ASX ANNOUNCEMENT

elixir petroleum limited

29 January 2016

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

HIGHLIGHTS

- **Negotiations to acquire AWE Limited's 57.5% Working Interest in the Cliff Head Oil Field located in the Perth Basin ongoing**
- **Exclusive no cost option period to complete financing and conclude acquisition agreement extended to 15 February 2016**
- **Cliff Head acquisition will provide Elixir shareholders with significant leverage to oil price upside in addition to field life enhancement projects**
- **Courts decision on renewal of Total's French Montelimar permit due late January 2016 should provide guidance on the future of Moselle Permit renewal**
- **Elixir completed a small capital raise including an oversubscribed Share Purchase Plan (SPP) to existing shareholders raising $568,000 before costs**

EXECUTIVE SUMMARY

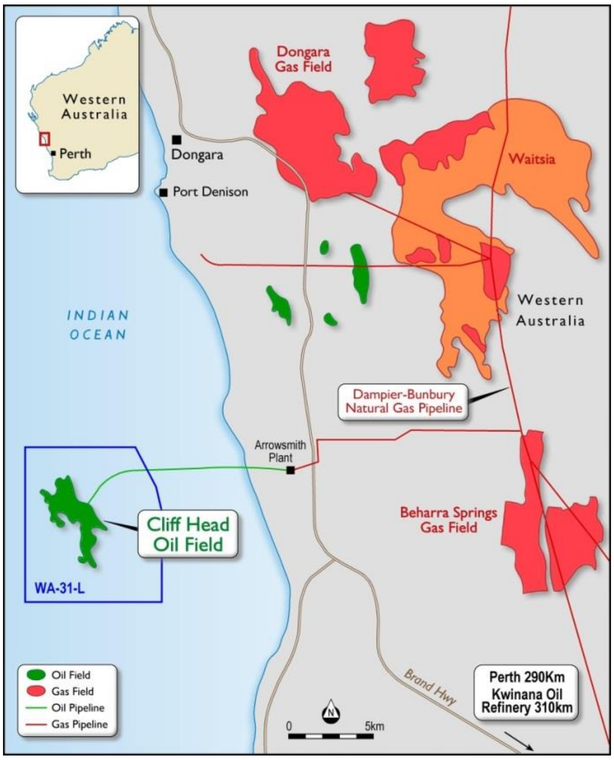
On 26 October 2015, Elixir Petroleum Limited **(ASX:EXR)** (Elixir or Company) announced it had entered into an agreement with AWE Limited (AWE) to acquire its 57.5% Working Interest in the near shore Cliff Head Oil Field in the Perth Basin.

This acquisition will provide shareholders with significant leverage to oil prices in addition to infield drilling, enhanced oil recovery potential and near field exploration and appraisal opportunities. The acquisition is consistent with the Company's previously stated objective of targeting low risk production and appraisal acquisitions in OECD countries.

The recent volatility in world oil prices has delayed progress on finalisation of the acquisition agreement and AWE and Elixir have agreed to extend the exclusive option period in which to finalise the acquisition agreement and for Elixir to confirm its financing arrangements to 15 February 2016. Elixir management is encouraged by the recent well publicised view that the oil price appears to have been "oversold" and the view that the oil price will recover in the latter half of 2016.

Under the current arrangements, Elixir will pay an upfront consideration of $1M with up to $9m in further payments based on minimum cash flow hurdles being achieved over the next five years.

The acquisition is subject to a number of conditions precedents that are currently being addressed by the Parties.



On 23 November 2015, the Company announced it had concluded a small placement and a Share Purchase Plan which was open to all existing shareholders. This capital raise was successfully concluded and provided $568,000 in additional funding which will be used to assess and progress the Cliff Head acquisition and for general working capital purposes.

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The Company's Annual General Meeting was held on 30 November 2015 with all resolutions unanimously passed. These resolutions included shareholders approving the issue of shares to directors in lieu of the directors reducing their salary and fees by 50% for the period from 1 October 2015 through to 31 March 2016. This reduction in salary and fees will save the Company around $85,000 over the six month period.

BUSINESS DEVELOPMENT ACTIVITIES

Project Name:	Cliff Head Oil Field
Location:	Perth Basin
Ownership:	57.5%

The Cliff Head Oil Field is located about 300km north of Perth and was the first commercial oil discovery in the offshore Perth Basin discovered in 2001 by a ROC Oil led Joint Venture, with first production commencing in May 2006. To date the field has produced over 14.5 million barrels and continues to produce at above originally forecast rates. The oil is produced through an offshore platform (CHA) with the fluids piped 14km to an onshore processing facility (Arrowsmith).

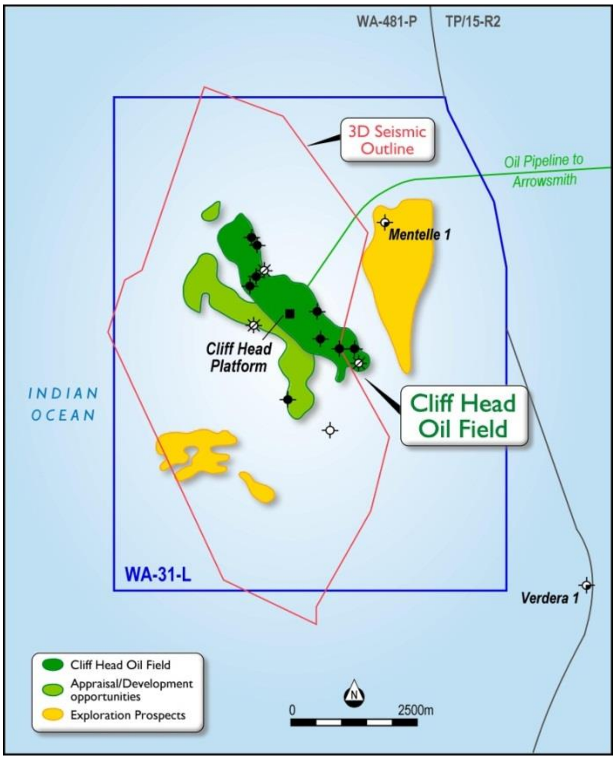
Oil is then trucked to the BP Kwinana oil refinery south of Perth. The Cliff Head Oil Field is operated by ROC Oil (a subsidiary of Fosun International Limited) who has been the Operator of the project since prior to the initial discovery well being drilled.

The Operators estimated remaining reserves are around 3.7 MMBBLS (gross) with an expected remaining economic field life of 10 years.

AWE granted Elixir an exclusivity period in which to conclude its due diligence on the project. Upon expiry of the initial exclusivity period which was extended to 18 December 2015, Elixir confirmed to AWE that it wished to proceed into the second exclusive option period. AWE waived the requirement for Elixir to pay a 10% non-refundable deposit at this time and the second exclusive option period has recently been extended to 15 February 2016.

Due to the recent precipitous fall in the oil price over recent weeks and the extreme bearish sentiment towards the oil and gas industry, the Parties have been working cooperatively through this period of uncertainty.

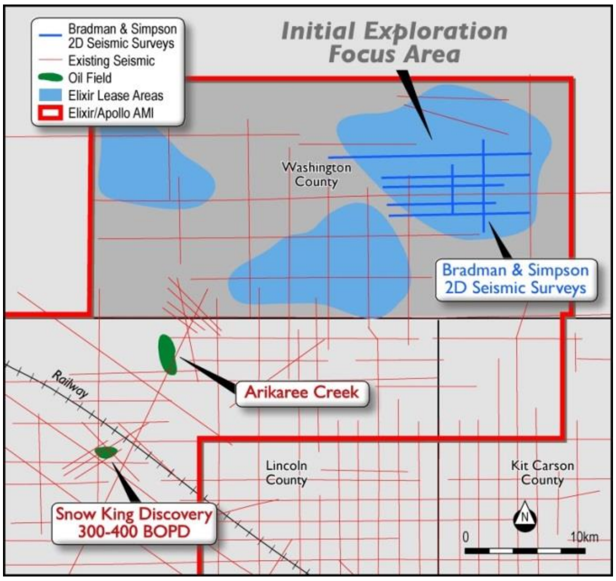
Elixir has finalised its technical and commercial due diligence on the project and is working with AWE to satisfactorily conclude the agreement and close the transaction in the first half of 2016.



EXPLORATION ACTIVITIES

Project Name:	Petra Project
Location:	Colorado, USA
Ownership:	50% Working Interest

The Petra Project remains in good standing with Elixir and its partner agreeing to extend the term of the farm-in agreement to 31 December 2016 to allow the Joint Venture additional flexibility with the respect to the timeframe required to drill the initial exploration well under the agreement.



Project Name: Moselle Permit
Location: North-eastern France
Ownership: 100% Working Interest

A renewal application for the Moselle Permit was lodged in September 2013 with the relevant French authorities. Elixir continues to await notification that the extension into the second exploration period has been granted. The Company will not incur any expenditure on Moselle until the renewal is granted.

A number of exploration companies active in France, including French major TOTAL, have recently instigated court proceedings over non-renewal of hydrocarbon exploration licences. Elixir is actively following the outcome of these proceedings and how they may affect the renewal of the Moselle Permit.

TOTAL's Chief Executive Officer, Patrick Pouyanné, recently commented in a French radio interview that should TOTAL win its legal appeal, he will seek to meet French authorities to try to find a common ground on shale gas exploration in France.

Elixir's Moselle renewal application does not contemplate shale gas exploration as part of the renewal program, with the focus being on conventional gas and conventional exploration techniques.

CORPORATE AND FINANCIAL

Quarterly expenditure and cash position

As at the end of the quarter, the Company had approximately $635,000 in cash and no debt.

With the progression of the Cliff Head acquisition, it is expected that certain business development costs will increase this quarter, but corporate overhead costs will continue to remain low as the 50% reduction in Director's fees and salaries continues during the next quarter.

During the reporting period the Company concluded a small placement and Share Purchase Plan raising an additional $568,000 of new funding. These funds will be used to assess and progress the Cliff Head acquisition and for general working capital purposes.

PETROLEUM TENEMENTS HELD AS AT 31 DECEMBER 2015

	% Interest	Tenement	Location
Held at end of quarter	100%	Moselle Permit	North-eastern France
	50%	Petra Project	Colorado, USA
Acquired during quarter	-	-	-
Disposed during quarter	-	-	-

INTERESTS IN FARM-IN OR FARM-OUT AGREEMENTS AS AT 31 DECEMBER 2015

	Farm-in / Farm-out	% Change in Interest	Project
Held at end of quarter	50%	-	Petra Project
Acquired during quarter	-	-	-
Disposed during quarter	-	-	-

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