elk petroleum

ASX Announcement / Media Release

14 June 2018

CORPORATE UPDATE

- Company in-line to meet or exceed FY2018 guidance – production, LOE & CAPEX
- Aneth Oil Field operations running in-line with forecast, under budget and ahead of schedule
- High-return Aneth development projects commence with McElmo Creek Unit well deepening program
- Aneth term loan facility increased to US$122 million to fund Aneth production growth projects
- RBC Capital Markets appointed independent financial advisor to assist with comprehensive refinancing
- Grieve CO_2 EOR field start-up commissioning and production progressing
- Sale of the Singleton Oil Field completed

Elk Petroleum Limited (ASX Code: ELK) ("Elk" or the "Company") provides an update on Aneth Oil Field operations and development activities, the Company's financing activities and the progress of the Grieve CO_2 EOR Project field start-up.

Aneth Operations in-line with Forecast, under budget and field development ahead of schedule

The Company is pleased to report that operations at the Aneth Oil Field and CO_2 EOR Project are running in-line with the guidance and under budget (see Half-Year FY2018 Results & Guidance released on the ASX on 16 March 2018). The McElmo Creek Unit ("MCU") and the Aneth Unit ("AU") central production facilities are running at very high efficiency and availability rates of 95-100% allowing overall production to run slightly ahead of budget. Overall, the Company is in-line to meet or exceed FY2018 guidance.

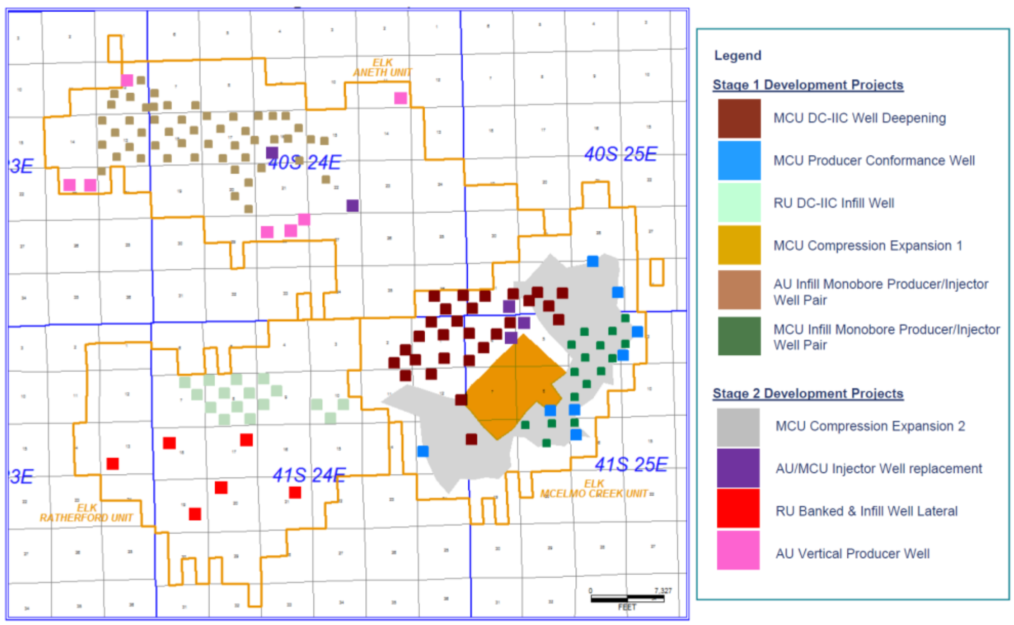
Engagement with our key stakeholders - the Bureau of Land Management ("BLM"), the Navajo Nation Environmental Protection Agency ("NNEPA") and our joint venture partner, Navajo Nation Oil & Gas Company has been exceptionally productive with these stakeholders approving on an expedited basis a significant set of new field development activities. The BLM and NEPA have approved a series of field development projects and proven well repair and drilling solutions not previously implemented within BLM leases. These field development solutions significantly reduce well drilling and workover costs, improve overall well integrity and operability and significantly reduce overall well capital and operating costs. This high level of engagement and support from these key stakeholders has enabled field development activities (discussed below) to proceed ahead of the schedule originally contemplated at the time of the Aneth Oil Field acquisition in November 2017. Implementation of these projects is targeting increased Aneth oil production to over 7500 BOPD net to the Company over the next 15-months – a 30% increase. This new production will have full exposure to current oil prices.

Aneth Field development production projects commence

At the beginning of June 2018, the Company commenced its first new field development activities since completing the acquisition of and assuming operatorship of the Aneth Oil Field and CO_2 EOR Project with the beginning of the well-deepening project in the McElmo Creek Unit of the Greater Aneth Field ("GAF").

The project involves the deepening of wells in the Desert Creek II zone in a central part of the McElmo Creek Unit ("MCU") where an historic waterflood program in that zone was discontinued. Along with the deepening of wells, certain other wells that were originally drilled to the Desert Creek II zone will be recompleted (or in some cases sidetracked) as injectors. The Desert Creek II zone lies only 45 meters (150 feet) below the Desert Creek I zone, so deepening or reopening wells into that zone is a relatively simple and highly economic process. Elk's predecessor operator had undertaken a similar program in the same area of MCU with great success.

Aneth Field Development Program Map - Stage 1 & Stage 2

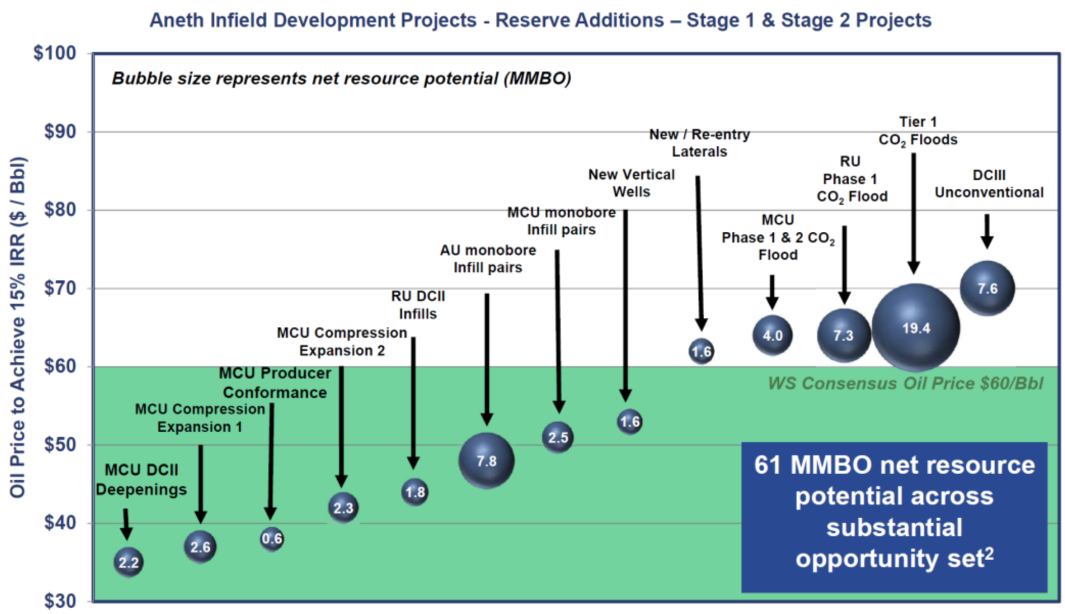


The overall program involves the deepening of 28 production wells and the reopening of 15 water injection wells within the central part of MCU (see map above). This program is expected to continue through CY2018 and be completed by 3rd quarter CY2019. The Company has prepared the first three well sites and the first deepening is planned to commence on 13 June 2018. Each well deepening is expected to take approximately 7-days to complete with production to commence at an initial rate of approximately 100 barrels of oil per day. The CY2018 program includes seven producer deepenings and reopening of four water injection wells. The net cost to the Company of each well operation averages approximately US$415,000 with a lease operating expense of US$1.41 per barrel. Each well deepening will have a payback of approximately 75-days. The total capital expenditure for the CY2018 program is approximately US$4.6 million net to the Company.

The complete well deepening program is expected to add 2.2 mmbbls of 1P PDP Reserves and peak additional production of approximately 1000 BOPD net to the Company. The economics of the well deepening project are both highly attractive and accretive. At a US$60/bbl flat oil price, this project is expected to increase the 1P PDP PV10 of the Aneth Oil Field by approximately US$35.5 million. At current oil prices the IRR on each well in the project is more than 100%. Following waterflood operations, these deepened wells will be converted into CO_2 EOR production wells. The economics do not include the additional oil production these wells will recover when they are converted to CO_2 flood production. The MCU well deepening program is part of the Company's Stage 1 Aneth Field Development Program outlined below. For further details of the Stage 1 Aneth Oil Field Development Program see the Company's Investor Update Presentation released on the ASX on 23 April 2018.

Aneth Term Loan Facility increased to US$122 million

On 13 June 2018, the Company secured an increase to the Aneth Term Loan Facility from its existing lenders increasing the total facility amount to US$122 million from the original US$98 million. As previously announced on 9 May 2018, this loan increase will be used to fund projects in the Aneth Stage 1 Field Development Program. As outlined in the Corporate Presentation released on the ASX on 23 April 2018, the Company's Stage 1 Aneth Field Development program is aimed at delivering a significant increase in the 1P Proved Developed Producing Reserves of the Aneth Field over a 24-month period. (see Aneth Infield Development Reserve Additions – by Project below).



1. Projects evaluated at time-zero for ranking purposes.
2. Reserve additions only and excludes any non-economic contingent resources.

This development program increases Aneth 1P PDP Reserves from approximately 30 mmbbls (as of 31 December 2017) to over 46 mmbbls - an increase of over 50% - and is expected to increase production net to the Company by 2000 BOPD to over 7500 BOPD by late CY2019. The Company considers each of these projects as low risk Proved Developed Non-Producing or Proved Undeveloped. Implementation of these developments are expected to increase the net present value of the Aneth Oil Field by approximately US$120 million increasing the total present value of the Aneth Oil Field to over US$400 million based on a US$60 flat WTI oil price and after the impact of Aneth oil price hedging currently in place. (see the Company's Investor Update Presentation released on the ASX on 23 April 2018).

Appointment of refinancing advisor

Elk also announces the appointment of RBC Capital Markets ("RBC") as the Company's independent financial advisor to assist in executing a comprehensive refinancing of the Company's outstanding debt facilities. As part of this refinancing effort, the Company is focused on securing a refinancing solution that (1) simplifies the Company's overall balance sheet; (2) reduces the overall cost of debt capital; (3)

provides for lower mandatory amortization; (4) results in greater cashflow to equity for reinvestment in the development of the business; and (5) provides a flexible solution to allow the Company to continue the development of its existing assets.

With assistance from RBC, the Company is focused on running a competitive process to secure this refinancing solution and targets completing this refinancing by November 2018. RBC has extensive experience in all the relevant markets for Elk and has assigned a team in NYC, Houston and Sydney to advise the Company with the refinancing.

Elk was assisted on the Aneth Term Loan Facility increase by EAS Advisors, LLC. acting through Odeon Capital Group, LLC., a member of FINRA/SIPC/MSRB ("EAS"). EAS also advised Elk on the original Aneth Term Loan Facility and will continue in its role as Elk's US corporate advisor, assisting Elk with their growth and development plans.

Grieve Field Operations

Following the completion of the Grieve Oil Field development construction, on 17 April 2018, Denbury Resources commenced field start-up operations. Denbury has advised these production operations are in keeping with the field start-up operations it established for the Bell Creek CO_2 EOR on the Wyoming-Montana border which is also a Muddy Sandstone Reservoir CO_2 EOR project. The operations have focused on two key activities – (1) a systematic clean-up of all production and injection wells across the field starting with an initial focus on testing the down dip wells and field production flow lines before moving to up dip well locations and (2) reinstatement of CO_2 injection across the field. The production clean-up of wells has established that the field can produce fluid and gas at high rates. Production clean-up operations consisted principally of water with associated gas.

Through the end of April 2018, the field has produced approximately 225,000 bbls of water and over 394,000 MCF of additional CO_2 has been injected in the field. With a focus on production well clean-up across the field, stabilized oil production rates for the project have not yet been established. Denbury has advised that well clean-up operation and flowline testing is in its final stages. Denbury is now focused on establishing stabilized oil production rates and oil production has commenced with oil now being recovered from the Central Processing Plant production separators and transferred to the oil sales storage tanks for transfer to the Grieve Pipeline. As previously advised at each of the AGMs in November 2015, 2016 and 2017, during start-up operations initial production is to be expected to be mainly water and the Company remains confident that with the focus now shifting from well clean-up operations to production activities significant oil production will begin to ramp up going forward.

Sale of Singleton Oil Field

The Company completed the sale of the Singleton Oil Field and all its oil & gas leases in Nebraska to a private Nebraska oil & gas operator. The consideration for the sale of the Singleton Oil Field and all the Nebraska oil and gas leases was US$10,000 plus the assumption of all environmental and abandonment liabilities. The Singleton Oil Field was originally acquired in early 2014 as a prospective candidate for a small-scale CO_2 EOR project seeking to recover 2-4 mmbbls of oil. Since mid-2016, the Company placed the development of the Singleton CO_2 EOR Project on care and maintenance as it was determined that the project was not economic at current oil prices. The Company determined that the Singleton Project was unlikely to be developed in the near term and should be sold eliminating continuing holding costs and any potential liabilities associated with operations by prior owners and operators.

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ABOUT ELK PETROLEUM

Elk Petroleum Limited (ASX: ELK) is an oil and gas company specializing 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 in this announcement relating to the Aneth Oil Field and CO_2 EOR project is based on an independent reviews and audits conducted by Netherland, Sewell & Associates and VSO Petroleum Consultants, Inc. and fairly represents the information and supporting documentation reviewed. These reviews and audits were carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines. The Netherland, Sewell & Associates and VSO independent Reserve audits were prepared on a deterministic basis in accordance with U.S. Securities and Exchange Commission guidelines and standards consistent with existing U.S. oil and gas Reserve auditing and reporting standards and practice.

The information in this ASX release or presentation that relates to Reserve estimates for the Aneth Oil Field and CO_2 EOR project and 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. Both Mr Evans and Mr. Dolan have relied upon and utilized the independent Reserve audits prepared by VSO.

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.