

16 April 2015

ELK Arranges New Convertible Loan for Forward Funding Requirements

HIGHLIGHTS

- Elk has arranged new convertible loan of A\$3.6 million
 - A\$1.75 million previous loan repaid
 - Balance of loan will be used for forward funding requirements to support negotiations in relation Elk's Grieve CO₂-EOR project obligations as well as proposed sale of Elk's Grieve oil pipeline
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Elk Petroleum Limited (ASX Code: ELK) advises that it has arranged a new convertible loan of \$3.6 million. \$1.75 million has been applied to repay a previous loan from Metgasco Limited; this loan was part of a merger proposal that was terminated on 16 March 2015. The remaining \$1.85 million of new loan funds will be used as working capital to resolve negotiations in relation Elk's Grieve CO₂-EOR project obligations & Elk's Grieve oil pipeline.

Key terms and conditions for the new convertible loan arrangements include:

- Loan amount: a total of \$3.6 million to be provided by the end of April 2015,
- Term: 12 months with right to convert outstanding monies to Elk shares within the Term,
- Interest rate: 12.5% pa with most interest expected to be accrued for payment at end of term or converted to Elk shares,
- Conversion price: 3.8 cents (this is approximately 60% above the last traded price of Elk's shares),
- Other terms and conditions are typical of a loan of this nature and include granting of security, penalty interest rates, and the need for shareholder and other approvals, as required, and
- 3.95 million ELK shares will be issued initially as a fee for arranging these new loan funds; a further 0.79 million will be issued on completion by the end of April

The majority of funds have been sourced from Republic Investment Management Pte Ltd (Republic), manager of a Singapore-based investment fund. Republic is one of Elk's current major shareholders and a supporter of Elk retaining its current EOR project interests in Wyoming and Nebraska. Several other major shareholders are participating lenders and another major shareholder has expressed interest to become similarly involved in the future. A number of newly introduced investors are also participating as lenders.

The injection of new funds is also accompanied by the company implementing a number of efficiency measures to reduce the company's administrative overheads to below \$150,000 per month during this time of depressed oil prices and over the period until material cash flows commence from ELK's interest in the Grieve CO₂-EOR project.

Discussions continue with Denbury in regard to alternative longer-term funding arrangements and Denbury's obligations for the Grieve CO₂-EOR project. These discussions are expected to also facilitate completion of oil transportation agreements for use of Elk's Grieve oil pipeline and the potential sale of the pipeline.

Dr. Neale Taylor, Elk's Chairman, stated: "The commitment of new convertible loan funds, mainly from Elk's existing shareholders, is a clear sign of support by the Company's shareholders. The Board and management are greatly encouraged by their support, especially given the 60% premium above the last traded price of Elk's shares for conversion of the loan funds. We expect these funds will provide the flexibility for Elk to finalise arrangements for funding the Company's EOR project interests in Wyoming and Nebraska." Elk will provide further information on these matters as they develop.

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OR

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ABOUT ELK PETROLEUM

Elk Petroleum Limited ABN 38 112 566 499 (ASX: ELK) is an oil and gas producer and developer with assets located in one of the richest onshore oil regions of the USA: the Rocky Mountains. Listed on the ASX in 2005, Elk's strategy is focused on applying established enhanced oil recovery (EOR) technologies to mature oil fields. This strategy significantly de-risks the process of finding and exploiting oil field reserves.

Leveraging proven EOR technology and experience, Elk is currently developing the Grieve CO₂-EOR project in Wyoming and is pursuing other opportunities, including CO₂-based EOR projects in Nebraska.

For more information on Elk, see Elk's most recent Investor Presentations which are available on Elk's website www.elkpet.com.