



ASX Announcement / Media Release

22 March 2017

Elk becomes a producer after Madden/Lost Cabin US\$10m closing payment

- **Elk has made US\$10 million acquisition closing payment to Freeport-McMoRan**
 - **Acquisition of ~14% Madden/Lost Cabin interest effective as of 1 January 2017**
 - **Elk now a producer with its Madden/Lost Cabin working interest delivering:**
 - **~70 BCF (~11.6 MMBOE) of Proven 1P Gas Reserves**
 - **January 2017 production of 23.5 MMCF/day (4,175 BOE/day)**
 - **Forecast 2017 positive free cash flow of over US\$7 million**
 - **US\$5.5 million balance of acquisition price payable by 15 July 2017 (CST)**
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Elk Petroleum Ltd (ASX: ELK) ("Elk" or the "Company") is pleased to advise that its acquisition of a ~14% working interest in the Madden Gas Field, the Madden Deep Unit Gas Field and the Lost Cabin Gas Plant ("Madden") in Wyoming, USA from subsidiaries of Freeport-McMoRan Inc. ("FCX") has closed. This follows Elk's US\$10 million closing payment to FCX, confirmation of receipt of funds by FCX and release of closing documentation by FCX.

US\$10m closing payment made, acquisition effective 1 January 2017

Under the final closing agreement announced on 10 March 2017, the parties agreed a revised acquisition price of US\$17.5 million for Madden comprising a US\$2 million deposit paid by Elk in January 2017, a closing payment of US\$10 million to FCX and a final payment of US\$5.5 million to FCX by 15 July 2017 (CST). Elk has made the US\$10m closing payment to FCX who have advised they are in receipt of the funds and closing documentation has been released. The acquisition is effective as of 1 January 2017.

ELK is now a producer with its ~14% Madden interest delivering January 2017 production of 23.5 MMCF/day (4,175 BOE/day), Proven 1P Gas Reserves of ~70 BCF (~11.6 MMBOE), and forecast 2017 positive free cash flow of over US\$7 million.

For full details of the Madden acquisition and funding please refer to Elk's ASX announcements of 4 January 2017 and 10 March 2017.



Elk is being advised by RFC Ambrian and Norton Rose Fulbright in relation to the acquisition and financing of Freeport McMoRan's interest in the Madden Gas Field and Lost Cabin Gas Plant.

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ABOUT ELK PETROLEUM

Elk Petroleum Limited (ASX: ELK) is an oil and gas company specialising in Enhanced Oil Recovery (EOR), with assets located in one of the richest onshore oil regions of the USA, the Rocky Mountains. Elk's strategy is focused on applying proven EOR technologies to mature oil fields, which significantly de-risks the Company's strategy of finding and exploiting oil field reserves.

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 announcement relating to the Madden Gas Field and Madden Deep Unit to be acquired from Freeport-McMoRan Inc. is based on an independent review and audit conducted by Netherland, Sewell & Associates, 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. Shane M. Howell and Mr. John R. Cliver, both Vice Presidents of Netherland, Sewell & Associates, Inc., an independent petroleum advisory firm. Mr. Howell is a Registered Professional Geologist in the State of Texas and Mr. Cliver is a Registered Professional Engineer in the State of Texas. Mr. Howell's qualifications include Master of Science in Geological Sciences, San Diego State University and a Bachelor of Science in Geological Sciences, San Diego State University. Mr. Howell has more than 10 years of relevant experience. Mr. Cliver's qualifications include a Masters of Business Administration from the University of Texas, Austin and a Bachelor of Science in Chemical Engineering from Rice University. Mr. Cliver has more than 10 years of relevant experience. Mr. Howell and Mr. Cliver meet the requirements of Qualified Petroleum Reserve and Resource Evaluator as defined in Chapter 19 of the ASX Listing Rules.

The Reserves and Contingent Resources in this announcement 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.

The information in this ASX release or presentation that relates to Reserve and Contingent Resources estimates for the Grieve CO₂ EOR project and the Reserve and Contingent Resource estimates for the newly acquired Madden Deep Gas Field and the Madden Deep Unit Singleton CO₂ EOR project have been compiled and prepared by Mr. David Evans, COO and Mr. Brian Dolan, COO-USA and VP-Engineering of Elk Petroleum Inc. who are both qualified persons as defined under the ASX Listing Rule 5.11 and both have consented to the use of the reserves figures in the form and context in which they appear in this presentation.

Mr. Evans is a full-time employee of the company. Mr. Evans earned a Bachelor of Science with Honours in Geology from the University of London, United Kingdom, a Post Graduate Diploma, Petroleum Exploration from Oxford Brookes University, United Kingdom and a Master of Applied Science, Geology from the University of Canberra and Australian National University in Canberra, ACT. Mr. Evans has more than 30 years of relevant experience. Mr. Evans 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. Evans consents to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

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. Mr. Dolan has more than 24 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 presentation of the matters based on the information in the form and context in which it appears.