

Q3 Quarter FY2018 Report

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Production

Quarterly production hits ~840,000 BOE – a new quarterly record – a 25% Q-on-Q increase

Previous financial quarter (Q2 2018 to Q3 2018)

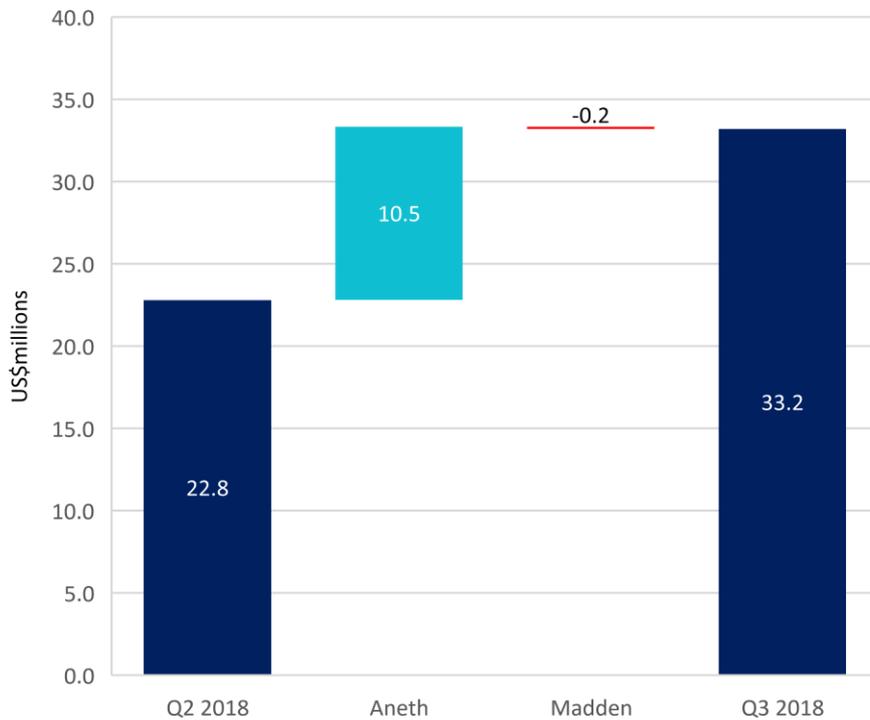


- Company sets new quarterly production record of 838,700 BOE.
- Quarter-on-Quarter increase in production largely driven by first full quarter of Aneth Oil Field production.
- Production inline with FY2018 guidance.
- With Grieve online as of mid-April, future increase expected in Quarter ending 30 June 2018.

Sales Revenue

Quarterly revenue hits USD 33 million – greater than 45% Q-on-Q increase

Previous financial quarter (Q2 2018 to Q3 2018)



- Revenue increase driven by Aneth Oil Field operation for entire quarter
- Revenue increase also driven by significant increase in oil price
- Decrease in Madden revenues due to lower gas prices

Projects

Aneth producing ahead of budget and Grieve Project commences commissioning

Aneth

- First complete quarter of production under Elk's ownership and operations
- Production operations running at an excess of 95% efficiency
- Year-to-date gross production running at approximately 300 BOEPD ahead of forecast

Madden

- Sales gas, sulfur and CO₂ production continues at steady rates in line with FY2018 Guidance

Grieve

- During the 3rd Quarter, Grieve Project construction activities reached mechanical completion and commissioning commenced.
- Subsequent to end of Quarter, Grieve Project production commenced on 17 April 2018

Other

- Singleton Oil Field and CO₂ EOR Project remains on care and maintenance.

Corporate

Moving to strengthen the balance sheet

Corporate refinancing process commenced

- Company commenced formal process to refinance all outstanding debt targeting completing refinancing by mid-November 2018.

Oil price substantially strengthens

- The average WTI oil price for the March 2018 quarter increased to USD \$62.89/bbl – a 14% increase over the December 2017 quarter average WTI of USD \$55.30/bbl.

Data tables

An aerial photograph of an oil drilling rig in a vast, arid desert landscape. The rig is a tall, lattice-structured tower with various equipment at its base. Several vehicles, including a white pickup truck and a dark SUV, are parked nearby. The terrain is hilly and sparsely vegetated. The sky is clear and blue. A large, semi-transparent teal triangle is overlaid on the right side of the image.

Production

Elk's Share of production for quarter ended 31 March 2018 with appropriate comparatives

Production (post royalty)			Three months ended		Year to Date	
Project	Product	Units	Q3 2018	Q2 2018	Q3 2018	Q3 2017 ⁽³⁾
Aneth ⁽¹⁾	Oil	Bbl	494,440	343,272	837,712	n/a
	Sales Gas	MMSCF	134	73	207	n/a
Madden	Sales Gas	MMSCF	1,681	1,663	5,139	n/a
	Sulphur	Long ton	10,172	10,222	33,718	n/a
	CO ₂	MMSCF	250	242	492	n/a
	Oil	Bbl	128	157	486	n/a
Grieve	Oil	Bbl	n/a	n/a	n/a	n/a
Total⁽²⁾		BOE	838,735	673,096	1,811,199	n/a

Production Rates

Average daily production rates (100% project) for quarter ended 31 March 2018 with appropriate comparatives

Production Rates - gross pre-royalty				100% Project		Remarks
Project	Product	Units	Elk Share %	Q3 2018	Q2 2018	
Aneth ⁽¹⁾	Oil	Bbl/d	~63%	10,155	10,399	Production Rate remains steady quarter-on-quarter with low decline rate
	Sales Gas	MMSCF/d	~63%	3	3	
	Sales Gas	MMSCF/d	~14%	179	173	
Madden	Sulphur	Long ton/d	~14%	932	912	
	CO ₂	MMSCF/d	~14%	27	22	CO ₂ Sales to Denbury Resources Continue
	Oil	Bbl/d	~14%	2	2	
Grieve	Oil	Bbl/d	49%	-	-	Production commenced in mid-April 2018

Revenue

Elk's Share of sales and operating revenue for quarter ended 31 March 2018 with appropriate comparatives

Revenue (US\$ million)		Three months ended		Year to Date	
Project	Product	Q3 2018	Q2 2018	Q3 2018	Q3 2017
Aneth ⁽¹⁾	Oil	27.7	17.3	45.0	n/a
	Sales Gas	0.3	0.1	0.3	n/a
Madden	Sales Gas	4.0	4.2	12.8	n/a
	Sulphur	1.2	1.2	2.4	n/a
	CO ₂	0.0	0.0	0.0	n/a
	Oil	0.0	0.0	0.0	n/a
Grieve	Oil	n/a	n/a	n/a	n/a
Total Sales Revenue		33.2	22.8	60.5	n/a
Grieve Pipeline Revenue		n/a	n/a	n/a	n/a
Other Revenue		n/a	n/a	n/a	n/a
Total Operating Revenue		33.2	22.8	60.5	n/a

Expenditure

Elk's Share of expenditure for quarter ended 31 March 2018 with appropriate comparatives

Expenditure (US\$ million)		Three months ended		Year to Date	
Project	Expense	Q3 2018	Q2 2018	Q3 2018	Q3 2017
Aneth⁽¹⁾	Lease Operating Expense	12.0	8.0	20.0	n/a
	CO ₂ Capex	1.1	0.7	1.8	n/a
	Maintenance Capex	0.9	0.3	1.2	n/a
	Development Capex	n/a	n/a	n/a	n/a
Madden⁽²⁾	Lease Operating Expense	3.0	3.4	9.4	n/a
	Maintenance Capex	0.7	0.8	2.4	n/a
Grieve	Lease Operating Expense	n/a	n/a	n/a	n/a
	CO ₂ Capex	n/a	n/a	n/a	n/a
	Maintenance Capex	n/a	n/a	n/a	n/a
	Development Capex	2.0	2.0	11.4	19.5
Grieve Pipeline	Operating Expense	n/a	n/a	n/a	n/a
	Development Capex	0.1	0.4	1.0	2.3
Total Operating Expense		15.0	11.4	29.4	n/a
Total Capital Expense		4.8	4.2	17.9	21.8

Realised Prices

Realised product prices for the quarter ended 31 March 2018 with appropriate comparatives

Realised Prices (US\$/unit)			Three months ended		Three months ended		
Project	Product	Units	Q3 2018	Q2 2018	Units	Q3 2018	Q2 2018
Aneth	Oil	\$/Bbl	56.0	50.4	\$/boe	56.0	50.4
	Sales Gas	\$/MSCF	1.9	1.0	\$/boe	11.2	6.0
	Sales Gas	\$/MSCF	2.4	2.5	\$/boe	14.3	15.1
Madden	Sulphur	\$/Long ton	116.0	114.8	\$/boe	n/a	n/a
	CO ₂	\$/MSCF	0.0	0.0	\$/boe	0.1	0.1
	Oil	\$/Bbl	55.3	47.7	\$/boe	55.3	47.7
Grieve	Oil	\$/Bbl	n/a	n/a	\$/boe	n/a	n/a
Average realised prices ⁽¹⁾					\$/boe	38.1	32.0
Dated NYMEX WTI					\$/boe	62.9	55.4

Developments

Grieve Project reaches mechanical completion and commissioning commenced

Development Activities

Aneth

As of end of March 2018 Quarter, Aneth Unit CO₂ recycling facility running at 99.25% plant efficiency and McElmo Creek CO₂ recycling facility running at 96.5% plant efficiency. 3 workover rigs working in field to maintain production well operations as part of on-going routine field operations.

Significant progress was also made during the quarter to commence new field development projects set to commence in July 2018 detailed in the Company's Investor Update presentation released to the ASX on 23 April 2018.

Madden Deep

No significant maintenance or development works undertaken.

Madden Shallow

No significant maintenance or development works undertaken.

Grieve

Grieve Project reaches mechanical completion and facility commissioning commenced.



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Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/13, 01/09/16

Name of entity

ELK PETROLEUM LIMITED

ABN

38 112 566 499

Quarter ended ("current quarter")

31 MARCH 2018

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers ⁽¹⁾	31,865	49,840
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(1,549)	(10,676)
(c) production	(17,984)	(34,739)
(d) staff costs	(974)	(2,318)
(e) administration and corporate costs ⁽²⁾	(7,333)	(11,476)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	23
1.5 Interest and other costs of finance paid	(4,520)	(8,273)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(484)	(17,619)

⁽¹⁾ During the quarter the company received cash from oil sales in Aneth of US\$26.9 million. The remainder of cash received related to Madden.

⁽²⁾ During the quarter the company settled Aneth oil swaps resulting in realised hedge losses of US\$4.0m

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2,248)	(5,215)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	(163,196)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	(370)	(370)
2.6 Net cash from / (used in) investing activities	(2,618)	(168,781)

3. Cash flows from financing activities		
3.1 Proceeds from issues of:		
- shares ⁽³⁾	79	21,592
- preferred stock ⁽³⁾	-	70,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes, options or preferred stock ⁽³⁾	(1)	(5,642)
3.5 Proceeds from borrowings ⁽³⁾	4,350	119,571
3.6 Repayment of borrowings ⁽⁴⁾	(8,820)	(23,333)
3.7 Transaction costs related to loans and borrowings	-	(5,779)
3.8 Dividends paid	-	-
3.9 Other	1,151	6,289
- Amount transferred from / (to) Reserve Account as required under the financing arrangement with Benefit Street Partners ("BSP") ⁽⁵⁾		
3.10 Net cash from / (used in) financing activities	(3,241)	182,698

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
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- (3) During the quarter the company withdrew US\$4.4m of the US\$20.0m revolving facility with CrossFirst Bank in order to provide working capital support for its Aneth operations.
- (4) During the quarter the repaid US\$7.5m of the US\$20m revolving facility and quarterly instalment of US\$1.3 million borrowings associated with Elk's US\$98.0 million Senior Bank Loan
- (5) US dollar debt service reserve account controlled by Benefit Street Partners associated with Elk's term loan agreement. Balance at 31 March 2018 was US\$1.1m.

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	7,509	4,859
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(484)	(17,619)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,918)	(168,781)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(3,241)	182,698
4.5 Effect of movement in exchange rates on cash held	(9)	-
4.6 Cash and cash equivalents at end of period	1,157	1,157
Cash on deposit in USA available for completion of the Grieve Project under the Grieve Term Loan (in addition to item 4.6 above)*	1,085	1,085

*Balance of US dollar debt service reserve account associated with Elk's Grieve term loan agreement, at 31 March 2018 was US\$1.1m

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1 Bank balances	1,157	7,509
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,157	7,509

Cash on deposit in USA available for completion of the Grieve Project under the Grieve Term Loan (in addition to item 5.5 above)*	1,085	2,235
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*Balance of US dollar debt service reserve account associated with Elk's Grieve term loan agreement, at 31 March 2018 was US\$1.1m

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$US'000
231
-

The amount represents directors' (and their associates) remuneration including salaries and fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$US'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	175,450	157,850
8.2 Credit standby arrangements	550	550
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The company has a US\$58 million senior term loan facility with Benefit Street Partners for the Grieve Project JV restructure. Under the term loan, the funds can only be used to fund the field development expenditures committed by Elk as part of the Grieve JV restructure, minor upgrades to Elk's 100% owned Grieve oil pipeline and associated costs.

The company also has a US\$98 million senior term loan with HPS Investments Partners, LLC, Riverstone Credit Partners, L.P and AB Energy Opportunity Fund, L.P. Under the term loan, the funds were used to acquire the Aneth. Further the company put in place a US\$20 million revolving facility with CrossFirst Bank in order to provide working capital support for Aneth.

9. Estimated cash outflows for next quarter	\$US'000
9.1 Exploration and evaluation	-
9.2 Development ⁽⁶⁾	38
9.3 Production ⁽⁶⁾	20,102
9.4 Staff costs ⁽⁶⁾	2,603
9.5 Administration and corporate costs ⁽⁶⁾	1,306
9.6 Other (provide details if material)	3,126
- Property, plant and equipment ⁽⁶⁾	
9.7 Total estimated cash outflows	27,163

⁽⁶⁾ The abovementioned estimated cash outflow will be funded from existing cash, positive cashflow from the Aneth Oil Field, Madden Gas & CO₂ Field and Grieve Oil Field, and utilisation of US\$20.0 million revolving facility.

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A	N/A	N/A	N/A
10.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A	N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Original version signed.....
(Company secretary)

Date: 30 April 2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

ELK PETROLEUM LIMITED ABN 38 112 566 499

Table 1 - Summary of petroleum tenements as at 30 September 2017			
Project	Location	Lease Reference	Interest
Grieve Unit Federal	Natrona County, Wyoming	WYW-015813	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015814	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015815	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-016008	49%
Grieve (In & Out) Federal Grieve Unit – Surface Use	Natrona County, Wyoming	WYW-015824	49%
Nebraska Leases	Banner County, Nebraska	8118	100%
Nebraska Leases	Cheyenne County, Nebraska	8126, 8127	100%
Nebraska Leases	Kimball County, Nebraska	8150, 8151, 8152, 8155, 8157, 8159, 8164, 8165	100%
Aneth Unit - Federal	San Juan County, UT	UTU-068927A	62%
McElmo Creek Unit - Federal	San Juan County, UT	UTU-068930A	67.5%
Ratherford Unit - Federal	San Juan County, UT	UTU-068931A	58.6%
Madden Unit (25 leases) - Federal	Natrona County, Wyoming	N/A	9.38% to 12.5%
Madden Unit (67 leases) - Federal	Fremont County, Wyoming	N/A	12.5% to 12.77%
Madden Unit (14 leases) - State	Fremont County, Wyoming	N/A	1.2% to 14.75%
Singleton Unit	Banner County, Nebraska, USA	N/A	100%
South Singleton (OPIS) Unit	Banner County, Nebraska, USA	N/A	100%
Singleton Leases (7)	Banner County, Nebraska USA	N/A	100%

Table 2 - Summary of petroleum tenements acquired in Quarter			
Project	Location	Lease Reference	Interest
N/A	N/A	N/A	N/A

Table 3 - Summary of petroleum tenements disposed of in Quarter			
Project	Location	Lease Reference	Interest
N/A	N/A	N/A	N/A