

ASX Announcement / Media Release

7 November 2017

ELK PETROLEUM CLOSES ANETH OIL FIELD & CO₂ EOR PRODUCTION PROJECT ACQUISITION

- Further to the announcement of 15 September 2017, Elk Petroleum Ltd (ASX: ELK) (“Elk” or the “Company”) has today completed the acquisition of a subsidiary of Resolute Energy Corporation (NYSE: REN) (“Resolute”) which holds the majority ownership in the Greater Aneth Oil Field for US\$160 million (~A\$205 million¹) plus future contingent consideration.
- **Aneth is ranked as one of the Top 100 Oil Fields in the US**
 - Aneth Oil Field is ranked the 86th largest oil field² in the US by proven reserves
 - One of the largest CO₂ EOR projects in the Rocky Mountains
 - A proven long-term producing oil field with a 30-year operating history
 - Cumulative production to date of ~450MMbbls
 - Significant additional recoverable oil of over 300 MMbbls through continued CO₂ EOR development
- **The Aneth acquisition is transformative for Elk – the acquisition delivers:**
 - Majority ownership (~63%) and operatorship of a major Rocky Mountain CO₂ EOR project
 - Significant Reserve and production growth - Adding ~59 mmbbls of 2P oil reserves³ and 6,500 bopd oil production making Elk one of the largest oil producers on ASX
 - Significant Revenue and free cash flow growth - Consolidated EBITDA of US\$50-55 million with cash flow to equity of A\$20-25 million in CY2018
 - Significant organic growth to potential – ability to double production to over 14,000 bopd with ability to control the cost, scope and timing of further developments
 - As operator, Elk is retaining Resolute’s experienced Aneth operating team of over 90, including Denver technical professionals and Aneth field operating team
- **Highly attractive acquisition economics:**
 - Acquisition is at a significant discount to 1P Proved Developed Producing Reserves PV10 value
 - 1P Proved Developed Producing Reserves acquisition multiple of US\$4.70/bbl
 - Production acquisition multiple of approximately US\$27,000 per flowing barrel
 - Significant organic growth potential

¹ FX rate of 1 AUD = 0.78 USD used to convert all USD metrics in this announcement

² U.S. Energy Information Agency report Top 100 Oil & Gas Fields March 2015

³ Based on Elk internal reserves estimate supported by independently audited reserve estimate of VSO Petroleum Consultants

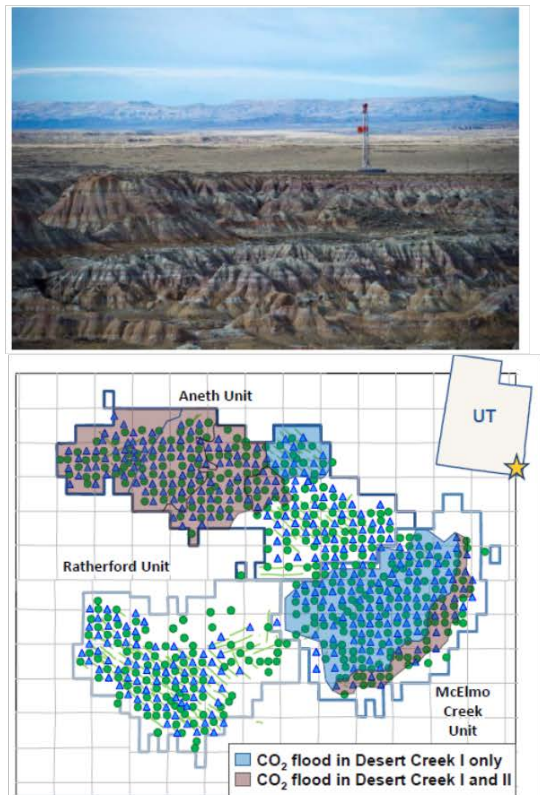
Acquisition of Aneth Oil Field

Elk has now completed the purchase and sale agreement to acquire an entity which holds a ~63% operating working interest in the Aneth Field, one of the largest CO₂ EOR projects in the Rocky Mountains from Resolute. Substantially all the remaining working interest in the Aneth Field, which is located on Navajo Nation lands, is owned by Navajo Nation Oil and Gas Company (“NNOGC”). Elk intends to continue the relationship with NNOGC established by Resolute with respect to the development of the Aneth Field in cooperation with the Navajo Nation.

The acquisition price included an up-front purchase price payment of US\$160 million. The purchase price also includes additional contingent oil price payments⁴ of up to US\$10 million on the first and second anniversary date of the closing of the purchase in each of 2018 and 2019 and a third payment of up to US\$15 million on the third anniversary of the closing of the purchase in 2020 depending on oil price performance.

Greater Aneth Oil Field Overview

- Greater Aneth Oil Field is a world class giant oil field ranked by EIA as the 86th biggest oil field in US
- Elk acquiring 63% WI and operatorship from Resolute Energy for upfront consideration of USD 160 million
- One of 3 biggest CO₂ EOR projects in Rocky Mountains
- Productive partnership with Navajo Nation Oil & Gas Corporation (~37%) JV interest partner
- Long-term CO₂ supply from McElmo Dome CO₂ Field - one of world's largest CO₂ sources
- Potential for new CO₂ supply to be sourced from reservoir discovered deeper within Greater Aneth Field
- Further contingent oil price payments up to USD 35 million



⁴ *First Contingent Oil Payment (Year 1):* For each day that the WTI price is above US\$52.50/bbl during the first 12-month period after the financial close, Elk shall pay Resolute US\$40,000 capped at a max of US\$10m
Second Contingent Oil Payment (Year 2): For each day that the WTI price is above US\$55/bbl during the 12-month period after first anniversary of financial close, Elk shall pay Resolute US\$50,000 capped at a max of US\$10m
Third Contingent Oil Payment (Year 3): For each day that the WTI price is above US\$60/bbl during the 12-month period after the second anniversary of financial close, Elk shall pay Resolute US\$60,000 capped at a max of US\$15m

As previously announced on 15 September 2017, the acquisition has been funded via Elk's recently completed A\$27.5m placement of ordinary shares, with the balance funded by a US\$98m senior term loan from HPS Investment Partners, LLC., Riverstone Credit Partners, L.P. and AB Energy Opportunity Fund, L.P., and US\$65m of proceeds of preferred equity issued by Elk Petroleum Inc. to AB Energy Opportunity Fund, L.P. and other institutional investors. Further, Elk has put in place a \$US20m senior revolving loan facility with Cross First Bank in order to, among other things, provide working capital support for its new Aneth operations.

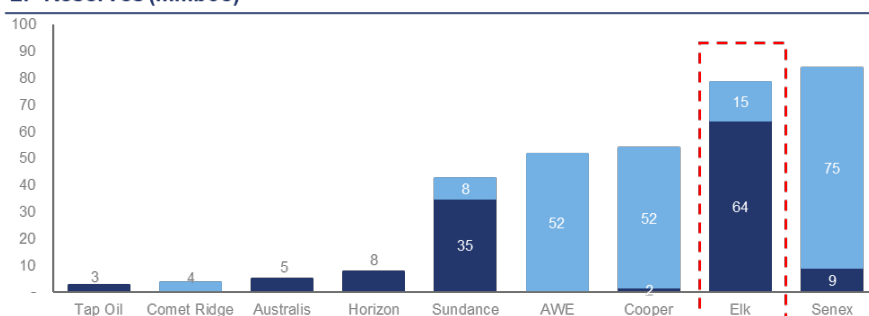
Acquisition Strategic Rationale

- **Transforms Elk into a Major CO₂ EOR Producer and Operator**
 - Transforms Elk into one of the ASX's leading oil companies and operators by reserves, production & cash flow
 - Position as field operator allows Elk greater control over pace and timing of cash flows
 - Aneth brings high-quality, established operating and management team
 - Achieve Elk's growth plan to own and operate CO₂ projects (Grieve and Aneth fields) as well as CO₂ supply (Madden field) in the geographically focused area of US Rockies

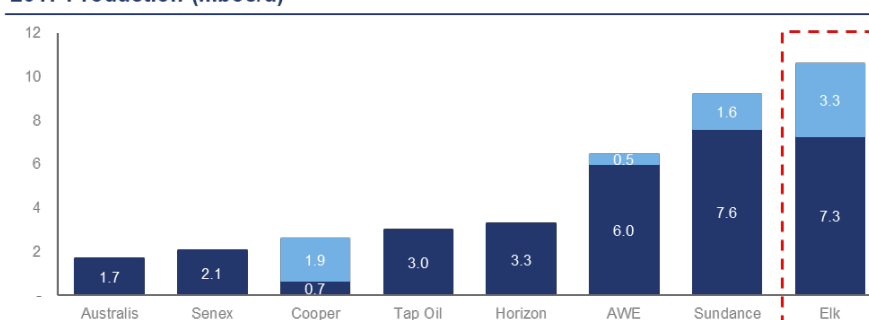
Elk becomes one of the Largest ASX E&P Mid-Caps by Reserves and Production

Not all reserves are created equal!

2P Reserves (mmboe)



2017 Production (mboe/d)¹



(1) Elk production based on 2018 forecast
 (2) Proved reserves only, split of oil and gas based on latest production split

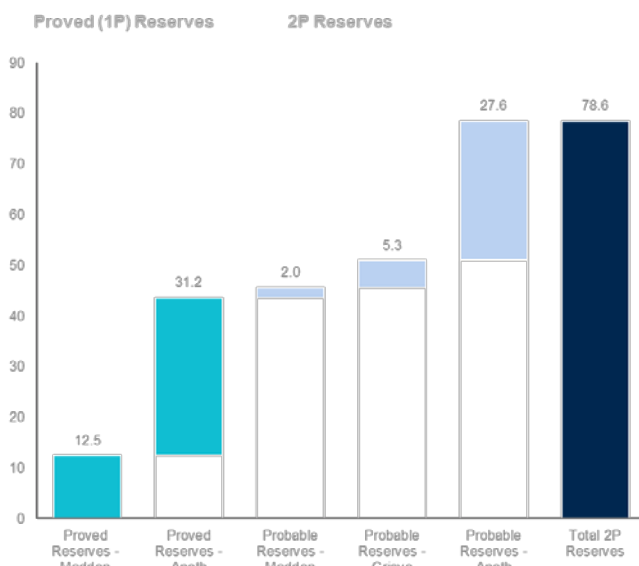
Source: Company Announcements

- **High-Quality Acquisition**

- The Aneth Field has a long history of continuous oil production since the late 1950s with ~450MMbbls cumulative production to date
- Adds ~59MMbbls of 2P oil reserves and 6,500 bopd oil production effective 1 October 2017

Aneth delivers significant Reserves growth

Pro-forma Reserves by Asset (mmboe)

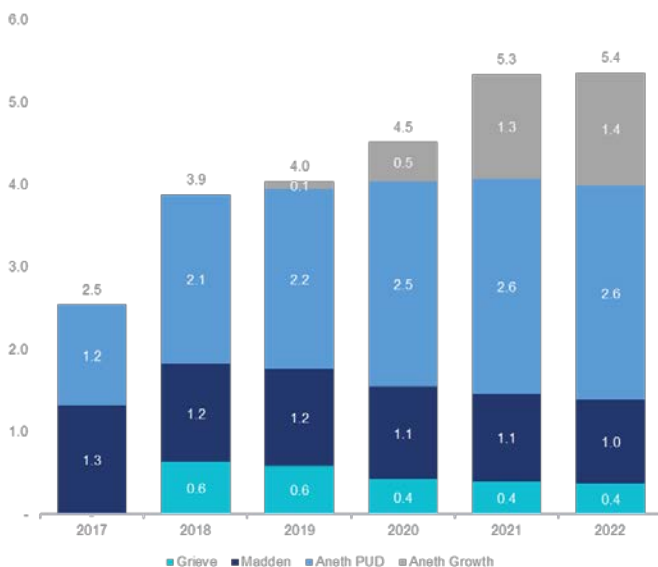


Aneth reserve additions are:

- All high value liquids
- At low cost per bbl
- Largely 1P Proven Developed Producing – “PDP”
- 1P PDP are the lowest risk category of reserves - 90% confidence level
- 1P PDP reserves require no further capital to produce
- Additional low risk, low cost 1P Proven Developed Non-Producing (PDNP) reserves
- Significant 2P reserve growth

Aneth delivers Significant Production Growth

Pro-forma Production by Asset (mmboe)



- Production supported by high quality, low decline assets
- Strong base line production established of ~10,000 BOEPD in 2017
- Growth delivered through expanded Greater Aneth field development
- Production rate increases by 40% from 2017 to over 14,000 BOEPD in 2022
- Incremental production growth is entirely made up of high value liquids

- **Significant Organic Growth Opportunities**
 - Delivers significant internally funded organic growth
 - Development of Aneth has been constrained for the past 2-3 years as Resolute has allocated capital resources to its high-quality Permian acreage
 - Opportunity to double production within 3-5 years significantly funded by internal cash flow
- **Attractive Acquisition Economics**
 - Acquisition is at a significant discount to historical proven reserve and production value
 - Strong cash flows allow for significant deleveraging over the next 2-3 years
 - Consolidated EBITDA of US\$50-55 million in 2018 with sustainable cash flow to equity of A\$20-25 million

Strong Transition Plan to Operatorship in Place and Expanded US Management Team

To facilitate Elk becoming the operator of the Aneth Oil Field, Elk has entered into a transition services agreement (TSA) with Resolute to allow for orderly transition of the asset to Elk including the Aneth field staff. In addition, subject to final arrangements, Mr. James Piccone, currently President and Director of Resolute Energy, will be joining Elk as the CEO of Elk USA. Mr. Piccone was a founding director of Resolute Energy and has been instrumental in the development of the Aneth asset under Resolute's ownership.

Bradley Lingo, Elk Petroleum Managing Director, said:

"The Aneth Oil Field is one of the most significant EOR projects in the US, underpinned by a high-quality and established operating and management team. The field is highly complementary to Elk and represents an attractive opportunity for Elk to transform into one of the ASX's leading oil companies and operators by reserves, production and cash flow."

Elk is excited by the opportunities for its expansion. We have undertaken extensive due diligence, built a strong business case and established a seamless plan for integration, including the adoption of over 90 highly experienced Resolute staff across all areas of Aneth field operation and head office management. We are highly confident that under Elk's management, alongside the Aneth team, the field can continue to go from strength to strength."

Elk was advised on the Acquisition and the funding package by Miro Capital Pty Ltd and EAS Advisors, LLC. acting through Odeon Capital Group, LLC., a member of FINRA/SIPC/MSRB. RBC Capital Markets acted as Global Coordinator and Lead Manager on the completed Placement. Norton Rose Fulbright acted as Australian and US legal advisers to Elk on the transactions.

For further information, please contact:

Investor:

Brad Lingo
Managing Director/CEO
P: +61 2 9093 5400
E: ir@elkpet.com

Alex Hunter
CFO
P: +61 2 9093 5400
E: ir@elkpet.com

ABOUT ELK PETROLEUM

Elk Petroleum Limited (ASX: ELK) is an oil and gas company specializing 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 in this announcement relating to the Aneth Oil Field and CO₂ EOR project, operated by Resolute Energy Corporation, 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., ("VSO") 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 estimates for the Aneth Oil Field and CO₂ EOR project and 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. Both Mr Evans and Mr. Dolan have relied upon and utilized the independent Reserve audits prepared by VSO.

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.

The above independent Reserves and Resources assessments follows the guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS) and the reviews and audits by VSO Petroleum Consultants, Inc ("VSO") were carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines. The VSO independent Reserve audit was prepared on a deterministic basis in accordance with U.S. Securities and Exchange Commission guidelines and standards consistent with existing U.S. oil and gas Reserve auditing and reporting standards and practice.

With respect to the Aneth Oil Field and CO₂ EOR Project estimates of oil Reserves reflected in this release table above, these Reserves estimates are of commercial oil sales quantities net to Elk Petroleum Limited as measured at the main export point from the Aneth Oil Field into a crude oil export pipeline connected to the Aneth Oil Field through which the Aneth Oil Field currently has been selling crude oil production. The economic basis for this evaluation is based on VSO's independent assessment of forward oil prices. The oil prices used by VSO in preparing the Aneth Oil Field Reserve estimates are based on the NYMEX WTI oil prices and are adjusted for energy content, transportation fees and market differentials applicable to the Aneth Oil Field crude oil sales historically and are based on the NYMEX WTI oil prices before adjustment as follows:

NYMEX WTI Oil Prices	
Period Ending	Oil Price (\$/bbl)
12-31-2017	US\$49.30/bbl
12-31-2018	US\$50.70/bbl
12-31-2019	US\$50.80/bbl
12-31-2020	US\$51.00/bbl
Thereafter	US\$51.60/bbl

Operating costs used in the Reserve estimates are based on operating expense records for the Aneth Oil Field provided by the operator of the Aneth Oil Field to Elk Petroleum Limited. These costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels.