



ASX RELEASE

9 July 2007

CONVERTIBLE NOTE ISSUE

Elixir Petroleum Limited (ticker symbols - ASX: EXR, AIM: ELP) ("Elixir") is pleased to advise the proposed issue of 10.7 million convertible notes at a subscription price of \$0.25 raising a total of approximately \$2.7 million before expenses.

The funds are to be employed in an enlarged gas development program in the Gulf of Mexico by Elixir's prospective merger partner, Gawler Resources Limited (ASX:GRL) ("Gawler"). Gawler's initial Gulf Coast project at High Island is currently under development and is scheduled to commence production during the fourth quarter of 2007. Recently Elixir and Gawler jointly announced that Gawler had secured an interest in the Pompano gas development and exploration project, also located in shallow water offshore Texas.

The convertible note issue has been arranged and underwritten by Argonaut Capital Limited. The issue is being made to Macquarie Bank Limited, AFM Perseus Fund Limited and two other clients of Argonaut under Section 708 of the Australian Corporations Act. The convertible notes will not be quoted on the ASX or AIM.

Key terms of the notes include the following:

- On the basis that the proposed merger is approved by Gawler shareholders, the Notes are, at the election of the Noteholder, convertible into Elixir shares at a price of \$0.25 per share at any time up until 31 October 2008 or are redeemable at face value plus interest on 30 November 2008.
- Should the merger between Elixir and Gawler not proceed, the Notes, at the election of the Noteholder, are redeemable at face value plus interest within 90 days or are convertible into either Elixir or Gawler shares (being Gawler shares held by Elixir) at a price of \$0.25 per share.
- The Notes carry a coupon of 8% per annum. They are to be secured prior to the merger and become unsecured following the merger.

Under the terms of the Merger Implementation Agreement signed by Elixir and Gawler in March 2007, Elixir agreed to provide Gawler with a funding package of up to \$5 million to progress development of the High Island oil and gas project. The loan facility agreement will be increased to include the additional net convertible note funds, which will be applied to both High Island and Pompano.

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