

ASX Announcement / Media Release

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ELK OPTIMISES HEDGING TO INCREASE CY19 OIL PRICE EXPOSURE

- Elk has optimised Aneth oil price hedging to achieve exposure to higher crude oil prices in 2019 on 4,000 bbl/day of production from the Aneth Oil Field
 - Previously, Elk's hedge position in 2019 consisted of an average hedge swap price of \$50.57 on 4,291 barrels per day
 - In the recent transaction, Elk sold forward puts and calls to finance the purchase of a \$53.80 - \$60.00 call spread in 2019 on 4,000 bbl/day
 - The result in CY19 is that Elk has exposure to higher crude oil prices on 4,000 bbl/day of the previously swapped hedged production of up to \$6.20 per barrel as WTI prices range from \$53.80 to \$60.00
 - A sustained US\$60/bbl or higher WTI oil price will result in US\$9.05m uplift in forecast CY19 Aneth cash flow
 - Zero up-front cash cost to Elk
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To support financing of the 2017 Aneth acquisition, in October and November 2017 Elk Petroleum Ltd (ASX: ELK) ("Elk" or the "Company") entered into CY18, CY19 and CY20 forward oil price swaps resulting in an effective CY19 hedged Aneth oil price of US\$50.05/bbl for average production volumes of 4,000 bbl/day. In March 2018, an additional swap at \$57.63 was added to achieve 80% hedging of PDP forecasted production, resulting in a weighted average swap price of \$50.57 over 4,291 bbl/day. The existing strong oil price environment provided an opportunity for Elk to restructure hedging to achieve increased cash flow in CY19.

New hedging structure to increase forecast CY19 Aneth cash flow to Elk

To gain exposure to higher WTI oil price, Elk entered into the following new hedging contracts at zero up-front cash cost:

- Sale of a CY19 US\$60.00 call (4,000 bbl/day)
- Purchase of a CY19 US\$53.80 call (4,000 bbl/day)
- Sale of a CY20 US\$42.00 put (4,000 bbl/day)
- Sale of a April 2021 to March 2022 US\$70.00 call (4,000 bbl/day)

The net result is to increase Elk's CY19 after-hedge effective price by US\$6.20/bbl on 4,000 bbl/day, and increase cash flow by US \$9.05m, if WTI NYMEX oil price remains at or above US\$60/bbl during CY19.

A summary of Elk's revised hedging structure is included in Table 1.

Elk's March 2018 quarter Aneth average net oil production was 5,496 bbl/day compared to average hedged volumes of 4,344 bbl/day. CY19 production in excess of 4,291 bbl/day will be fully exposed to WTI oil prices. In addition, forecast CY19 production from Aneth's fully financed CY18 development projects is currently unhedged and exposed to higher oil prices, although a portion of such production may be required to be hedged in the future.

Elk management is very pleased to have captured higher oil prices via optimization of Aneth hedging. It is an ongoing priority of the company to increase Aneth profitability and free cash flow from its producing assets. The combination of Aneth development projects and optimised hedging will deliver increased production and achieved oil price, resulting value to Elk's shareholders.

Table 1. Elk hedging summary

		ELK HEDGE SUMMARY	2H CY2018	CY2019	CY2020	Q1 CY2021	Q2 CY2021 - Q1 CY2022
Swaps	WTI NYMEX Fixed-Price Swaps (ANETH)	Volumes hedged (bbl/d)	4,430	4,291	4,161	4,107	
		Average swap price (\$/bbl)	48.24	50.57	50.43	52.76	
Options	WTI NYMEX Call Spread (ANETH)	Volumes hedged (bbl/d)		4,000	4,000		4,000
		Long call - strike(\$/bbl)		53.80			
		Short call - strike (\$/bbl)		60.00			
		Short put - strike (\$/bbl)			42.00		
		Short call - strike (\$/bbl)					70.00
WTI NYMEX Fully-Paid Put Options (GRIEVE)	Volumes hedged (bbl/d)	1,388	1,074				
	Put strike (\$/bbl)	45.00	45.00				
Total Volumes Hedged (Mbbbl/day)			5,818	5,365	4,161	4,107	4,000

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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.