

QUARTERLY NEWSLETTER



APRIL 2010

MANAGING DIRECTOR'S REPORT

I would like once again to welcome all Elk Petroleum Limited ("Elk") shareholders to this Quarterly Newsletter, the third for the 2009-2010 fiscal year. Since I last wrote to you towards the end of January, Elk has progressed our key projects substantially with the following main activities;

- completion of all of the Surtek independent expert work on the Grieve Field including laboratory studies on the core material recovered from the Grieve #39A well, a history match for the entire field, and multiple production simulations for various chemical flood development configurations and options
- in conjunction with Surtek, Elk has selected a 3-stage, base case development plan for Grieve from which Surtek has indicated 5.8 million barrels of oil will be recovered, and peak oil production rates in excess of 2000 barrels per day (BOPD) will be achieved within 3 years from start-up of production.
- a final report has just been received from Surtek covering all of this work; this will be used extensively in seeking funding for this development
- Elk has conducted full Grieve development economics based on Surtek's projections, written quotes for facilities and chemicals, and oil price assumptions; (a summary of these findings is presented in the panel to the right and over the page).
- at Ash Creek, the previous Letter of Intent has been terminated by mutual agreement, and this now enables Elk to move ahead immediately with the field re-development program. The re-entry of the Trusler#1 well is expected to commence during the week of 26th April 2010 weather permitting
- despite difficult winter operating conditions, production from Sand Draw South and Grieve has been maintained at over 150 BOPD average for the quarter
- presentation of Elk activities for both the Grieve and Ash Creek fields at the Excellence in Oil and Gas meeting in Sydney in mid-April

Whilst it might have seemed as though the length of time that the work Elk has been doing with our independent experts on the Grieve Field chemical flood project has been long (since December 2008), the end result is now fully supported by new well information, the application of rigorous and proven science, and multiple historical and future development/production models. Whilst there are still aspects of this work that the Company feels may be conservative, the end result provides an excellent planning base case on which to run optimised economic simulations. This base case development plan is quite different to that originally proposed in February 2009 before the well data was acquired, so this work has been invaluable. The receipt of the final report now completes the due diligence data package the Company has provided to potential lenders for the project.

At Ash Creek, we have moved quickly to re-establish permanent access to the Trusler#1 well site in the expectation that the well will be productive and that surface storage and separation facilities will need to be installed. A map showing the location of this well is included in Elk's ASX release dated 15th April and is available on our website.

As you will see from the quarterly revenue plot later in this newsletter, we are pleased to have had most of our productive SDS wells still on full production during a winter quarter where pump issues, power supply and access are all day to day issues to be handled by our field staff. The average quarterly production of around 153 BOPD is about 10% lower than for the corresponding quarter last year, reflecting the natural decline for the field.

Once again, I hope that you all find this Quarterly Newsletter both valuable and informative.

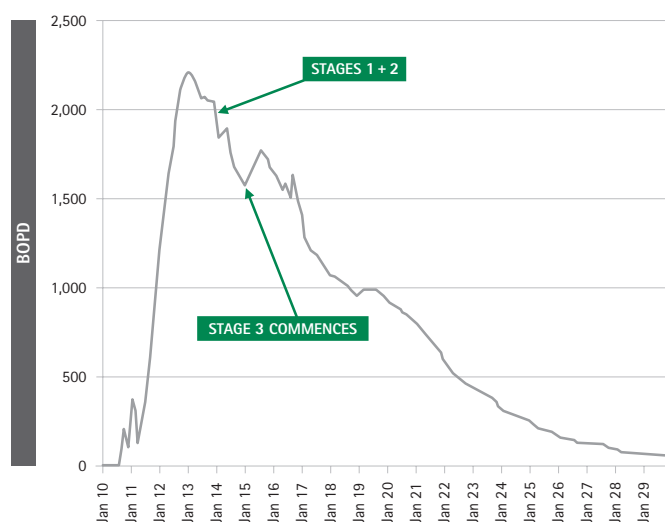
Andy Rigg

GRIEVE FIELD; BASE CASE DEVELOPMENT PLAN

The main conclusions and recommendations coming out of the Surtek work have been as follows;

- based on the radial core flood studies and the production simulations, a unique chemical formulation for the Grieve field reservoir rocks and fluids was determined. This has allowed accurate predictions for chemical volumes for the alkalis, surfactants and polymers required during each stage of field development.
- the production simulations confirmed that a much higher rate of total field chemical injectivity achieved a better recovery and with the excellent reservoir quality, could be achievable from fewer injection wells. This allowed a reduction in the total number of injection wells required (lower CAPEX) but resulted in the need for larger volume surface injection facilities, rising from 10,000 barrels of injected fluid per day (BFPD) into 10 wells to 15,000 BFPD into 2 wells.

Production Profile: Stages 1, 2 and 3



GRIEVE FIELD; BASE CASE DEVELOPMENT PLAN CONT'D

- given the above, it was also possible to use most of the existing old production wells in the field as either injectors or producers during the early stages of development, thus lowering the requirement for new wells significantly.
- all of the above factors lead to the concept of a three-stage development plan for the field, initially restricted to that area which is surrounded by those wells currently existing in the oil column.
- the 40% of the field not addressed by the three-stage development plan will be the subject of further development planning once the data is gathered from the early results from the initial chemical flood.

- the production profile for this three stage development is shown in the diagram on the previous page, peaking at over 2000 barrels of oil per day (BOPD) within 3 years and producing a total of 5.8 million barrels prior to the end of calendar year 2029.

Using this information, together with written quotes for the chemicals and the facilities, and estimates for the operating and drilling costs, Elk's economics produced a value for this development of **US\$65.5 million** using a flat oil price forecast of US\$60 per barrel. This value is calculated as the Net Present Value using a 10% discount rate (NPV10); for current oil prices closer to US\$80 per barrel, the NPV10 rises to around US\$100 million.

For greater details on the base case development plan, please refer to the Company's latest presentation material on our website www.elkpet.com

DETAILED QUARTERLY ACTIVITIES REVIEW

Production, Sales and Revenue

The Company's gross oil production, gross oil sales, and net revenue for the last 5 quarters are detailed in the following table:

Elk Petroleum Limited		Qtr 3 08/09	Qtr 4 08/09	Qtr 1 09/10	Qtr 2 09/10	Qtr 3 09/10
Gross Production						
Grieve	Barrels	954	542	995	1,055	1,009
Sand Draw South	Barrels	14,789	12,531	13,774	14,016	12,741
Gross Sales						
Grieve	Barrels	1,006	515	1,055	1,315	750
Sand Draw South	Barrels	14,741	12,712	13,678	14,320	13,007
Net Revenue						
Grieve	A\$	40,298	27,133	70,784	75,018	71,746
Sand Draw South	A\$	631,328	745,482	814,015	862,711	825,079

QUARTERLY HIGHLIGHTS

The following is a summary of the Company's quarterly activities.

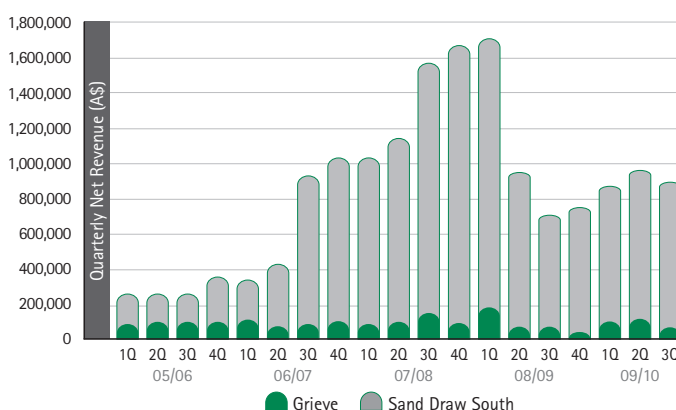
Production and Sales Volumes

- **Gross production** for the quarter was **13,750 barrels**, down 9% on the previous quarter due to some pump and power issues and the SDS #11 well, in which the pump was pulled and re-run in January, failing to return to oil production
- **Gross sales** for the quarter were 13,757 barrels, down 12% on the previous quarter.

Corporate

- During the March 2010 quarter the **average oil price** received was **US\$68.34/barrel**. This is 18% higher than the September quarter average and 8% higher than the December quarter average respectively.

Quarterly Net Revenue



Elk Petroleum Ltd

Level 40, Northpoint, 100 Miller St
North Sydney, NSW, 2060

PO Box 1717,
Nth Sydney, NSW, 2059

TEL. +61 2 9510 0030
FAX. +61 2 9510 0003

EMAIL. info@elkpet.com
WEB. www.elkpet.com