ASX ANNOUNCEMENT

18 July 2016

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2016

HIGHLIGHTS

- **Process to recapitalise Elixir commenced with Tranche 1 funding completed**
- **Additional funding commitment received (Tranche 2) to progress existing assets and pursue new ventures**
- **Shareholder meeting scheduled for Tuesday 16 August 2016 to restructure Elixir to allow more flexibility with future funding options**
- **Existing Shareholders to be provided with opportunity to participate at the same price as new investors via a non-renounceable 1:1 Rights Issue to raise up to an additional $1.8M**

EXECUTIVE SUMMARY

Despite the disappointment of the proposed purchase of Cliff Head from AWE Limited (**AWE**) not proceeding, the Board of Elixir Petroleum Limited **(ASX:EXR)** (**Elixir** or **Company**) has acted quickly to introduce new investors into the Company and commence a process to recapitalise and restructure the Company that should result in Elixir significantly reducing its number of shares on issue to approximately 179 million with cash of approximately $2.3 million by the end of the first quarter of the 2016/17 financial year.

The Company has been able to attract new investors due to a number of positive factors including its very low administration costs, its limited commitments associated with its asset base and its ability to generate new venture opportunities that have the potential to add significant shareholder value.

The additional funding secured through the initial placement, the proposed Tranche 2 placement and the proposed Rights Issue will ensure the Company is adequately funded to progress its existing assets and pursue any new opportunities which meet the required investment criteria.

BUSINESS DEVELOPMENT ACTIVITIES

The process undertaken for the Cliff Head acquisition (further detailed below) is testament to the disciplined and professional approach the Board has taken towards new ventures to ensure that it does not unreasonably expose the Company to unacceptable risks.

The Board have swiftly moved forward from the Cliff Head experience and management is actively reviewing a number of new venture opportunities that have presented themselves in recent months.

Cliff Head Synopsis

The Cliff Head transaction was opportunistically identified and initiated by Elixir management in late 2015 at a time when oil prices were extremely volatile and the vendor (AWE) was identified as a potential seller. Following a short negotiation, Elixir and AWE agreed a binding Term Sheet but during the due diligence period, Elixir identified a material issue that, despite having a binding Term Sheet with AWE, meant that AWE was less inclined to proceed on the basis of the signed Term Sheet. In good faith, Elixir began a renegotiation of the terms with AWE that resulted in a significantly different structure but which achieved the objectives of both parties.

During this period, Elixir was approached by (or approached) a number of parties pursuant to confidentiality and non-circumvent agreements to discuss potential participation in the project alongside Elixir as either investors or participants.

One of these parties was the eventual purchaser of the AWE interest in Cliff Head, Triangle Energy (Global) Limited (**Triangle**). Elixir considers Triangle has at all times since the meeting with Elixir been bound by the terms of the non-circumvent clause pursuant to an agreement between the parties and has formally reserved its rights with Triangle. Triangle in turn has denied that any agreement exists, or has at any time existed, between Triangle and Elixir in relation to the Cliff Head oil field.

Notwithstanding this, Elixir notes the upfront cash consideration paid by Triangle for AWE's interest

Elixir Petroleum Limited
ABN 51 108 230 995
Level 2, 41-47 Colin St
WEST PERTH WA 6005, AUSTRALIA
T: +61 8 9226 2111 E: info@elixirpetroleum.com

in the Cliff Head oil field was more than three times what Elixir was willing to pay.

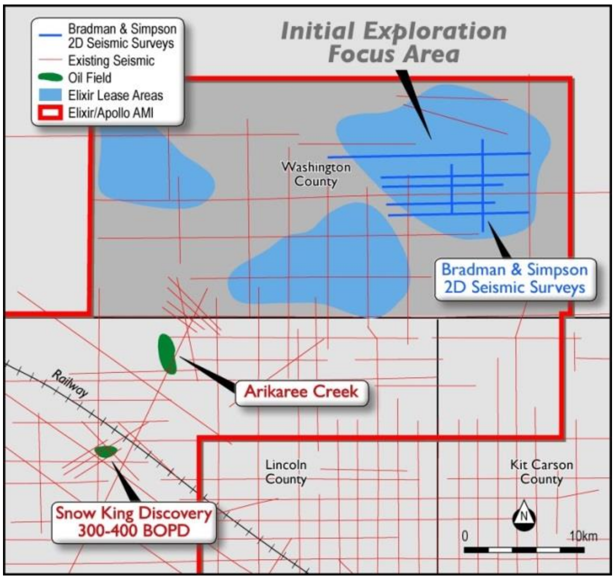
Given the significant short term financial and operational risks associated with the Cliff Head oil field, the Board believes that its offer to AWE represented full value and the proposed structure and protection mechanisms embedded in the draft sale and purchase agreement were appropriate for the risk being taken by Elixir.

EXPLORATION ACTIVITIES

Project Name: Petra Project
Location: Colorado, USA
Ownership: 50% Working Interest

The Petra Project (15,000 net acres) remains in good standing with Elixir and its partner agreeing to extend the term of the farm-in agreement to 31 December 2016 to allow the Joint Venture additional flexibility with respect to the timeframe required to drill the initial exploration well under the agreement.

Activity in the region has increased in recent months and discussions are continuing with the Operator as to the ideal timing to drill initiate a drilling campaign.



Project Name: Moselle Permit
Location: North-eastern France
Ownership: 100% Working Interest

A renewal application for the Moselle Permit was lodged in September 2013 with the relevant French authorities. Elixir continues to await notification that the extension into the second exploration period has been granted. The Company will not incur any expenditure on Moselle until the renewal is granted.

CORPORATE AND FINANCIAL

Quarterly expenditure and cash position

As at the end of the quarter, the Company had approximately $424,000 in cash and no debt. Corporate overheads remained very low during the current quarter with total administration cash costs for the full financial year being limited to less than $540,000, with an additional $160,000 being expended on exploration and evaluation costs.

Corporate overheads will remain low over the coming periods with further cost reductions being enacted by the Board.

Subsequent to the end of the quarter the Company raised a further $234,000 pursuant to its remaining placement capacity (Tranche 1). The Company also announced it had received commitments for a further $206,000 in funding from a Tranche 2 placement subject to shareholder approval. The Board also intends, subject to shareholder approval, to undertake a consolidation on the basis of every twenty five (25) shares held be consolidated into one (1) share.

Immediately on completion of Tranche 2 of the Placement and the consolidation, the Company intends to undertake a 1:1 Rights Issue to raise approximately $1.8 million before costs. Upon completion of the Rights Issue, the Company is expected to have approximately 179 million shares on issue (post consolidation) and will be well positioned for future growth.

PETROLEUM TENEMENTS HELD AS AT 30 JUNE 2016

	% Interest	Tenement	Location
Held at end of quarter	100%	Moselle Permit	North-eastern France
	50%	Petra Project	Colorado, USA
Acquired during quarter	-	-	-
Disposed during quarter	-	-	-

INTERESTS IN FARM-IN OR FARM-OUT AGREEMENTS AS AT 30 JUNE 2016

	Farm-in / Farm-out	% Change in Interest	Project
Held at end of quarter	50%	-	Petra Project
Acquired during quarter	-	-	-
Disposed during quarter	-	-	-

For further information, please visit the Company's website at www.elixirpetroleum.com