

Second Quarter FY2018 Report

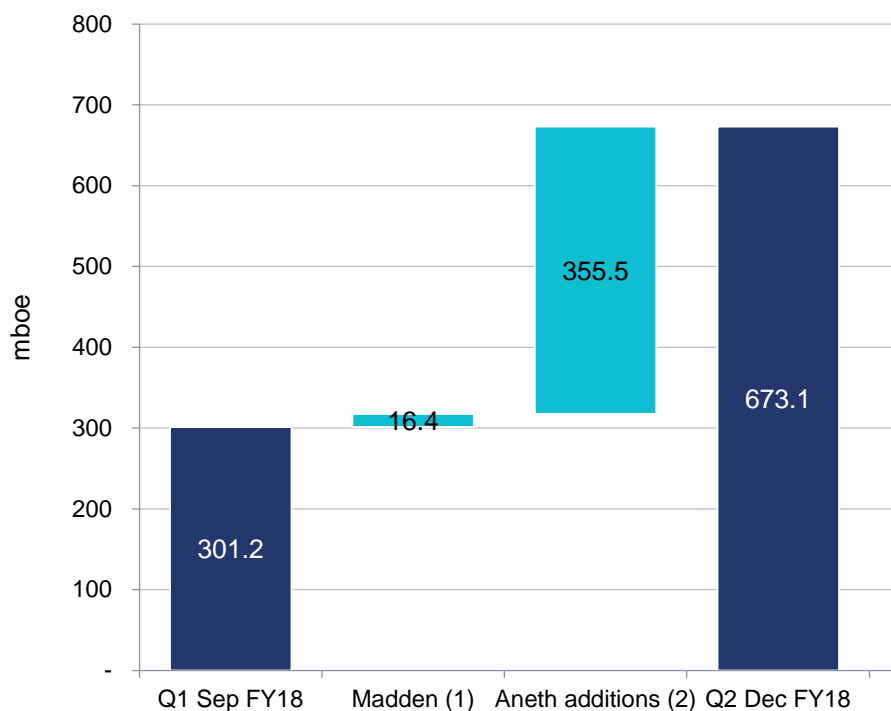
Contents

Production	2
Sales Revenue	3
Projects	4
Corporate	5
Data Tables	6

Production

Substantial increase in Quarter-on-Quarter production – more than doubled

Previous financial quarter (Q1 2018 to Q2 2018)



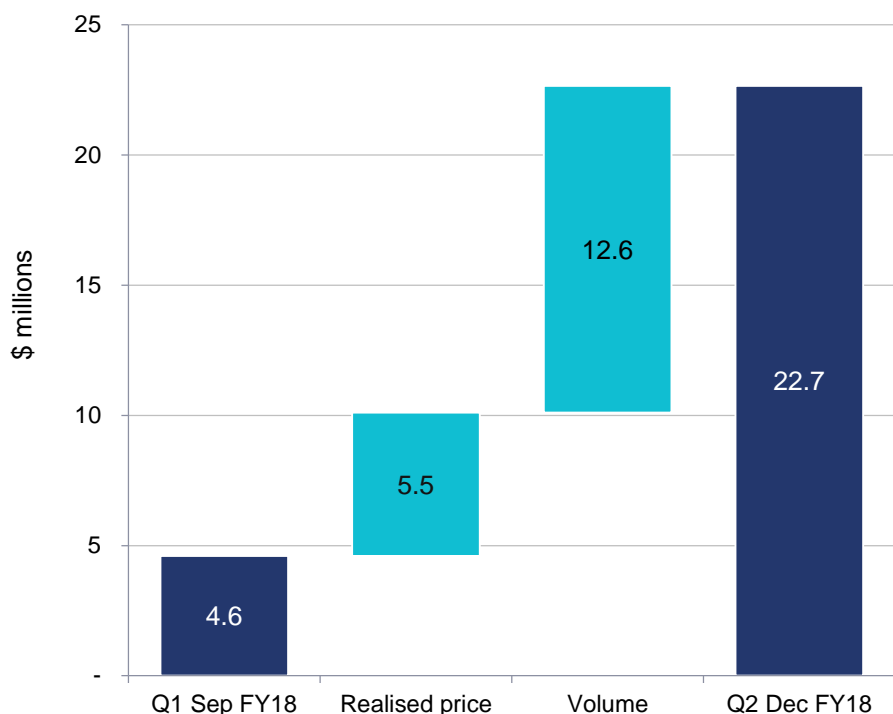
- Company sets new quarterly production record of ~673,100 BOE.
- Quarter-on-Quarter increase in production largely driven by completion of Aneth Oil Field acquisition.
- Corresponding Period over FY 2017 production growth driven by both Aneth Oil Field and Madden Gas Field acquisitions.
- Quarterly production only reflects 2 full months of Aneth production from 1 November 2017 Aneth purchase effective date.
- Oil now makes up over 50% of Company's total production (53%).

1. Excludes sulphur
2. Production from 1 November 2017 onwards

Sales Revenue

Substantial increase in sales revenue for the Quarter – up nearly 5-fold

Previous financial quarter (Q1 2018 to Q2 2018)



- Revenue increase driven by increased production volume from completion of Aneth Oil Field acquisition.
- Revenue increase only reflects 2 full months of Aneth production from 1 November 2017 Aneth purchase effective date.
- Revenue increase also driven by exposure to higher BOE value Aneth oil production versus Madden gas production – average realised price of production more than doubled
- Revenue increase also reflects substantial increase in realized price for sulfur production from Lost Cabin Gas Plant – up ~50%
- Revenues also reflect resumption of CO₂ sales from Lost Cabin Gas Plant to Denbury Resources

Projects

Aneth acquisition dominates quarter with Grieve Project nearing completion & commissioning

Aneth

- Company completed Aneth Oil Field acquisition on 6 November 2017 for USD 160 million initial consideration.
- Acquisition moves Elk to leading position by Reserves and Production among ASX-listed mid-tier peers
- Probable Reserves increase 4-fold to ~79 mmbbls
- Production for the Quarter more than doubles to ~673,100 BOE setting a new Quarterly production record

Madden

- Lost Cabin Gas Plant scheduled turn-around maintenance fully completed during 1st Quarter FY 2017.
- Post completion of Lost Cabin Gas Plant gas turn-around, sales gas, sulfur and CO₂ production resumes at steady rates
- CO₂ sales to Denbury Resources resumed during 2nd Quarter FY 2018 with full production stream now being taken
- Substantial increase in sulfur sales price realized increasing sulfur sales revenue to ~USD 1.2 million.

Grieve

- During the 2nd Quarter, Grieve Project construction activities advance and project nears mechanical completion.
- Completion of all mechanical, electrical and instrumentation works expected by mid-February 2018
- Project commissioning expected to commence upon completion of all construction works - expect 4-6 week commissioning period
- FERC approval of Grieve Pipeline transportation arrangements received Dec 2017 allowing start-up end Feb 2018

Other

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

Corporate

Completed significant preferred equity and senior debt financings to fund Aneth acquisition

Aneth Oil Field & CO₂ Project acquisition

- Company completed Aneth Oil Field & CO₂ Project on 6 November 2017 for an initial acquisition consideration of USD 160 million.
- Acquisition funded through combination of issuance of common equity, preferred equity and senior term loan debt.

Preferred equity placement completed

- On 6 November 2017, the Company completed a USD 65 million placement of unlisted preferred equity by Elk Petroleum, Inc. to US and international institutional investors.

Share placement to institutional investors

- On 27 October 2017, shareholders approved the placement of ~248 million shares at A\$0.062 per share to sophisticated institutional investors.

Senior debt financing closed

- On 6 November 2017, the Company closed borrowing a USD 98 million senior term loan from HPS Investment Partners, LLC, Riverstone Capital Partners, L.P. and AB Energy Opportunities L.P. secured by the Aneth Oil Field.
- Company also put in place substantial 3-year oil price hedging program to underpin senior debt financing

Data tables



Production

Elk's share of production for the quarter ended 31 December 2017 with appropriate comparatives

Production (post royalty)			Three months ended		Year to date	
Project	Product	Units	31 Dec 2017	30 Sep 2017	31 Dec 2017	31 Dec 2016 ⁽³⁾
Aneth ⁽¹⁾	Oil	Bbl	343,273	n/a	343,273	n/a
	Sales Gas	MMSCF	73	n/a	73	n/a
Madden	Sales Gas	MMSCF	1,663	1,795	3,458	n/a
	Sulphur	Long Tons	10,663	13,324	23,987	n/a
	CO ₂	MMSCF	242	n/a ⁽²⁾	242	n/a
	Oil	Bbl	157	201	357	n/a
Grieve	Oil	Bbl	n/a	n/a	n/a	n/a
Total ⁽⁴⁾		BOE	673,098	301,218	974,316	n/a

1. Production from 1 November 2017 onwards.

2. There was no CO₂ sold in Q1.

3. There was no production from 1 July 2016 to 31 December 2016.

4. Excludes sulphur

Production Rates

Average daily production rates (100% project) for the quarter ended 31 December 2017 with appropriate comparatives

Production rates				100% project		Remarks
Project	Product	Units	% Elk Share	Q2 2018	Q1 2018	
Aneth ⁽¹⁾	Oil	Bbl/d	~63%	10,402	n/a	Production rate remains steady year-on-year with low decline rate from prior operator
	Sales Gas	MMSCF/d	~63%	2.8	n/a	
Madden	Sales Gas	MMSCF/d	~14%	173	174	Production resumes at expected rates following LGCP turn-around
	Sulphur	Long Ton/d	~14%	910	1,063	
	CO ₂	MMSCF/d	~14%	22	n/a	CO ₂ sales to Denbury Resource resume
	Oil	Bbl/d	~14%	2	2	
Grieve	Oil	Bbl/d	49%	n/a	n/a	Production due to commence in early 2018 following project completion and commissioning

1. Production from 1 November 2017 onwards.

Revenue

Elk's share of sales and operating revenue for the quarter ended 31 December 2017 with appropriate comparatives

Revenue (US\$ million)		Three months ended		Year to date	
Project	Product	31 Dec 2017	30 Sep 2017	31 Dec 2017	31 Dec 2016
Aneth ⁽¹⁾	Oil	17.3	n/a	17.3	n/a
	Sales Gas	- ⁽²⁾	n/a	- ⁽²⁾	n/a
Madden	Sales Gas	4.2	4.6	8.9	n/a
	Sulphur	1.2	- ⁽³⁾	1.2 ⁽³⁾	n/a
	CO ₂	-	n/a ⁽⁴⁾	-	n/a
	Oil	-	-	-	n/a
Grieve	Oil	n/a	n/a	n/a	n/a
Total Sales Revenue		22.7	4.6	27.4	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		22.7	4.6	27.4	n/a

1. Production from 1 November 2017 onwards.

2. Sales Gas Revenue for Q1 will be recorded in Q2

3. Sulphur sales in Q1 were net off against LOE costs.

4. No CO₂ sales in Q1

Expenditure

Elk's share of sales and operating revenue for the quarter ended 31 December 2017 with appropriate comparatives

Expenditure (US\$ million)		Three months ended		Year to date	
Project	Product	31 Dec 2017	30 Sep 2017	31 Dec 2017	31 Dec 2016
Aneth ⁽¹⁾	Lease Operating Expense	8.0	n/a	8.0	n/a
	CO ₂ Capex	0.7	n/a	0.7	n/a
	Maintenance Capex	0.3	n/a	0.3	n/a
	Development Capex	-	n/a	-	n/a
Madden	Lease Operating Expense ⁽²⁾	3.4	3.0	6.4	n/a
	Maintenance Capex	0.8	1.0	1.8	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	7.4	9.4	18.0
Grieve Pipeline	Operating Expense	n/a	n/a	n/a	n/a
	Development Capex	0.4	0.5	0.9	2.2
Total Operating Expense		11.4	3.0	14.4	n/a
Total Capital Expenditure		4.2	8.9	13.1	20.2

1. Expenditure from 1 November 2017 onwards.

2. Includes sulphur transportation from 1 October 2017 onwards

Realised Prices

Realised product prices for the quarter ended 31 December 2017 with appropriate comparatives (in US dollars)

Production			Three months ended			Three months ended	
Project	Product	Units	31 Dec 2017	30 Sep 2017	Units	31 Dec 2017	30 Sep 2017
Aneth ⁽¹⁾	Oil	\$/Bbl	50.4	n/a	\$/boe	50.4	n/a
	Sales Gas	\$/MCF	- ⁽²⁾	n/a	\$/boe	- ⁽²⁾	n/a
	Sales Gas	\$/MCF	2.5	2.6	\$/boe	15.0	15.4
Madden	Sulphur	\$/ Long Ton	110.0	- ⁽³⁾	\$/boe	n/a	n/a
	CO ₂	\$/MCF	0.0	n/a ⁽⁴⁾	\$/boe	0.0	- ⁽⁴⁾
	Oil	\$/Bbl	47.8	38.7	\$/boe	47.8	38.7
Grieve	Oil	\$/Bbl	n/a	n/a	\$/boe	n/a	n/a
Average realised prices ⁽⁵⁾					\$/boe	31.9	15.3
Dated NYMEX WTI					\$/boe	55.4	48.2

1. Production from 1 November 2017 onwards.

2. Aneth Sales Gas Revenue for Q1 will be recorded in Q2

3. Sulphur sales in Q1 were net off against LOE costs.

4. No CO₂ sales in Q1

5. Excludes sulphur

Developments

Development activities for the quarter ended 31 December 2017

Development Activities

Aneth

As of end of December 2017 Quarter, Aneth Unit CO₂ recycling facility runs at 100% plant efficiency and McElmo Creek CO₂ recycling facility runs at 97% plant efficiency post-completion of Aneth acquisition. 3 workover rigs working in field to maintain production well operations as part of on-going routine field operations.

Madden Deep

Post-completion of Lost Cabin Gas Plant turn-around in prior quarter no significant maintenance or development works undertaken.

Madden Shallow

No significant maintenance or development works undertaken.

Grieve

Significant construction activities undertaken at Grieve Project with central CO₂ EOR production facilities nearing mechanical completion, Full details of project progress outlined in ASX release dated 20 December 2017.



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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 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers ⁽¹⁾	12,415	17,975
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(2,115)	(8,659)
(c) production	(12,842)	(16,755)
(d) staff costs	(743)	(1,344)
(e) administration and corporate costs	(3,920)	(5,815)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	12
1.5 Interest and other costs of finance paid	(2,851)	(2,956)
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	(10,045)	(17,542)

⁽¹⁾ During the quarter the company received cash from oil sales in Aneth of US\$8.5 million (being 1 month of sales receipts). The effective date of the Aneth acquisition was 1 November 2017. The remainder of cash received related to Madden.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,923)	(2,967)
(b) tenements (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
(c) investments	-	-
(d) other non-current assets ⁽²⁾	(147,805)	(163,096)
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	-	-
2.6 Net cash from / (used in) investing activities	(149,728)	(166,063)

⁽²⁾ During the quarter the company made the final closing payment to Resolute Energy Corporation in relation to the acquisition of a 100% held subsidiary (Resolute Aneth LLC), which holds ~63% operating working interest in the Greater Aneth Field.

3. Cash flows from financing activities		
3.1 Proceeds from issues of:		
- shares ⁽³⁾	11,832	21,386
- preferred stock ⁽³⁾	65,000	65,000
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⁾	(5,008)	(5,264)
3.5 Proceeds from borrowings ⁽³⁾	105,482	115,221
3.6 Repayment of borrowings ⁽⁴⁾	(7,031)	(9,502)
3.7 Transaction costs related to loans and borrowings ⁽³⁾	(5,432)	(5,498)
3.8 Dividends paid ⁽⁵⁾	(90)	(90)
3.9 Other	2,000	5,138
- Amount transferred from / (to) Reserve Account as required under the financing arrangement with Benefit Street Partners ("BSP") ⁽⁶⁾		
3.10 Net cash from / (used in) financing activities	166,753	186,391

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
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- (3) During the quarter the company completed the acquisition of Aneth. The acquisition was funded via placement of ordinary shares in Elk Petroleum Limited, US\$98m senior term loan in Elk Petroleum Aneth, LLC from HPS Investments Partners, LLC., Riverstone Credit Partners, L.P. and AB Energy Opportunity Fund, L.P. and US\$65 million of proceeds from preferred stock issued by Elk Petroleum, Inc. to AB Energy Opportunity and other parties. Further Elk Petroleum Aneth LLC put in place a \$20m revolving facility with CrossFirst Bank in order to provide working capital support for its Aneth operations.
- (4) Settlement of CrossFirst Bank loan of US\$5.7 million and quarterly instalment of US\$1.3 million borrowings associated with Elk's US\$98 million Senior Bank Loan
- (5) Dividends paid relates to dividends paid on the preferred stock
- (6) US dollar debt service reserve account controlled by Benefit Street Partners associated with Elk's term loan agreement. Balance at 31 December 2017 was US\$2.2m.

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	802	4,859
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(10,045)	(17,542)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(149,728)	(166,063)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	166,753	186,391
4.5 Effect of movement in exchange rates on cash held	(21)	116
4.6 Cash and cash equivalents at end of period	7,761	7,761
Cash on deposit in USA available for completion of the Grieve Project under the Grieve Term Loan (in addition to item 4.6 above)*	2,235	2,235

*Balance of US dollar debt service reserve account associated with Elk's Grieve term loan agreement, at 31 December 2017 was US\$2.2m

Mining exploration entity and oil and gas exploration entity quarterly report

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	7,761	802
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)	7,761	802
Cash on deposit in USA available for completion of the Grieve Project under the Grieve Term Loan (in addition to item 5.5 above)*	2,235	4,235

*Balance of US dollar debt service reserve account associated with Elk's Grieve term loan agreement, at 31 December 2017 was US\$2.2m

6. Payments to directors of the entity and their associates

	Current quarter \$US'000
6.1 Aggregate amount of payments to these parties included in item 1.2	241
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	

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

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

	Current quarter \$US'000
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	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	175,450	162,232
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.

During the quarter the company entered into 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 ⁽⁷⁾	1,968
9.3 Production ⁽⁷⁾	20,458
9.4 Staff costs ⁽⁷⁾	2,361
9.5 Administration and corporate costs ⁽⁷⁾	3,680
9.6 Other (provide details if material)	
-	
9.7 Total estimated cash outflows	28,467

⁽⁷⁾ The abovementioned estimated cash outflow will be funded from existing cash and positive cashflow from the Aneth Oil Field and Madden Gas & CO₂ Field.

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
	Aneth Unit - Federal	UTU-068927A San Juan County, Utah	Oil and Gas Leases	0%	62%
	McElmo Creek Unit - Federal	UTU-068930A San Juan County, Utah	Oil and Gas Leases	0%	67.5%
	Ratherford Unit - Federal	UTU-068931A San Juan County, Utah	Oil and Gas Leases	0%	58.6%

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: 31 January 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
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%

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