

22 January 2015

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2014

HIGHLIGHTS

- **50% Working Interest in approximately 30,000 net acres secured over emerging conventional oil play in Colorado**
- **Acquisition of around 30kms of new 2D seismic data on identified trends to commence in February 2015**
- **Geological database over the Petra Project increased with additional 2D seismic data purchase**
- **Mr Ray Barnes appointed as independent non-executive Chairman**
- **Corporate overhead cost reduction programme implemented**

EXECUTIVE SUMMARY

Elixir Petroleum Limited (**ASX:EXR**) (“Elixir” or “Company”) remains focussed on its principal asset, being a 50% Working Interest in an emerging new oil play in Washington and Lincoln Counties, Colorado including an Area of Mutual Interest (“AMI”) covering over 500,000 acres of the new play trend (together the “**Petra Project**”). The Company acquired the initial lease position on 4 September 2014 together with securing funding of over \$3M through a placement and fully subscribed Share Purchase Plan (“SPP”) to fund the ongoing exploration programme.

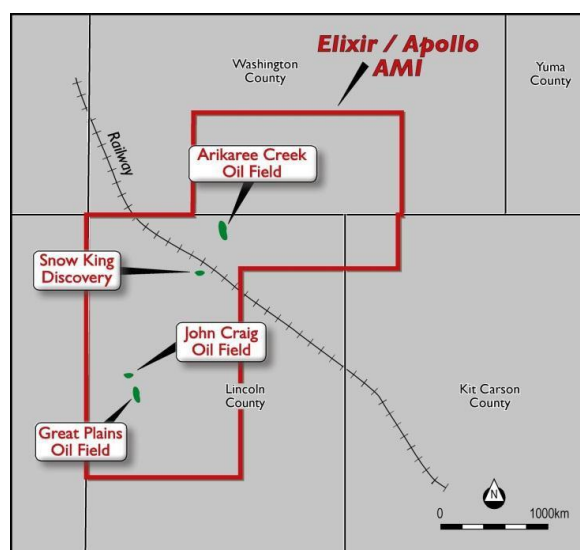
Elixir continues to pursue the renewal of the Moselle exploration licence onshore France with lobbying of the administration through various channels ongoing throughout the quarter. Renewal of the permit remains a priority for the Company, but until such time as the renewal is granted, expenditure on France will be minimal.

During the quarter, the Company strengthened its Board composition with the appointment of highly regarded oil and gas professional, Mr Ray Barnes, as its independent non-executive Chairman. Ray is a petroleum geoscientist with over 40 years’ experience having worked in both Denver and Western Europe. Mr Sam Willis, the previous Chairman, remains on the board as a non-executive director whilst Mr Michael Price agreed to step down from the Board as part of a structured transition.

The Company initiated a number of corporate cost saving measures during the quarter, including a significant reduction in non-

executive Board fees. The Board recognises that during this period of soft commodity prices and limited capital availability, it is of critical importance to demonstrate to shareholders that the Company’ corporate overhead cost base is as low as possible and that existing funds are preserved for exploration and business development opportunities.

The Company had cash on hand at 31 December 2014 of \$1.23 million. Quarterly expenditure was principally concentrated on leasing activities which has now resulted in the Company securing its initial leasing target of a 50% Working Interest in approximately 30,000 net acres. Future exploration expenditure is now principally directed toward seismic and drilling activities.



ASX CODE: EXR

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EXPLORATION ACTIVITIES

Project Name: Petra Project
Location: Colorado, USA
Ownership: 50% Working Interest

During the quarter, Elixir continued to build its land position over the core area of the Petra Project and has now amassed a 50% Working Interest in a substantial acreage position equating to approximately 30,000 net acres in Washington County.

The leases acquired follow a new trend in the Denver Julesberg Basin (“DJ Basin”) which is targeting Mississippian and Pennsylvanian conventional structures (at a depth of ~2,500 metres) that have been successfully identified and drilled on 2D and 3D seismic in recent years. These discoveries have yielded some of the largest conventional oil discoveries onshore in the US in recent years.

Elixir is paying the first US\$1.5M of exploration costs on behalf of the Joint Venture and has to date spent approximately US\$400,000 on data acquisition. The agreed work program includes the acquisition of new and existing seismic data and the drilling of at least two (2) relatively low cost exploration wells prior to 30 June 2016. Following completion of the initial US\$1.5 million, Elixir will retain a 50% interest in the leases which have no drilling or seismic commitments.

New exploration approaches have opened up this play, where exploration costs are low with dry hole drilling costs of approximately US\$1M per well. Elixir’s acquisition has secured a material foothold in this emerging oil play on attractive terms which provides shareholders with significant leverage to exploration success.

Geological and Geophysical Activities (100% carried by Elixir)

During the quarter, the Company re-processed and interpreted 250kms of 2D data purchased from Seismic Exchange Inc. The interpretation of this data has driven the December quarter’s leasing strategy and the current 2D seismic acquisition planned to commence in February 2015. The 2D data acquisition is not expected to cost more than US\$200,000 and should provide new data to mature the leads already identified from the reprocessed data. These activities form part of the agreed work program and the agreed carried expenditure of US\$1.5M.

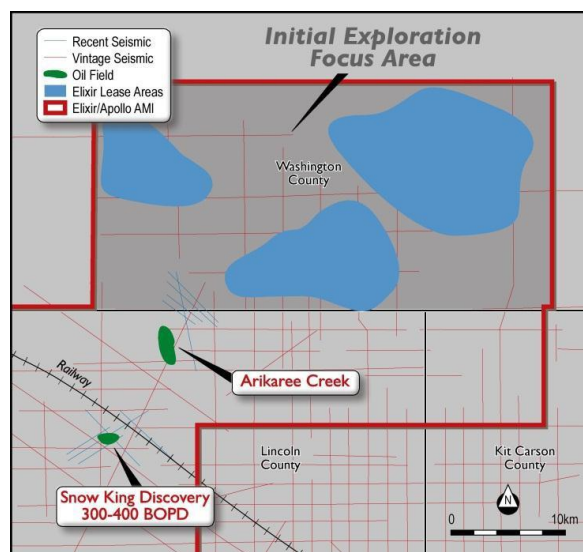
Leasing Activities (50% cost to Elixir)

During the quarter, the Joint Venture continued to lease over the core area of the Petra Project

and now has a 50% Working Interest in approximately 30,000 net acres.

Including the initial acquisition cost, Elixir’s entry price on a per acre basis is a very competitive US\$95 per acre with virtually no ongoing carrying costs. The leases are predominantly 5 year leases with options to extend and generally have net revenue interests of between 85% and 87.5%.

Competition in the region continues to be strong with several new entrants pursuing this emerging oil play. Lease costs on a per acre basis have been steadily increasing, enhancing the value of the lease position already secured by the Company.



Project Name: Moselle Permit
Location: North-eastern France
Ownership: 100% Working Interest

A renewal application for the Moselle Permit was lodged in September 2013 with the relevant French authorities. Elixir has committed to a second five year exploration period, and with all obligations relating to the first exploration period previously being met, the Company awaits notification that the extension into a second exploration period has been granted. The Company does not intend to incur any significant expenditure on Moselle until the renewal is granted.

The Moselle Permit, acquired by Elixir in April 2010, is located in the Saar-Lorraine Basin. The permit is approximately 2,680km², or over 500,000 acres, in area. Moselle is one of the largest exploration permits in Western Europe prospective for both conventional and unconventional hydrocarbons.

BUSINESS DEVELOPMENT ACTIVITIES

Project Name: Wattenberg Option
Location: Colorado, USA
Ownership: Option over a 50% Working Interest

Elixir had an option over a 50% Working Interest in the Wattenberg oil play. To date the Company not expended any money on the Wattenberg Option, and with the recent decrease in the oil price, has decided it will not pursue this unconventional play.

Project Name: New Business
Location: USA
Ownership: To be determined

Despite the reasonably down beat mood in the oil industry due to falling oil prices, Elixir is well placed to potentially capitalise on the situation with distressed companies looking to reduce debt through the sale of non-core assets.

Accordingly, the Company has recently enacted a strategy to determine if any of these opportunities have the potential to complement Elixir's current portfolio. The Company has engaged a highly experienced US based consultant to search out opportunities, particularly focussed on production/appraisal assets that may fit the portfolio. The consultant is working on a predominantly success based fee structure.

CORPORATE AND FINANCIAL

Quarterly expenditure and cash position

During the quarter, the Company expended just over \$1 million which was spent largely on land acquisition (\$522,000) and geological and geophysical data (\$298,000). With the land acquisition now substantially complete, cash expenditure for the current quarter will be significantly less than December quarter.

PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2014

	% Interest	Tenement	Location
Held at end of quarter	100%	Moselle Permit	North-eastern France
	50%	Petra Project	Colorado, USA
Acquired during quarter	-	-	-
Disposed during quarter	-	-	-

INTERESTS IN FARM-IN OR FARM-OUT AGREEMENTS AS AT 31 DECEMBER 2014

	Farm-in / Farm-out	% Change in Interest	Project
Held at end of quarter	50%	-	Petra Project
Acquired during quarter	-	-	-
Disposed during quarter	-	-	-

For further information, please visit the Company's website at www.elixirpetroleum.com

Corporate overhead costs have also been extensively reviewed, including a significant reduction in the Chairman's fees (25%) and other non-executive director fees (20%). On an annualised basis, the corporate overhead for Elixir is now less than \$750,000 per annum which is one of the lowest in the sector for an active oil and gas exploration company.

At the end of the reporting period the Company held cash on hand of approximately \$1.23 million.

Board Changes

On 10 December 2014, the Company appointed Mr Ray Barnes as the independent non-executive Chairman of the Company. Ray is a petroleum geoscientist with over 40 years' experience working with various companies including Ampolex, Apache, Voyager Energy and Oilex across multiple jurisdictions including the USA, Western Europe, South America, Australia and Asia. Ray adds another level of technical and commercial expertise to Elixir and has extensive industry contacts and the Company is extremely fortunate to have been able to secure his services.

As part of a structured transition, Mr Michael Price stood down from the Board on 31 December 2014. Michael had been a valuable long standing director since January 2011 and the current Board of Elixir wishes to thank Michael for his extensive and valuable contribution during his tenure.

Mr Sam Willis, the previous Chairman, remains on the Board in a non-executive capacity.

Annual General Meeting

The Company held its annual general meeting on 28 November 2014. All resolutions were passed on a show of hands.