



ASX RELEASE

26 July, 2007

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 JUNE, 2007

HIGHLIGHTS

- Merger Scheme of Arrangement documentation nearing completion
- Farmout agreement signed with RWE for Block 211/18b
- Convertible note issue completed (post quarter-end).

ACTIVITY OVERVIEW

OPERATIONS

Block 211/18b (EXR 56% interest)

The farmout agreement covering the agreed participation of RWE Dea UK SNS Limited ("RWE") in UKCS Block 211/18b was finalised and signed during the quarter.

Block 211/18b (Licence P1381) is a traditional licence awarded in the 23rd Seaward Licensing Round in December 2005. The initial interest holders in P1381 were Elixir (80%) and its joint venture partner, Sosina Exploration Ltd ("Sosina") (20%). Under the terms of a farmin negotiated with RWE, RWE will secure a 30% interest in Block 211/18b by contributing on a promoted basis to the cost of drilling an exploration well on the Leopard prospect within the block.

Following RWE's farmin the interest holders in the licence will be Elixir 56%, RWE 30% and Sosina 14%. Necessary consent from the UK Secretary of State for Trade and Industry for the licence interest assignment has been granted.

Activities to obtain another farmin for the block are ongoing with the objective of largely covering Elixir's and Sosina's cost exposure to the planned Leopard well. A number of companies have shown interest and are currently evaluating the prospect following dataroom visits.

Block 21/16b (EXR 40% interest)

A 300 sq km 3D seismic dataset has been licensed from Fugro covering Block 21/16b, a 24th Round promote licence award. Seismic interpretation has commenced to refine the four prospects already identified from 2D seismic data. The objective of the joint venture is to ready 21/16b for active farmout marketing later this year.

Block 21/4b (EXR 7% interest)

The block operator, Maersk Oil, hosted a technical committee meeting in late May where the remaining prospectivity of the licence was reviewed following drilling of the Muness exploration well in late 2005. Several additional targets have been identified in the Lower Cretaceous section whilst upside potential in the Palaeocene and other Tertiary intervals is now being assessed.

CORPORATE

Progress on Gawler Resources Merger

Preparation of the Scheme of Arrangement documents to enable the proposed merger of Elixir and Gawler Resources Limited (ASX: GRL) commenced in the June quarter. The initial terms of the merger have been varied during the past quarter by agreement. This in conjunction with the requirement to obtain external reports for inclusion within the Scheme documentation has resulted in an extended time to complete the documentation process.

However the Scheme booklet and ancillary documentation are expected to be lodged with the Australian Securities & Investments Commission for review by 31 July 2007. Court approval will then be sought prior to convening a Gawler shareholders' meeting to vote on the Scheme.

Elixir shareholders will be kept informed of the progress of the Scheme via regular updates.

As agreed in the initial Merger Implementation Agreement signed in late March 2007, Elixir took a placement of shares amounting to 20% of Gawler's issued share capital at a price of \$0.20 per share. This placement was ratified by Gawler shareholders on 4 May 2007. Elixir also subscribed for a similar number of Gawler options at \$0.01 per option with an expiry date of 31 March 2009.

The investment in Gawler injected \$2.6 million into the company. Elixir has also agreed to provide a bridging loan facility of approximately \$2.4 million to Gawler to progress Gawler's Gulf of Mexico oil and gas projects.

Gawler's Second Offshore Texas Gas Project

In mid June, Gawler agreed terms to acquire a 25% working interest in the Pompano gas field development and exploration project located in Brazos Block 446L SE/4 in the

Gulf of Mexico. The lease holder and operator of the project is a private US company, AnaTexas Offshore Inc.

The acquisition is in line with Gawler's offshore Gulf Coast production-development strategy, which commenced in December 2006 with the High Island gas field development. High Island is expected to be on production by late August 2007.

Consistent with the terms and spirit of the Elixir-Gawler merger, management of both companies have been involved in undertaking due diligence on the Pompano project. Elixir is fully supportive of Gawler entering into Pompano.

The Pompano field ceased production in 1995 and at that point had produced 120 BCF of gas from high quality Miocene reservoirs in a complex faulted structural high trend. This trend has regionally produced more than 800 BCF of gas from several fields. Similar to High Island, the field was discovered, explored and in the case of Pompano, developed with wells based only on 2D seismic.

At Pompano a new 3D seismic interpretation by AnaTexas in 2005 clarified the structure and located undrained reservoir updip of previously producing wells and undrilled fault compartments which were not apparent on the 2D seismic. This has resulted in the defining of substantial proved and probable reserves together with the identification of significant exploration potential. Phase 1 of the project (comprising six wells) will target proved undeveloped reserves of 24 BCF, probable reserves of 40 BCF and exploration potential of 104 BCF (estimates by the Operator).

Brazos Block 446L SE/4 is located 7 miles offshore in 60 feet of water. It has existing production infrastructure including a platform and two satellite caissons tied back to the platform. The field has pipeline access to gas markets. This infrastructure will significantly reduce early capital cost and time to first production.

The initial drilling program currently envisages the first three wells to target proven and probable reserves while well 5 will address significant exploration potential reserves in deeper sands in an undrilled fault compartment. The first three wells are to be drilled and if successful, produced from existing infrastructure. Drilling of the first well is expected to start before year-end.

Elixir Convertible Note Issue

Post the June quarter-end the Company announced an issue of 10.7 million unsecured 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 Gawler's enlarged field development program in the Gulf of Mexico at High Island and Pompano. The existing loan facility will be increased to include the additional net convertible note funds.

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.

Assuming that the proposed merger is approved by Gawler shareholders, the notes are 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 not proceed, the notes are redeemable at face value plus interest within 90 days or are convertible into Gawler shares (being Gawler shares owned by Elixir) at a price of \$0.25 per share.

Russell Langusch
Managing Director
Elixir Petroleum Ltd

+44 207 484 5623 (UK office)
+44 7840 523 771 (UK cell)
+61 411 725 858 (Aust cell)
rlangusch@elixirpetroleum.com

In accordance with ASX and AIM requirements, this announcement has been compiled, reviewed and approved by Elixir Petroleum's Managing Director, Russell Langusch BE (Hons) M Eng Sc. He is 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 ("AusIMM").