

## ASX Announcement / Media Release

9 May 2018

### ELK PETROLEUM COMPLETES A\$13.5 MILLION CAPITAL RAISING

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- A\$13.5 million placement at \$0.073 per share fully supported by existing institutional shareholders
  - Proceeds to fund Aneth Oil Field production growth projects and contingent oil price purchase payments
  - Company will also undertake a share purchase plan to provide eligible shareholders to participate
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Elk Petroleum Ltd (ASX: ELK) (“Elk” or the “Company”) has successfully completed a placement (the “Placement”) to existing institutional, professional and sophisticated investors to raise A\$13.5 million (equivalent to US\$10.2 million at an exchange rate of A\$1.00:US\$0.755).

The Placement will be undertaken at a price of \$0.073 per share (the “Placement Price”) which represents approximately a 5% discount to Elk’s last closing share price on 4 May 2018 of \$0.077\*. As the Placement was arranged directly by the Company, no fees will be paid in connection with the issuance.

The Placement was oversubscribed with strong support from existing institutional shareholders. Significant additional demand from institutional investors which are not on the Elk register at the time of the placement was also received. The Company is also pleased to announce that it will also undertake a share purchase plan (“SPP”) to provide all eligible shareholders to participate in the equity raising at a price equivalent to the Placement.

The funds raised from the Placement and the SPP will be used to provide funding support for development projects in the Aneth Oil Field and to support the Aneth contingent purchase price oil payment as set out below.

#### **Growing Oil Production and Proven Reserves - Aneth Oil Field Development Projects**

The Company has identified a significant range of low risk development projects aimed at significantly increasing production and developed reserves in the Aneth Oil Field. These development projects are aimed at accelerating development projects contemplated at the time of acquiring majority ownership and operation of the Aneth Oil Field in November 2017. Estimated total capital expenditure on these projects net to the Company during CY2018 is approximately US\$16.4 million.

This development program will commence in June 2018 starting with the McElmo Creek Unit DC-IIC well deepening program and the McElmo Creek Unit Compression Expansion project. The total capital expenditure for the well deepening program is approximately US\$4.6 million net to the Company and is expected to add 2.2 mmbbls of 1P PDP Reserves and peak additional production of approximately 1000 BOPD net to the Company. At a US\$60/bbl flat oil price, this project is expected to increase the 1P PDP PV10 of the Aneth Oil Field by approximately US\$35.5 million.

The total capital expenditure for the McElmo Creek Unit Compression Expansion project is approximately US\$10.4 million net to the Company and is expected to add 2.6 mmbbls of 1P PDP Reserves and peak

*\*closing price on Chi-X exchange on Friday 4<sup>th</sup> May 2018*

additional production of approximately 600 BOPD net to the Company. At a US\$60/bbl flat oil price, this project is expected to increase the 1P PDP PV10 of the Aneth Oil Field by approximately US\$21.3 million. At current oil prices, these development projects are expected to materially increase the borrowing base capacity based on the Aneth Oil Field further contributing to the Company successfully delivering the previously announced corporate refinancing.

As outlined in the Corporate Presentation released on the ASX on 23 April 2018, the Aneth development projects are aimed at increasing the 1P Proved Developed Producing Reserves ("1P PDP Reserves") in the Aneth Oil Field by adding approximately 20 mmbbls in 1P PDP Reserves an increase of over 60%. These projects increase Aneth 1P PDP Reserves from approximately 30 mmbbls (as of 31 December 2017) to over 50 mmbbls and are also expected to increase Aneth production net to the Company by over 2,000 BOPD to over 7,500 BOPD by late CY2019 – a 25% increase.

All of these projects are considered low risk Proved Developed Non-Producing or Proved Undeveloped. Implementation of these development are expected to increase the net present value of the Aneth Oil Field by approximately US\$144 million increasing the total present value of the Aneth Oil Field to over US\$400 million based on a US\$60 flat WTI oil price. Funding for the Aneth development projects is expected to be provided through a combination of the proceeds of the equity raise and an increase in funding available under the existing Aneth senior term loan facility. The facility is expected to be increased up to US\$120 million. Completing the equity placement is a condition to increasing this facility. For further details of the Aneth Oil Field development projects see the Company's Investor Update Presentation released on the ASX 23 April 2018.

### **Aneth Purchase Contingent Oil Price Payment**

Proceeds of the Placement will also be set aside as funding for the Aneth Purchase Contingent Oil Price Payment that is currently accruing due to the significant increase in the WTI oil price that has occurred since the Company completed the acquisition of majority ownership and operation of the Aneth Oil Field. At current oil prices, a contingent purchase price payment of US\$10 million is expected to accrue through early November 2018. Through the end of April 2018, this contingent payment has accrued to an amount of US\$5 million. The Company believes that securing funding and advance provisioning for making this contingent payment is a critical path item to completing a successful corporate refinancing of existing Aneth and Grieve term loan facilities and preferred equity issued as part of the funding for the Aneth acquisition. For further details of the Aneth contingent oil price purchase payments see the Company's announcement released on the ASX on 7 November 2017.

### **Details of the Placement**

The new Placement shares will be issued in two tranches:

- The first tranche to raise approximately A\$12.0 million (US\$9.1 million) is unconditional and settlement is expected to occur on Friday, 11 May 2018 with allotment to occur no later than Friday, 18 May 2018 ("Initial Placement"). The first tranche of 164,466,639 of the Placement shares will be issued under the Company's 15% limit in accordance with ASX Listing Rule 7.1.

- The second tranche for the balance of approximately A\$1.5 million is subject to ASX Listing Rule 7.1 shareholder approval that is intended to be considered by shareholders at an Extraordinary General Meeting at a date to be announced, (expected to be held in the last 2 weeks of June 2018).

### **Details of the Share Purchase Plan**

In addition to the Placement, the Company is also providing an opportunity of all eligible share holder to participate in the equity raising through a share purchase plan ("SPP"). Under the SPP, eligible Australian and New Zealand shareholders can subscribe to shares for up to the value of \$15,000. The subscription price under the SPP will be the lower of the Placement Price and the 5-day VWAP ending on the closing date of the SPP.. An SPP Offer Booklet containing further details of the SPP offer, including the indicative timetable, will be sent to eligible Australian and New Zealand shareholders.

### **For further information, please contact:**

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### **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 CO<sub>2</sub> EOR project is based on an independent reviews and audits conducted by Netherland, Sewell & Associates and VSO Petroleum Consultants, Inc. and fairly represents the information and supporting documentation reviewed. These reviews and audits were carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines. The Netherland, Sewell & Associates and VSO independent Reserve audits were 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.

The information in this ASX release or presentation that relates to Reserve estimates for the Aneth Oil Field and CO<sub>2</sub> 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.