



14 March, 2007

ELIXIR PETROLEUM LIMITED
("Elixir" or "the Company")

OPERATIONS UPDATE

Elixir Petroleum Limited (ASX: EXR, AIM: ELP) wishes to provide investors with details of the Company's forward plans for the next 12-18 months.

Elixir intends to continue with its efficient exploration strategy. For relatively modest outlays, the Company gains exposure to North Sea exploration plays with large potential upside. The area still offers drillable prospects with the potential to host discoveries of several hundred million barrels of oil. Success in any one of these exploration ventures would have a large positive impact on the Company's worth.

Cash and near cash reserves currently stand at about A\$9.7 million (£3.8 million) or equivalent to 13.6 cents per share. Given the Company's economical approach to funding exploration where farminees largely carry Elixir's costs through the initial drilling phase, the Company does not require more capital for the present to continue with its high potential exploration program.

Focus on Northern North Sea

The drilling results to date along the northern margins of the Central North Sea basin on acreage generated by the alliance with Granby Oil & Gas have proved disappointing. This alliance which operated for the 22nd and 23rd UKCS licensing rounds has now ceased.

Elixir now intends to focus on its self-generated Northern North Sea licences to fully assess the significant prospectivity right in the centre of this prolific oil producing basin.

Block 211/18b (Leopard) (EXR 56% interest)

The giant Leopard prospect in Block 211/18b has already been part-farmed out. RWE Dea is taking up a 30% interest in return for paying more than 50% of the costs of a Leopard well. Given very encouraging seismic results linking Leopard with its Norwegian analog, the Borg oil field, the Company is confident of farming-out the remainder of the cost exposure so that Elixir is free-carried through the well with a residual interest in the region of 35-40%.

By Elixir's mapping Leopard is estimated to contain oil in place at the midcase level in excess of 1 billion barrels, if hydrocarbons are present. Assuming typical recovery factors for the region, this volume would equate to around 370 million barrels of gross recoverable reserves.

The tight North Sea rig market is showing signs of easing. Assuming that another farminee can be secured soon, Elixir is hopeful that Leopard could be drilled in late 2007 or early in 2008.

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Block 211/22b (Jaguar) (EXR 40%)

Although the Jaguar well drilled in February 2006 failed to find hydrocarbons in the primary Upper Jurassic objective, it did encounter residual oil in the underlying Mid Jurassic Brent sands.

This proved a working hydrocarbon system exists in the block and significantly enhanced the prospectivity for oil accumulations in the Brent elsewhere in 211/22b. Elixir and the licence operator, DNO, are now undertaking extensive technical work to assess Brent prospects to the south of Jaguar which was drilled on the northern border of the licence.

Several oil discoveries were made by Antrim in the neighbouring blocks to the east in 2006. Hence the 211/22b joint venture is very keen to pursue similar plays along trend.

Block 211/8b (Panther) (EXR 80%)

Although smaller than Leopard, the Panther prospect in Block 211/8b to the east of BP's Magnus oil field has been advanced to farmout stage. An active marketing campaign has just commenced with the aim of attracting a farminee partner.

Panther is a dual Lower Cretaceous-Upper Jurassic play. A large shallow Palaeocene lead is also being evaluated in the northern portion of the block.

New Projects

As the Company has been enunciating for some time, an aggressive search for development/production projects to complement the Company's high impact exploration is underway. Elixir is confident that this initiative will generate positive results during 2007.

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For the purposes of AIM Rule 11, this announcement has been reviewed by Elixir Petroleum's Managing Director, Russell Langusch BE (Hons) M Eng Sc, a Petroleum Engineer of more than 30 years standing and a member of the Society of Petroleum Engineers ("SPE") and the Australasian Institute of Mining and Metallurgy. In accordance with the definitions of the SPE, "Prospective Resources" are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.