





HIGHLIGHTS

INITIAL AGREEMENT REACHED WITH DENBURY TO RESTRUCTURE GRIEVE PROJECT JOINT VENTURE

- Elk to increase working interest in Grieve CO₂ EOR Project to 49%
- Elk to receive average of 70% of net operating cash flow from first 2 million barrels
- Denbury to provide commitments for development cost and completion date on a fixed price, US\$55 million turnkey contract funded by Elk
- Preliminary funding commitments secured by Elk for remaining development work
- Early February 2016 targeted for completion and execution of formal agreements (project restructure and funding arrangements)

ACQUISITION OF DEVON ENERGY OIL PROPERTIES IN DENVER-JULESBURG BASIN, US

- New properties bolster Elk's Singleton Oil Field Redevelopment
- Assets include new-build oil production facilities
- Significant new oil production development potential, with near-term production expected
- Total consideration paid US\$100,000

MATERIAL INCREASE IN ELK OIL RESERVES AND RESOURCES

- Devon acquisition and Grieve restructure prompts 52% lift in 2P reserves and 66% increase in 3C resources

STRENGTHENED FINANCIAL POSITION

- \$650,000 raised following shareholder approval to place shares with MD/CEO Brad Lingo and two sophisticated investors
- Approval received for potential conversion of Secured Convertible Loan Facilities totaling \$3.6 million and capitalised interest payments to Elk shares at conversion price
- Further \$2.5 million raised in oversubscribed private placement





During the December 2015 quarter, Elk Petroleum achieved several milestones that has strengthened the Company's position in relation to the development of its Enhanced Oil Recovery Projects in the US and its cash reserves.

The Company remains focused on commencing oil production from its projects, with the timeline given a significant boost following key agreements over the Grieve CO₂ EOR Project, the Singleton Oil Field and Singleton CO₂ EOR Project.

GRIEVE PROJECT JOINT VENTURE RESTRUCTURE

During the reporting period, Elk achieved its stated goal of reaching an indicative agreement over Grieve CO₂ Enhanced Oil Recovery (EOR) Project (Grieve Project). The Company entered into a non-binding Letter of Intent (LOI) with Denbury Onshore LLC, a wholly owned subsidiary of Denbury Resources Inc, to restructure the existing Joint Venture that will enable the timely completion of the Project at a fixed cost.

Elk and Denbury have agreed to indicative terms, with key terms including:

- Elk to increase its working interest in Grieve from 35% to 49%
- Denbury to remain Operator, holding a 51% working interest
- Elk to receive an increased share of net cash flow from oil production
 - 75% from first one million barrels of oil produced
 - Subsequent to this, Elk will receive 65% of net operating cash flow from the next one million barrels
 - Following this, net operating cash flow will be allocated in accordance with JV partners' working interests in the project
- Elk to fund completion of Grieve Project for fixed amount of US\$55 million – estimated cost of completing field development

- Denbury to provide firm commitments for:
 - Fixed price turnkey commitment that the remaining development cost for Grieve will not exceed US\$55 million
 - Denbury to cover the cost of any cost overruns
 - Definitive
- Denbury to contribute up to 59 billion cubic feet of CO₂ required to reach first oil at no additional cost to Elk
- Agreement that all oil production from Grieve will be shipped to market via Elk's 100% owned and operated Grieve Oil Pipeline at a haulage charge of US\$3.00 per barrel
- Denbury commits to complete the development of Grieve and commence oil production by 1 September 2017. This timing allows for the JV to implement the restructure and for Elk to secure all necessary funding.

The initial agreement to the terms follows Elk's dismissal of its civil lawsuit against Denbury. On completion of the JV restructure, the parties have agreed that all prior legal claims that arose from the previous JV arrangement will be released.

The LOI and the restructure is subject to negotiation and completion of definitive documentation for the transaction along with Elk securing, on a firm basis, the required funding for the Grieve Project. Completion and execution of documentation for the JV restructure is targeted to be completed during Q1 2016.





GRIEVE PROJECT FUNDING

Elk has received preliminary non-binding offers and expressions of interest from various sources for more than US\$50 million to fund the completion of the Grieve Project. The potential sources are principally forms of senior and mezzanine debt funding. Elk anticipates raising a modest

level of additional equity to complement the overall funding mix, with details yet to be determined.

Elk is being supported by Miro Advisors.

GRIEVE CO₂ EOR PROJECT DEVELOPMENT

Work has continued on the CO₂ enhanced field redevelopment of the Grieve Oil Field with the principal activities focused on continued repressuring the field through CO₂ injection and the commercial restructuring of the Grieve Joint Venture. Approximately 64% of the development of the Grieve Project has been completed to date.

A substantial portion of the major production facilities has been completed with construction of the oil processing and CO₂ recompression facilities the only outstanding major infrastructure items for the Grieve Project. The cost break down for the completion of the remaining works to be funded by Elk is approximately US\$37 million for the completion of the oil processing and CO₂ recompression facilities, US\$2.7

million for infield flowlines, US\$5.7 million for well workovers and US\$9.6 million for lease operating expenses during construction for a total of US\$55 million.

Injection of water and CO₂ into the oil reservoir continued, with current CO₂ injected on a steady basis at a rate of 50 to 60 MMCF per day (since July 2015). To date, approximately 26 BCF of CO₂ has been injected into the field, with an estimated additional 26 BCF required to achieve target pressure for first oil.

Following Denbury's contribution of 59 BCF, it has agreed to supply the necessary CO₂ for the remaining life of the Grieve Project on favourable commercial terms.

ACQUISITION OF DEVON ENERGY OIL PROPERTIES

During the reporting period, Elk also acquired a 100% operated working interest in a number of oil properties from a wholly owned subsidiary of Devon Energy Inc. for an entire consideration of US\$100,000.

The Devon Oil Properties are located immediately adjacent to Elk's Singleton Oil Field and CO₂ EOR Project in Banner County, Nebraska, within the northeastern portion of the prolific Denver-Julesburg Basin (DJ Basin).

The acquired properties include:

- All of Devon's oil and gas leasehold interests in Banner County that covers 9,738 acres
- Two oil exploration wells – one vertical well (Opis 1P) and one horizontal well (Opis 1H) – both of which have completed as oil producers
- All of the oil production, processing facilities, storage and oil truck load-out equipment

The acquisition of the Devon Oil Properties follows extensive work by Elk of identifying significant oil development potential around the Company's Singleton Oil Field and Singleton CO₂ EOR Project, and the aim of creating an EOR hub within the DJ Basin. The Devon Oil Properties present compelling synergies for the development of the overall Singleton Project, including Elk now having capacity to commence oil production from the Opis 1H well from the original production interval in the Mississippi Limestone. In addition, water produced from Opis 1P and 1H wells can provide water production that is necessary for repressuring the Singleton Oil Field in the initial phase of the CO₂ EOR Project.

Elk has formulated an indicative forward work program for the Devon Oil Properties (*see table on following page*).



Elk Petroleum 2016 Devon Properties Work Program		
Well	Current Completion	Planned Activity
Opis 1H	Horizontal, multi stage, miss lime with high water cut	Install artificial lift equipment, reconnect to Production Facility at Opis 1P well site
Opis 1P	Vertical, single stage, miss lime with low delivery	Recomplete to the J3 Sand and test using existing facilities. Connect water line to Singleton W-3
Singleton Unit W-3	Inactive Singleton Unit Injection Well requiring repair & upgrade	Reactivate the W-3 well and commence repressurizing the Singleton EOR Unit

MATERIAL INCREASE IN RESERVES AND RESOURCES

The acquisition of the Devon Oil Properties and the indicative restructure of the Grieve CO₂ EOR Project have substantially boosted the Company's resource and reserves position (*see table below*).

	Estimated consolidated oil reserves & resources as of 27 January 2016 (mbbls)				
	Reserves			Contingent Resources	
	1P	2P	3P	2C	3C
Pre-agreements Totals:	0	3,504	4,707	2,460	7,957
Devon Oil Properties	54	78	0	1,512	2,510
Grieve JV Restructure	0	5,251	6,900	0	7,110 **
Singleton CO ₂ EOR	0	0	0	2,460	3,280
TOTAL	54	5,329	6,900	3,972	12,900

**The Grieve Contingent Resources 3C values represent the probable 2P Reserves plus incremental resources captured from additional CO₂.



FINANCE

The Company's closing cash position as at 31 December 2015 was A\$0.2 million.

At the Annual General Meeting held during the reporting period, shareholders approved the potential conversion of six Secured Convertible Loan Facilities totaling A\$3.6 million (entered into in April 2015) and capitalised interest payments to shares in the Company at a conversion price of A\$0.038 per share.

In addition, shareholders approved the placement of shares to Managing Director and Chief Executive Brad Lingo and two sophisticated investors at \$0.03 cents per share, which raised a combined A\$650,000.

Subsequent to the reporting period, Elk raised a further A\$2.52 million (before costs) in a private placement to professional and sophisticated investors. The oversubscribed placement comprised approximately 40 million fully paid ordinary shares at \$0.063 each. Taylor Collison acted as the Lead Manager to the placement.

Funds raised will provide working capital for Elk as it finalises negotiations with Denbury and executes documents for the restructure of JV of the Grieve Project and to early stage works on the Devon Oil Properties.



COMPETENT PERSONS STATEMENT

The reserves and resources assessment follows the guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS).

The Reserves and Contingent Resources in this report relating to the Grieve CO2 EOR Project, operated by Denbury Resources, is based on an independent review and audit conducted by VSO Petroleum Consultants, Inc. and fairly represents the information and supporting documentation reviewed. The review and audit was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Grant Olsen, a Director of VSO Petroleum Consultants, Inc., 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.

VSO Petroleum Consultants, Inc. was formally known as Pressler Petroleum Consultants, Inc. The Company would like to note that it has not changed the independent petroleum consultant used to provide an independent expert's certification of reserves and resources of the Company. The Company has been advised that effective as of 31 December 2015, Pressler Petroleum Consultants, Inc. is known as VSO Petroleum Consultants, Inc. and that the firm remains the same independent petroleum consulting firm.

The information in this report that relates to Reserve and Contingent Resources estimates for the Grieve CO2 EOR project and the Reserve and Contingent Resource estimates for the Singleton CO2 EOR project have been compiled or in the case of the Singleton CO2 EOR project and the newly acquired Devon Oil Properties prepared by Mr. Brian Dolan, COO and VP-Engineering of Elk Petroleum Inc. who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of the reserves figures in the form and context in which they appear in this report. Mr. Dolan is a full-time employee of the company. Mr. Dolan earned a degree in Mechanical Engineering from the University of Colorado at Boulder and has more than 23 years of relevant experience. Mr. Dolan has sufficient experience that is relevant to the company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr. Dolan consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

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 CO₂ 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.

Rule 5.3

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")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	(32)	(32)
	(c) production	(31)	(114)
	(d) administration	(875)	(1,503)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Receipts (or reimbursements)& management fees)	-	3
Net Operating Cash Flows		(938)	(1,645)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	(139)	(139)
	(b) equity investments	-	-
	(c) other fixed assets	(57)	(74)
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 (bonds purchased)	(150)	(150)
	Other (bonds refunded)	-	-
Net investing cash flows		(346)	(363)
1.13	Total operating and investing cash flows (carried forward)	(1,284)	(2,008)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,284)	(2,008)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	650	650
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (gross)	-	-
1.17	Repayment of borrowings	(1)	(1)
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(6)	(6)
	Other – cash deposit bond redeemed	-	-
	Other – borrowing costs	-	-
	Net financing cash flows	643	643
	Net increase (decrease) in cash held	(641)	(1,365)
1.20	Cash at beginning of quarter/year to date	848	1,567
1.21	Exchange rate adjustments to item 1.20	(7)	(2)
1.22	Cash at end of quarter	200	200

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	96
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: \$38K
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	250
4.3 Production	25
4.4 Administration	875
Total	1,150

On 11 January 2016, Elk raised a further A\$2.52 million (before costs) in a private placement to professional and sophisticated investors. The oversubscribed placement comprised approximately 40 million fully paid ordinary shares at \$0.063 each. Taylor Collison acted as the Lead Manager to the placement.

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	200	848
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	200	848

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				

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

6.2 Interests in mining tenements acquired or increased

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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	Preference securities (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	*Ordinary securities				
7.4	Changes during quarter	Opening 201,113,393	Opening 201,113,393		
	(a) Increases through issues	21,666,666	21,666,666	N/A	N/A
	(b) Decreases through returns of capital, buy-backs	N/A	N/A	N/A	N/A
		Closing 222,780,059	Closing 222,780,059		
	*Performance Rights				
	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			

+ See chapter 19 for defined terms.

	*Retention Rights				
	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	*Convertible debt securities <i>(description)</i>	N/A	N/A	N/A	N/A
7.6	Changes during quarter				
	(a) Increases through issues	N/A	N/A	N/A	N/A
	(b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	100,000 22,675,000	Not listed Listed	<i>Exercise price</i> 20 cents 25 cents	<i>Expiry date</i> 30 June 2016 22 July 2017
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	5,000,000	Not listed	25 cents	28 October 2015
7.11	Debentures <i>(totals only)</i>	N/A	N/A		
7.12	Unsecured notes <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 January 2016

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 31 December 2015

Project	Location	Lease Reference	Interest
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%
OPIS Unit	Banner County, Nebraska, USA	N/A	100%

Table 2 - Summary of petroleum tenements acquired in Quarter

Project	Location	Lease Reference	Interest
OPIS Unit	Banner County, Nebraska, USA	N/A	100%

Table 3 - Summary of petroleum tenements disposed of in Quarter

Project	Location	Lease Reference	Interest
N/A	N/A	N/A	N/A