





# Q1

ELK PETROLEUM  
SEPTEMBER 2015

## HIGHLIGHTS

### GRIEVE CO<sub>2</sub> EOR PROJECT DEVELOPMENT

- Approximately 70% of capital expenditures incurred
- CO<sub>2</sub> injection averaging in excess of 50 mmscf/day
- Field repressuring in line with models to reach estimated target pressure in Q1 CY 2017

### ELK APPOINTS BRAD LINGO AS MANAGING DIRECTOR AND CHIEF EXECUTIVE

- Becomes a top 10 shareholder with substantial on market purchases post-appointment
- Subject to shareholder approval, Mr. Lingo to invest further \$250,000 via equity placement

### NEGOTIATIONS CONTINUE FOR A POTENTIAL TRANSACTION INVOLVING THE PURCHASE OF ALL OR PART OF DENBURY'S INTEREST IN GRIEVE PROJECT

- Miro Advisors appointed to assist with acquisition and financing
- Detailed due diligence and discussions on-going
- Agreement reached to extend negotiation period to 1 December 2015

### SIGNIFICANT INCREASE IN COMPANY SHARE PRICE SETTING NEW 52-WEEK HIGH OF A\$0.125/SHARE



Water truck at substation site



**Q1****ELK PETROLEUM  
SEPTEMBER 2015**

The September 2015 quarter has seen a repositioning of Elk Petroleum (ASX: ELK) ('Elk' or the 'Company'), marked by key events including the appointment of a new Managing Director and Chief Executive, and the assessment of an opportunity to re-arrange ownership and financing of the Grieve CO<sub>2</sub> Enhanced Oil Recovery (EOR) Project.

Under new leadership and opening of opportunities, Elk has renewed its strategy to unlock shareholder value from its portfolio of projects, commencing with the estimated Grieve Project target pressure remaining on target for early CY2017.

## GRIEVE CO<sub>2</sub> EOR PROJECT DEVELOPMENT

At the end of the reporting period, development of the Grieve CO<sub>2</sub> EOR Project is progressing well with approximately 70% of the initial capital expenditures incurred. To date, joint venture capital expenditures in the Project is over US\$70 million. It is currently estimated that the remaining joint venture project capital expenditures to first oil will be approximately US\$45 million, of which Elk's current share is approximately US\$15 million.

In addition to these joint venture expenditures, Denbury would construct the central oil production and CO<sub>2</sub> recompression facility. Under the current joint venture arrangements, this facility is to be owned by Denbury as operator of the Project and the cost of this facility is to be borne by Denbury.

Construction of the major facilities (such as associated CO<sub>2</sub> supply line, power supply and site works and production manifold) at the Grieve Oil Field has been completed. Completion of construction of the central oil production and CO<sub>2</sub> recovery, oil processing and CO<sub>2</sub> recompression facilities currently remains outstanding.

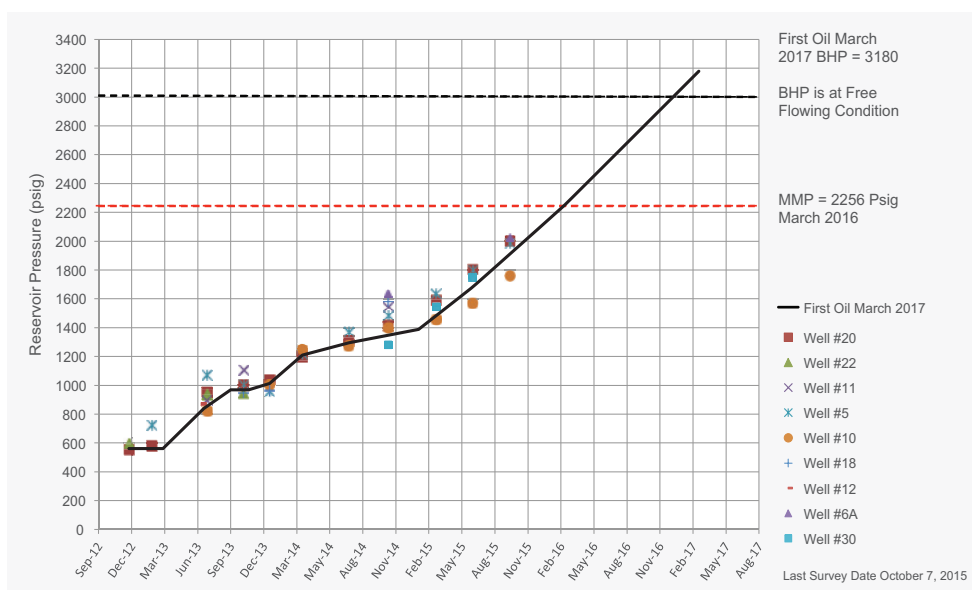
The CO<sub>2</sub> injection into the Grieve oil reservoir is ongoing. At the end of the quarter, approximately 20 BCF of CO<sub>2</sub> has been injected into the Grieve Field and as of the date of this report CO<sub>2</sub> is continuing to be injected into the reservoir at a rate of 1.5 BCF per month.



*Grieve CO<sub>2</sub> recompression facility*



*Typical joint of field piping*



*Grieve Pressure Surveys vs Simulated Pressure Response*

Based on the latest schedules provided by Denbury as operator of the Project, Denbury estimates achieving target pressure at the Grieve CO<sub>2</sub> EOR Project in Q1 CY2017.

## POTENTIAL ACQUISITION OF GRIEVE PROJECT

During the reporting period, a unique opportunity emerged for the Company to increase its ownership interest in the Grieve CO<sub>2</sub> EOR Project by acquiring all or part of the Joint Venture interest held in by the operator, Denbury Onshore LLC (Denbury), a subsidiary of NYSE-listed Denbury Resources Inc. As previously reported, in the prior quarter the Company instituted a civil lawsuit in the Wyoming Federal Court asserting several breaches of the agreements between the Company and Denbury over the development of the Grieve CO<sub>2</sub> EOR Project.

During the Quarter, in an attempt to resolve these disputes Elk and Denbury entered into an agreement pursuant to which Elk

and Denbury agreed to withdraw the lawsuit without prejudice dismissing Elk's claims and Denbury's counterclaims.

Under the agreement, Elk and Denbury agreed to attempt good faith negotiations for the sale of all of Denbury's 65% interest in Grieve. The negotiation period will last until 1 November 2015 or until viable and productive negotiations cease. Elk considers that good progress is being made as part of these negotiations. As such, Denbury and Elk have agreed to extend the negotiation period until 1 December 2015 to allow the parties to continue to negotiate for a potential transaction involving all or a part of Denbury's interest in the Grieve Unit.



*Grieve CO<sub>2</sub> EOR Project, Wyoming*





## MIRO ADVISORS APPOINTED TO ASSIST WITH GRIEVE

On 3 September 2015, Elk advised that independent corporate advisory firm Miro Advisors had been appointed to assist with the potential acquisition of Denbury's, 65% operating working interest in the Grieve CO<sub>2</sub> EOR Project and the associated funding for the acquisition and development of the Project.

Elk currently holds a 35% non-operated working interest in Grieve. The Company originally held a 100% interest in Grieve Project and in early 2011 the Company formed a joint venture with Denbury to undertake the development of the Grieve CO<sub>2</sub> EOR Project. In forming the joint venture, the Company transferred a 65% working interest in and operatorship of the Project to Denbury.

Miro will assist Elk evaluate its options concerning potential acquisition of all or part of the joint venture working interest in the Grieve Project it does not already own. Miro will also assist the Company with securing any debt or equity capital needed for the acquisition of the additional interest in the Grieve Project and funding its continued development.

Further information related to this funding will be made to the ASX in due course. If Elk ultimately proceeds with acquiring additional working interest in the Project, the Company's 2P net oil reserves will substantially increase from the current 3.5 million barrels to as much as 12 million barrels if it acquires full ownership of the Project.

## MANAGING DIRECTOR & CEO APPOINTMENT

On 1 August, Elk announced the appointment of Mr. Brad Lingo as Managing Director and Chief Executive of the Company.

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. He brings a wealth of experience and knowledge from his previous roles in business development, new ventures, mergers and acquisitions and corporate finance.

As part of his appointment, Mr. Lingo agreed to undertake a placement of A\$250,000 at a placement price of A\$0.03 each. The placement is subject to shareholder approval at the upcoming Annual General Meeting.

Since his appointment, Mr. Lingo has actively purchased shares in the Company on market and through these purchases has become a top 10 shareholder of the Company.

Mr. Lingo's appointment comes at a pivotal time for the Company, particularly as it assesses options to potentially acquire all or part of the 65% interest in the Grieve Project it does not already own. Mr. Lingo's extensive experience in securing equity capital and debt funding for oil and gas companies and projects is expected to be especially important as the Company explores potential funding options needed to increase its interest in the Grieve Project and the Project's ongoing development.



*Intelligent pigs being inserted into the Grieve Oil pipeline*



*Elk Petroleum Managing Director and CEO Brad Lingo*



## FINANCE

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Elk's closing cash position as of 30 September 2015 was A\$848,000. Significant expenditures have been made during the Quarter directly associated with the potential acquisition of the Grieve Project.

During the Quarter the Company's share price increased from a low of A\$0.023 to a new 52-week high of A\$0.125 per share, increasing the Company's market capitalisation to over A\$25 million. Over the quarter the Company's share price averaged A\$0.078629 per share for an average market capitalisation of approximately A\$15.8 million .

This significant increase in share price and market capitalisation also supports the Company's financial position in connection with the A\$3.6 million Secured Convertible

Loan Facility entered into in April 2015. Under the terms of this facility the A\$3.6 million principal amount of the secured loans and capitalized interest may be converted by the lenders into shares of the Company at a share price of A\$0.038 per share. This conversion is subject to shareholder approval which is being sought at the Company's 2015 Annual General Meeting.

In the coming quarter and subject to shareholder approval being sought at the AGM, the Company expects to raise an additional \$650,000 from a placement with Mr. Lingo and several other major shareholders.

In addition to this, Elk has appointed Miro Advisors to assist with any other ongoing funding.



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<sup>1</sup> Volume weighted average share price

<sup>2</sup> Based on shares on issue at quarter end

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For further information please contact:

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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 particularly those involving CO<sub>2</sub> flood technology, Elk is currently involved in two mature oil fields in the Rocky Mountain region of the USA and is pursuing other opportunities that will benefit from the application of EOR technologies.

For more information on Elk, see Elk's most recent Investor Presentations which are available on Elk's website [www.elkpet.com](http://www.elkpet.com).

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

ELK PETROLEUM LIMITED

ABN

38 112 566 499

Quarter ended ("current quarter")

30 September 2015

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months ) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(83)	(83)
	(d) administration	(628)	(628)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Receipts (or reimbursements)& management fees)	3	3
<b>Net Operating Cash Flows</b>		<b>(707)</b>	<b>(707)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(17)	(17)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (projects)	-	-
	Other (bonds refunded)	-	-
<b>Net investing cash flows</b>		<b>(17)</b>	<b>(17)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(724)</b>	<b>(724)</b>

+ See chapter 19 for defined terms.



1.13	Total operating and investing cash flows (brought forward)	(724)	(724)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (gross)	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
	Other – cash deposit bond redeemed	-	-
	Other – borrowing costs	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(724)	(724)
1.20	Cash at beginning of quarter/year to date	1,567	1,567
1.21	Exchange rate adjustments to item 1.20	5	5
1.22	<b>Cash at end of quarter</b>	848	848

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	116
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payments to directors (item 1.23)  
Non-executive directors: \$58K  
Executive directors: \$58K

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
Convertible loan facility	3,600	3,600
3.2 Credit standby arrangements		

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	350
4.3 Production	10
4.4 Administration	750
<b>Total</b>	<b>1,110</b>

On 3 September 2015, Elk advised that independent corporate advisory firm Miro Advisors had been appointed to assist with the potential acquisition of Denbury's, 65% operating working interest in the Grieve CO<sub>2</sub> EOR Project and the associated funding for the acquisition and development of the project.

Miro is currently assisting the Company with securing any debt or equity capital needed for the acquisition of the additional interest in the Grieve Project and funding its continued development, including the future short term quarterly cashflow requirements.

Further information related to this funding will be made to the ASX in due course

## Reconciliation of Cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	848	1,567
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>848</b>	<b>1,567</b>

+ See chapter 19 for defined terms.

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> (description)	N/A	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 <b>*Ordinary securities</b>				
7.4 Changes during quarter  (a) Increases through issues  (b) Decreases through returns of capital, buy-backs  Closing 201,113,393	Opening 201,113,393  N/A  N/A  Closing 201,113,393	Opening 201,113,393  N/A  N/A  Closing 201,113,393	N/A  N/A  N/A	N/A  N/A  N/A
<b>*Performance Rights</b>				

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

	Changes during quarter	Opening 12,360,944	Not listed		
	(a) Increases through issues	N/A	N/A	N/A	N/A
	(b) Decreases through lapses	N/A	N/A	N/A	N/A
		Closing 12,360,944			
	<b>+Retention Rights</b>				
	Changes during quarter	Opening 792,340	Not listed		
	(a) Increases through issues	N/A	N/A	N/A	N/A
	(b) Decreases through exercise of rights	N/A	Not listed	N/A	N/A
		Closing 792,340			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	N/A	N/A	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7	<b>Options</b> <i>(description and conversion factor)</i>	100,000 22,675,000 5,000,000	Not listed Listed Not listed	<i>Exercise price</i> 20 cents 25 cents 25 cents	<i>Expiry date</i> 30 June 2016 22 July 2017 28 October 2015
7.8	Issued during quarter	N/A	N/A	N/A	N/A
7.9	Exercised during quarter	N/A	N/A	N/A	N/A
7.10	Expired during quarter	N/A	N/A	N/A	N/A
7.11	<b>Debentures</b> <i>(totals only)</i>	N/A	N/A		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	N/A	N/A		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: .....  
(Company secretary)

Date: 29 October 2015

Print name: David Franks

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.

**Table 1 - Summary of petroleum tenements as at 30 Sep 2015**

<b>Project</b>	<b>Location</b>	<b>Lease Reference</b>	<b>Interest</b>
Grieve (Outside) Federal	Natrona County, Wyoming	WYW-181111	100%
Grieve (Outside) Federal	Natrona County, Wyoming	WYW-181112	100%
Grieve (Outside) Federal	Natrona County, Wyoming	WYW-173011	35%
Grieve (Outside) Federal	Natrona County, Wyoming	WYW-173178	35%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015813	35%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015814	35%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015815	35%
Grieve Unit Federal	Natrona County, Wyoming	WYW-016008	35%
Grieve ( In & Out) Federal Grieve Unit – Surface Use	Natrona County, Wyoming	WYW-015824	35%
Singleton Unit	Banner County, Nebraska, USA	N/A	100%

**Table 2 - Summary of petroleum tenements acquired in Quarter**

<b>Project</b>	<b>Location</b>	<b>Lease Reference</b>	<b>Interest</b>
N/A	N/A	N/A	N/A

**Table 3 - Summary of petroleum tenements disposed of in Quarter**

<b>Project</b>	<b>Location</b>	<b>Lease Reference</b>	<b>Interest</b>
N/A	N/A	N/A	N/A