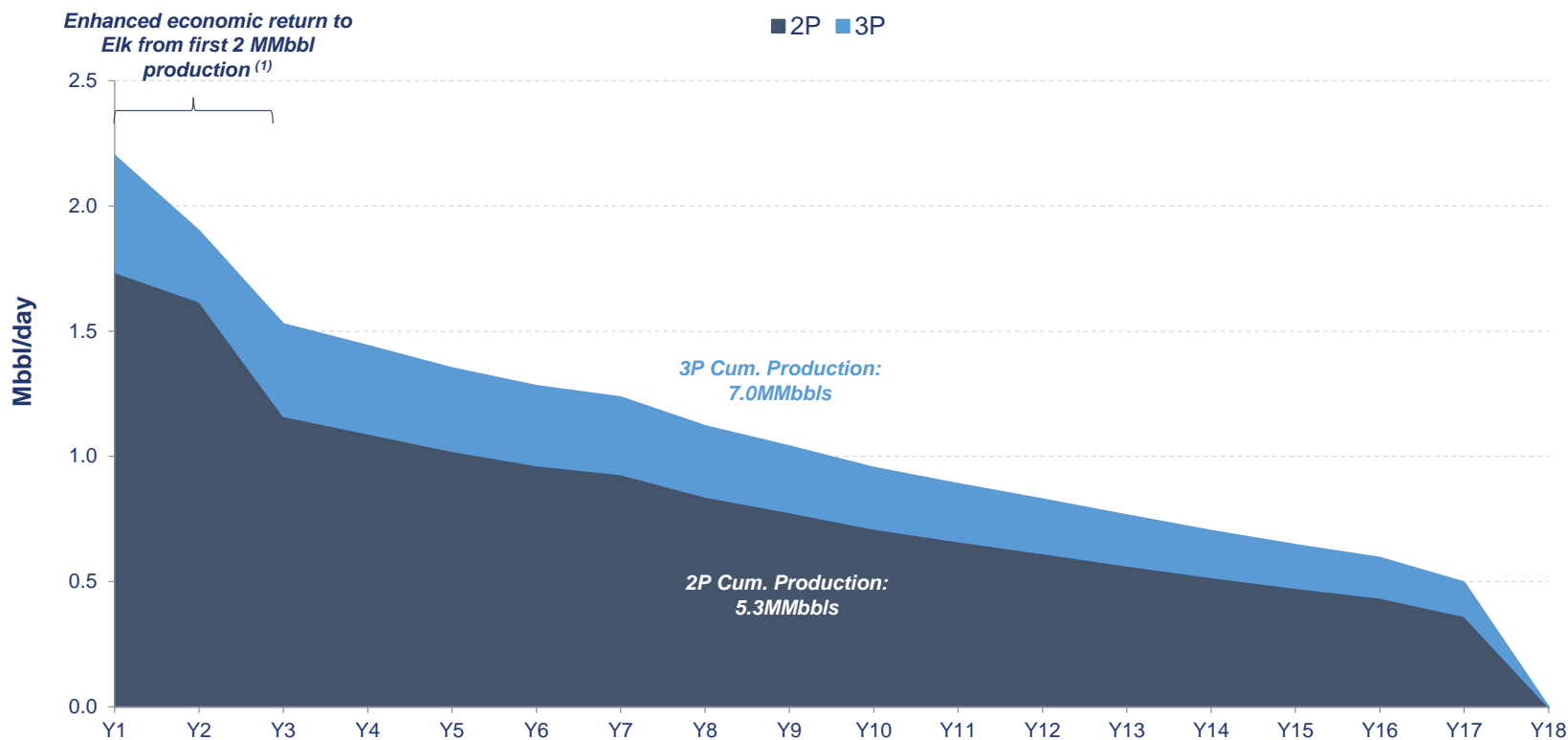
Scenario	(MMbbl)	
	Gross	Net
2P (Proved + Probable Reserves)	12.3	5.3
3P (Proved + Probable + Possible)	16.4	7.0
3C (Contingent Resources)	16.3	7.0



# Grieve Production Rate

*Elk's net share of average production over the first 5 years is estimated to be between 1.3 and 1.7 Kbbbl/day*

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



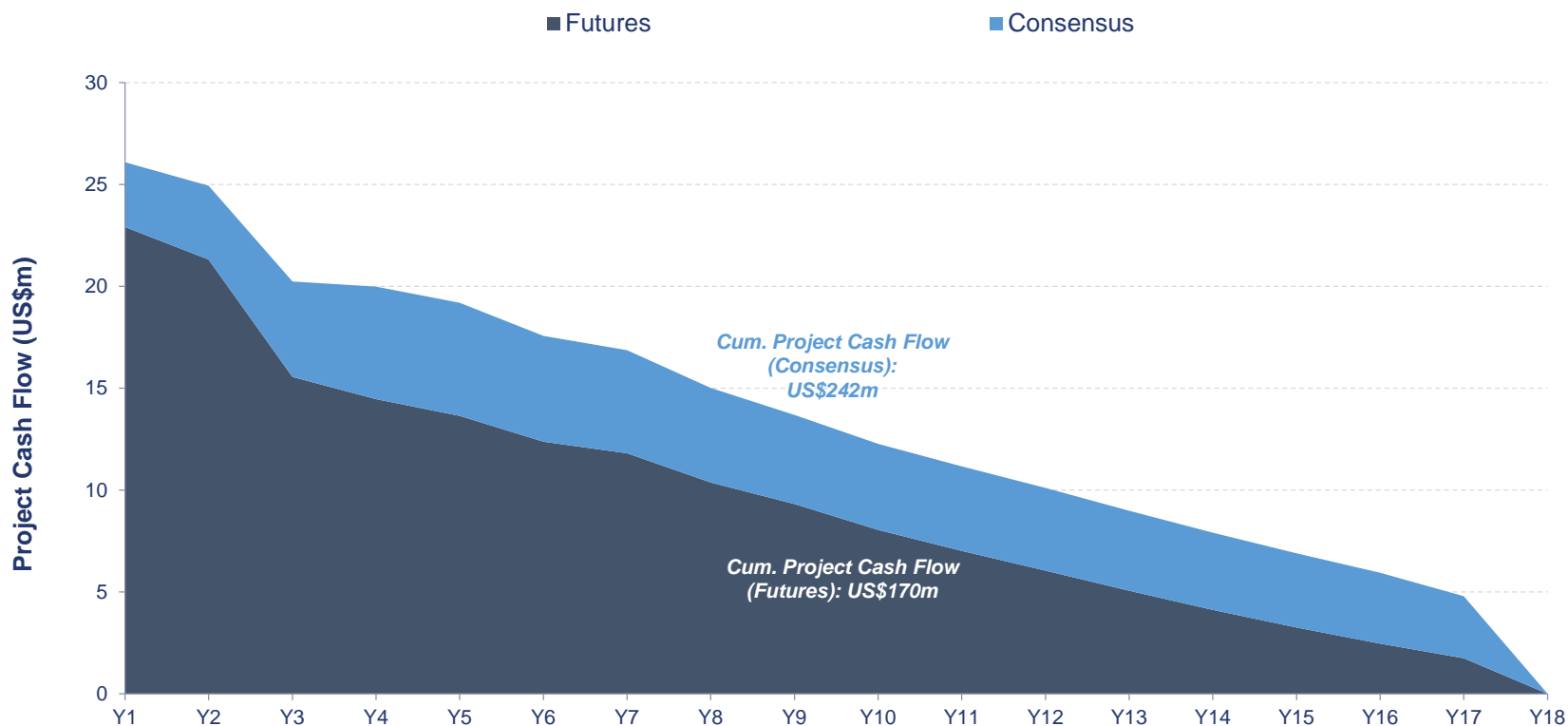


# Grieve Project Free Cash Flow

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

**Project Cash Flow (Net to Elk, US\$m, Nominal) <sup>(1)</sup>**

*Post Royalties, Production Taxes, Opex and Capex*



(1) Bloomberg Futures and Consensus Pricing as at 31 March 2017 (Source: Bloomberg)



# Madden/Lost Cabin Natural Gas & CO<sub>2</sub> Project





# Madden/Lost Cabin Project Overview

## Asset overview and ownership

- Madden/Lost Cabin is a conventional natural gas production asset with CO<sub>2</sub> and sulphur by-products
- Located in Wind River Basin, Northern Rockies, Wyoming (90 miles west of Casper & 60 miles from the Grieve Project)
- Elk ~14% working interest (effective 1 January 2017)
- 46% owned and operated by Conoco Philips

## Elk now a profitable production company

- Elk's share of production in January and February 2017 averaged ~23.9 MMSCF/day (4,000 BOE/day)
- Forecast 2017 project free cash flow of ~US\$7 million net to Elk
- Reserves independently certified by Netherland Sewell & Associates
- Favourable operating costs of \$10/boe (\$1.6/mcf) and capital costs of \$1.6/boe (\$0.3/mcf)
- Moderate production maintenance capex through 2021 covered by operating cash flows

## Madden/Lost Cabin Project Economics (US\$)

Project life (PDP Reserves)	25 years	
2017-2021 capex (5 years)	\$1.6/boe	\$0.3/mcf
2017-2021 operating cost (5 years, including royalties, including production taxes, real)	\$10/boe	\$1.6/mcf
Profit margin 2017-2021 (5 years, real)	\$6-7/boe	\$0.7-1.2/mcf
Avg realised gas price 2017-21 <sup>(1)</sup>	\$16-17/boe	\$2.6-2.8/mcf
Total projected revenue (Project life, post royalties and production taxes) (PDP consensus)	\$190-214m	
First 5 years annual project free cash flow <sup>(1,2)</sup>	\$3-7m p.a.	

## Madden/Lost Cabin Project Reserves & Resources (Net to Elk)

	BCF	MMBOE
PDP (Proved Developed Producing)	71.3	11.9
1P (Proved Reserves)	79.5	13.3
2P (Proved + Probable Reserves)	91.3	15.2
3P (Proved + Probable + Possible)	103.1	17.2



# Madden/Lost Cabin Project Overview (continued)

## Madden Gas Field:

- Madden anticline discovered in 1959, first gas train constructed in late 1990's and third gas train constructed in late 2000's.
- 33rd largest gas field in US by Proven Reserves
- Operator estimated 50 year project life and ~1.9 TCF remaining recoverable gas
- Highly attractive ownership structure – entire field within a single JV unit with common operatorship
- Substantial upside from behind pipe resources
- Natural CO<sub>2</sub> source

## Madden/Lost Cabin Working Interests

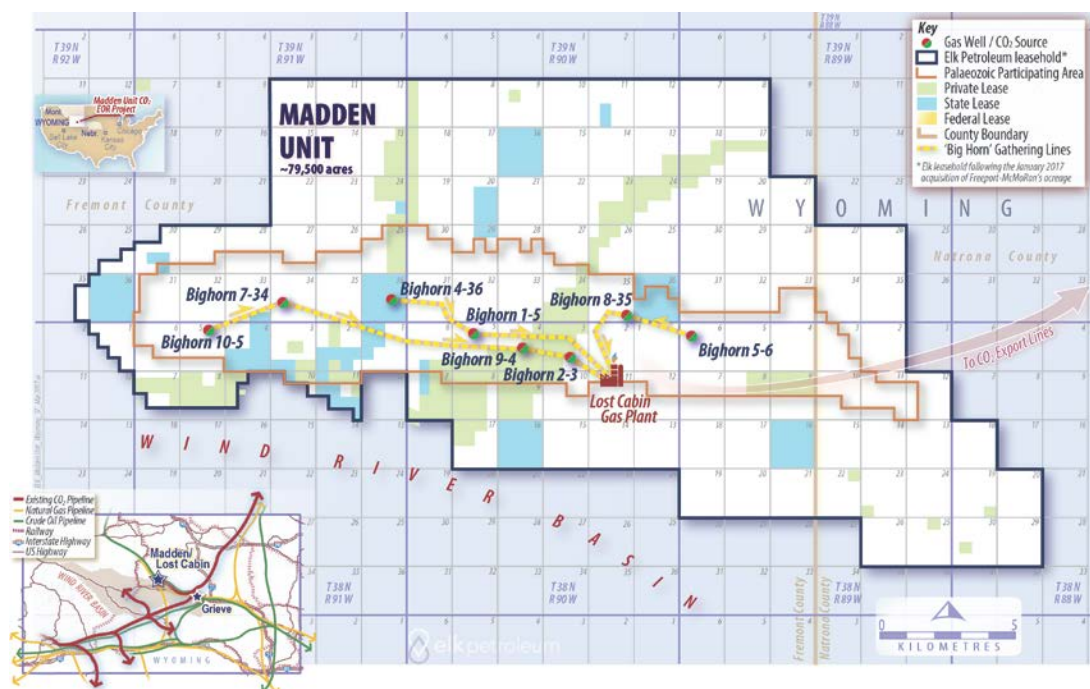
Conoco Phillips (Operator)	46%
Moncrief Oil	30%
Elk Petroleum	14%
Various minority interests	10%

## Lost Cabin Gas Plant:

- Began operation in 1995
- 3 gas trains with 310 MMcf/day capacity
- Exclusively processes gas from Madden Field
- 2nd biggest CO<sub>2</sub> supplier for EOR in Northern Rockies

## Greencore CO<sub>2</sub> plant and pipeline

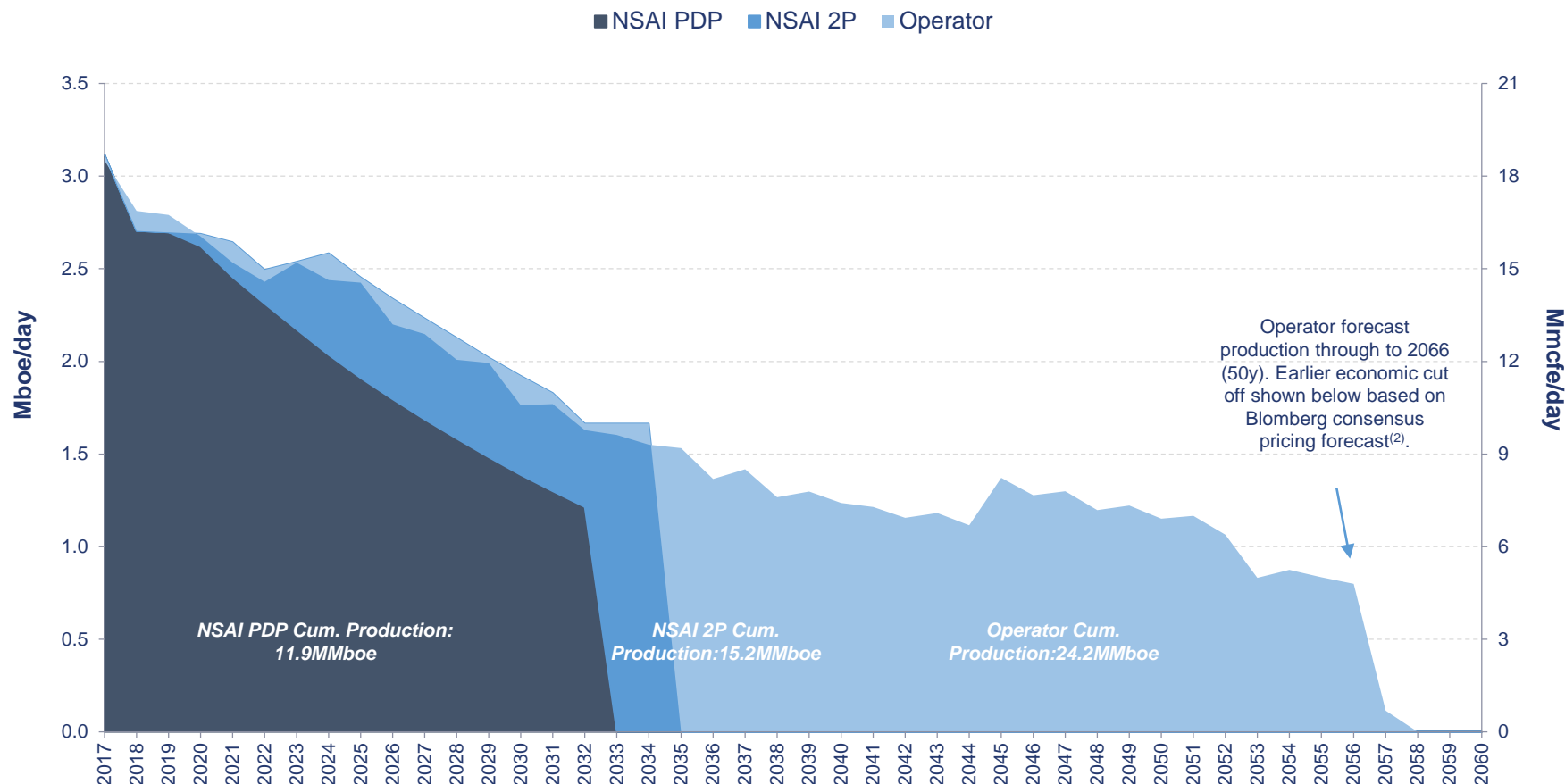
- Greencore CO<sub>2</sub> Receiving Facility and Pipeline providing CO<sub>2</sub> to Denbury's Wyoming and Montana CO<sub>2</sub> EOR projects since 2013





# Madden/Lost Cabin Production Rate

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

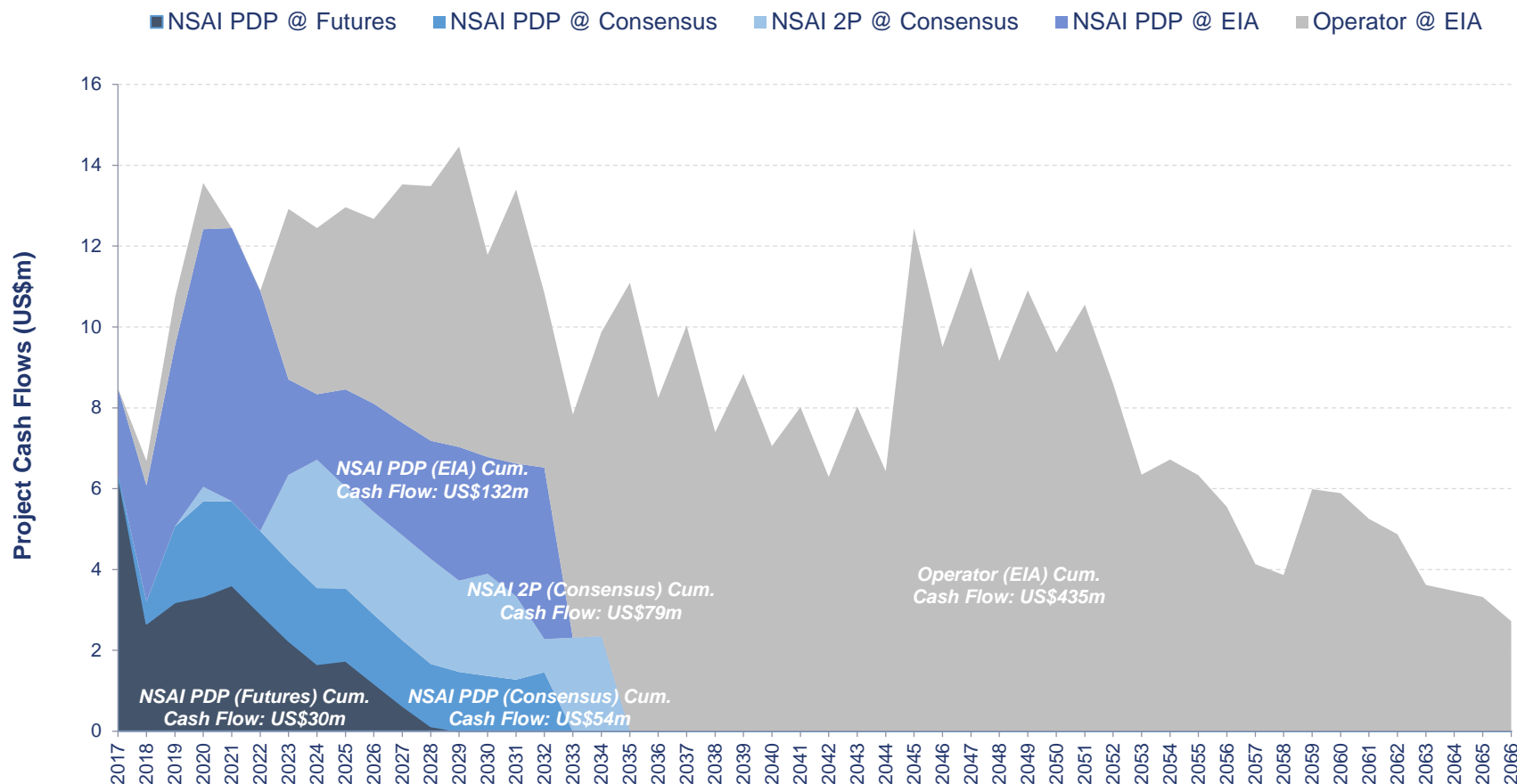




# Madden/Lost Cabin Project Free Cash Flow

Annual Project Cash Flow by Pricing and Production Profile (Net to Elk)<sup>(1,2)</sup>

*Post Royalties, Production Taxes, Opex and Capex.*



(1) Includes bi-product economics and royalty credits

Source: NSAI Reserves Report (March 2017), CoP WI Operator Meeting (Oct 2016), Madden Financial Model (March 2017), Bloomberg (31 March 2017), EIA (Jan 2017), CRU Tampa (FOB, Dec 2016)



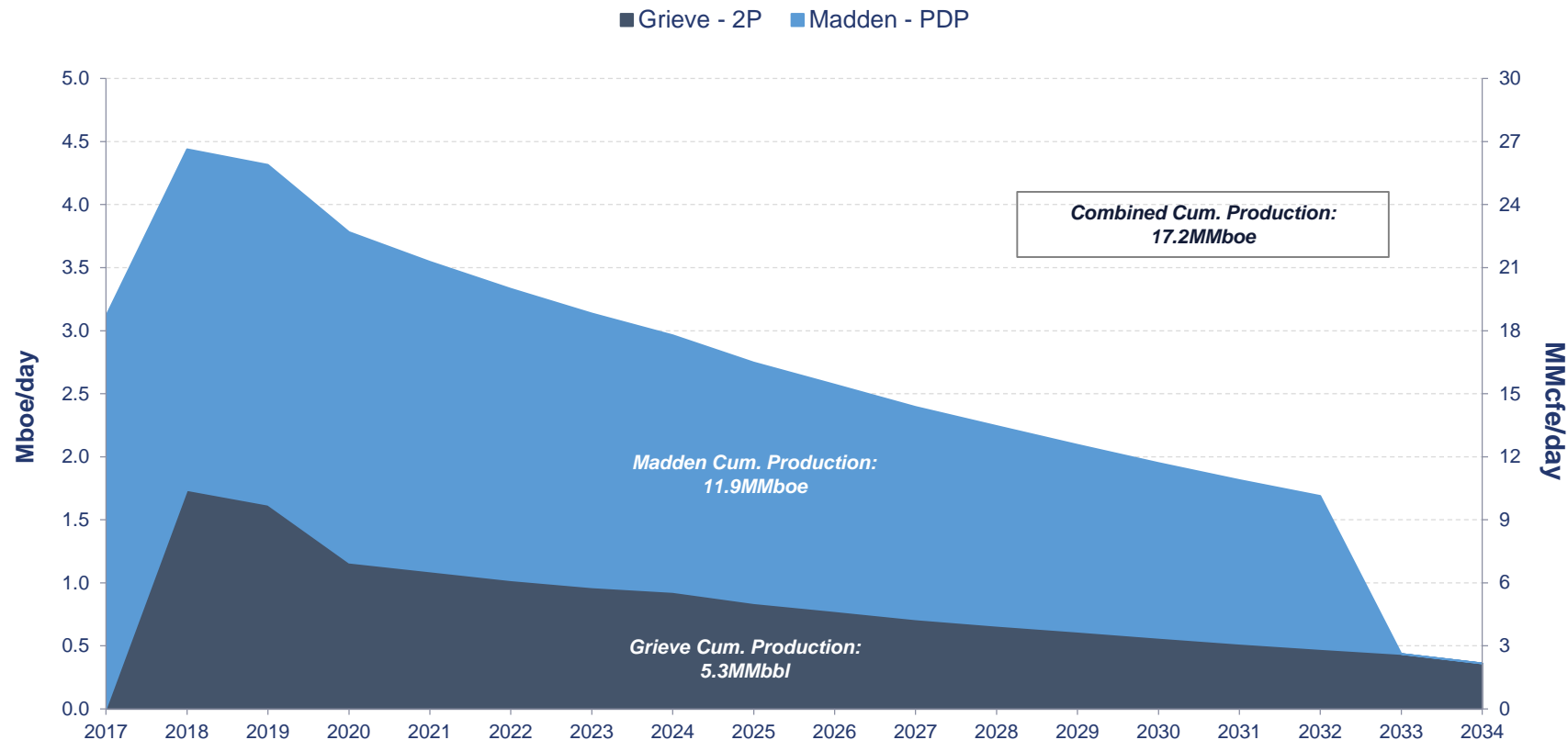
# Elk Consolidated View



# Elk Consolidated Production Rate

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

Post Royalty

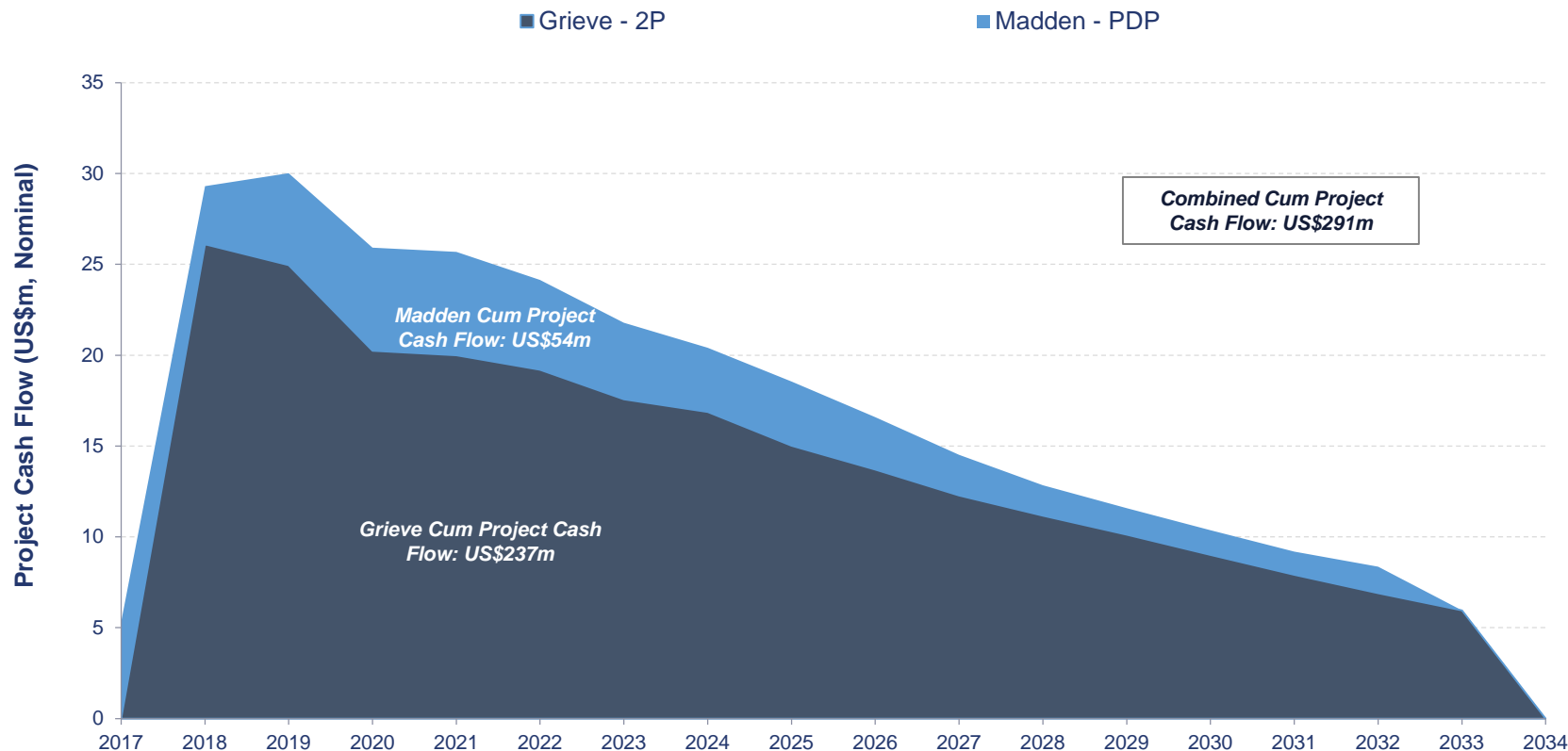




# Elk Consolidated Project Free Cash Flow

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

*Post Royalties, Production Taxes, Opex and Capex*





# 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



# Key Takeaways– Investing in Elk

- Only ASX-listed oil company focussed on enhanced oil recovery (EOR)
- Core projects located in the prolific Northern Rocky Mountain Oil Fairway in USA
- Madden/Lost Cabin delivers:
  - project free cash flow effective 1 January 2017
  - significant growth in long-life, low risk, high quality reserves & production
- Company's flagship Grieve Project is over 80% complete:
  - fully funded from combination of senior debt and new equity capital funding
  - expected first oil production late 2017/early 2018 delivering additional project free cash flow
- Elk is now a CO<sub>2</sub> supplier in its own right from Madden/Lost Cabin ownership interest
- 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)	~20.5 mmboe
Reserve/Production Life ratio <sup>(1)</sup>	~21 years
Development cost (Grieve Only)	US\$7-10/bbl
Operating cost (First 5 years, excluding royalties, including production taxes, real)	US\$10-11/boe
Profit margin (First 5 years, real) <sup>(2,3)</sup>	US\$12-15/boe
Total projected revenues (Project life, post royalties and production taxes) <sup>(2,3)</sup>	US\$451-548m
First 5 years annual project free cash flow (Net to Elk) <sup>(2,3)</sup>	US\$22-30m p.a





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