elk petroleum

2018 SHAREHOLDER REVIEW

2018 HIGHLIGHTS

690%

Record annual production
reaches 2.64 million barrels of oil equivalent.

EBITDAX hit

US$39 million

off strong Aneth oil production and increased oil price.

Total Proven Reserves hit

40.3 MMBOE

(Net) up over

333%

Annual Sales Revenue reaches

US$94.8 million – up 1,900%

Production growth drives net operating income to

US$50 million

Organisational capability – strong management team backed by over

120 full-time

oil and gas technical professionals and field operations personnel.

Long-life, low-decline production base with over

26 years

of production life.

Strong acreage position –

122,000

acres (gross)/
39,000 acres (net)

"The 2017-2018 financial year has seen Elk acquire new assets, deliver new development programmes and bring new people into the Company."

Deep inventory of high-return, low-risk organic development pipeline – a roadmap to

Total proven Reserves of

100 mmbbls

Highly leveraged to oil price. The projected profit margin of **US$25-US$35/bbl** on oil production at WTI oil price of

US$60/bbl

Successful transition

into an Operator with the acquisition of our Greater Aneth Oil Field asset.

Grieve Project construction and commissioning completed

on time, on budget

WTI oil price hits highest mark since November 2014 to reach over

US$72/bbl

Grieve Project

ramping up with oil production

expected to increase throughout the year.

Elk has an excellent record for

Health and Safety

in its operated assets.

Elk has continued to

increase its community engagement

with its USA assets.

CHAIRMAN'S REVIEW

In the 2017 Shareholder Review, I flagged the impact that the planned acquisition of a majority interest in the Greater Aneth Oil Field and associated CO_2 EOR project would have on the Company. I noted this event would transform the Company. This transformation meets our previous goals of providing profitability, materiality and longevity. This event was completed, and goals met half-way through the 2017-2018 reporting year. The Company is now one of the leading oil producers listed on the ASX.

The highlights of the 2017-2018 financial year are summarised below. The most important performance improvement driver is the completion of the Aneth acquisition and the Company becoming a fully-fledged oil and gas operating company. Aneth is a world-class oil field and provides the growth platform for the Company to pursue increased Proved Reserves and oil production. The consequence is an expected rapid improvement in the Company's balance sheet.

Key outcomes include:

4QFY2018 revenue at a level equivalent to US$137 million on an annualised basis as if Aneth had been owned for the full FY2018 year (versus US$95 million FY2018 actual) provides the financial flexibility to:

- Rearrange oil price hedging arrangements for an improvement of US$9 million in cash flow if WTI NYMEX oil price remains at or above US$60/bbl during CY2019, and
- Accelerate capital developments at Aneth.

30 June 2018 certified Proved (1P) Reserves of 36.8 million net barrels at 31 August 2018 NYMEX strip pricing (37.2 MMbbls net at 30 June 2018 SEC pricing) of oil and condensate and 3.4 million oil-equivalent net barrels at 31 August 2018 NYMEX strip pricing (boe) of sales gas:

- Up 325% versus 2017 on a total boe basis, even after adjustment for intervening production of 2.6 million boe production in FY2018,
- The Proved Reserves to Annual Production (R/P) ratio of ~26 years suggests significant potential to increase production levels from existing Proved Reserves (even without regard to the potential to double Proved Reserves from new projects as described below), and
- Provides a combined asset base to support refinancing of previous multiple debt instruments:
  - for lower debt costs and simplified structure, and
  - we expect to complete this refinancing in under 12 months of acquiring our major Aneth interests.

Internal studies by our expanded technical and operating team have identified additional growth potential and a deep inventory of low-risk development opportunities for development and generating:

- Proved Developed Non-Producing and Proved Undeveloped Reserve-Addition projects that can increase total 1P Reserves by over 60 million boe to 100 million boe:
  - these projects provide an expanded basis for capital development to materially increase both Proved Developed Producing (PDP) and 1P Reserves and oil production.

Smooth transition to role of operator at Aneth:

- We now have a US-based operating team of more than 100 innovative, high performing and focused people.
- Innovation shown in design and application of monobore wells to achieve ~30% capex savings on new wells and well deepenings; this advance provides for accelerated well work at Aneth and for increased 1P Reserves of oil.
- Our long list of high IRR projects will support "longevity" and "profitability".
- We have regulatory and Joint Venture support for accelerated Aneth development plans.

4Q2018 deliverance on our first formal quarterly guidance for Madden and Aneth. Resulting in:

- 4QFY2018 adjusted EBITDAX at a level equivalent to ~US$50 million on an annualised basis and an estimated Enterprise Value (EV) of US$340 million (see case study and EV comparison), and
- A 20% increase in the Company's share price over FY2018.

These performance highlights support the view that the Company is in an excellent position to rebuild its balance sheet over the next 1-3 years to meet our commitment to drive up our share price to recognise the Company's intrinsic enterprise value and potential. This is our primary goal going forward.

Aerial view from Prayer Mountain in the Greater Aneth Oil Field, Utah.

Key steps to accomplish this goal are:

- Re-financing of the Company's debt by mid-November 2018, as announced in the March Quarterly Report,
- Sustained capital development to boost Aneth oil production and PDP reserves; innovations to reduce operating, G&A and development costs at Aneth; financial and technical value optimisation of Joint Venture arrangements and projects of all the Company's assets (Aneth, Madden, Grieve and the Grieve oil pipeline), and the sourcing of additional CO_2 supplies on attractive terms,
- Modification of Grieve CO_2 injection, water injection/disposal and oil production patterns to accelerate Grieve oil production ramp-up over coming months,
- Reductions in the volumes and costs of hedged oil as oil production is increased and debt is reduced on a regular basis, and
- Capturing a greater share of the benefits from higher oil prices.

Such results can only generate increased market interest and demand for the Company's Shares.

In recognition of this outlook and expected future deliverables, the Company is introducing a new incentives plan to motivate and reward its significantly expanded organisation, on which it will heavily rely for focus and performance delivery. They will play key roles in converting the Aneth reserves and resources into growing profitability, materiality and longevity and consequentially into sustained increases in the Company's share price. Overall team performance incentives and personal KPIs will be tagged to metrics that relate to operating, development and refinancing success. KMP and most senior executive performance incentives will be tied directly to the Company's share price. Other staff will benefit from time-based incentives. This plan will be effective from 1 January 2018 for new US employees; a summary is set out in the 2018 Remuneration Report. As part of this proposal, it is planned to terminate or suspend the current Employee Performance Incentive (EPI) Plan after the granting of the 2018 Awards; the current eight EPI Plan Participants will then move to coverage under the proposed new plan from 1 January 2019. Shareholder endorsement will be sought at the 2018 AGM for a number of related remuneration matters.

"Elk's three core operating assets are supported by extensive CO_2 supplies and infrastructure, multiple operating projects and numerous opportunities for development."

In conclusion, 2017-2018 turned our transitional plan into reality. The change required the assumption of significant debt; the restructuring and reduction of this debt is our current focus, followed closely and supported by advancing our Aneth development plans. Our overall goal is to release Aneth's "hidden value" to shareholders via share price improvement as well as provide related benefits to the Company's other stakeholders, including its employees.

On behalf of the Board, I thank all the Company's stakeholders for their support.

Neal Taylor
Chairman and Non-executive Director

MANAGING DIRECTOR'S REPORT

In the 2017 Managing Director's Report, I focused on five key themes – project delivery, production, positive cash flow, positioning for growth and capturing new opportunities. The Company's focus was to deliver sustainable growth in shareholder value by building a fundamentally strong oil and gas production company built upon highly profitable, low-risk long-life reserves and production.

These key themes remain at the heart of the Company's aim to deliver sustained growth in shareholder value and we have made significant progress on each of these fronts. There have been two major achievements over the past financial year – acquiring majority ownership and operatorship in the Greater Aneth Oil Field and completion of the construction and production start-up of the Grieve CO_2 EOR Project. With these two operations, Elk has become one of the only ASX-listed oil producers at the time of a significant growth in oil prices and premium to Australian and international gas prices. To put this in perspective, to achieve the same value as the oil production business Elk has built comparable peers would need to realise sales gas prices of over A$14/GJ.

Aneth – Capturing a New Opportunity and Transforming the Company

The high point of the past financial year was Elk's acquisition of the majority ownership in the Aneth Oil Field and enhanced oil recovery project and becoming the operator of one of the most significant enhanced oil recovery operations in the US Rocky Mountains. Capturing this opportunity through a highly competitive process has been truly transformative for the Company. Elk is now the majority owner and operator of one of the Top 100 oil fields in the United States as rated by the Energy Information Administration. The Aneth Oil Field puts a very firm foundation under the Company's present and its future – with over 10,000 barrels of gross oil production per day under operation and over 67.8 mmbbls of gross 1P reserves at 30 June 2018 SEC pricing – of which two-thirds are proven developed producing. Aneth was truly a unique opportunity for the Company.

Elk – the Operator

Successfully acquiring the Greater Aneth Oil Field has transformed the Company from a minority, non-operated joint interest owner in both the Grieve and Madden projects into a fully-fledged operator of a truly material asset with a US operating team of over 30 professionals in our Denver office and 80 operating personnel in the field. Achieving this goal was by no means an easy task; the Elk team rose to the challenge with single-mindedness, commitment, intensity and the underlying passionate belief that succeeding in capturing Aneth will deliver incredible value for our shareholders.

Aneth – Delivery – in Hard Numbers

What has Aneth delivered so far? Since completing the Aneth acquisition in early November 2017 and taking over operations at the beginning of January 2018, the Company has generated over US$94.8 million in revenues, up nearly 1,900% from US$5 million FYE 2017 and net operating income of over US$50 million and EBITDAX of US$39 million from 2.6 mmboe of production – up nearly seven times from approximately 382,000 boe for the preceding financial year.

Aneth – the Roadmap to 100 mmbbls

Aneth has delivered much more than just these core operational metrics. Aneth is the Company's platform for growth going forward. In June of this year, following successful completion of taking over operation of the Aneth Oil Field, the Company laid out its vision for the growth in production, reserves and cash flow that could be delivered from focused development and expansion of the enhanced oil recovery operations. The plan laid out the roadmap for the Company to achieve over 100 mmbbls of proved developed producing reserves and increased net production of over 14,000 BOEPD from organic growth. Elk is focusing on high-return, low-risk, low-decline rate in-field drilling and water CO_2 flood production expansion projects – all of which are highly profitable at US$60/bbl and below and have an average development cost of approximately US$6/bbl at an operating cost of approximately US$20/bbl.

The organic growth potential from Aneth does not stop with the current development opportunities. Aneth in its current form is quite simply a giant oil field with a proven, but relatively immature, enhanced oil recovery operation. To date Aneth has produced approximately 450 mmbbls gross of oil from the estimated 1.5 billion barrels of original oil in place. Achieving average oil recoveries of approximately 50% of original oil in place means that Aneth represents the opportunity for the Company to capture as the operator of Aneth another 300 mmbbls of gross oil reserves and production, delivering over 180 mmbbls net to Elk. This is the size of the prize captured by the Company and which we are focussed on delivering over the next few years. This is our platform for delivering sustained benefits to shareholders through having a Company built on materiality, profitability and sustainability.

Delivering Grieve

The financial year has also been notable for the Company achieving a long-awaited milestone – the completion of construction of the Grieve CO_2 EOR Project and the commencement of production in April. It has been a long road for everyone involved in Elk to achieve this milestone, but it has been reached. As of writing this review, it is early days for the Grieve Project and as I cautioned shareholders at the November 2015 Annual General Meeting, during the start-up phase everyone should expect the project to produce large quantities of water with small amounts of oil and CO_2.

This is exactly what the project is currently doing with over 14,000 barrels of total fluid production per day with up to 50 barrels of oil production and associated CO_2 of about 5 mmscf/day all coming from free-flowing wells and into the newly completed Grieve Central Processing and CO_2 Recycle Facility. At approximately 3,400 PSI, pressures in the field are well above minimum miscible pressure; with over 44 BCF of CO_2 already injected in the field. With new CO_2 being injected into the field of about 35 mmscf/day plus recycle CO_2 the Company expects oil production to ramp up over the coming months as more water is produced out of the field. Approximately 3,500 barrels of water per day of produced water is now disposed of in a deeper aquafer through a newly completed dedicated water disposal well to allow the injected CO_2 to move out of the field's gas cap and into the oil reservoir zone to begin sweeping commercial quantities of oil into the production wells. Achieving this in the near term is the principal focus of the field operations and once achieved, the Company sees Grieve becoming a material contributor to Elk's proven developed producing reserves, production and operating cash flows.

Continued Focus on Delivering Value for Shareholders

The Company remains focused on delivering shareholder value. Over the last year, the Company's share price has remained essentially flat although tremendous gains have been made in terms of reserves, production, revenues and operating cash flow as well as building the basis for sustained growth in each of these areas through capturing majority ownership and operation of the Aneth Oil Field.

There are a few key points that will help shareholders to fully comprehend the value that Elk has generated over the last year. At the time Elk secured the Aneth Oil Field acquisition in September 2018, the WTI oil price was hovering around US$48/bbl and the independently audited PV10 value of the Aneth Oil Field on a 1P reserve basis was US$172 million. Today with oil prices hovering in the US$72/bbl range the same Aneth 1P reserves are valued at US$596.3 million by Netherland, Sewell & Associates, Inc., the Company's independent reserve auditor based on a US$75/bbl flat oil price. This is a more than two-fold increase in value. At the time of writing this, the net asset value of Aneth alone after accounting for all the Company's outstanding indebtedness whether associated with Aneth, Grieve or Madden exceeds the Company's current market capitalisation. In looking at the value of the Aneth Oil Field through the lens of the past, the story of the Resolute Energy August 2009 IPO during the global financial crisis is a telling one. To help shareholders appreciate this perspective we have provided a snapshot in the Aneth Value Case Study later in this report.

One of the factors cited for the lack of recognition of the value generated by securing majority ownership and operation of the Aneth Oil Field and completing the Grieve Project is the level of debt financing the Company has been carrying. We fully acknowledge this perspective and note that the use of debt to fund the Aneth acquisition and the development of the Grieve Project was the only means available to the Company to take these opportunities ahead and at the same time minimise shareholder dilution. As such the Company has now achieved a level of asset security and the reserve and production levels that will enable the Company to undertake a comprehensive refinancing of this debt.

"Aneth has delivered much more than just core operational metrics. Aneth is the Company's platform for growth going forward."

Elk has several clear objectives that this refinancing is seeking to immediately deliver, including simplification of the capital structure, reduction of the cost of debt capital, reduction in overall mandatory debt amortisation and ultimately delivering greater cash flows to equity and our shareholders. As was announced in March of this year, the Company has a clear plan and timeline for achieving this and expects to be near completing this overall "corporatisation" of the balance sheet by the time of the Annual General Meeting. As the Company continues to move towards this objective we will provide regular updates on our progress.

Once again it is my privilege to be part of the team leading this Company and I look forward to seeing shareholders reap the rewards of the effort the entire team is putting into building a meaningful ASX-listed oil producer and the promise of growth that is at its foundation.

Bradley W. Lingo

Brad Lingo
Managing Director and CEO

RESERVES AND RESOURCES

Project	30 June 2018 Mbbls			30 June 2017 Mbbls			30 June 2016 Mbbls			30 June 2015 Mbbls		
	1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Grieve	–	5,165	6,801	–	5,251	6,900	–	5,251	6,900	–	3,455	4,660
Madden	3,429	11,386	12,806	12,122	14,524	16,494	–	–	–	–	–	–
Aneth	36,873	36,873	42,835	–	–	–	–	–	–	–	–	–
Total Audited Reserves	40,302	52,776	60,158	12,122	19,775	23,394	–	5,251	6,900	–	3,455	4,660
Aneth – Technical PUD	46,600	46,600	46,600	–	–	–	–	–	–	–	–	–
Total	**86,902**	**99,376**	**106,758**	**12,122**	**19,775**	**23,394**	**–**	**5,251**	**6,900**	**–**	**3,455**	**4,660**

Note: Reserves figures are net to Elk, net of all ORRIs or NPLs granted in connection with the Aneth and Grieve team loan financings. Reserves are as of 30 June 2018 and based on the 31 August 2018 NYMEX strip oil price. as independently audited by NSAI for Aneth and Madden and VSO Petroleum Consultants for Grieve. Technical PUD reserves are largely reserves formerly independently classified as PUD but were removed from PUD reserves due to the prior operator not pursuing development of the underlying Aneth projects within a five-year time frame from 2010 to 2015. As part of Elk's internal pro forma assessments, the Reserves associated with these Aneth development projects have been reclassified as Technical PUD Reserves subject to further independent audit by NSAI in a future reserve audit.

Summary of petroleum tenements as at 30 June 2018

Project	Location	Lease Reference	Interest
Grieve Unit Federal	Natrona County, Wyoming	WYW-015813	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015814	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015815	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-016008	49%
Grieve (In and Out) Federal Grieve Unit – Surface Use	Natrona County, Wyoming	WYW-015824	49%
Aneth Unit – Federal	San Juan County, UT	UTU-068927A	62%
McElmo Creek Unit – Federal	San Juan County, UT	UTU-068930A	67.5%
Ratherford Unit – Federal	San Juan County, UT	UTU-068931A	58.6%
Madden Unit (25 leases) – Federal	Natrona County, Wyoming	N/A	9.38% to 12.5%
Madden Unit (67 leases) – Federal	Fremont County, Wyoming	N/A	12.5% to 12.77%
Madden Unit (14 leases) – State	Fremont County, Wyoming	N/A	1.2% to 14.75%

Summary of petroleum tenements disposed of as at 30 June 2018

Project	Location	Lease Reference	Interest
Singleton Unit	Banner County, Nebraska, USA	N/A	100%
South Singleton (OPIS) Unit	Banner County, Nebraska, USA	N/A	100%
Singleton Leases (7)	Banner County, Nebraska, USA	N/A	100%
Nebraska Leases	Banner County, Nebraska	8118	100%
Nebraska Leases	Cheyenne County, Nebraska	8126, 8127	100%
Nebraska Leases	Kimball County, Nebraska	8150, 8151, 8152, 8155, 8157, 8159, 8164, 8165	100%

BASIS OF PREPARATION OF RESERVES AND RESOURCES ESTIMATES

Unless otherwise stated, references in this release to estimates of petroleum reserves and resources modified for production are as at 30 June 2018 and are based on the 31 August 2018 NYMEX strip oil price. Reserves are net to Elk net of any ORRIs or NPIs granted in connection with the Aneth and Grieve team loan financings. Elk confirms that it is not aware of any new information or data that materially affects the information included and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Elk prepares its petroleum reserves and resources estimates in accordance with the Petroleum Resources Management System (PRMS) sponsored by the Society of Petroleum Engineers (SPE). Unless otherwise stated, all references to petroleum reserves and resources quantities in this presentation are Elk's net share. Petroleum reserves and resources are aggregated by arithmetic summation.

The reserve and resource estimates in this release are based on, and fairly represent, information and supporting documentation prepared by, or under the supervision of, Geologist Mr David Evans COO, Elk Petroleum Limited who is a qualified person as defined under ASX Listing Rule 5.11 and has consented in writing to the use of the reserves and resources figures in the form and context in which they appear in this release.

Elk independently carries out reviews and audits of its Reserves and Resources assessments, using Netherland Sewell and Associates Inc. ("NSAI" related to the Madden Gas Field and Aneth Oil Field) and VSO Petroleum Consultants, Inc ("VSO" related to the Grieve CO_2 EOR project), carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines. Both the NSAI and VSO independent reserve audits were prepared on a deterministic basis in accordance with US Securities and Exchange Commission guidelines and standards consistent with existing US oil and gas reserve auditing and reporting standards and practice.

Sales gas is converted to equivalent barrels of oil (boe) using a factor of 6,000 cubic feet per barrel of oil equivalent (boe).

The Reserves and Contingent Resources in this announcement relating to the Madden Gas Field and Aneth Oil Field are based on an independent review and audit conducted by Netherland, Sewell & Associates, Inc. for Elk Petroleum Limited and fairly represent the information and supporting documentation reviewed. The review and audit of NSAI was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr CH Scott Rees III, Chairman and CEO and Mr Derek F Newton, a Director of Netherland, Sewell & Associates, Inc., (NSAI), an independent petroleum advisory firm.

Mr Rees has a BS in Mechanical Engineering, University of Florida, 1981. He has been with NSAI since 1988 and was made Chairman and CEO in 2008. Prior to NSAI, Mr Rees was a Supervising Reservoir Engineer with Exxon Company, USA He has been involved in hundreds of projects both domestically and around the world, including Latin America, Mexico, Australia and West Africa. His areas of specific expertise include coalbed methane property evaluations, probabilistic analysis, and interpretation/application of industry reserves definitions and guidelines. Mr Rees meets the requirements of a 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.

Mr Newton is a Licensed Professional Engineer in the State of Texas, United States of America; and has more than 30 years of experience in petroleum engineering studies and evaluations. Mr Newton attended Strathclyde University in Scotland, and graduated in 1986 with a Masters of Science Degree in Petroleum Engineering. Mr Newton also attended University College in Cardiff, Wales and graduated in 1983 with a Bachelor of Science Degree in Mechanical Engineering. Mr Newton meets the requirements of a 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 Reserves and Contingent Resources in this announcement relating to the Grieve CO_2 EOR project, operated by Denbury Resources, are based on an independent review and audit conducted by VSO Petroleum Consultants, Inc. and fairly represent 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.

PROJECT OVERVIEW

2

The Madden/Lost Cabin Gas Plant continues to be a dependable asset with positive returns for shareholders.

The Sulphur produced at the Madden/Lost Cabin Gas Plant is transported by rail to supply the fertiliser market in Tampa, Florida with the remainder transported to a local fertiliser plant located in south-western Wyoming.

Trains 2 and 3 are running at their design capacity of 230 MMcf/day inlet and 150 MMcf/day sales.

Madden Gas Field and Lost Cabin Gas Plant

3

The Grieve Oil Field Project construction and commissioning is completed – on time, on budget. The pipeline extends from the Grieve CO_2 EOR Project to a receiving station located at the Spectra Energy oil storage facility in Casper, Wyoming; our point of oil sale.

Grieve Oil Field and Grieve Pipeline

Greater Aneth Oil Field

1

The Greater Aneth Oil Field covers over 48,000 acres (19,500 ha) and is also one of the three largest CO_2 EOR projects in the US Rocky Mountains. Greater Aneth is located in the southern Rocky Mountains in south-eastern Utah near the Colorado and New Mexico borders in an area known as the Four Corners Region.

This is Elk Country. The map below shows the range of Elk assets; we have expanded into the "Four Corners" area of the US with the addition of the Greater Aneth Oil Field.

Greater Aneth Oil Field

Elk is now the majority owner and operator of the Greater Aneth Oil Field; one of the Top 100 oil fields in the United States as rated by the Energy Information Administration.

Madden Gas Field and Lost Cabin Gas Plant

Elk owns 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 are 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.

Grieve Oil Field and Grieve Pipeline

The Grieve Oil Field Project is ramping up with oil production expected to increase throughout the year. The Grieve Oil Pipeline is 100% owned and operated by Elk with the pipeline ready to receive oil from the Grieve project.

Aerial view of the Aneth Gas Plant in the Greater Aneth Oil Field, Utah.

PROJECT OVERVIEW

THE GREATER ANETH OIL FIELD

Elk 63% and Operator, Navajo Nation Oil and Gas Company 37%
Elk Net 1P Reserves at 30 June 2018 = 36.7 mmboe; 3P Reserves = 42.8 mmboe

1

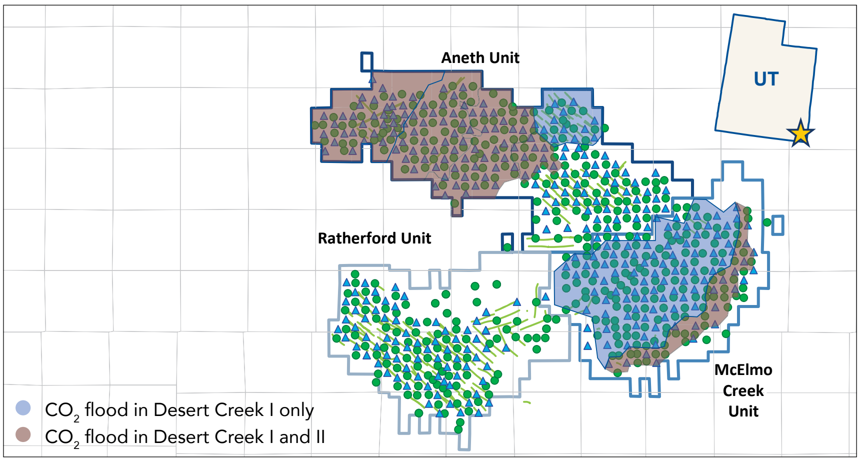
During the third quarter FY2018, the Aneth asset saw operations run in

excess of 95% efficiency

with the corresponding year to date gross production running at approximately 300 BOEPD ahead of forecast for the Greater Aneth Oil Field.

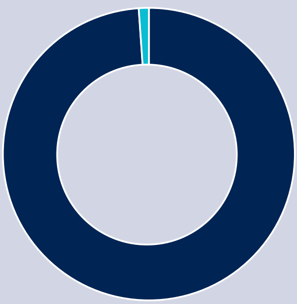
The complete well deepening programme is expected to add **2.2 MMbbls** of 1P PDP Reserves and peak additional production of approximately 1000 BOPD net to the Company.

Aneth Oil Field was discovered in 1956; previous operators include Exxon and Chevron.



PROVED RESERVES – BY HYDROCARBON

- 99.0% Oil
- 1.0% NGL



PROVED RESERVES – BY CATEGORY

- 63.1% PDP
- 7.3% PDNP
- 29.5% PUD

* Reserves and production figures net to Elk. PDP and Total 1P Reserves are as of 30 June 2018 as independently audited by NSAI. PDP PV10 as calculated by NSAI as of 30 June 2018 at 31 August 2018 NYMEX strip pricing.

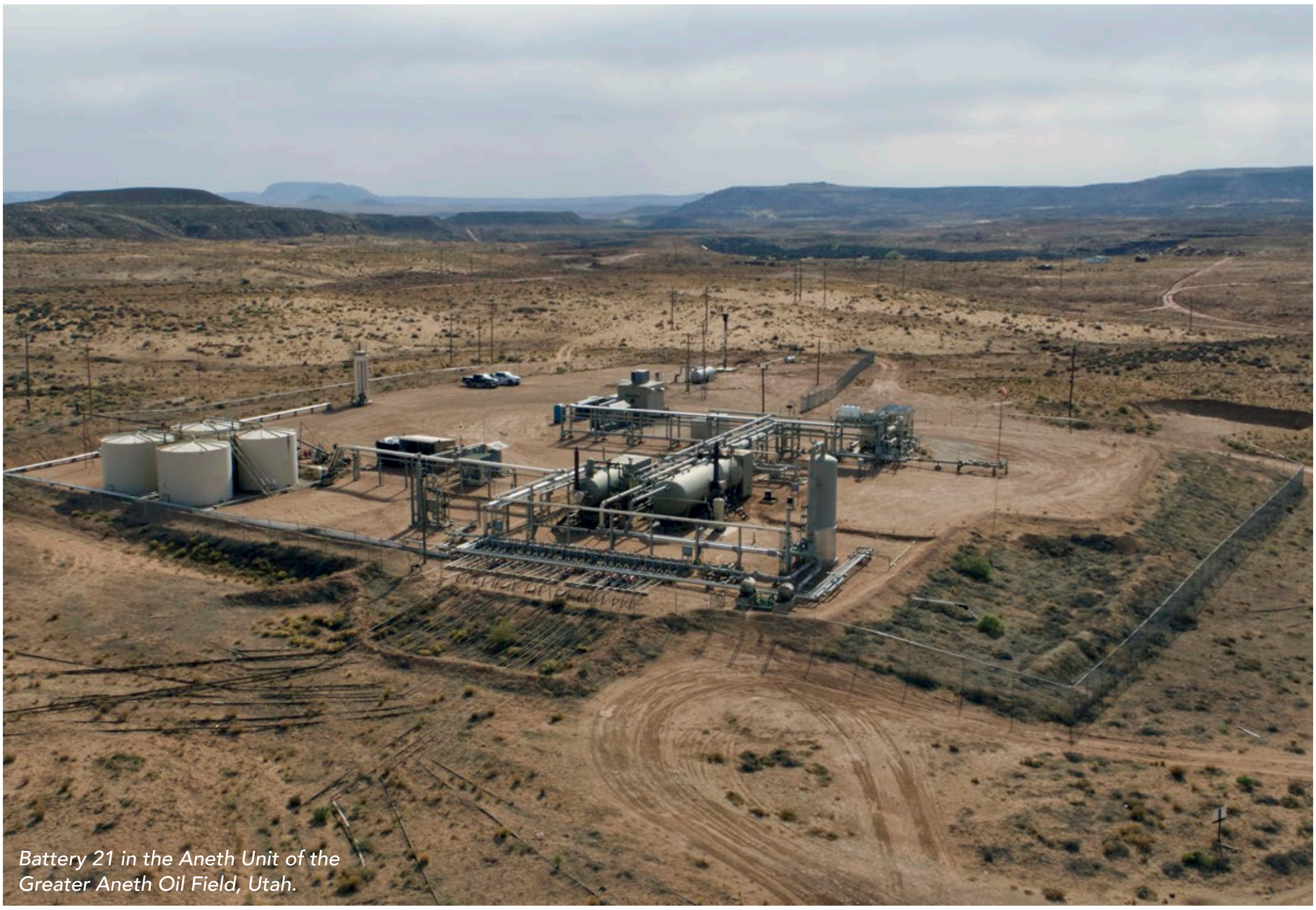
THE GREATER ANETH OIL FIELD

On 15 September 2017, Elk (the "Company") announced that it had entered into a purchase and sale agreement with Resolute Energy Corporation (NYSE: REN) to acquire a ~63% operating working interest in the Greater Aneth Oil Field ("Aneth"), the 86th-largest oil field in the United States by proven reserves as ranked by the US Energy Information Administration. Located in south-eastern Utah it is one of the largest CO_2 EOR projects in the Rocky Mountains. 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 has a positive and cooperative working relationship with NNOGC and the Navajo Nation concerning the development of the Aneth Field.

The acquisition price included an up-front purchase price payment of US$160 million. The purchase price also contained additional contingent oil price payments of up to US$10 million on the first and second anniversary dates 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. Financial close of the acquisition was achieved on 6 November 2017, with Elk assuming full day-to-day Operatorship on 1 January 2018.

The Greater Aneth Oil Field was discovered in 1956 and is the largest oil field in the Paradox Basin and produces oil and small amounts of gas from carbonate reservoir rocks in an extensive stratigraphic trap from the Desert Creek zone of the Pennsylvanian (Carboniferous) Paradox Formation. To date the Greater Aneth Oil Field has produced over 448 million barrels of oil of the estimated 1.5 billion bbls of original oil in place ("OOIP") (Utah Division of Oil, Gas and Mining, 2017). The Aneth Field comprises three contiguous operating units: the Aneth Unit, the McElmo Creek Unit and the Ratherford Unit. Collectively these three operating units are known as the Greater Aneth Oil Field. The large amount of remaining oil in the Greater Aneth Oil Field and the demonstrated success of EOR by CO_2 flooding to date gave Elk the confidence (technical and commercial) to take over operatorship and implement additional cost-effective production optimisation programmes. These optimisation programmes will create shareholder returns for many years into the future. The oil produced from the Aneth Field is exported via the Running Horse Oil Pipeline to Western Refining's Gallup, New Mexico refinery. The CO_2 for the Aneth Field EOR programmes is supplied to the Greater Aneth Oil Field by Kinder Morgan under a long-term contract from the McElmo Dome CO_2 Field located in south-western Colorado via a 28-mile 8-inch pipeline which is owned and operated by the Greater Aneth Joint Venture.

The Greater Aneth Field has a long history of continuous oil production since the late 1950s with 448 MMbbls cumulative production to date and added ~59 MMbbls of 2P oil reserves and 6,500 bopd oil production effective 1 October 2017 net to ELK. Elk has the opportunity to double production within 3-5 years significantly funded by internal cash flow. The acquisition of the Aneth asset by Elk is at a significant discount to historical proven reserve and production values.



Battery 21 in the Aneth Unit of the Greater Aneth Oil Field, Utah.

The Aneth acquisition has transformed Elk into a major CO_2 EOR Producer and Operator, propelling Elk into one of the ASX's leading oil companies and operators by reserves, production and cash flow. The Elk team has increased its full-time employee numbers with the addition of the Greater Aneth Oil Field operating and management group.

During the third quarter FY2018, the Aneth asset saw operations run in excess of 95% efficiency with the corresponding year to date gross production running at approximately 300 BOEPD ahead of forecast for the Greater Aneth Oil Field. This quarter was also one in which, as the new Aneth operator, we worked hard in engaging and enhancing our relations with our key stakeholders – the Bureau of Land Management ("BLM"), the Navajo Nation Environmental Protection Agency ("NNEPA") and our joint venture partner, Navajo Nation Oil and Gas Company. Our proactive approach with these stakeholders was pivotal in the approval of a significant set of new field development activities. The BLM and NNEPA approved a series of field development projects and well repair and drilling solutions not previously implemented within BLM leases. These field development solutions were proven to significantly reduce well drilling and workover costs at the same time as improving overall well integrity and operability, thus significantly reducing overall well capital and operating costs. These projects are targeting increased Aneth oil production to over 7,500 BOPD net to the Company over the next 15 months – a 30% increase.

The Company commenced these new field development activities at the start of June 2018 with the beginning of the well-deepening project in the McElmo Creek Unit of Aneth. The project involves the deepening of wells in the Desert Creek II zone in a central part of the McElmo Creek Unit ("MCU") where an historic waterflood programme in that zone was discontinued. Along with the deepening of wells for production, additional wells that were originally drilled to the Desert Creek II zone will be recompleted, or in some cases side-tracked as injectors. The Desert Creek II zone lies only 45 metres (150 feet) below the producing Desert Creek I zone; deepening or reopening wells into this zone is a straightforward and positive economic process. The former operator had started a similar programme in the same area of MCU with great success. The overall programme involves the deepening of 28 production wells and the reopening of 15 water injection wells within the central part of MCU. By early July, seven producer deepenings and the reopening of four water injection wells had been completed. Each well deepening was expected to take approximately seven days to complete, however we were able to undertake these activities in 3-4 days. This programme will continue through CY2018 and be completed by 3rd quarter CY2019. The net cost to the Company of each well operation averages approximately US$415,000 with a lease operating expense of US$1.41 per barrel. Each well deepening will have a payback of approximately 75 days. The total capital expenditure for the CY2018 programme is approximately US$4.6 million net to the Company.

The complete well deepening programme is expected to add 2.2 MMbbls of 1P PDP Reserves and peak additional production of approximately 1,000 BOPD net to the Company. The economics of the well deepening project are both highly attractive and accretive. At current oil prices the IRR on each well in the project is more than 100%. Following waterflood operations (secondary recovery), these deepened wells will be converted into CO_2 EOR production (tertiary recovery) wells. The economics do not include the additional oil production these wells will recover when they are converted to CO_2 flood production.

In conjunction with the new field development activities on 13 June 2018, the Company secured an increase to the Aneth Term Loan Facility from its existing lenders increasing the total facility amount to US$122 million from the original US$98 million. This loan increase will be used to fund projects in the Aneth Stage 1 Field Development Programme. The Company's Stage 1 Aneth Development programme is aimed at delivering a significant increase in the 1P Proved Developed Producing Reserves of the Aneth Field over a 24-month period from approximately 36.7 MMbbls (as of 30 June 2018) to over 53 MMbbls – an increase of nearly 45% – and is expected to increase production net to the Company by 2,000 BOPD to over 7,500 BOPD by late CY2019. The Company considers each of these projects as low risk Proved Developed Non-Producing or Proved Undeveloped. Implementation of these developments are expected to increase the net present value of the Aneth Oil Field by approximately US$120 million; increasing the total present value of the Greater Aneth Oil Field by US$180 million to over US$400 million based on a US$70 flat WTI oil price and after the impact of Aneth oil price hedging currently in place.

Ratherford Mud Plant in the Ratherford Unit of the Greater Aneth Oil Field, Utah

"The Greater Aneth Oil Field was discovered in 1956 and is the largest oil field in the Paradox Basin."

PROJECT OVERVIEW

MADDEN GAS FIELD AND LOST CABIN PLANT

Elk 14% and ConocoPhillips operator 46%
Elk Net 1P Reserves = 3.4 mmboe; 3P Reserves = 12.8 mmboe

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The Madden/Lost Cabin Gas Plant continues to be a dependable asset with **positive returns for shareholders**.

The Sulphur produced at the Madden/Lost Cabin Gas Plant is **transported by rail** to supply the fertiliser market in Tampa, Florida with the remainder transported to a local fertiliser plant located in south-western Wyoming.

Trains 2 and 3 are running at their design capacity of **230 MMcf/day** inlet and 150 MMcf/day sales.

It's been a positive year for the Madden/Lost Cabin asset as it continues to deliver free cash flow and significant long-life, low-risk, high quality reserves and production from all three of our product sales streams, Natural Gas, Sulphur and CO_2. Following our acquisition of 14% of the field and facilities in CY2017, Elk has continued to strengthen its interactive relationship with operator ConocoPhillips. The beginning of FY2018 was marked by an increase in execution of approved Capital Projects, with a strong focus on an integrated approach to implementing operating cost reduction projects and scheduled processing plant turnarounds (TARs). The operator's strategy is to have a scheduled major TAR for each train every two years, with a small maintenance outage every other year. TARs are primarily driven by plant cleaning requirements, repairs and modifications with the goal always being to minimise duration and cost without compromising reliability.

During September as budgeted and planned the Train 1 gas processing plant was retired, having met its operationally economic end of life. At the same time a coordinated planned maintenance outage TAR of Train 2 was undertaken. This allowed the operator to decouple critical systems from Train 1 including the gas inlet and produced water and steam; and condensate systems from Train 2. All equipment in good condition salvaged from Train 1 has been refurbished and stored on-site for future use in Train 2 which will further help in minimising long-term costs.

Because of the Train 1 retirement a number of safety, operational and expense improvements were immediately recognised by Train 2. These included the improved inlet circulation area around Train 2 by utilising the Train 1 Inconel (an exotic heat and corrosive gas resistant alloy) aerial bays; and re-utilising the Train 1 inlet separator to improve water separation and inlet circulation water quality; and taking the opportunity of mothballing the Train 1 cooling water filter to have a redundant spare. The final costs for these safely executed major works were completed within approved AFE value. With the Train 1 retirement, Trains 2 and 3 are now running at their design capacity of 230 MMcf/day inlet and 150 MMcf/day sales. An additional 90 MMcf/day sweet gas processing capacity is available on the Madden Shallow Gas Field. The Lost Cabin Gas Plant is also the second-largest CO_2 supplier for EOR in the Northern Rockies and is the starting point for Denbury's Greencore CO_2 Receiving Facility and Pipeline which, after a two-year hiatus in October 2018 reinitiated CO_2 (our full production stream) sales, supplying CO_2 to Denbury's Wyoming and Montana CO_2 EOR projects. Elk is now a CO_2 supplier. Also, in the second quarter Sulphur prices increased eradicating the losses incurred during CY2017. Most of our Sulphur is transported by rail to supply the fertiliser market in Tampa, Florida with the remainder transported to a local fertiliser plant located in south-western Wyoming. In the final quarter of FY2018 a Train 3 TAR was safely completed over a six-day period.

Scheduled works in the Madden Shallow Gas Field during the year focused on the Joint Venture's ongoing commitment to the completion of planned economic uplift projects across the shallow wells to maintain production. These include minor well intervention projects to reduce frictional pressure losses in the wellbore by installing larger diameter tubing, undertaking water/acid wash well stimulations to mitigate scaling and continuing capillary string well programmes to mitigate against water loading in several candidate gas wells. The Joint Venture also completed the scheduled abandonment of four long-term inactive shallow gas wells.

A pilot project to uplift the economic threshold of a well was completed during the year on the Maddison Deep Unit Well #8 by introducing rod pump artificial lift. As a result, the well transitioned from loading up with water to producing over 1 MMcf/day and 250+ BWPD for a gross cost of US$550,000 and adding 4 BCF Gross Reserves at $0.14/mcf, a strongly positive rate of return on investment. Based on this technical and commercial success additional wells have been identified for recompletion with artificial lift during FY2019.

PROJECT OVERVIEW

GRIEVE OIL FIELD AND GRIEVE PIPELINE

Grieve Oil Field (Elk 49% and Denbury 51% Operator) and Grieve Pipeline (Elk 100%)
Elk Net 2P Reserves at 30 June 2018 = 4.5 mmboe

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The first two quarters of FY2017-2018 were an extremely busy and productive period on the Grieve Field both above ground and in the subsurface. The piping, underground electrical and mechanical installation contractors mobilised at the site in mid-July to begin the plant and equipment hook-up process under the Fixed Price Turnkey EPC contract with Denbury. There were no schedule or execution delays associated with contractor and supply chain issues. In the subsurface the field achieved reservoir re-pressurisation. Bottom Hole Pressure surveys indicated that Grieve Field had reached 3,189 psi – the precursor required to commence oil production start-up. The field development plan is targeting maintaining a field bottom hole pressure of 3,000 psi. During the first quarter FY2018 a new oil production well, Grieve-55, was successfully drilled and completed in the southernmost end of the field to optimise oil production from a poorly swept area of the field. In tandem a well work-over and recompletion program of the remaining seven wells in place was initiated to bring them up to specification, with a second work-over rig being added in August 2018. This well work-over campaign was completed in the second quarter 2018, giving the Joint Venture optimum well production flexibility as the field is brought online and well clean-up flows undertaken. The field redevelopment cost is part of the fixed price turnkey project agreement between Denbury and Elk. The Grieve CO_2 EOR Project includes 24 active wells, 10 oil production wells, 10 CO_2 or water injection wells, three dual purpose wells, two injector, one production well and one water source well.

The offsite above ground fabrication activities were completed with final delivery of minor pipe works in October 2017. By the end of the second quarter on-site construction and installation of major process equipment was 100% complete. The mechanical works and buildings were finished early in the third quarter. The erection of insulated buildings around facilities made them weather-tight allowing instrument and electronics engineers to comfortably complete and commission their works early in February 2018. After a four-week commissioning phase, on 17 April 2018 Elk announced the start-up of operations at the Grieve CO_2 EOR facilities. The construction and commissioning of the Grieve CO_2 EOR Production Facilities was completed by our JV partner Denbury Resources Inc. within scope and budget under a fixed price turnkey construction contract. Denbury has advised that the production operations at Grieve are in keeping with the field start-up operations it established for its Bell Creek CO_2 EOR Field on the Wyoming-Montana border which is also a Muddy Sandstone Reservoir CO_2 EOR project. The subsequent operations have focused on two key activities: (1) a systematic clean-up of all production and injection wells across the field starting with an initial focus on testing the down dip wells and field production flow lines before moving to up dip well locations; and (2) reinstatement of CO_2 injection across the field. The production clean-up of wells has established that the field can produce fluid and gas at high rates. Production clean-up operations consisted principally of water, associated gas (CO_2) and some oil. With a focus on production well clean-up across the field, stabilised oil production rates for the project had not been established by the end of the final quarter. Following year-end Denbury is focused on establishing stabilised oil production rates and oil production has commenced with oil now being recovered from the Central Processing Plant production separators and transferred to the oil sales storage tanks for transfer to the Grieve Pipeline. Elk advised at each of the AGMs in November 2015, 2016 and 2017 that during start-up operations initial production is expected to be mainly water. The Company remains confident that the focus shifting from well clean-up operations to production activities will see oil production ramp up.

Elk through its subsidiary Elk Grieve Oil Pipeline, LLC owns and operates 100% of the 32-mile-long, eight-inch diameter steel export oil pipeline that extends from the Grieve CO_2 EOR project to a receiving station at the Enbridge oil storage facility in Casper, Wyoming, our point of oil sale. Denbury has 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.

In the first quarter the pipeline integrity was confirmed with its passing of a hydrostatic pressure test. As part of the pipeline's corrosion protection programme Elk also completed a new pipe-to-soil survey to determine the level of cathodic protection over the pipeline. At the end of first quarter the Grieve Pipeline refurbishment was deemed complete. During the September quarter fabrication was completed on the pig launcher, pig receiver and control skid assemblies for the pipeline. These were installed and connected along with automation and control calibrations at both ends of the 32-mile pipeline, the Grieve Field and Enbridge oil storage facility, at the end of the March quarter. Enbridge then performed the physical interconnection, hydro-testing, and linking automation and controls into its own facilities in early April in preparation for first oil. After year-end the Grieve pipeline began receiving oil from the Grieve Oil Field. Upon completion of filling the Grieve Crude Oil Pipeline (10,950 barrels), all Grieve Field oil production will be shipped via our pipeline and oil sales will commence via Enbridge Inc.'s Express System Crude Oil Terminal and the Platte Crude Oil Pipeline facilities at Casper, Wyoming. Initial crude oil production will be sold to the Sinclair Crude Oil Refinery at Casper, Wyoming. Under the restructured JV agreements negotiated in 2016 with Denbury, Elk will receive 75% of the operating profit from the first million barrels and 65% from the second million barrels produced.

"The Grieve Project construction and commissioning is completed – on time, on budget with the Grieve Project ramping up with oil production expected to increase throughout the year."

The view from overhead of the completed Grieve Project facilities outside of Casper, Wyoming.

CASE STUDY

Aneth Value Case Study – Resolute 2009 IPO

A strong analogy for the value of the Aneth Oil Field to Elk can be seen by looking at the history of Resolute Energy's acquisition of the Aneth Oil Field from Chevron and Exxon in the early 2000s and Resolute's ultimate IPO in late 2009 based on its consolidated majority ownership and operation of the Greater Aneth Oil Field.

Resolute Energy was a new private company start-up founded in 2004 focused on the acquisition of mature, non-core oil weighted production assets with private equity funding from Natural Gas Partners. Resolute's foundation property was the acquisition of Chevron's majority working interest and operatorship of the Aneth Unit of the Greater Aneth Oil Field for roughly US$120 million. Resolute quickly began building the company around the operation of the Aneth Unit and expansion of the initial CO_2 EOR pilot project commenced by Texaco in 1999. Resolute continued to build its business around the Greater Aneth Oil Field and for the first time consolidated majority ownership and operations of the Greater Aneth Oil Field under a single operator with the acquisition in 2006 of majority ownership and operation of the McElmo Creek and Ratherford operating units from Exxon for approximately US$350 million. Soon thereafter Resolute began construction of a CO_2 injection project in the Aneth Unit, following successful CO_2 floods in the McElmo Creek Unit by Mobil and a pilot flood in the Aneth Unit commenced in the late 1990s by Texaco.

In July 2009, with the onset of the global financial crisis, Resolute moved to secure additional capital to continue to grow its business focused on the continued development of the CO_2 EOR operations across the Greater Aneth Oil Field through pursuing an IPO. By August 2009, Resolute had successfully negotiated a going-public arrangement through merging into an already NYSE-listed special purpose acquisition company whose only asset was over US$500 million in cash. At the time of the IPO, Resolute's two principal assets were the Greater Aneth Oil Field and majority ownership and operatorship of the Highlight Oil Field in the Powder River Basin in Wyoming – a mature oil and gas field and prospective future CO_2 EOR development asset in the Muddy Sandstone reservoir – producing minor amounts of oil and gas from shallow CBM reservoirs. Resolute's SEC filings at the time show that the Greater Aneth Oil Field accounted for 93% of Resolute's Proven Reserves and 73% of 2009 annual production. Resolute's successful IPO/merger generated approximately US$335 million in new equity for the company.

The SEC IPO filings also provide a detailed valuation of these assets both on a market comparable and discounted cash flow basis. On a market comparable basis, Resolute – and essentially on a look-through basis the Aneth Oil Field operation – was valued at US$757 to US$905 million enterprise value on a market comparable basis and US$595 to US$705 million enterprise value on a discounted cash flow basis.

When looking at the make-up of the Resolute business at the time of the 2009 IPO, the similarity to Elk's business today is striking with the mix of Aneth, Madden and Grieve having almost the same geographic footprint, reserve make-up and oil and gas production splits. On a like-for-like basis given the almost identical business mix between Resolute in 2009 and Elk, today this detailed comparison results in an Implied Equity Valuation net of outstanding debt of between US$219 to US$538 million. The table below highlights this even more so given that the Proven reserves, production levels, oil and gas split of production and more importantly the oil price today are virtually the same as the time of Resolute's 2009 IPO.

Production and Sales	Resolute 2009	Elk 2HY2018 Annualised
Production		
Oil (Mbbl)	1,987	1,969
Gas and NGL (Mmcfe)	4,348	7,064
Combine volumes	2,714	3,146
Daily Combined volumes (Boe per day)	7,424	8,620
Average Realised Prices (excluding derivative settlements)		
Oil (US$/bbl)	55.88	58.22
Gas and NGL (US$/Mcfe)	4.14	2.17
Average Realised Prices (including derivative settlements)		
Oil (US$/bbl)	57.47	44.04
Gas and NGL (US$/Mcfe)	5.87	2.17
Average Production Costs (US$/Boe)		
Lease operating expense	18.67	17.42
Production and ad valorem taxes	6.96	4.25

Reserves (MMBBLs)	Resolute 2009 10K AR	Elk NSAI June 18
Total Reserves		
Proved Reserves Oil weighting	77%	59%
PDP	22.3	26.5
PDNP	12.6	2.7
PUD	29.5	10.8
Technical PUD	0	46.6
Total Proved	64.4	86.6
Aneth Only Reserves		
PDP	19.6	23.3
PDNP	10.6	2.7
PUD	29.5	10.8
Technical PUD	0	46.6
Total Proved	59.7	83.4

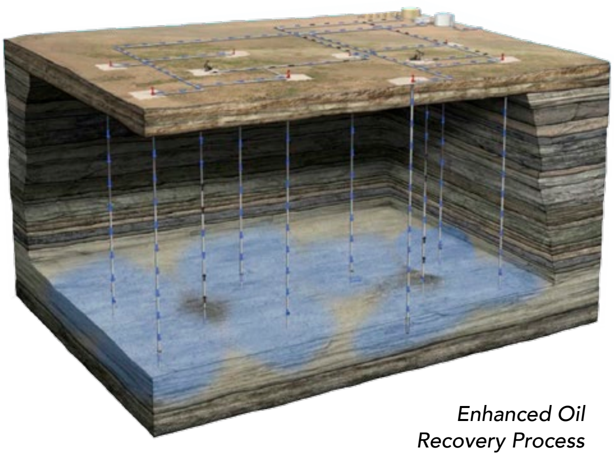
Valuation (US$ million)	Resolute Aug 2009 S-4 Registration Statement	Elk Implied Valuation – Resolute 2009 IPO Basis
Implied Enterprise Value	478-1,179	478-1,179
Outstanding Debt	437	259
Implied Equity Value*	42-360	219-538

All values in US$ unless stated otherwise

** Resolute Implied Equity Value taken directly from Fairness Opinion valuation contained in Resolute Energy August 2009 S-4 Registration Statement and based on Implied Enterprise Value from that same report less Resolute Outstanding Debt in August 2009. To provide comparability to Resolute August 2009 Fairness Opinion valuation, Elk Implied Equity Value based on Resolute 2009 IPO Implied Enterprise Value less Elk Outstanding debt (including preferred equity).*

Aerial view over Prayer Mountain, Greater Aneth Oil Field, Utah.

THE EOR PROCESS



Enhanced Oil Recovery Process

Enhanced oil recovery commonly known as "EOR" is the term used for a wide range of proven engineering practices and production technologies used for recovering oil from existing oil fields beyond what is recoverable during the initial or "primary" production phase when oil is either produced through natural flow or artificial lift through the installation of above-ground or downhole pumps.

The EOR Process

As an oil field is produced over time the natural pressure and flow of oil from the field declines although large quantities of further recoverable oil remain in the field. Over the life of the field, good oil field operators will progressively apply additional operational methods, engineering practices and production technologies to maintain economic levels of oil production. Without investment in and application of these proven methods, practices and technologies, as much as 70-80% of the discovered oil can be left behind.

The ultimate objective of utilising these proven methods, practices and technologies is to recover as much of the discovered oil as possible from any given field on an economically viable basis. Properly applied these proven operational practices can be used to recover up to 60% or more of the oil discovered in a field.

Water Flooding

These proven operational methods and engineering practices can include re-injecting produced water back into the oil field in order to maintain the pressure within the field which enables the oil to continue to be produced economically. These practices have been widely used for many years to maintain production in oil fields and are commonly referred to as water flooding and also referred to as "secondary" recovery methods. These techniques can frequently allow for an additional 10-20% of the discovered oil contained in the field to be recovered.

Gas Flooding

Once secondary recovery methods are applied generally, at some point these techniques reach the limit of their effectiveness and a good oil field operator will look to apply additional proven operational methods to recover even more of the discovered oil. This third phase of additional oil production methods or "enhanced oil recovery" is also referred to as "tertiary" recovery and can include the injection of CO_2, nitrogen or natural gas liquids. These forms of enhanced oil recovery are generally referred to as "gas displacement" or gas flooding techniques. These approaches are widely applied in both the secondary and tertiary production phases because they are highly efficient in recovering significant amounts of additional oil using widely available resources; and in many respects, low cost.

Thermal Recovery

In some cases, to assist in the recovery of additional oil, some fields are well suited to increasing oil recovery through the application of heat into the reservoir through the injection of steam or other direct methods. These forms of enhanced oil recovery are referred to as "thermal" enhanced oil recovery and are frequently used in oil fields where the oils in the fields are relatively heavy and higher viscosity which impedes the flow of oil out of the oil field's reservoir rock.

Chemical Flooding

Other forms of enhanced oil recovery include the injection of a mixture of water and soap-like chemicals or surfactants into the oil reservoir. These techniques are generally aimed at improving overall recovery by improving the flow of oil from the reservoir through a combination of reducing the oil's adhesion to the reservoir rock and increasing the viscosity of the injected water to give it additional capacity to help sweep more oil from the reservoir rock. With some of these chemical additives, they effectively act in the oil reservoir the way dishwashing detergent releases and breaks down grease and oils from dishes so that they can be flushed away by flowing water. These enhanced oil recovery techniques are commonly referred to as "chemical flooding".

THE CO_2 EOR ADVANTAGE

From a commercial perspective, EOR answers the question: "How do I profitably get more out of what I already own?" One of the most commonly used methods of enhanced oil recovery is to inject or "flood" maturing oil fields with carbon dioxide (CO_2). This form of enhanced oil recovery is commonly known as "CO_2 EOR" and is considered one of the most efficient and effective forms of enhanced oil recovery, recovering the highest percentage of remaining oil. CO_2 EOR is a widely utilised proven production engineering technique and has been in wide-scale commercial use since the early 1970s. The United States leads the world in both the number of CO_2 EOR projects and in the volume of CO_2 EOR oil production, in large part because of favourable geology with over 130 projects delivered in North America. Overall CO_2 EOR has a 90%+ success rate and it accounts for approximately 60% of USA EOR production. In 2014, CO_2 EOR delivered over 300,000 barrels of oil production per day and it is projected to exceed over 600,000 barrels per day by 2020. CO_2 can be sourced from natural accumulations and man-made sources with the EOR process effectively "re-cycling" the entire oil field wells, facilities and pipelines. EOR is the only stand-alone profitable form of carbon capture and storage where no subsidies are required.

How CO_2 EOR works

Why does injecting carbon dioxide (CO_2) into the pore spaces of a rock help move crude oil out? CO_2 has two characteristics that make it a good choice for this purpose: it is miscible with crude oil, and it is less expensive than other similarly miscible fluids. What does it mean to be miscible? When CO_2 is injected into an oil reservoir, it becomes mutually soluble with the residual crude oil as light hydrocarbons from the oil dissolve in the CO_2 and CO_2 dissolves in the oil. This occurs most readily when the CO_2 density is high (when it is compressed) and when the oil contains a significant volume of "light" (i.e., lower carbon) hydrocarbons (typically a low-density crude oil). As CO_2 dissolves in the oil it swells the oil and reduces its viscosity; effects that also help to improve the efficiency of the displacement process.

When the injected CO_2 and residual oil are miscible, the physical forces holding the two phases apart (interfacial tension) effectively disappear. This enables the CO_2 to displace the oil from the rock pores, pushing it towards a producing well. In the field, CO_2 is directed to injection wells strategically placed within the pattern of wells to optimise the areal sweep of the reservoir.

"The ultimate objective of using these proven methods, practices and technologies is to recover as much of the already discovered oil as possible from any given field on an economically viable basis. Properly applied these proven operational practices can be used to recover up to 60% or more of the oil discovered in a field."

The injected CO_2 enters the reservoir and moves through the pore spaces of the rock, encountering residual droplets of crude oil, becoming miscible with the oil, and forming a concentrated oil bank that is swept towards the producing wells.

A well-manifold allows for individual wells to be tested to see how much oil is being produced at each location and if the concentration of oil is increasing as the oil bank reaches the producing wells. Upon reaching the surface, generally at a central production facility, the combined production streams of oil, gas, CO_2 and water produced fluids are separated. Any produced CO_2 is separated from the produced natural gas and the CO_2 is recompressed for reinjection along with additional volumes of newly-purchased CO_2. This process is repeated on a continuous basis over a long period of time – in many cases over a 20-30-year period – to recover as much of the remaining oil in the field as possible, as long as this CO_2 injection and recycling process remains economic to do so.

SUSTAINABILITY REPORT

People
Elk is building its capability in actively managing diversity to develop and improve the talent available to drive performance and capability outcomes.

Community
Elk is proud to be a part-sponsor of the Navajo Nation Parks and Recreation Welcome Centre, Tse' Bii' Nidizisgai Annual Community Celebration in Monument Valley, Utah.

Environment
On World Clean Up Day 2018 sponsored by Elk, a large number of employees, family, friends and community members volunteered to clean up 32 kilometres of nature strip along the public highway through the Aneth area.

During financial year 2018, Elk has corporately transformed with the purchase and becoming **Operator of Utah's largest oil field, the Greater Aneth Oil Field (Aneth)** on 1 January 2018 (Elk 67%; Navajo Nation Oil and Gas (NNOG) 33% non-operator).

Elk as an Operator and 100% owner has **delivered, without incident, on time and on budget**, while dealing with approximately 20 private landowners and Wyoming State Authorities, the Grieve Oil Pipeline refurbishment project and interconnection into the Enbridge sales, storage and shipping facility in Casper, Wyoming.

During financial year 2018, Elk has corporately transformed with the purchase and becoming Operator of Utah's largest oil field, the Greater Aneth Oil Field (Aneth) on 1 January 2018 (Elk 67%; Navajo Nation Oil and Gas (NNOG) 33% non-operator).

The addition of the Aneth staff into Elk gives us a staff and consultant headcount approaching 115, a large majority of which are field operations based. As such this has necessitated Elk broadening its sustainability strategy and future sustainability reporting scope as we have transformed into an active, best practice oil field operator. Elk has been fortunate to be able to add, adapt and adopt operating business values in health, safety and environment from our new employees and contractors that have been seen to work in practice over several years. This ensures our expanded employee and contractor base can do what we ask of them within a transparent and useable EHS management system. This adaptive approach also encapsulates other areas of good corporate governance as management structures are enhanced to deliver more robust systems that in turn are focused on providing continued shareholder returns.

Steering the sustainability governance structure is Elk's COO assisted by our US-based EHS Coordinator who holds the Certified Safety Professional (CPS) qualification and two field-based EHS Specialists along with a Governmental/Corporate Affairs Officer. This level of corporate and field oversight ensures sustainability themes are implemented into and monitored across our everyday business practices in the areas we operate in. As Elk further develops as an Operator this will allow us to better measure, refine and embed sustainability goals and targets.

Four core areas have been identified by Elk as the focus of its sustainability reporting in FY2018 and some highlights are given below:

People

- Health and safety of our staff and contractors is paramount and taking over operatorship of Aneth on 1 January 2018 allowed us to undertake ground-up revisions of our Corporate Safety Manual, Process Safety Management Manual, Operator Qualification Manual and Contractor EHS Manual.
- Wellbeing of our staff and contractors: As the new Aneth Operator Elk undertook early in 2018 the "8760" Safety Campaign Development – Safety should be a priority 24 hours/day, 365 days/year; and the Montezuma Creek Safety Awareness Day on 22 May 2018. Elk was also a promoter and sponsor of the 2018 Walking Together for Health Nations by Utah Navajo Health System, Inc and a sponsor of the 2018 Ashlynee Mike Memorial Run.
- Diversity and Equality: Elk is further building its capability in actively managing diversity to develop and improve the talent available to drive performance and capability outcomes. Most of Elk's Aneth field operations and office employees across all disciplines belong to the Navajo Nation.

Community

- Landowner interaction: The Greater Aneth Oil Field (Aneth) lies solely within the Navajo Nation Reservation and Navajo Nation Oil and Gas (NNOG) is Elk's 37% partner in further developing the field. NNOG generates significant income for the Navajo Nation from its operating partnership with Elk. On the 207 square kilometres (80 square miles) that make up Aneth there are some 125 homesteads and Elk field operations managers ensure a two-way dialogue with homesteaders making certain they are fully aware of impending works in the vicinity of their properties to minimise disturbance.
- Corporate citizenship: Elk was proud to be part-sponsor of the Navajo Nation Parks and Recreation Welcome Centre, Tse' Bii' Nidizisgai Annual Community Celebration in Monument Valley, Utah. This annual celebration is a showcase for traditional and cultural entertainers to gather and perform for locals and tourists during the event. Elk was part sponsor of the event with donations of cases of water, elder and veterans' giveaways, cases of popcorn and company logo trinkets of tote bags and water bottles.

Elk also maintains strong links with academia across the State and hosted graduating engineering students from the University of Utah for a tour of the Aneth Unit. Senior Elk engineering field staff also acted as judges in the annual Whitehorse High School Science Fair. Elk employees volunteered at the Montezuma Creek Elementary School in March 2018 for "Read Across America". Our volunteers read Dr Seuss books to kindergarten-3rd grade classes in honour of Dr Seuss' birthday.

Environment

- Operating footprint: As well as adhering to all Navajo Nation, State and Federal protocols as a diligent operator of Aneth, we all appreciate the natural beauty of the environment we work in. On World Clean Up Day 2018 sponsored by Elk a large number of employees, family, friends and community members volunteered and came together to clean up almost 32 kilometres (20 miles) of nature strip adjoining the public highway through the Aneth area.
- Regulatory compliance and reporting: Elk has established relationships and reporting requirements with the requisite traditional owners, State and Federal authorities, which includes the Bureau of Indian Affairs, the Bureau of Land Management, the US Environmental Protection Agency, the Navajo Nation Environmental Protection Agency – Water and Air Permits, the Navajo Nation Water Board, the Utah Division of Oil, Gas and Mining, Pipeline and Hazardous Materials Safety Administration and the Federal Motor Carrier Safety Administration.
- Elk's benefits for local communities and businesses: Each summer local college and high school students are selected for temporary employment for a month with the Aneth Chapter. The student workers and the Chapter look for work placements with local businesses, due to limited places for the students to find work. Elk Governmental/Public Affairs office employed a college student to work the front office for three weeks. The student provided administrative support and learned receptionist/office skills. Elk additionally provided donations to the Aneth Chapter for its summer programme workers celebration.

"Elk has made a successful transition into an Operator with the acquisition of our Greater Aneth Oil Field asset."

Because of Elk's transition into an active Operator (63%) of the Greater Aneth Field in the US State of Utah during FY2018 we have proactively grown our profile with the addition of staff and contractors, whilst engaging with other primary stakeholders, regulators, landholders, local communities, and shareholders. Our smooth transition to Aneth Operator was achieved by the diligence and commitment of existing and new Elk staff and contractors coming together safely and efficiently. Elk managed this transition at the same time as fully engaging as a non-operator in delivering the Grieve EOR Project in joint venture with Denbury (51% and Operator) and continuing to work in joint venture with the ConocoPhillips Operated (46%) Madden/Lost Cabin Gas Plant in the US State of Wyoming. Elk as an Operator and 100% owner has delivered, without incident, on time and on budget, while dealing with approximately 20 private landowners and Wyoming State Authorities, the Grieve Oil Pipeline refurbishment project and interconnection into the Enbridge sales, storage and shipping facility in Casper, Wyoming. Elk intends to further develop its commercial and technical communications strength and utilise it as a tool to attract other like-minded joint venture and business partners in the coming year.

For the benefit of all Elk stakeholders during the coming year we will adhere to and benchmark our expanded sustainability strategy and reporting against global oil industry guidelines for social and environmental issues as set down by IPIECA (International Petroleum Industry Environmental Conservation Association). Elk will also be utilising components of the GRI (Global Reporting Initiative) guidelines to enhance our sustainability performance and disclosure for the benefit of all stakeholders.

BOARD OF DIRECTORS

Neale Taylor

Non-executive Director and Chairman

Dr Taylor has extensive technical, operating and commercial experience in oil and gas exploration and production with Esso Australia, Nexus Energy and Cambrian Oil & Gas Plc. He is a former non-executive director of Terra Gas Trader, former non-executive chairman of Tap Oil, a former managing director of Cambrian Oil & Gas Plc and director of various subsidiaries of Xtract Energy Plc. He is a member of the Society of Petroleum Engineers and a Fellow of the Australian Institute of Company Directors.

Special responsibilities:
Member of the audit committee, risk committee and remuneration committee.

Other current directorships:
None

Former directorships (last 3 years):
None

Bradley Lingo

Managing Director, Chief Executive Officer, Executive Chairman – EPI

Mr Lingo is an experienced international resource and energy executive with a proven track record of successfully building companies in the upstream and midstream oil and gas energy sectors. Mr Lingo held previous roles in business development, new ventures, mergers and acquisitions and corporate finance with Tenneco Energy and El Paso Corporation in the US and Australia, and was Senior Vice President and Head of Oil and Gas at the Commonwealth Bank of Australia. More recently Mr Lingo was Managing Director and CEO of Drillsearch Energy Limited, where he oversaw more than an eight-fold increase in share price and market cap over a period of six years, helping build that company into one of Australia's leading onshore oil and gas producers.

Mr Lingo's skills include leadership, ability to build market confidence, financial and technical skills, organisation building, business development and funding capability, and entrepreneurship. His experience also includes equity and debt capital raising, project and transaction financing and structuring to achieve attractive financial, tax, accounting and legal treatment for complex commercial, project and financing transactions, similar to Elk's current needs.

Special responsibilities:
Member of the risk committee and remuneration committee.

Other current directorships:
Oilex Ltd

Former directorships (last 3 years):
Drillsearch Energy Limited, Mont Dór Petroleum Limited, Ambassador Energy Limited

Russell Krause

Non-executive Director

Mr Krause has over 25 years' experience in Stockbroking and Investment Management with a primary focus on the Resources sector. He has held a number of directorships and senior management positions with a number of Australia's leading firms, including firms with US oil and gas assets. For the past 10 years he has worked on a number of North American oil and gas projects in relation to Capital Raising and Corporate Advisory.

Special responsibilities:
Member of the remuneration committee and risk committee and Chair of the audit committee.

Other current directorships:
Speciality Metals International Limited, Red Sky Energy Limited, Austex Oil Limited

Former directorships (last 3 years):
None

Timothy Hargreaves

Non-executive Director

Mr Hargreaves has over 35 years' experience in technical and managerial roles in the petroleum and minerals sectors in Asia and the Middle East for major companies including BHP, Union Texas Petroleum and Fletcher Challenge Petroleum as well as start-ups and independents. He has led successful exploration and commercialisation campaigns in Pakistan and Egypt which were dependent upon technical and commercial innovation in complex regulatory environments. Since 2009 he has been Research Director of Resources for Republic Investment Management, a Singapore-based investment fund that is a major investor in Elk and has been a major participant in the rejuvenation of Elk including being the lead investor in the Convertible Loan Facility of April 2015 and a sub-underwriter of the June 2016 Entitlement Offer. He is a former director of Skyland Petroleum Limited (ASX: SKP) and is a former director of The Environmental Group Limited (ASX: EGL).

Special responsibilities:
Chair of the risk committee.

Other current directorships:
Panthera Resources PLC, Indo Gold Limited

Former directorships (last 3 years):
Skyland Petroleum Limited

Jim Piccone

Non-executive Director

Mr Piccone has 39 years of experience in the USA oil and gas industry. He has extensive experience with oil and gas financial transactions and financing, most recently as a director of Resolute Energy Corporation. As the CEO of Elk Petroleum Inc. and a non-executive director of Elk Petroleum Ltd he oversees the Denver Colorado based US subsidiary of Elk Petroleum Ltd.

Special Responsibilities:
None

Other current directorships:
None

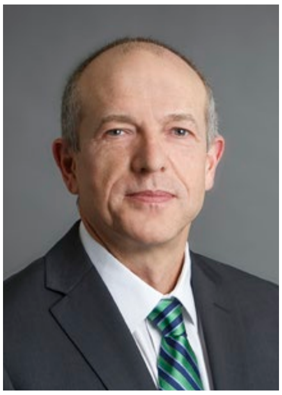
Former directorships (last 3 years):
None

EXECUTIVES

Alexander Hunter

CFO, Sydney

Mr Hunter has over 10 years' experience in Resources sector M&A and capital raising, and previously worked for 10 years in construction and infrastructure project management. Alex was most recently General Manager Business Development at Drillsearch Energy where he helped to rationalise and grow the business leading various successful takeovers, divestments and capital raisings. He holds an MBA from University of Southern California Marshall School of Business, a Bachelor of Engineering, and postgraduate qualifications in corporate finance and business law.



David Evans

COO, Sydney

Mr Evans is a geologist with 30 years' upstream global oil and gas development, production and exploration experience, with significant exposure to Brownfield redevelopments and EOR projects. He joins Elk Petroleum from the former Drillsearch where over a six-year period he held the positions of Chief Technical Officer and Acting Chief Operating Officer.

David Franks

Joint Company Secretary

Mr Franks (B. Ec, CA F Fin, FGIA JP) has 20 years' experience in finance and accounting, initially qualifying with Pricewaterhouse-Coopers (formerly Price Waterhouse) in its Business Services and Corporate Finance divisions. Mr Franks is a Senior Executive of Automic Group Pty Ltd. and has been CFO, company secretary and/or director for numerous ASX-listed and unlisted public and private companies, in a range of industries covering advertising, energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare.

Current directorships:
JCurve Solutions Limited

Andrew Bursill

Joint Company Secretary

Mr Bursill (B. Agr. Ec, CA, FGIA) qualified with Pricewaterhouse-Coopers then began his career as an outsourced CFO and company secretary in 1998. Mr Bursill is a senior executive of Automic Group Pty Ltd and has been CFO, company secretary and/or director for numerous ASX-listed and unlisted public and private companies, in a range of industries covering mineral exploration, oil and gas exploration, biotechnology, technology, medical devices, retail, venture capital and wine manufacture and distribution.

Current directorships:
Argonaut Resources Limited

Greater Aneth Oil Field, Utah.

ADJUSTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	Consolidated 30 June 2018 US$
Revenue	95,119,659
Cost of sales	(55,887,172)
Gross profit	39,232,487
Net loss on derivatives – realised	(13,835,174)
Other expenses	(11,898,447)
Adjusted EBITDAX	13,498,866
Finance expense*	(14,070,932)
Income tax expense	0
Adjusted loss after income tax expense	(572,066)

*excludes preferred stock dividends.

The underlying results in the above table are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been to audit or review by Elk's external auditors. The statutory numbers are included in the financial report.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Consolidated	
	30 June 2018 US$	30 June 2017 US$
Cash flows from operating activities		
Receipts from customers	**85,911,500**	3,624,557
Payments to suppliers	**(75,778,300)**	(6,163,248)
Interest received	**143,200**	11,871
Finance costs	**(14,010,900)**	(557,150)
Net cash used in operating activities	**(3,734,500)**	(3,083,970)
Cash flows from investing activities		
Payments for acquisition of Aneth & Madden	**(163,196,200)**	(11,233,971)
Acquisition of oil and gas plant and equipment	**(5,678,100)**	(2,711,000)
Payment for development expenditure	**(14,257,700)**	(38,149,546)
Payment for security and bonds deposits	**(726,800)**	(50,836)
Purchase of put options	**–**	(4,407,165)
Transfers to restricted cash accounts	**6,195,800**	(7,373,265)
Net cash used in investing activities	**(177,663,000)**	(63,925,783)
Cash flows from financing activities		
Proceeds from issue of shares	**30,679,100**	7,319,645
Share issue transaction costs	**(5,677,084)**	(612,319)
Proceeds from issuance of preferred stock	**70,000,500**	–
Proceeds from borrowings	**162,639,300**	56,260,865
Proceeds from borrowings (Convertible Loan)	**–**	14,405,028
Transaction costs related to loans and borrowings	**(8,038,990)**	(3,205,057)
Repayment of borrowings	**(38,044,100)**	(15,760,720)
Net cash from financing activities	**211,558,726**	58,407,442
Net increase/(decrease) in cash and cash equivalents	**30,161,226**	(8,602,311)
Cash and cash equivalents at the beginning of the financial year	**4,858,679**	13,443,508
Effects of exchange rate changes on cash and cash equivalents	**(102,000)**	17,482
Cash and cash equivalents at the end of the financial year	**34,917,905**	4,858,679

CORPORATE DIRECTORY

Directors
Neale Taylor (Chairman)
Bradley Lingo (Managing Director, Chief Executive Officer, Executive Chairman – EPI)
Russell Krause (Non-executive Director)
Tim Hargreaves (Non-executive Director)
Jim Piccone (Executive Director)

Company Secretary
David Franks and **Andrew Bursill**

Management
Bradley Lingo (Managing Director, Chief Executive Officer, Executive Chairman – EPI)
Alexander Hunter (Chief Financial Officer)
David Evans (Chief Operating Officer)
Jim Piccone (Chief Executive Officer – EPI)

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Sydney NSW 2010

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+61 2 9698 5414 (International)
Facsimile +61 2 8583 3040

Auditor
KPMG
Level 38 Tower Three
300 Barangaroo Avenue
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

Corporate Governance Statement
www.elkpet.com/governance-and-compliance

Elk Petroleum Limited
ACN 112 566 499
ABN 38 112 566 499

elk petroleum