

9 July 2018

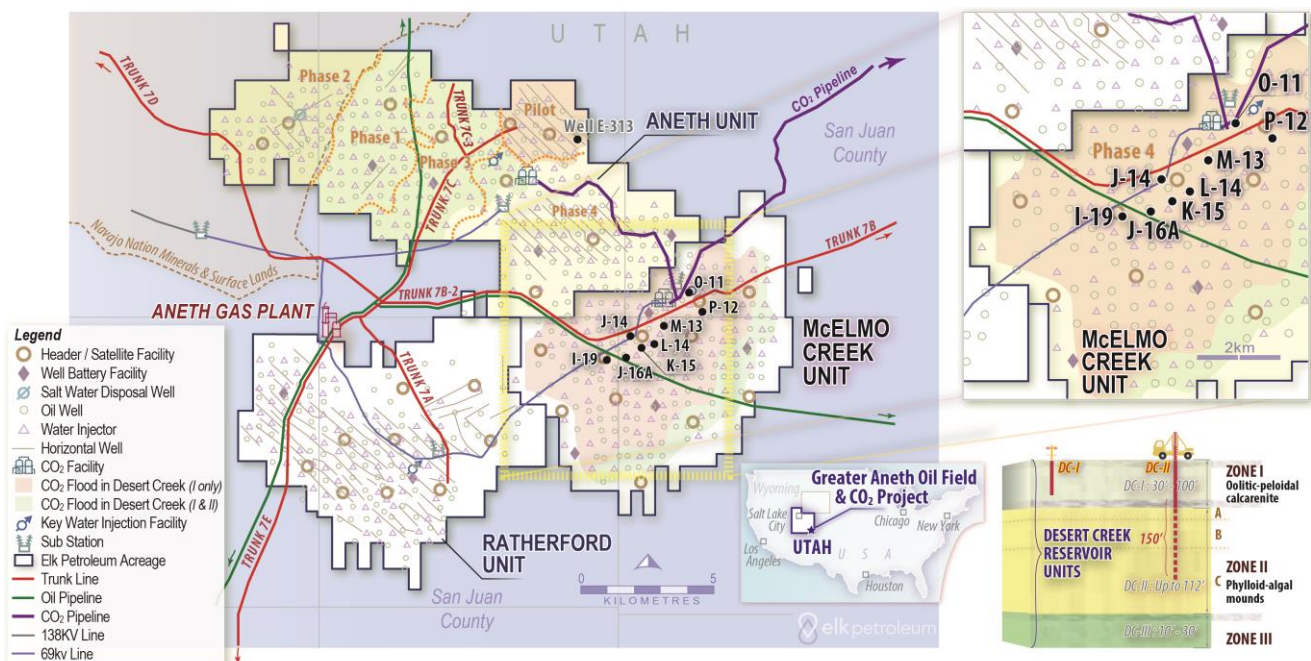
Successful start to Aneth Field McElmo Creek Unit Well Deepening Program

HIGHLIGHTS

- McElmo Creek Unit Well Deepening Program commenced and progressing ahead of schedule
- Five oil production well deepening's delivered under budget and ahead of schedule
- The first deepened well was returned to production with an initial rate of 127 BOPD
- Project delivered for under US\$450,000 per well and expected payback to be within 165-days

Elk Petroleum Limited (ASX Code: ELK) ("Elk" or the "Company") is very pleased to announce the commencement of the McElmo Creek Unit Well Deepening Program and delivering an immediate success with the deepening of five oil production wells in the Desert Creek II waterflood project area within the McElmo Creek Unit ("MCU") of the Greater Aneth Oil Field (see map below).

McElmo Creek Unit DC II Waterflood Project Area Map



The five oil wells – MCU I-19, MCU K-15, MCU P-12, MCU O-11 and MCU J-14 – are the first of an initial 8-production well deepening program. These wells were successfully deepened 150 feet (45 meters) from the Desert Creek I (“DC I”) reservoir unit to the deeper Desert Creek II (“DC II”) oil reservoir unit. Each well deepening was completed for a per well capital cost of less than US\$450,000 (Elk share approximately US\$305,000). From this first operation, Elk has identified further cost reductions to be employed on well deepening, that will provide for a gross capital cost per well of US\$375,000 per well (Elk share approximately US\$255,000). Initial production results have been encouraging. The table below sets out the current production rates and status of each well.

2018 McElmo Creek DC II Well Deepening Project – Stage 1			
Well	Well Type	Production Rate (BOPD)	Status
MCU I-19	Producer	100	Online Producing
MCU K-15	Producer	TBD	Awaiting Reconnection to Production
MCU P-12	Producer	TBD	Awaiting Logging & Pump Install
MCU O-11	Producer	TBD	Awaiting Logging & Pump Install
MCU J-14	Producer	TBD	Awaiting Logging & Pump Install
MCU M-13	Producer	TBD	Waiting on rig
MCU L-14	Producer	TBD	Waiting on rig
MCU J-16A	Producer	TBD	Waiting on rig

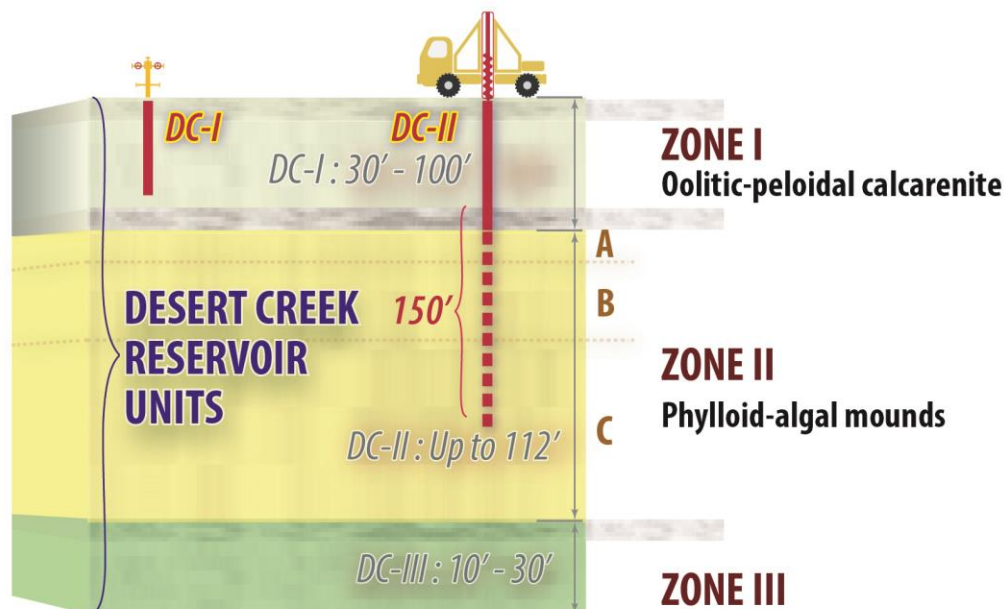
At current oil prices and well flow rates the full cost of each production well deepening is expected to payback within 165-days and the well is expected to have an estimated incremental ultimate recovery of approximately 140,000 barrels of oil – an incremental capital development cost of approximately US\$4.82/barrel.

What is the McElmo Creek Well Deepening Project?

The McElmo Creek Well Deepening Project is a multi-well programme involving the deepening and recompletion of 43 poor performing or inactive production wells from the DC I formation to the deeper DC II oil reservoir unit. The DC II reservoir unit within the McElmo Creek Unit is currently undergoing active waterflood oil production (secondary recovery) within the programme area and each of the deepened wells is targeting unswept or under-swept oil pay within the DC II oil reservoir. Each well will be deepened approximately 150 feet (45 meters). One half of the wells have been deepened using a combination of highly mobile cost effective Coiled Tubing drilling unit (CTU), and truck mounted workover rig, not a traditional drilling rig. The other half will have used a truck mounted workover rig for the entire process. At the start of the deepening campaign, the Company estimated 7 days to undertake a well

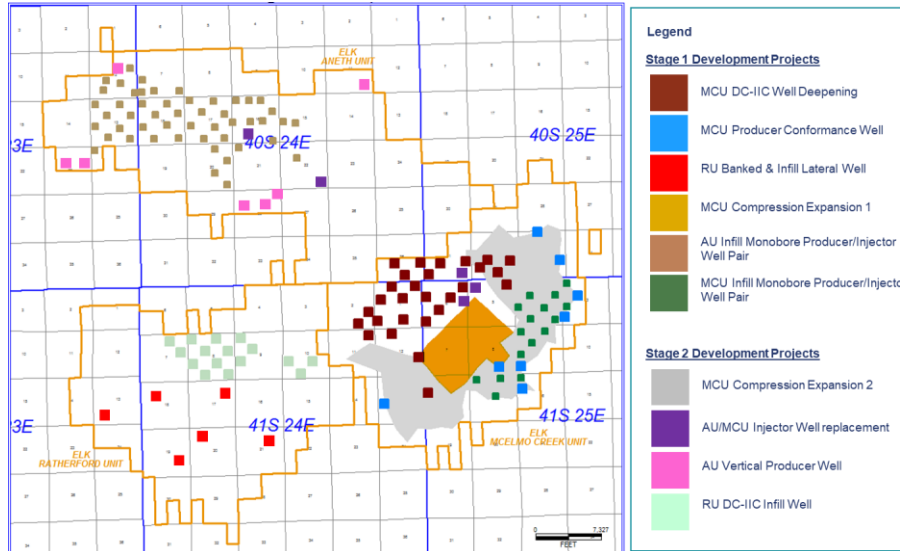
deepening operation, with learned efficiencies and rapid intra field moves, the Company is already seeing this time reduced to 5 days. The eight-oil production well deepening campaign commenced on 17 June 2018 and the entire eight-oil production well deepening campaign is now expected to be completed by 13th July – a total of 26-days – an approximate 50% drilling and well construction time savings.

McElmo Creek Unit Desert Creek II Well Deepening Schematic



Of the 43 wells to be deepened – 28 of these wells will be new DC II oil production wells and 15 of the deepened wells will be new DC II water injection wells for reservoir pressure maintenance to optimise oil production. The entire programme is scheduled to take approximately 15-months and is expected to be completed by September 2019. The CY2018 McElmo Creek Unit Desert Creek Well Deepening campaign will include deepening 11 poorly performing DC I production wells to deliver 8 new DC II production wells and 4 new DC II water injection wells. This will be followed in CY2019 by deepening another 32 poorly performing DC I production wells to deliver 21 new DC II production wells and 11 new water injection wells.

Greater Aneth Field Development Projects Map



Elk's CEO, Brad Lingo commented: "This is a great start to the 2018 McElmo Creek Well Deepening programme portion of the Greater Aneth Oil Field development. This program is just one of the many low risk, low cost, high margin and high return projects Elk has across the entire Greater Aneth Field. These projects drive not only a significant increase in reserves and production but profitability and free cash flow. Delivering immediate results and growth in cash flow from these projects greatly help the Company's refinancing and ultimate debt reduction."

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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.