



ANNUAL GENERAL MEETING

28 OCTOBER 2011

ELK PETROLEUM 





Dr Neale Taylor
Chairman



Mr Bob Cook
Managing
Director/CEO



Mr Tony Strasser
Non-Executive
Director



Mr Matt Healy
Non-Executive
Director

- **Procedural Matters**
- **Notice of Meeting**
- **Register/Proxies**
- **Minutes**
- **Ordinary Business**
 - Chairman's Report
 - Managing Director's Report
 - Accounts
 - Resolutions 1 to 13
- **General Business**

Minutes

- Minutes of previous Annual General Meeting held on 25 November 2010 have been signed by Dr Neale Taylor as a true and correct record and are available for inspection.

CHAIRMAN'S REPORT

28 OCTOBER 2011

ELK PETROLEUM 



Agreement with Denbury Resources

- Success because Elk ready – studies and agreements in place
- Elk's profile raised by success > entrée to new EOR projects

Further developments accelerated by SDS sale

- Ash Creek testing and studies
- Niobrara appraisal planning
- Hereford development screening
- Other new ventures & technologies screening

Exploration efforts to be refocused in 2012

New Board working well

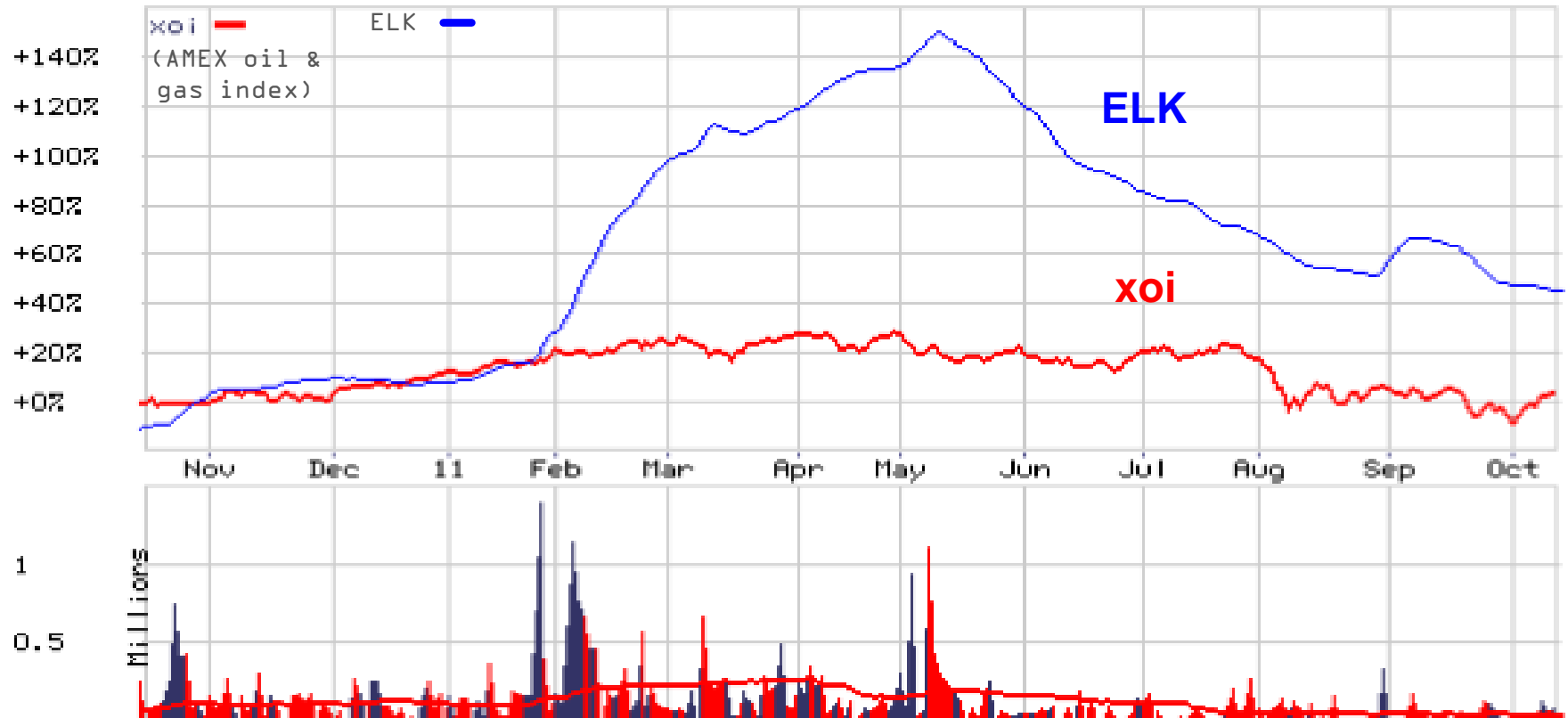
- MD/CEO to Casper post AGM

2011 Financial Outcome

	2011 (A\$'000)	2010 (A\$'000)	Change
Revenue	852	3,450	▼ 76%
<i>Oil Price, US\$/B</i>	<i>63.808</i>	<i>63.070</i>	▲ 1%
Operating Costs	(1,097)	(1,831)	▼ 40%
Admin Costs	(2,621)	(2,785)	▼ 6%
Depreciation/Other Expenses	(2,326)	(2,165)	▲ 7%
Other Income	2,676	65	▲ SDS sale
NPAT (Loss)	<u>(2,516)</u>	<u>(3,265)</u>	▲ 24%
Year Ended Cash	2,174	719	▲

- Reduced oil production and revenue due to Sand Draw South divestment
- \$2.7 million net profit on Sand Draw South sale used to meet ongoing expenditures to advance EOR projects for growth

12 Month Share Price Performance



- Elk significantly outperforms the **AMEX oil & gas index (xoi)** over 12 months
- Hit by market downturn from May onwards

Solid Corporate Valuation

Elk Valuation	\$MM	\$/share
Grieve	55	0.35
Niobrara	24	0.15
Other	6	0.04
Cash (post issue)	10	0.06
Corporate	- 6	- 0.04
Total	90	0.57

“Peak production rates ranging between 4,000 and 12,000 BOPD will deliver ELK an EBITDA between US\$29M and US\$67M pa for those peak years”

Source: Strachan Corporate – July 2011

Demonstrates upside and expected cash flow generation

Objectives

- Advance Grieve Development
 - No funds required in 2012
- Accelerate Ash Creek Development
 - Test drilling and coring
 - Possible production from test well
 - Development commitment before YE2012
 - EOR cash generation by 2013
 - Need to source development funding – ? mix of equity, debt and farmout
- Pursue Hereford Development
 - Gas sales to 3rd party powergen by mid 2013
- New ventures
 - Enter one or more new ventures – in active discussions
 - Adopt one or more new technologies for testing in 2012
- Refocus exploration appraisal efforts
 - Niobrara at Grieve and/or Ash Creek
 - Review current exploration portfolio
 - Currently considering participation in high risk/high reward exploration prospect

Challenges

- Application of current funds vs time to cashflows from Grieve and Ash Creek EOR projects
- Uncertain timing of BLM approval

Placement & SPP Source of Funds

	No.	Value (A\$'000)	Price (\$/share)	Cash (A\$'000)
Pre-Raising	115,857	22,000	0.19	~1,500
Placement & SPP	36,300	6,900	0.19	6,900
Line of Credit		600		600
Cost of Placement & SPP				~100
Post Placement & SPP	152,157	29,500	0.19	8,900

- Placement & SPP provides bridging funds prior to the start of cashflow from Grieve and Ash Creek EOR projects.
- MD/CEO to highlight planned and possible application of funds

MANAGING DIRECTOR'S UPDATE

28 OCTOBER 2011

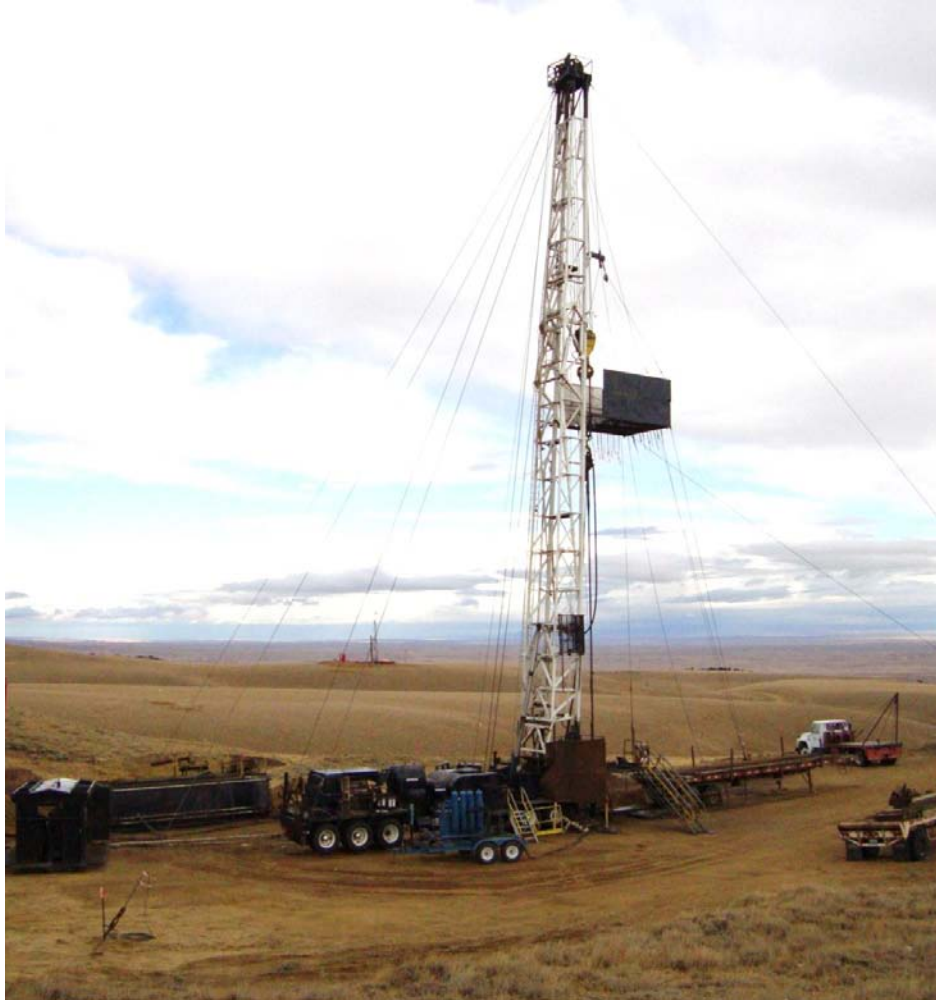
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- Sand Draw South Sale
- Grieve EOR & Crude Pipeline
- Ash Creek
- Hereford
- Exploration & Appraisal
- New Ventures
- Application of Funds

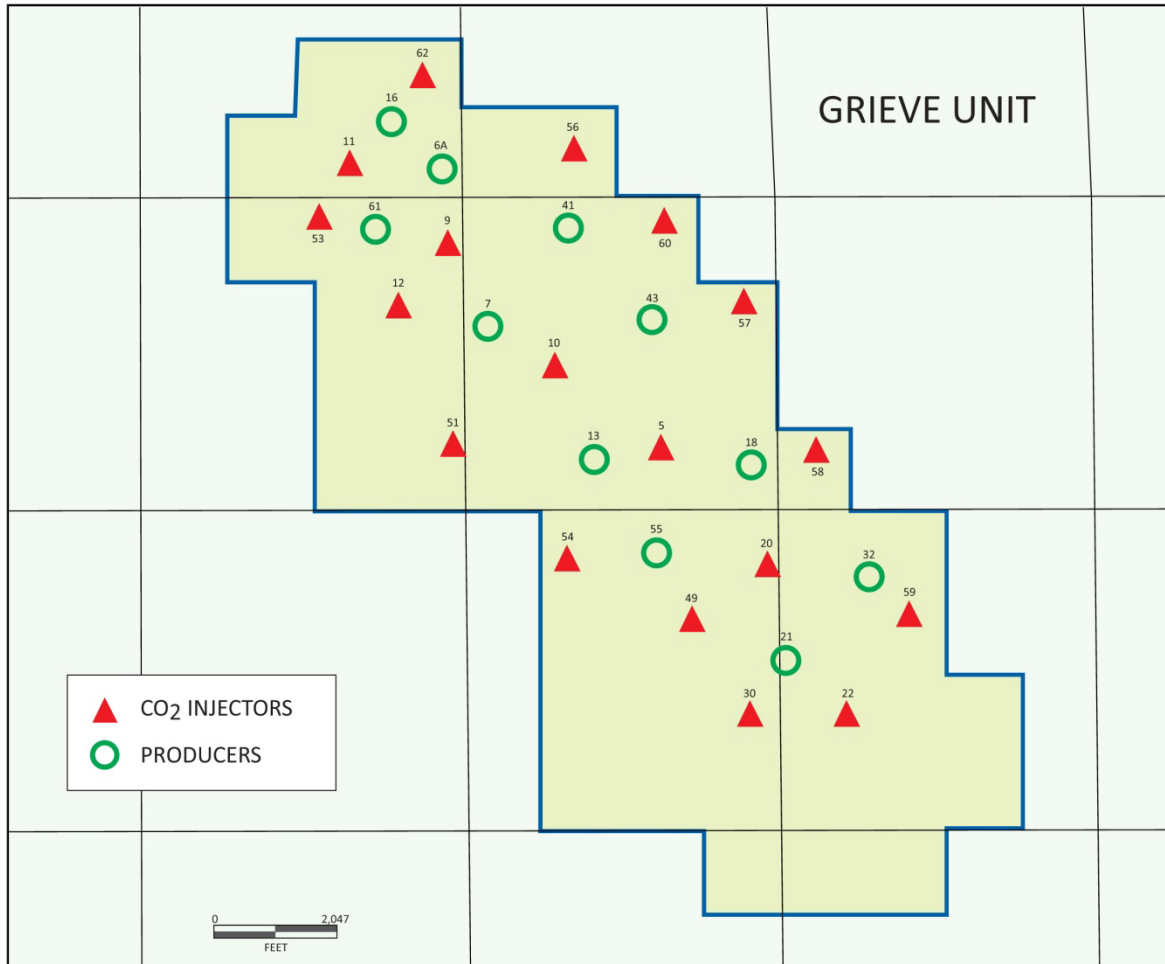
Major milestones during FY11

Agreement with ExxonMobil for CO ₂ supply	✓ January 2011
CO ₂ transportation pipeline agreement with Howell Petroleum (Anadarko) signed	✓ February 2011
Acquisition of pipeline from Unocal Pipeline (Chevron)	✓ April 2011
Joint venture agreement with Denbury Onshore	✓ May 2011
18 well workover program	Expected end 2011 14 re-entered
Environmental Assessment with BLM for approval	Awaiting approval



Well workover program

- Advanced stage:
14+ workovers undertaken
4 ready for CO₂ injection and
1 for oil production
- Expect program completion by YE
- \$3+ million spent to date;
approx. \$5 million total cost
- Completions involve integrity testing, installing new wellheads and tubing, re-perforating and in some cases, remedial work



Up to 18 CO₂ injectors

- All 10 existing wells planned as injectors worked over
- 4 up-dip wells ready to inject CO₂

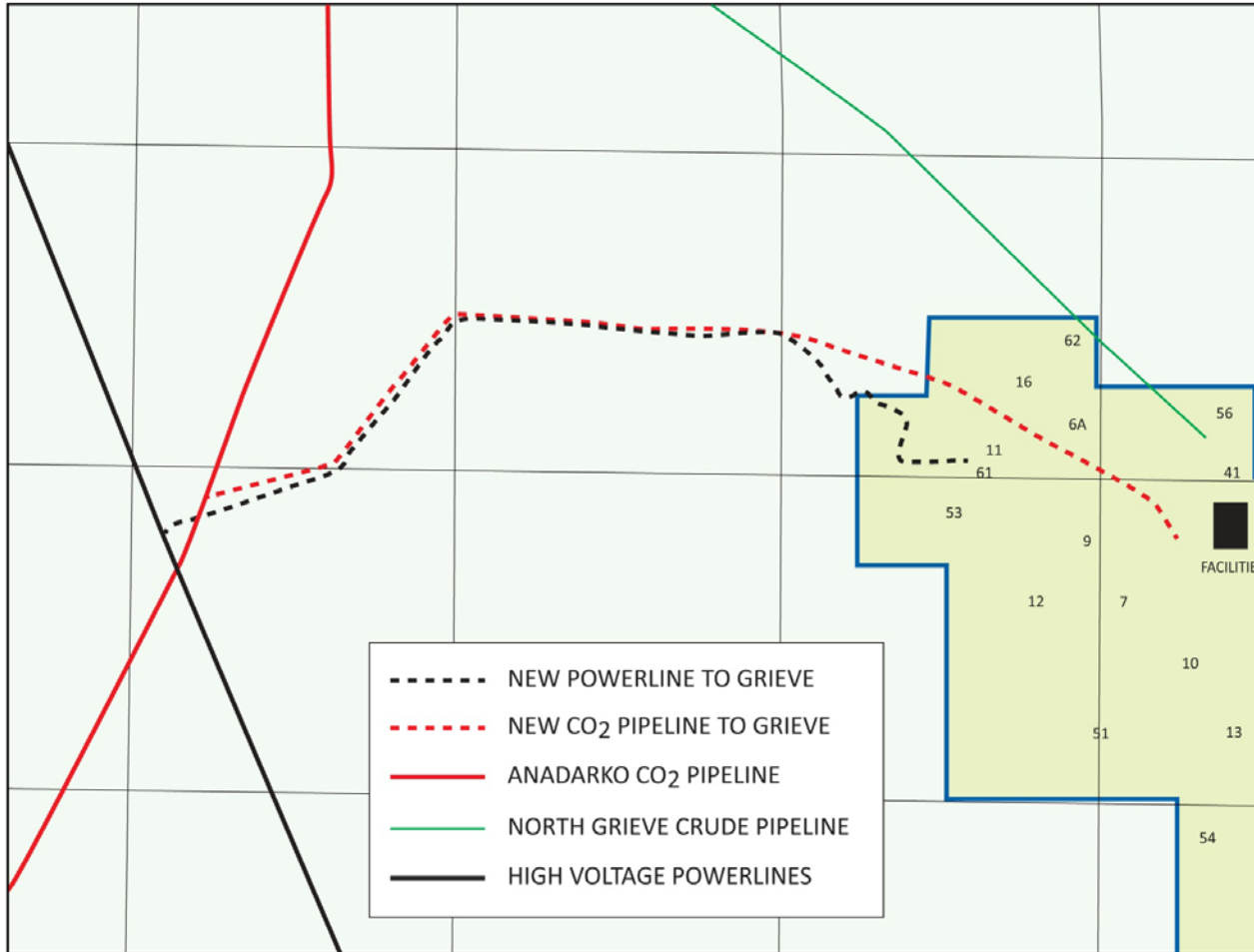
10 oil production wells

- 4 existing wells planned as producers worked over
- 1 well ready to produce

New wells to be drilled after start-up

- New well numbers and cost yet to be finalised

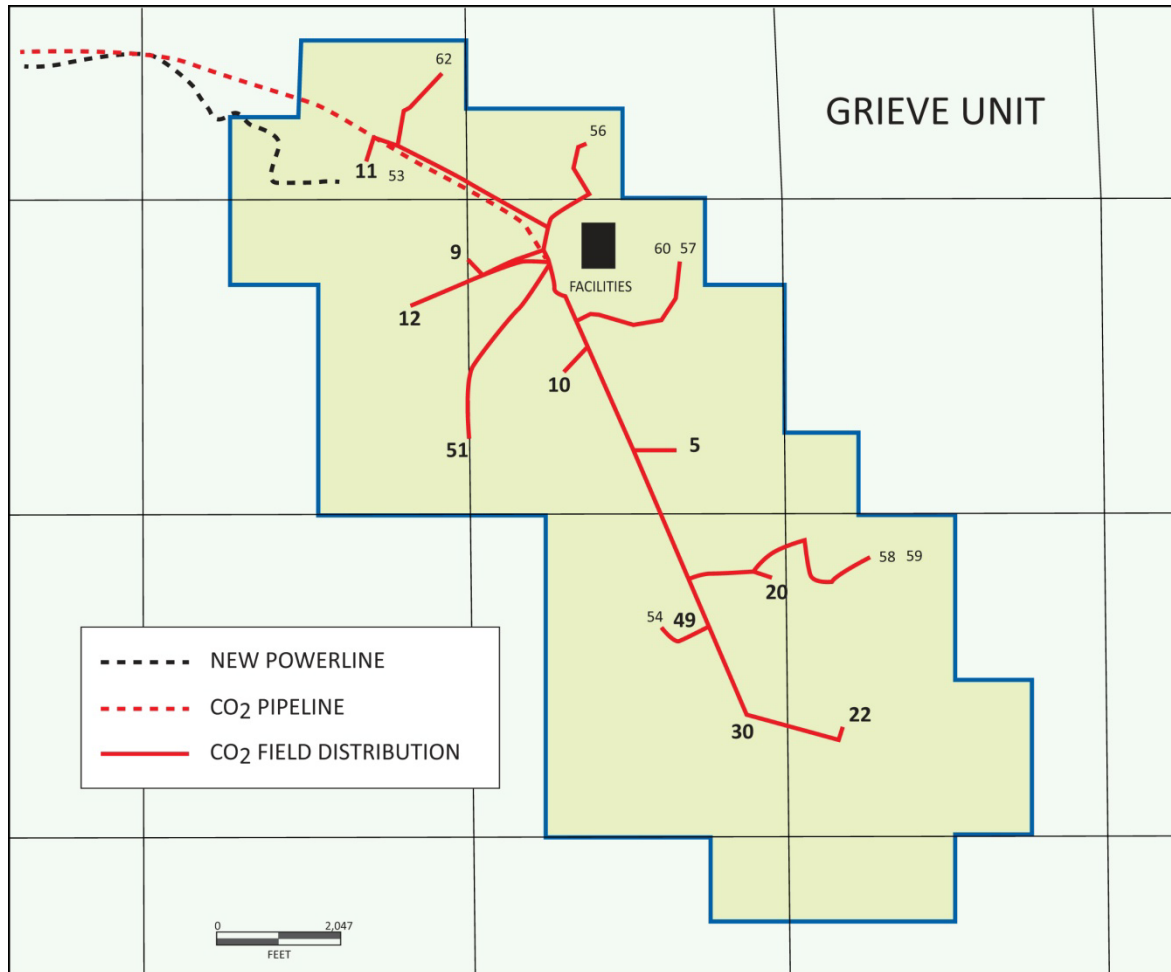
CO2 Pipeline & Power



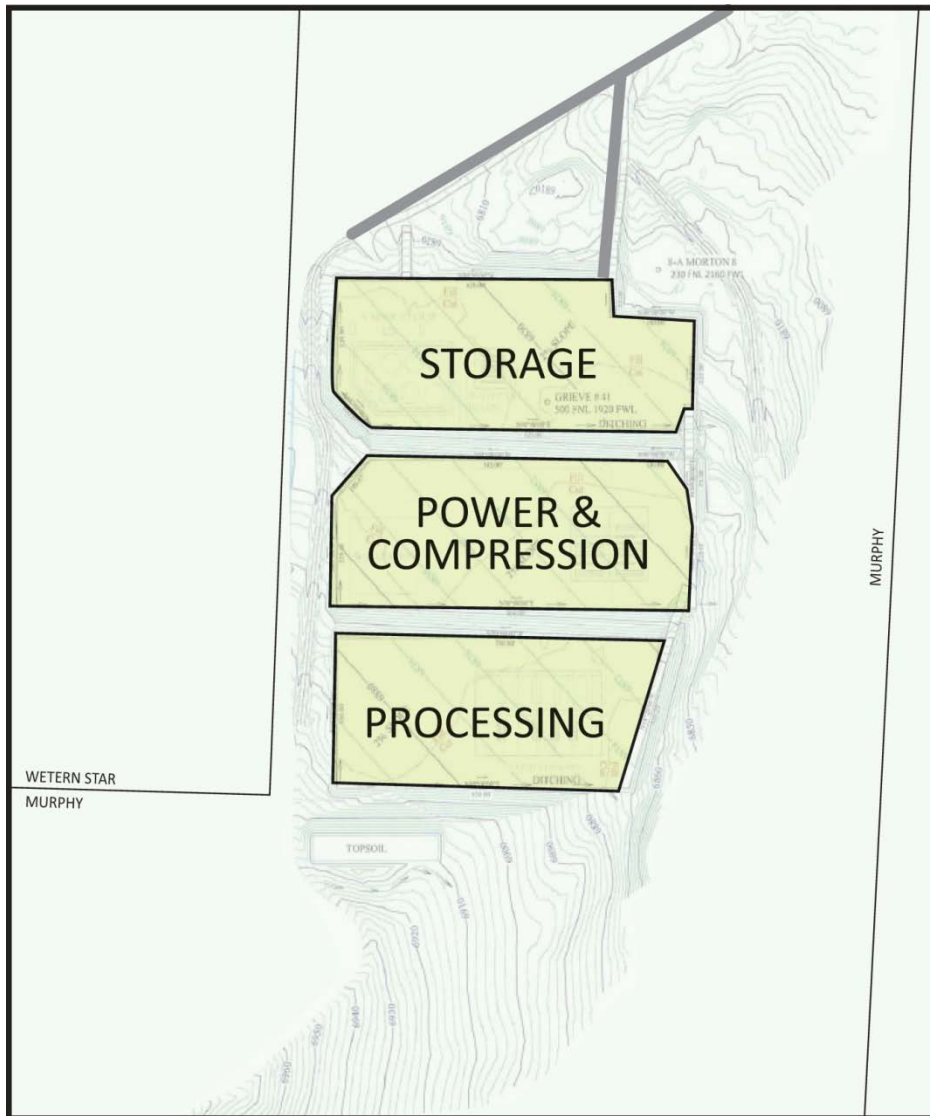
- CO₂ pipeline 3.8 mile long
- Pipeline route changed
– to avoid sage grouse lek
- Denbury is funding cost
- Pipe and valves on order
– pipe delivery November
- Power to be supplied by utility company
- BLM approval of the project Environmental Assessment required before construction can start

Field Facilities

- Simple field gathering/distribution system
- Pipe and valves on order
- Relatively quick installation once EA approved by BLM
- Estimate of JV costs: \$12.5 million



CO₂ field distribution system



Process Facilities

- Denbury to own processing plant and lease to JV
- Plant & compression not required until 12 months after CO₂ injection starts
- Delivery for some long lead time processing equipment is 40 weeks
- Surface land for plant has been leased from local rancher
- Designed for 100 MMSCFD CO₂ re-cycling capacity

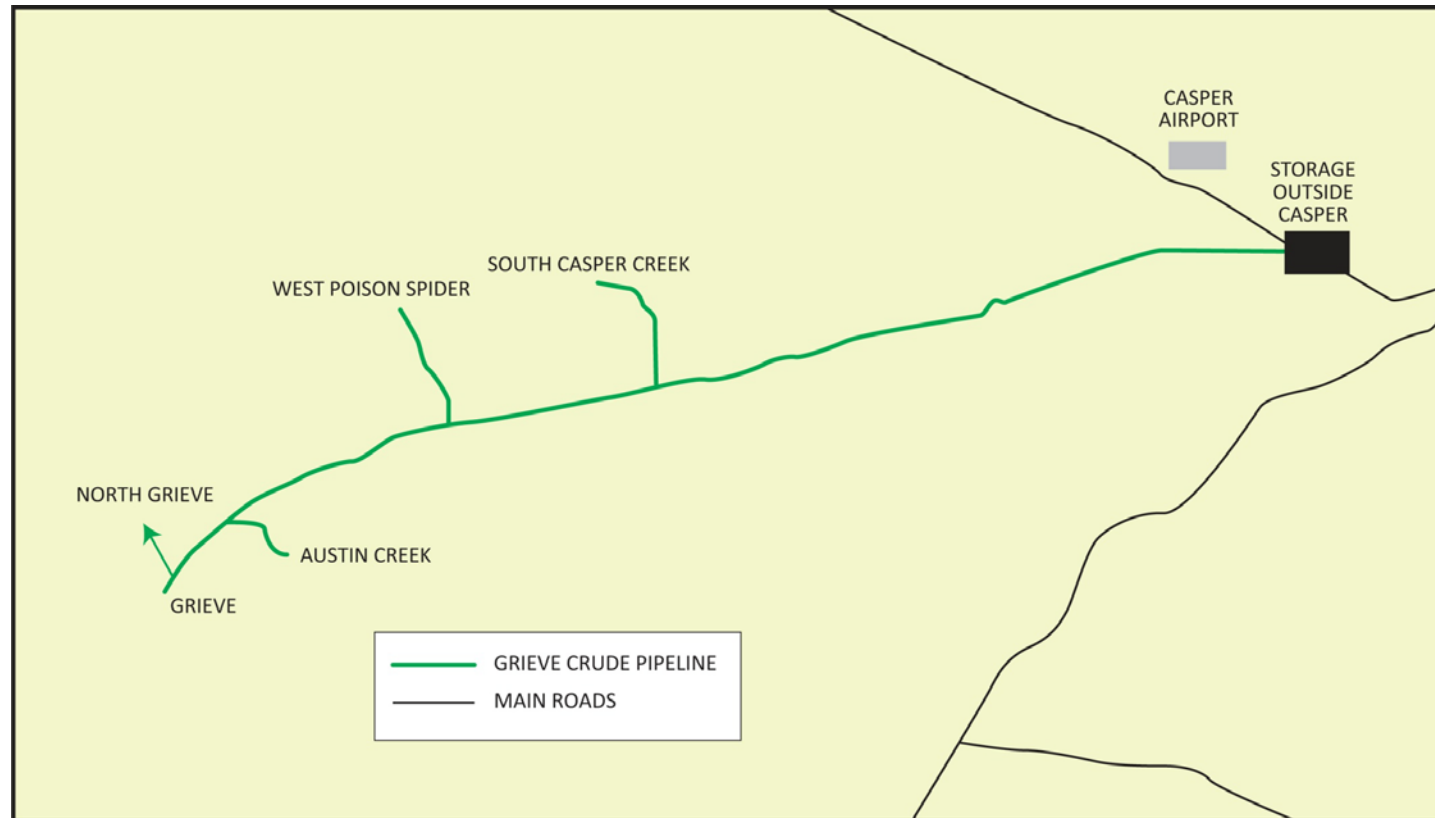
Key Points

- BLM schedule for approval of the Environmental Assessment of the project yet to be confirmed by BLM
- BLM approval will determine project critical path timing for project schedule and commencement of CO₂ injection
- Denbury is fine-tuning:
 - simulation studies
 - project design
 - final project budget and schedule
- Costs appear to be in line with original estimates
- Elk retains view EOR will be in range of 12-24 million barrels

Elk does not expect to be required to provide any funding for the Grieve EOR Project Development

Grieve Crude Pipeline

- Pipeline is 32.8 miles long
- Elk has 100% interest in pipeline
- Elk will be operator
- Acquisition includes storage tanks (25,000 barrels capacity), pumps, meters, etc.

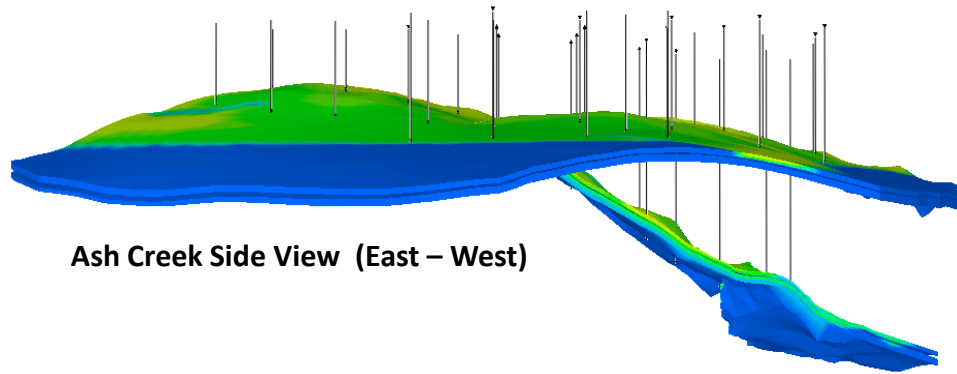


- Inspection, testing and re-commissioning complete by late 2012
- Pipeline can service the transport needs of other producers on the route

Major milestones during FY11

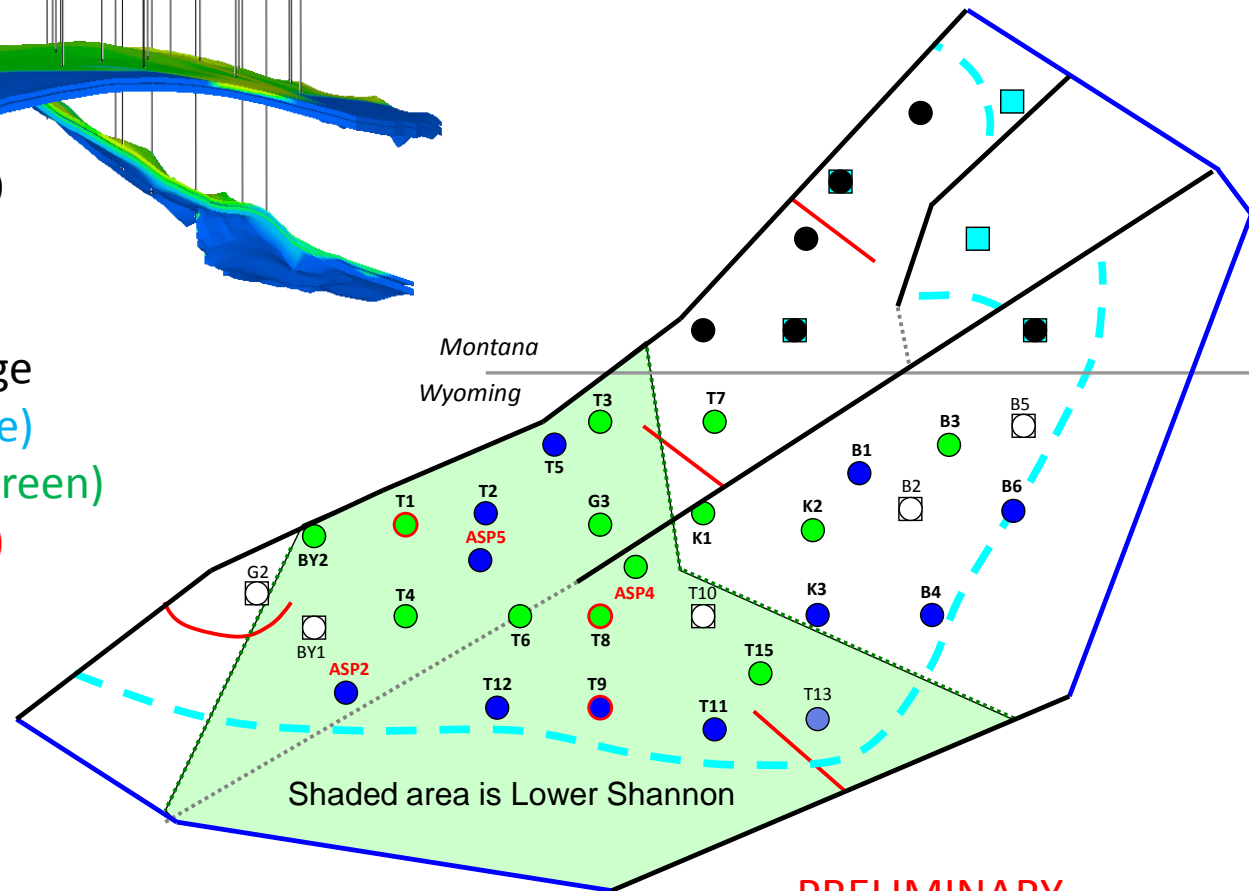
- Initial laboratory work complete:
 - Identified appropriate chemicals for Ash Creek injection fluids
 - Further laboratory work needed on fresh reservoir core material
- Geological reservoir model complete
- History match complete
 - Good match on both production and reservoir pressures
- Model used to simulate development options and test assumptions
 - Preliminary development and flooding plan formulated
 - Location for new well chosen for core recovery and possible early oil production
- Expect well and remaining laboratory and simulation work to be completed by mid 2012
- Planning for FID by 3Q2012

Model & Simulated Development



Ash Creek Side View (East – West)

- Area of modelled acreage
 - Injection wells (blue)
 - Production wells (green)
 - New wells (red tag)

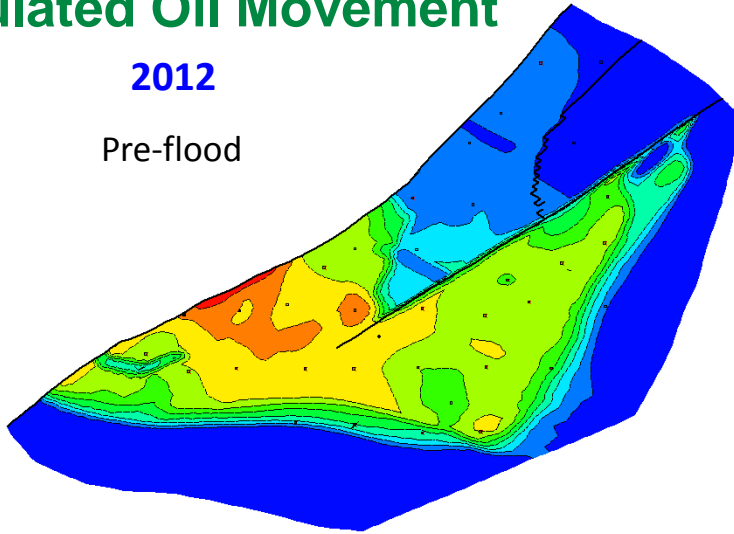


PRELIMINARY

Simulated Oil Movement

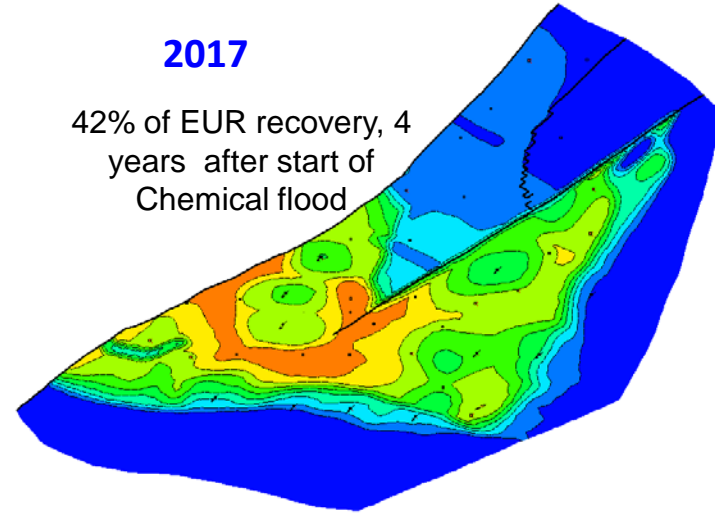
2012

Pre-flood



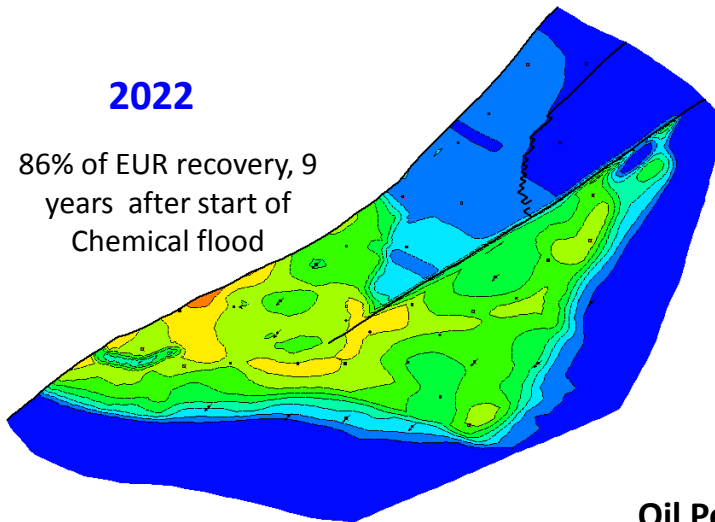
2017

42% of EUR recovery, 4 years after start of Chemical flood



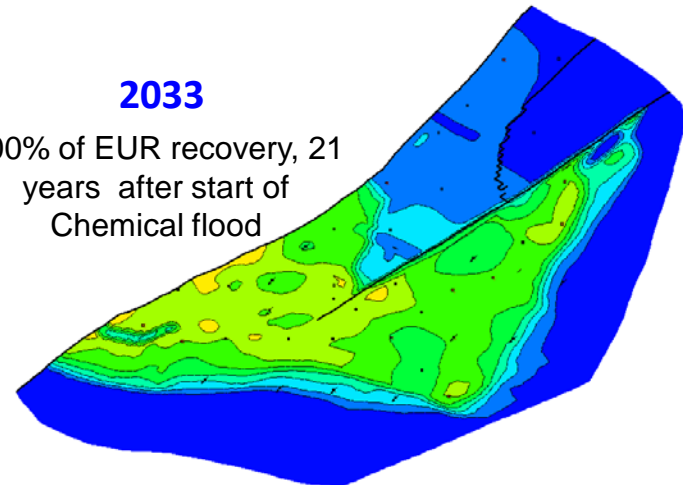
2022

86% of EUR recovery, 9 years after start of Chemical flood



2033

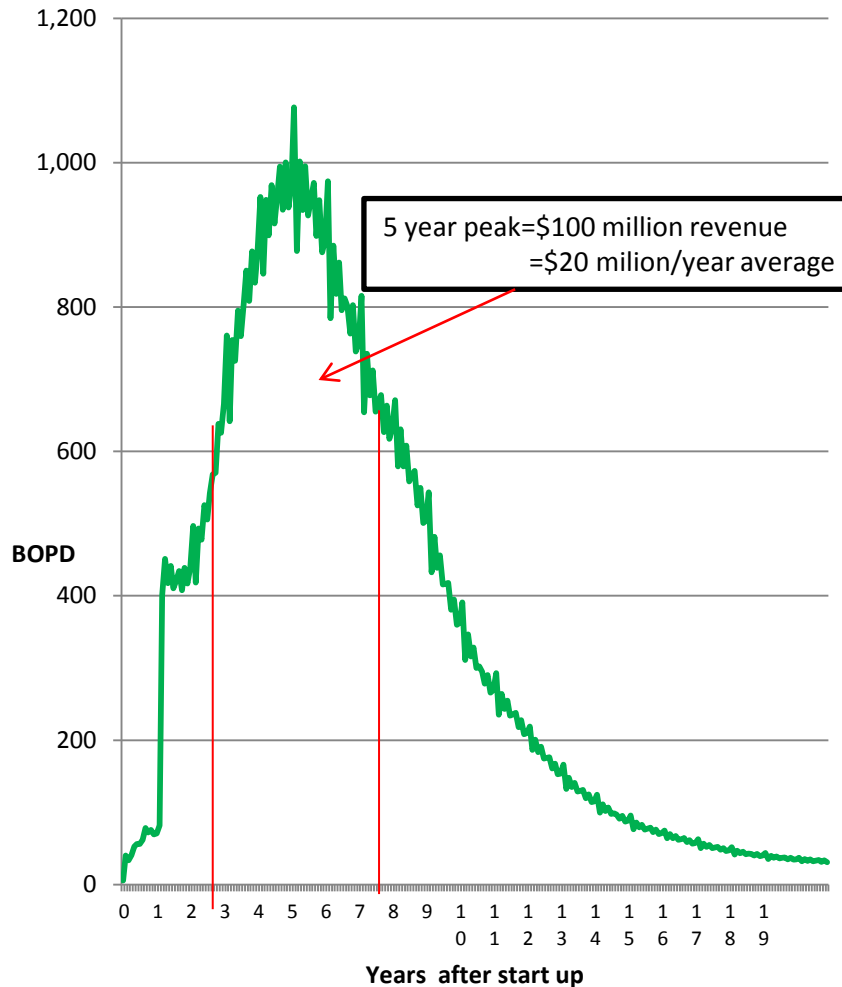
100% of EUR recovery, 21 years after start of Chemical flood



Oil Per Unit Area

PRELIMINARY

Simulated Production Profile

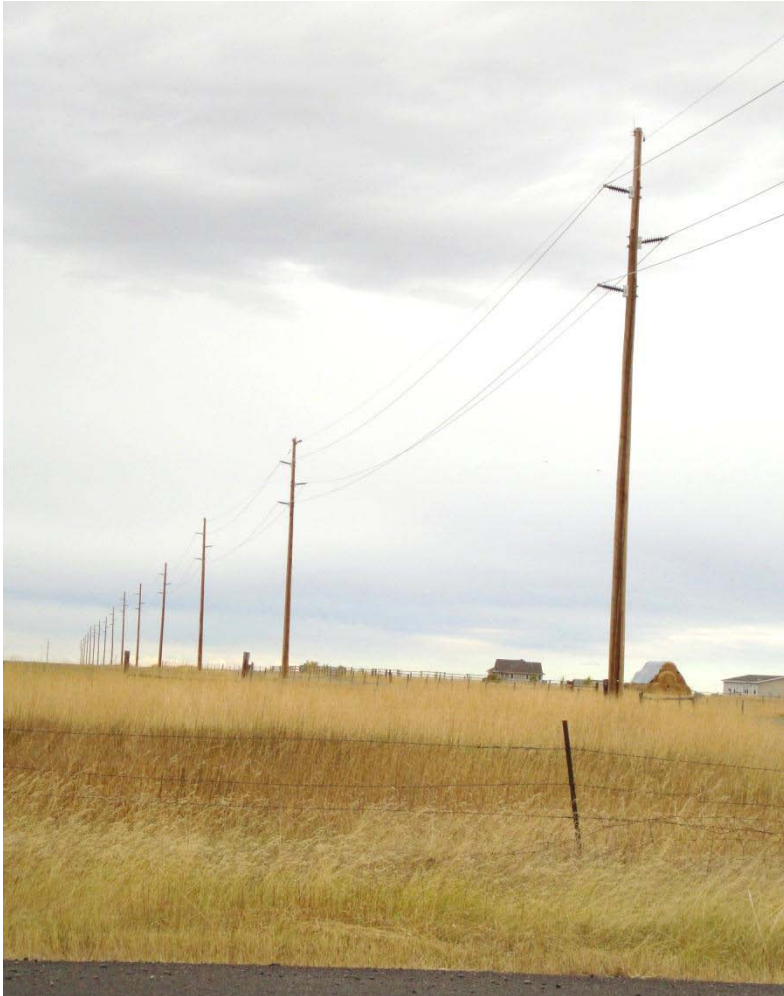


- Preliminary Simulated Results
 - Recoveries & peak rates range from 2 – 3 MMbbls and 500 – 1,500 BOPD for residual oil concentrations post chem. flood from 35% to 15% respectively.
 - Justification for new well for fresh core and study for FID
- Possible bonus:
 - Early production possible from new well based on simulation suggesting undrained oil at this location
 - If successful, follow up workovers for early production
- Development cost: ~US\$12 million
 - Funding options being considered

Major milestones during FY11

- WorleyParson (WP) has completed a study of possible options to monetise the gas from Hereford
 - Onsite power generation using the low heating value Hereford gas appears to be a commercial option
- Elk is in very early discussions with a party to use the gas in an on-site, modularised power generation station owned and operated by this party with gas purchased from Elk
- Export of power could be to a substation approximately 6 miles to the south of the well
- Costs would be approximately \$500k for Elk's 50% interest in field processing facilities and a second well for appraisal & security of supply
- Development of Hereford would allow other nearby prospects to be evaluated

Power Outlet – 6 miles from Hereford gas development



Elk is reviewing a number of new ventures covering:

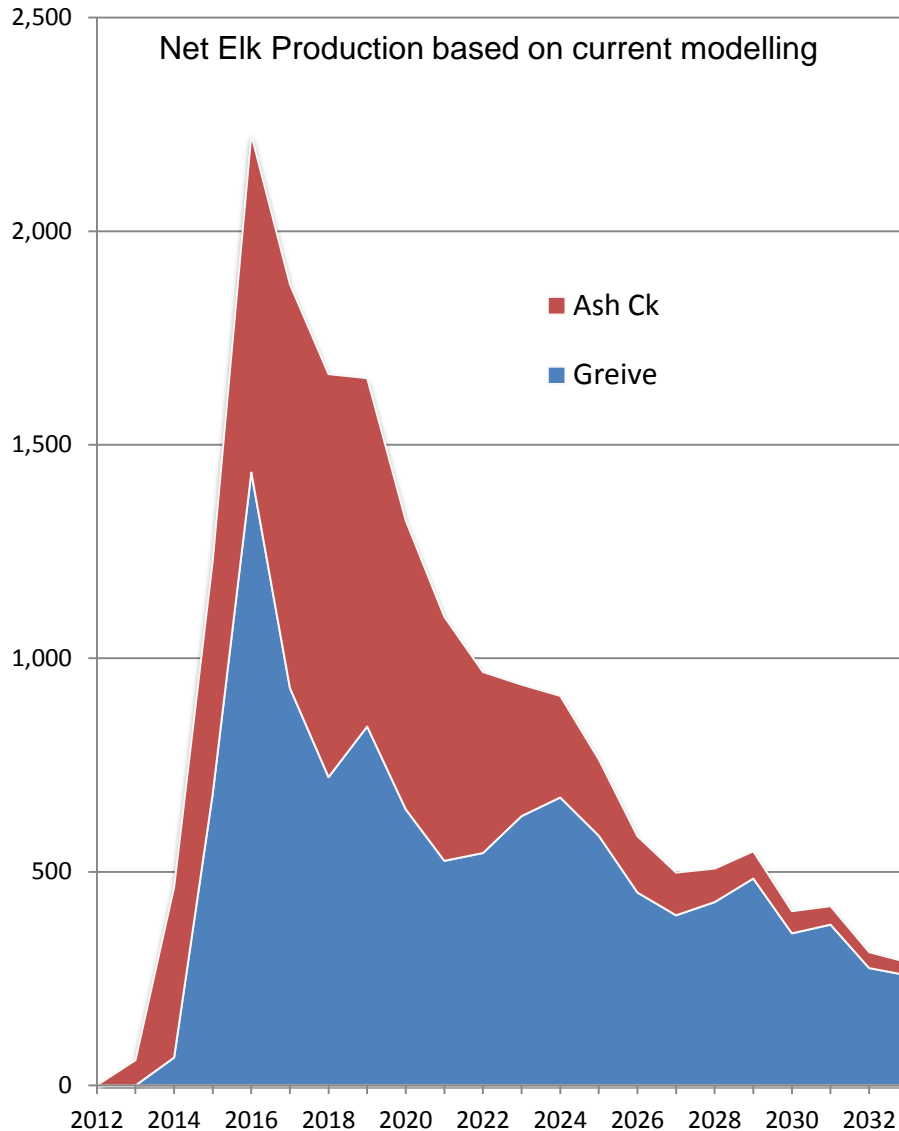
- EOR Opportunities:
 - Several CO₂ flood prospects being considered; one already rejected.
 - Several Chemical Flood opportunities are being pursued.
- Niobrara Opportunities
 - Grieve (20 prospective JV partners provided with data & proposal also shown at Rocky Mountain Expo in Denver on Monday)
 - Wind River Basin Niobrara intelligence is tightly held
 - Ash Creek – proposed deepening of new well to deeper horizons
 - Other properties
- Exploration Plays
 - One high risk/high reward being evaluated
 - Existing acreage to be re-assessed
- Technology Innovation & Associated Opportunities

Possible 2011-12 Allocations

Allocation of Funds*	(~US\$'000)
Grieve: Elk's pipeline: inspection, testing, remediation and commissioning	300
Ash Creek: One well, core, lab tests, simulation update, Niobrara test, completion	1,200
Hereford: Surface field facilities and appraisal well	500
Exploration and Appraisal, New Ventures , New Technology: Review, evaluation and participation in potential new projects as well as Ash Creek development	2,000

**This allocation is indicative.*

Well-positioned for the year ahead



- Solid platform for growth
 - Current - Grieve
 - Planned - Ash Ck & Hereford
- Leveraging strength in EOR
- Bridging finance is in place
- Growth strategy to increase shareholder value
 - Priority to development projects
 - Seed new future projects

Accounts in 2011 Annual Report

- Consideration of Report
- Any questions or comments?

- 1 – Approval of Remuneration Report
- 2 – Ratification of Share Issue (Employees)
- 3 – Ratification of Share Issue (Advisor)
- 4 – Ratification of Share Issue (Placement – Tranche 1)
- 5 – Ratification of Share Issue (Placement – Tranche 2)
- 6 – Ratification of Share Issue (Placement–to Related Party)
- 7 – Re-election of a Director – Dr Neale Taylor
- 8 – Approval of Employee Rights Plan
- 9 – Approval of Non-Executive Director and Advisor Rights Plan
- 10 – Grant of Performance Rights to Mr Robert Cook
- 11 – Grant of Performance Rights to Dr Neale Taylor
- 12 – Grant of Performance Rights to Mr Tony Strasser
- 13 – Grant of Performance Rights to Mr Matthew Healy

Remuneration Report

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s annual financial report for the financial year ended 30 June 2011.”

For	Against	Abstained/ Excluded	Undirected	Total
33,677,904	2,404,136	3,515,221	38,490	39,635,751

Ratification of Share Issue (Employees)

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 122,550 Shares at an issue price of \$0.20 per Share which were issued on 19 May 2011.”

For	Against	Abstained/ Excluded	Undirected	Total
34,349,210	2,925,140	2,156,974	204,427	39,635,751

Ratification of Share Issue (Advisor)

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the shareholders of the Company ratify the allotment and issue of 833,333 Shares to RFC Corporate Finance Ltd at an issue price of \$0.30 per share which were issued on 13 July 2011.”

For	Against	Abstained/ Excluded	Undirected	Total
34,349,210	2,925,140	2,156,974	204,427	39,635,751

Ratification of Share Issue (Placement – Tranche 1)

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the shareholders of the Company ratify the allotment and issue of up to 15,265,000 Shares at an issue price of \$0.19 per share anticipated to be issued on or about 28 October 2011.”

For	Against	Abstained/ Excluded	Undirected	Total
11,504,222	4,543,298	23,383,804	204,427	39,635,751

Ratification of Share Issue (Placement – Tranche 2)

“That, for the purpose of Listing Rule 7.1 of the Listing Rules of ASX and for all other purposes, approval be given for the Company to allot and issue up to 8,700,000 Shares.”

For	Against	Abstained/ Excluded	Undirected	Total
32,699,916	4,575,937	2,155,474	204,424	39,635,751

Ratification of Share Issue (Placement—to Related Party)

“That, for the purpose of Listing Rule 10.11 of the Listing Rules of ASX and for all other purposes, approval be given for the Company to allot and issue, within one month of the date of this resolution, up to 16,000,000 Shares at an issue price of \$0.19 to Mr Robert Healy (who is a Related Party of Mr Matthew Healy a Director of the Company).”

For	Against	Abstained/ Excluded	Undirected	Total
32,506,868	4,683,534	2,241,922	204,427	39,635,751

Re-election of a Director – Dr Neale Taylor

“That, Dr Neale Taylor, who retires by rotation in accordance with Article 6.3 of the Company’s Constitution, and being eligible for re-election, be re-elected as a Director of the Company.”



Neale Taylor

Neale has over 40 years of experience in oil and gas exploration & production industry with Esso, Terra Gas Trader, Nexus, and Cambrian Oil and Gas. He is currently Chairman of Tap Oil. He is a member of the Society of Petroleum Engineers (SPE) and a Fellow of the Australian Institute of Company Directors (AICD).

For	Against	Abstained/ Excluded	Undirected	Total
33,156,084	2,338,411	3,939,829	204,427	39,635,751

Approval of Employee Rights Plan

“That the Employee Incentive Rights Plan and the issue of shares in accordance with that Plan be approved for the purposes of ASX Listing Rule 7.2, exception 9 and for all other purposes.”

Board Guideline/Intent: 6% cap on total rights under EIR and NEDA plans.

For	Against	Abstained/ Excluded	Undirected	Total
34,160,474	2,675,928	2,594,922	204,427	39,635,751

Approval of Non-Executive Director and Advisor Rights Plan

“That the Non-Executive Director and/or Advisor Rights Plan and the issue of shares in accordance with that Plan be approved for the purposes of ASX Listing Rule 7.2, exception 9 and for all other purposes.”

Board Guideline/Intent: 6% cap on total rights under EIR and NEDA plans.

For	Against	Abstained/ Excluded	Undirected	Total
33,539,193	3,541,709	138,948	2,415,901	39,635,751

Grant of Performance Rights to Mr Robert Cook

“That for the purposes of Listing Rules 10.14 and 10.15A and for all other purposes, the grant to Mr Robert Cook, Managing Director of the Company, of up to 3,000,000 Performance Rights under the Employee Incentive Rights Plan over the next 3 years be approved.”

For	Against	Abstained/ Excluded	Undirected	Total
34,192,794	2,888,108	138,948	2,415,901	39,635,751

Grant of Performance Rights to Dr Neale Taylor

“That for the purposes of Listing Rules 10.14 and 10.15A and for all other purposes, the grant to Mr Dr Neale Taylor, a Non-Executive Director of the Company, of up to 200,000 Retention Rights and up to 1,800,000 Performance Rights under the Non-Executive Director and/or Advisor Rights Plan over the next 3 years, be approved.”

For	Against	Abstained	Undirected	Total
32,574,636	4,506,266	283,885	2,270,964	39,635,751

Grant of Performance Rights to Mr Tony Strasser

“That for the purposes of Listing Rules 10.14 and 10.15A and for all other purposes, the grant to Mr Tony Strasser, a Non-Executive Director of the Company, of up to 100,000 Retention Rights and up to 200,000 Performance Rights under the Non-Executive Director and Advisor Rights Plan over the next 3 years be approved.”

For	Against	Abstained/ Excluded	Undirected	Total
32,415,004	4,665,898	138,948	2,415,901	39,635,751

Grant of Performance Rights to Mr Matthew Healy

“That for the purposes of Listing Rules 10.14 and 10.15A and for all other purposes, the grant to Mr Matthew Healy, a Non-Executive Director of the Company, of up to 100,000 Retention Rights and up to 200,000 Performance Rights under the Non-Executive Director and Advisor Rights Plan over the next 3 years be approved.”

For	Against	Abstained/ Excluded	Undirected	Total
34,033,162	3,047,740	138,948	2,415,901	39,635,751

A large oil drilling rig is the central focus, with its derrick extending high into a clear blue sky. A yellow hook and pulley system is visible on the derrick. The rig is surrounded by various pieces of equipment, including a red truck on the left and a red pickup truck on the right. Several workers in hard hats are visible around the rig. The ground is dry and sandy, typical of a desert environment. A green arrow-shaped banner is overlaid on the image, containing the Elk Petroleum logo and name.

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