





## HIGHLIGHTS

### FINANCIAL POSITION SIGNIFICANTLY BOLSTERED THROUGH EQUITY CAPITAL RAISINGS

- Successfully completed equity raisings totaling over \$22 million through partially underwritten entitlement offer and two separate private placements
- \$3.6 million convertible notes issued April 2015 converted into equity
- Mandated Benefit Street Partners to provide US\$58 million in funding required for Grieve Project JV restructuring

### MULTIPLE MILESTONES REACHED IN GRIEVE CO<sub>2</sub> EOR PROJECT DEVELOPMENT

- Full field repressurisation progressing ahead of schedule with April 2016 downhole surveys showing pressures have reached average 2504 PSI
- Agreement reached with Denbury Resources on the principal definitive agreements with target date for closing the restructure of the Joint Venture and associated debt financing set for 5 August 2016
- Progress payments of US\$3.5 million made to date towards US\$55 million Grieve Project Turnkey Field Development agreement

### SIGNIFICANTLY STRENGTHENING OF CORPORATE CAPACITY

- Appointment of new Chief Financial Officer and Chief Operating Officer significantly strengthening senior management team
- Establishment of new Denver Office as center for US operations







During the June 2016 quarter, the Company significantly strengthened its financial position as part of proceeding with the restructuring of the Grieve CO<sub>2</sub> EOR Project (“Grieve Project”) joint venture restructuring with Denbury Resources Inc. (“Denbury”). Significant progress was also achieved both operationally and commercially of the Grieve Project and the restructure of the joint venture with Denbury.

## SUCCESSFUL EQUITY CAPITAL RAISINGS AND GRIEVE PROJECT FINANCING

During the June 2016 quarter, Elk successfully completed raising over \$22.5 million in new equity through a combination of a partially underwritten entitlement offer which raised \$19,619,931 and raised a further \$2,900,000 through two separate private placements to sophisticated and institutional investors. Additionally, the company further strengthened its financial position with the holders of all of the \$3.6 million in convertible loans issued by the company in April 2015 electing to convert these loans and \$0.5 million in capitalised interest into equity in the company. The raising of this equity and the conversion of the convertible loans provides the company with significant equity resources to use to fund the Grieve Project restructuring tentatively agreed with our joint venture partner Denbury.

During the quarter, the company has run and concluded a very successful competitive process to secure a substantial amount debt financing towards the Grieve Project field development and restructuring of the joint venture. Under that restructuring, Elk has tentatively committed to funding US\$55 million to complete the Grieve Project pursuant to a fixed price turnkey field development arrangement with Denbury. In addition to the new equity raised during the June quarter, the company mandated Benefit Street Partners as its preferred lender and agreed financing terms subject to documentation for a US\$58 million term loan dedicated to the Grieve Project field development arrangements with Denbury. The company is now advancing documentation in anticipation of a planned 5 August 2016 completion date.





## KEY OPERATIONAL AND COMMERCIAL MILESTONES ACHIEVED IN GRIEVE PROJECT DEVELOPMENT

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During the reporting period, on the operational front Denbury as operator of the Grieve Project advised that the estimated minimum miscible pressure of 2,256 PSI had been achieved in the development of the Grieve CO<sub>2</sub> Enhanced Oil Recovery (EOR) Project. This is a major milestone for the Project and key to a successful CO<sub>2</sub> EOR project. Throughout the June quarter injection of CO<sub>2</sub> and water has continued and the latest field downhole pressure survey completed in April 2016 showed the Grieve Oil Field pressures now average 2504 PSI, well above the estimated MMP of 2,256 PSI. Currently, development of the Grieve Project is more than 75% complete.

On the commercial front, during the June Quarter, Elk and Denbury reached agreement on all of the principal agreements necessary to restructure the Grieve Project joint venture and have agreed to work towards concluding a definitive closing of the agreements

for the restructuring by the target date of 5 August 2016. To this end Elk, Denbury and Benefit Street Partners have agreed to proceed with a simultaneous closing of both the Grieve Project joint venture restructuring arrangements and the US\$58 million term loan agreement from Benefit Street Partners for funding the Grieve Project field development by this target date.

The company has made a series of progress payments of US\$3.5 million made to date towards US\$55 million Grieve Project Turnkey Field Development arrangements. These initial progress payments prior to full closing of the Grieve Project joint venture restructure have been made in order to maintain the overall project delivery schedule. All payments provided by Elk prior to completing full closing of the project and financing will be credited against the US\$55 million fixed cost to completion provided for the Grieve Project JV restructuring.

## FINANCE

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The Company's closing cash position as at 30 June 2016 was A\$18.1 million.

On 1 April 2016, Elk completed a \$1 million (before costs) private placement to a sophisticated investor new to the Company's register. The placement comprised of approximately 13.3 million shares priced at \$0.075 per share, with an option to subscribe for a further 1,333,333 shares in the Company at an exercise price of \$0.075 on or before 31 March 2018. Funds raised provide Elk with additional capital to fund initial development activities associated with the Grieve CO<sub>2</sub> EOR Project and the restructuring of the Grieve Joint Venture.

On 15 April 2016, the lenders under the A\$3.6 million Convertible Loan Facility gave notice of their election to convert the full principal amount and accrued interest of A\$4,071,538.26 under the facility into Elk newly issued shares at an exercise price of A\$0.038 per share. Following the exercise of the conversion option under the Convertible Loan Facility, the Company issued to the Convertible Loan lenders 107,145,743 new ordinary shares in full repayment of the loan.

On 24 May 2016, Elk completed a \$1.9 million (before costs) private placement to a sophisticated investor new to the Company's register. The placement comprised of approximately 25.3 million shares priced at \$0.075 per share. Funds raised provide Elk with additional capital to fund initial development activities associated with the Grieve CO<sub>2</sub> EOR Project and the restructuring of the Grieve Joint Venture.

On 3 June 2016, the company announced that it was launching a partially underwritten entitlement offer to raise up to \$30.76 million at a price of \$0.075 per share. On 23 June 2016, the company announced that it had successfully completed the entitlement offer raising \$19,619,931 through a combination of entitlement and shortfall applications through the issuance of 261,599,079 new shares. As per the entitlement offer booklet, the company intends to raise an additional \$11.1 million through the placement of the remaining shortfall under the entitlement offer to sophisticated investors.

With the completion of the two private placements, the conversion of the Convertible Loan Facility and the issuance of new shares in repayment of these loans, other immaterial share issues during the quarter and the completion of the entitlement offer to date, the Company has 672,309,014 shares outstanding with remaining shortfall placement capacity of 148,474,840 shares that can be issued pursuant to the entitlement offer.



## CORPORATE

During the June quarter, the Company significantly strengthened the senior management team with the appointment of a new Chief Financial Officer and Chief Operating Officer. In April 2016, the Company appointed Mr. Alex Hunter as Chief Financial Officer and Mr. David Evans as Chief Operating Officer. Both Mr. Hunter and Mr. Evans have joined Elk from their previous senior management roles at Drillsearch Energy Ltd following the completion of the acquisition of Drillsearch by Beach Energy Ltd. Mr. Hunter and Mr. Evans worked with Elk's Managing Director and Chief Executive Officer, Brad Lingo between 2009 through mid-2015 in transforming Drillsearch from a junior oil and gas exploration company into an ASX 200 leading oil and gas exploration and production company. Together this senior management team brings a wealth of experience in transforming junior resource companies into leading ASX organizations.

Elk has established a new US operations office in downtown Denver, Colorado to act as the Company's US operations headquarter. This new office is located in the historical business and financial district of downtown Denver where many oil and gas companies, financial institutions, investment bankers, technical and engineering advisors focused on oil and gas operations in the Rocky Mountain region are located. This new office compliments the Company's operations office in Casper, Wyoming and will greatly assist the Company in securing new projects and production opportunities in building off the foundation of the Company's Grieve Project.





## 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 CO<sub>2</sub> 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 CO<sub>2</sub> EOR project and the Reserve and Contingent Resource estimates for the Singleton CO<sub>2</sub> EOR project have been compiled or in the case of the Singleton CO<sub>2</sub> 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.*

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For further information please contact:

Brad Lingo  
Managing Director/CEO

+61 2 9093 5400  
ir@elkpet.com

www.elkpet.com

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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).

*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")

**30 JUNE 2016**

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		Current quarter \$A'000	Year to date (12 months ) \$A'000
1.1	Receipts from product sales and related debtors	24	24
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	(2,742)	(2,784)
	(c) production	(116)	(281)
	(d) administration	(1,233)	(3,772)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	5	11
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Receipts (or reimbursements) & management fees)	27	30
<b>Net Operating Cash Flows</b>		<b>(4,035)</b>	<b>(6,772)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	(29)	(168)
	(b) equity investments	-	-
	(c) other fixed assets	(33)	(174)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	24
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (bonds/secured term deposit purchased)	(50)	(200)
	Other (security lease deposit)	-	(9)
<b>Net investing cash flows</b>		<b>(112)</b>	<b>(527)</b>
1.13	Total operating and investing cash flows (carried forward)	(4,147)	(7,299)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(4,147)	(7,299)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	21,191	25,361
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (gross)	-	-
1.17	Repayment of borrowings	-	(1)
1.18	Dividends paid	-	-
1.19	Other - share issue costs	(781)	(902)
	Other - borrowing costs	(138)	(498)
	<b>Net financing cash flows</b>	<b>20,272</b>	<b>23,960</b>
	<b>Net increase (decrease) in cash held</b>	<b>16,125</b>	<b>16,661</b>
1.20	Cash at beginning of quarter/year to date	2,116	1,567
1.21	Exchange rate adjustments to item 1.20	(138)	(125)
1.22	<b>Cash at end of quarter</b>	<b>18,103</b>	<b>18,103</b>

**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	165
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: \$56K	
	Executive directors: \$109K (including \$22K to an associate)	

**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



### 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		
3.2 Credit standby arrangements		

On 14 April 2016, all of the lenders under the \$3.6 million Convertible Loan Facility maturing on 15 April 2016 gave notice to Elk electing to convert the full principal balance and accrued interest of the loan into ordinary shares in Elk. The total outstanding balance of the Convertible Loans including accrued interest was \$4,071,538.26 and with the election to convert this loan balance into shares, the Company issued on 18 April 2016 107,145,743 new ordinary shares in full repayment and satisfaction of the outstanding Convertible Loans.

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	30,000
4.3 Production	250
4.4 Administration	1,250
<b>Total</b>	<b>31,500</b>

The abovementioned estimated cash outflow is based on the assumption of execution of the Grieve Project Restructuring and related financing through Benefit Street Partners for a US\$58 million facility. The Company is now advancing documentation in anticipation of a planned 5 August 2016 completion date as explained in the Appendix 5B narrative. All of the \$30 million in development expenditure will be funded from drawing down on the financing facility. In addition to this funding, the Company intends to raise funds from placement of the shortfall capacity under the recently closed rights. For further details, please refer to the Quarterly narrative.

### 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	18,103	2,116
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>18,103</b>	<b>2,116</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 672,309,014	Opening 263,670,567  408,638,447  N/A  Closing 672,309,014	Opening 263,670,567  408,638,447  N/A  Closing 672,309,014	N/A  N/A	N/A  N/A

+ See chapter 19 for defined terms.

<b>+Performance Rights</b>				
Changes during quarter	Opening 12,360,944	Not listed		
(a) Increases through issues	1,810,000	Not listed	N/A	N/A
(b) Decreases through lapses	(5,527,825)	Not listed	N/A	N/A
	Closing 8,643,119			
<b>+Retention Rights</b>				
Changes during quarter	Opening 792,340	Not listed		
(a) Increases through issues	195,000	Not listed	N/A	N/A
(b) Decreases through exercise of rights	(56,054) vested	Not listed	N/A	N/A
	Closing 931,286			
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>	22,675,000 1,333,333	Listed Not listed	<i>Exercise price</i> 25 cents 7.5 cents	<i>Expiry date</i> 22 July 2017 31 Mar 2018
7.8 Issued during quarter	1,333,333	Not listed	7.5 cents	31 Mar 2018
7.9 Exercised during quarter	N/A	N/A	N/A	N/A
7.10 Expired during quarter	(100,000)	Not listed	20 cents	30 June 2016
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: ..... Date: 29 July 2016  
(Company secretary)

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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**Table 1 - Summary of petroleum tenements as at 30 June 2016**

<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%
South Singleton (OPIS) 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>
Singleton Leases (7)	Banner County, Nebraska USA	N/A	100%

**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