



12 July 2012

Company Announcements Office
ASX Limited
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Update on Moselle Permit

Elixir Petroleum Limited ("Elixir" or the "Company") (ASX:EXR) provides an update on progress with the Company's 100% owned, 1.34 million acre Moselle Permit located in the East Paris Basin, France.

Farmout Activities

As previously advised, Elixir commenced a farmout process for the Moselle Permit in December 2011. The process has been managed by an international investment bank on behalf of the Company and has focussed on engaging with parties with the requisite experience and financial capacity to fully progress the significant unconventional resource play at Moselle. It was also recognised that given the current restrictions on the use of hydraulic fracture stimulation techniques in France, some degree of regulatory and timing uncertainty in the near term was attached to the opportunity.

The farmout process has been well supported with over 30 global and other large upstream oil and gas companies reviewing the opportunity. A number of the participants have undertaken detailed technical reviews of the resource potential within the Moselle Permit. These parties have received comprehensive management presentations and have reviewed the project dataroom and seismic workstation. Feedback from these parties has been positive, with participants expressing the view that the in-place potential of the unconventional and conventional plays within the Carboniferous basin have been comprehensively established through the technical programme undertaken to date, and that it appears a large prospective resource is likely present. This supports the conclusions reached in the independent in-place, prospective resource estimates provided by Netherland Sewell & Associates Inc. ("NSAI") published in September 2011.

Whilst recognising the significant technical potential of the unconventional resource play within the Moselle Permit, the current prohibition on the hydraulic fracturing of wells in France has presented a challenge for potential farminees in assessing and attributing value to the opportunity. The inability to stimulate wells, and a lack of certainty as to when this situation might be reconsidered in France, has meant that participants have experienced difficulty in attempting to quantify an appropriate work programme to advance the resource play. This has necessarily impacted the value they place on the significant contingent potential of the unconventional resource play. Notwithstanding this, the Company remains in ongoing discussions with parties concerning the possible farm out of an interest in the whole of the Moselle Permit, including the unconventional resource play.

Orientation Commission

With the recent completion of the French national elections providing an element of tenure that has been absent since Q4, 2011 and the ever increasing focus on the finances of Euro zone countries,

ASX CODE: EXR

www.elixirpetroleum.com

Elixir Petroleum Limited

ABN 51 108 230 995
Level 1, 89 St George's Terrace
PERTH WA 6000, AUSTRALIA
T: +61 8 9226 2111 F: +61 8 9226 2099 E: info@elixirpetroleum.com

Elixir remains of the view that a reassessment of the position taken with respect to hydraulic fracturing in France may occur in the medium term.

France currently imports in excess of 99% of its natural gas requirements (approx. 1.6 Tcf per annum) and approximately 98% of its liquid hydrocarbons (approx. 650 million Bbls per annum) at an annual cost in 2011 of approximately €63 billion. This position is further exacerbated by security of supply concerns. In that regard, we note the establishment by the French Government in late March 2012 of a broadly based, National Orientation Commission charged with evaluating shale oil and gas exploration operations and techniques.

The establishment of the Orientation Commission was one of a number of recommendations given in a report of the French General Council on the Environment and the General Council on Industry (the CGEDD and CGIET) released in March 2012. The CGEDD and CGIET also recommended that experimental wells should be drilled to determine the size, nature and extent of shale oil and gas resources in France, which may include undertaking the hydraulic fracture stimulation of these experimental wells. A timeframe proposed in the report for such experimentation (if adopted) could see the fracture stimulation of such wells by the second half of 2013.

Farmout of Conventional Prospects

The Elixir Board does not consider it to be in shareholders' interests to undertake a farmout transaction which does not sufficiently take into account the contingent value of the unconventional resource play. Consequently, Elixir has re-focused its farmout efforts on the substantial conventional prospectivity identified within the Permit, and will largely reserve its position in relation to the giant unconventional resource potential within the Permit for future farmout activity.

The renewed farmout activity is now concentrating on engaging on an alternative group of companies for whom the conventional oil and gas exploration prospects identified within the Moselle Permit represent core business and a material opportunity.

Enhanced Conventional Prospectivity

In February 2012, Elixir announced that it had increased its portfolio of conventional oil and gas prospects and leads at Moselle from 19 to 34 as a result of the completion of Phase 4 seismic reprocessing. At that time, Elixir estimated mean prospective risked recoverable resources of 161 million Bbls of oil, or alternatively, 559 Bcf of gas (with the methodology utilised to derive these volumes based on the earlier independent, prospective resource evaluation undertaken by NSAI).

Assessment of the conventional hydrocarbon prospectivity in the Permit has continued since that time based upon additional seismic mapping and the use of ADF analysis, which seeks to identify direct hydrocarbon indicators in seismic data using quantitative seismic attribute extraction. The initial ADF analysis has proven to be promising, with a new stacked pay prospect named 'Francheville North' (see *Figure 1*) having been identified, largely as a result of the use of this methodology.

We are pleased to report that the size of the conventional portfolio of prospects and leads has grown to now include 25 prospects and 15 leads, for a total portfolio of 40 conventional targets. Importantly, the large majority of these prospects and leads lie within multi-horizon, or stacked-pay, structures. With the addition of the new Francheville North prospect, Elixir has identified 7 multi-horizon structures to pursue within the South-western quadrant of the Moselle Permit (see *Figure 2*). Importantly, it is likely that these structures can be drilled, and if discoveries are made, produced, without needing to resort to the use of fracture stimulation techniques.

We are in the process of finalising our updated, risked conventional recoverable resource estimates, including the new Francheville North prospect, and intend to publish these results shortly.

Comment

Commenting on the announcement, Elixir's Managing Director, Andrew Ross said:

"We have received great encouragement from our engagement with industry participants who have provided us with a further source of independent verification of the potential associated with the giant unconventional resource play and the new conventional plays we have identified within the Moselle Permit.

"We remain in discussions with interested parties in relation to the resource play, which we believe holds significant contingent potential. But we consider better value will be able to be achieved for shareholders in the near term by focusing on the farmout of the large conventional prospects we have identified, whilst we await policy developments in terms of unconventional resource plays in France.

"We are confident that the newly elected French Government will be open to a continuing discussion on the appropriate framework under which the assessment of France's vast hydrocarbon resource potential might occur. Given France's long history of oil and gas exploration and production, we see this as a key opportunity for new investment, high skilled job creation, and ultimately, as a viable means by which to reduce national debt through royalty payments and tax receipts and reduced reliance on imported oil and gas.

"We look forward to updating the market on progress with our conventional prospect farmout activities in due course."

Yours sincerely,

ELIXIR PETROLEUM LIMITED

Keith Bowker

Company Secretary

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

Information contained in this announcement with respect to the Moselle Permit was compiled by Elixir and reviewed by Elixir's Exploration Manager, Iain Knott, BSc, MSc, FGS, AAPG, who has had more than 25 years' experience in the practice of geology, including more than 5 years' experience in petroleum geology. Mr Knott consents to the inclusion in this report of the information in the form and context in which it appears.

This announcement contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Elixir that its expectations, estimates and forecast outcomes will be achieved.

Figure 1: Seismic Line (Toul 14) and APEX PSTM and ADF Analysis

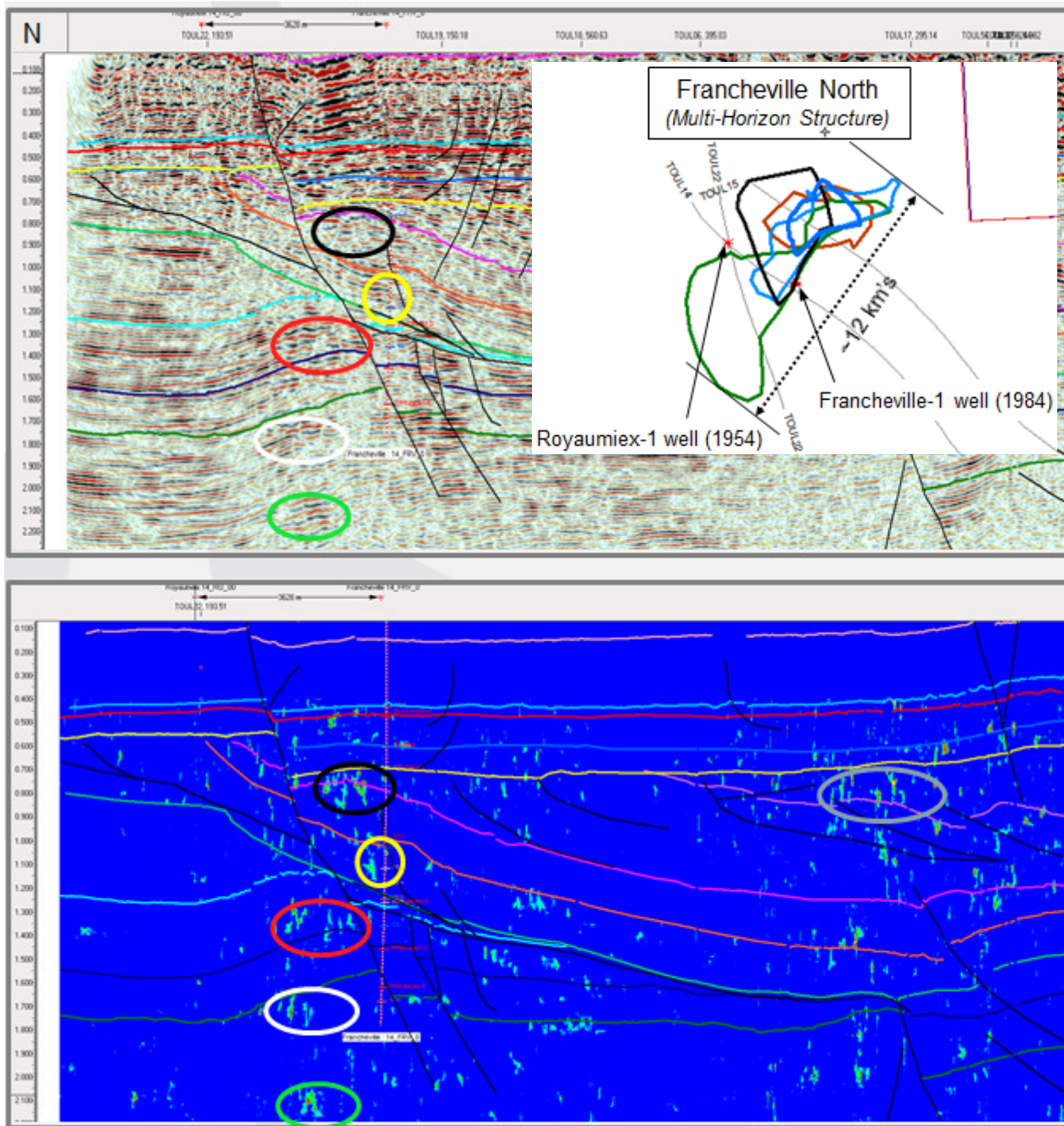


Figure 2: Multi-Horizon Conventional Structures

