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Company Announcements Platform  
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## MOSELLE PERMIT – PROJECT UPDATE

Elixir Petroleum Limited (“Elixir” or the “Company”), the international oil and gas exploration and production company (ASX:EXR) is pleased to provide an update on its 100% owned, 5,360 km<sup>2</sup> (1.34 million acre) Moselle Permit located onshore in north-eastern France (“Moselle”).

The results from work undertaken to date (as detailed below) have been very encouraging. Elixir management consider Moselle to be highly prospective for commercial hydrocarbon production from unconventional sources, particularly Carboniferous aged tight gas and shale formations. These preliminary results have led to the decision to undertake further technical appraisal ahead of the release of more detailed initial findings and the commencement early in the second half of this year of marketing to industry of a farmout for a significant carried work programme.

### Technical Studies Programme

In broad terms, the preliminary results from studies undertaken by Elixir and its consultants over the past 12 months are pointing toward at least six sub-plays existing within the Moselle Permit. These are a combination of conventionally and unconventionally sourced hydrocarbon plays which will require individual drilling and testing.

The work programme has been aimed at acquiring, processing and interpreting available well, geological and seismic data located in, and adjacent to, the Permit. Elixir has assembled a geological database which comprises:

- Detailed reports on over 100 wells located in, and adjacent to, the Permit;
- In excess of 455 kilometres of electric log data from 25 representative wells;
- Over 2,500 line kilometres of unprocessed, digital 2D seismic data;
- Over 530 line kilometres of fully reprocessed and reinterpreted 2D seismic;
- Ground based gravity data over an area of some 28,400 km<sup>2</sup>;
- Core and cuttings samples from over 2,800 metres of available core sourced from 6 key wells; and

- Over 550 geochemical assays conducted on rock samples from 11 wells, in and adjacent to, the Permit.

A number of technical and commercial studies drawing upon this database have been progressing in parallel and are now well advanced. These studies include:

- A detailed characterisation study of the shale and tight gas unconventional resources hosted in the Permit conducted by Core Laboratories, Inc;
- A burial history model of the basin to model hydrocarbon expulsion;
- Basin modelling studies, including sedimentology and stratigraphy analysis on key wells;
- A pilot study using chemostratigraphy which has been successfully completed and is now being applied to the remaining wells within the Permit; and
- A commercial analysis to evaluate the French and broader European gas markets including infrastructure and transportation access being undertaken by Wood Mackenzie.

When finalised, the integration of the conclusions from these studies will shape the forward work programme on the Permit. The studies have however already identified opportunities to re-enter wells drilled on the Permit in the mid-1990's. If this were to prove feasible, it would provide an early opportunity to test intervals of conventionally trapped hydrocarbons that appear to have been overlooked in past exploration activities.

#### *French Government Study into Unconventional Hydrocarbon Activities*

In early February 2011, the French Government announced its intention to undertake a study into the possible economic, social and environmental impacts of unconventional hydrocarbon resource exploitation within France. The study is similar in nature to a number of studies which are currently being undertaken in other parts of the world in response to the rapid growth of horizontal drilling and fracture stimulation activities associated with unconventional oil and gas exploitation.

The study is being conducted by a joint committee of the French Ministry of Industry and the Ministry of Ecology and is being assisted by representatives drawn from the oil and gas industry in France. The results of the study are due to be completed and published in mid-June 2011. In the intervening period, a cessation of drilling activities has been agreed until the results of the study are published.

Elixir welcomes the decision to undertake this study and does not expect at this time for it to impact on the timing of its in-field exploration activities at Moselle.

#### *Farmout Process*

Elixir has finalised a process for the selection of a leading global investment bank to provide assistance with the proposed farm out of the Moselle Permit. In light of the further technical work being undertaken by Elixir and the ongoing studies being conducted by the French Government, Elixir's advice has been to delay the commencement of the marketing campaign for the farm out until early in the second half of 2011.

#### *Independent Resource Estimate*

As previously advised, Elixir has retained the pre-eminent reserve auditing firm, Netherland Sewell & Associates, Inc ("NSAI"), to provide an independent assessment of the in-place

hydrocarbon resources within Moselle. The indicative results from the preliminary NSAI work have been very encouraging.

The work undertaken by our technical team and our consultants, in conjunction with NSAI, has recently led to the identification of an additional conventional play type located within the Carboniferous interval. To better characterise leads in this area associated with conventionally trapped hydrocarbons, we have commenced reprocessing a further 464 line kilometres of 2D seismic data. The reprocessing of this dataset is scheduled for completion in late April 2011, after which interpretation of the data set will commence.

The interpretation of the data and its integration into the existing geological database is expected to be completed by mid-year. Thereafter, NSAI will be asked to review this data and to incorporate it alongside other work being undertaken to develop their resource estimate for the Permit. We now expect the independent resource report to be finalised prior to the commencement of the farmout process.

#### *Forward Programme*

Leading up to the commencement of the farmout process and the release of the independent resource certification, Elixir will continue to refine the geologic interpretation for Moselle and examine the possibility of re-entering existing wells within the Permit as a way of fast tracking in-field exploration activities. Plans are also underway to acquire a high resolution airborne gravity survey over the whole of the Permit which will provide enhanced granularity to the existing seismic interpretation.

#### *Conclusion*

The past year has seen considerable work undertaken in collecting and assembling all available geologic data associated with the Moselle Permit. We are delighted with the progress that our technical team and consultants have made. Their efforts have led to a far better understanding of the prospectivity within the Permit area. Based on this greater understanding, we consider it prudent to undertake the additional work program identified ahead of commencing the farmout process later this year.

The work completed to date leads us to believe that Moselle has the potential to host a significant hydrocarbon resource, and could over time deliver substantial value to the company and its shareholders.

We look forward to updating the market with further information concerning the project in the coming months.

Yours faithfully,

**ELIXIR PETROLEUM LIMITED**

Andrew Ross  
**Managing Director**

*Information contained in this announcement with respect to the Moselle Permit, was compiled from material reviewed by the Company's Executive Director - Exploration, Mr. I Knott, BSc(Hons) MSc, who has had more than 25 years experience in the practice of petroleum geology. Mr Knott consents to the inclusion in this report of the information in the form and context in which it appears.*