

6 June 2016

Dear Shareholder,

Elk Petroleum Ltd - Pro Rata Non-Renounceable Entitlement Offer Notice to Eligible Shareholders

On 3 June 2016, Elk Petroleum Ltd ACN 112 566 499 (**Elk** or **Company**) announced a pro rata non-renounceable entitlement offer of one new fully paid ordinary share in the Company (**New Share**) for each existing fully paid ordinary share in the Company held by the eligible shareholders at the Record Date (defined below), at an issue price of A\$0.075 per New Share to raise approximately A\$30.76 million (before expenses) (**Entitlement Offer**). Shareholder approval is not required for the Entitlement Offer.

Based on the capital structure of the Company (and assuming no convertible securities are converted into Shares prior to the Record Date) a total of up to approximately 410,073,919 New Shares will be issued pursuant to the Entitlement Offer and the maximum amount raised will be approximately A\$30,755,544.

The Entitlement Offer is being made in accordance with section 708AA of the Australian *Corporations Act 2001* (Cth) (**Corporations Act**) (as modified by the Australian Securities and Investments Commission (**ASIC**)), meaning that no prospectus needs to be prepared. The Company lodged an Offer Booklet for the Entitlement Offer (**Offer Booklet**) on the ASX market announcements platform on 3 June 2016.

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Entitlement Offer which are contained in the Offer Booklet.

The Entitlement Offer is partially underwritten by Taylor Collison Limited ABN 53 008 172 450 (**Taylor Collison** or the **Underwriter**) to the value of A\$15 million less any application monies which may be received from sub-underwriters already appointed taking up their rights to subscribe for New Shares pursuant to the Offer Booklet (each an **Entitlement**). Republic Investment Management Pte. Ltd. (incorporated in Singapore, **Republic**, which is a substantial shareholder of Elk) has agreed with the Underwriter to sub-underwrite approximately A\$9.72 million of the Underwriter's underwriting commitment under the Entitlement Offer.

The Underwriter may continue to engage additional sub-underwriters in relation to the remainder of the amount that it has agreed to underwrite. The Company agreed to pay the Underwriter a management fee of 1.5% and an underwriting fee of 3.0% (both of which are exclusive of GST) of the amount which the Underwriter has agreed to underwrite (excluding funds raised as a result of the Underwriter acting as nominee for Ineligible Shareholders as

described below and in the Offer Booklet). Any sub-underwriting fees are payable by the Underwriter, not the Company.

Under the terms of the Entitlement Offer, eligible shareholders will also be given an opportunity to apply for New Shares in excess of their Entitlement through a shortfall facility (**Shortfall Facility**). New Shares will only be available under the Shortfall Facility in the event that other shareholders do not take up all of their Entitlements. Allocations under the Shortfall Facility will be determined by the Company.

Use of funds

The funds to be raised under the Entitlement Offer are proposed to be used primarily to provide initial funding of capital costs associated with the Grieve CO₂ Enhanced Oil Recovery Project and the proposed restructuring of the Grieve Joint Venture as outlined in the Offer Booklet and the Company's ASX announcements.

The indicative use of the gross proceeds of the Entitlement Offer is as follows:

Indicative use of funds*	A\$ (millions)
Grieve project funding:	
CO ₂ purchase and project management	5.56
Engineering finalisation and documentation	1.39
CO ₂ extraction and reinjection equipment purchase	8.03
Mechanical contracts	12.10
Sub-total	27.08**
Elk corporate working capital	2
Costs of the Entitlement Offer	1.68
Total	30.76

* Sub totals may be subject to rounding errors

**Assumes AUD/USD 0.72

The Company's Board reserves the right to alter the way in which funds are applied.

Eligibility Criteria

The Entitlement Offer comprises an offer to shareholders who:

- 1 are the registered holders of Elk shares as at 7.00pm (Sydney time) on 8 June 2016 (**Record Date**); and

- 2 have a registered address in Australia, New Zealand or Singapore (**Eligible Shareholders**).

The New Shares will rank equally with all existing fully paid ordinary shares in the Company already on issue.

Shareholders of Elk who are not Eligible Shareholders as at 7.00pm (Sydney time) on the Record Date are not entitled to participate in the Entitlement Offer (**Ineligible Shareholders**). However, Elk has (subject to ASIC approval) appointed Taylor Collison as the nominee to subscribe for and sell the New Shares which Ineligible Shareholders would otherwise have been entitled to, as described in the Offer Booklet. Elk reserves the right to determine whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder.

Upon completion of the Entitlement Offer, assuming all Entitlements (defined below) are accepted and no convertible securities are converted into Shares prior to the Record Date, the number of Shares in the Company will increase from 410,073,919 currently on issue to approximately 820,147,838.

A copy of the Offer Booklet is available on ASX's website. Eligible Shareholders will be mailed an Offer Booklet together with an Entitlement and Acceptance Form. Your Entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Offer Booklet.

Actions required of Eligible Shareholders

There are a number of actions Eligible Shareholders may take, after reading the entire Offer Booklet:

- You may wish to accept all of your Entitlement. To take up all or part of your Entitlement you will need to ensure your cleared application money for the Entitlements you wish to take up is received by Computershare Investor Services Pty Limited ABN 48 078 279 277 (**Share Registry**) by no later than 5.00pm (Sydney time) on 21 June 2016. Payment of the appropriate application monies is to be made to the Share Registry through BPAY Pty Ltd ABN 69 079 137 518 (**BPAY®**) or, if you are unable to use BPAY®, by completing and returning your Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form. If paying by BPAY® you do not need to return the Entitlement and Acceptance Form.
- If you wish to apply for your Entitlement and also wish to apply for further New Shares out of any Entitlement Offer shortfall pursuant to the Shortfall Facility, you will need to ensure your cleared application money for the Entitlements you wish to take up and for your desired participation in the Shortfall Facility is received by the Share Registry by no later than 5.00pm (Sydney time) on 21 June 2016. Payment of the appropriate application monies is to be made to the Share Registry through BPAY®, or if you are unable to use BPAY®, by completing and returning your Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and

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Acceptance Form (inclusive of your Entitlement plus the amount of your application under the Shortfall Facility). If paying by BPAY® you do not need to return the Entitlement and Acceptance Form.

- You may wish to accept part of your Entitlement. To take up part of your Entitlement you will need to ensure your cleared application money for the part of your Entitlement which you wish to take up is received by the Share Registry by no later than 5.00pm (Sydney time) on 21 June 2016. Payment of the appropriate application monies is to be made to the Share Registry through BPAY® or, if you are unable to use BPAY®, by completing and returning your Entitlement and Acceptance Form by filling in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form together with your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies. If paying by BPAY® you do not need to return the Entitlement and Acceptance Form.
- You may do nothing. If you choose to do nothing with your Entitlement, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

Summary of key Entitlement Offer dates**

Announcement of the Entitlement Offer - lodgement of Offer Booklet, Appendix 3B, Cleansing Statement and lodgement and mailing of letter to option holders	3 June 2016
Lodgement and mailing of letters to Eligible Shareholders and Ineligible Shareholders	6 June 2016
Shares commence trading on an "ex"-entitlement basis	7 June 2016
Record Date to determine Entitlements under the Entitlement Offer	7.00 pm (Sydney time) 8 June 2016
Dispatch of Offer Booklet and Entitlement and Acceptance Forms and announcement that has occurred	9 June 2016
Opening date of the Entitlement Offer	9 June 2016
Closing Date	5.00 pm (Sydney time) 21 June 2016
Deferred settlement trading commences	22 June 2016
Notification of under subscriptions to ASX (if any)	By 23 June 2016
Issue date - Issue of New Shares and deferred settlement trading ends	28 June 2016
Holding statements expected to be dispatched to Shareholders	28 June 2016

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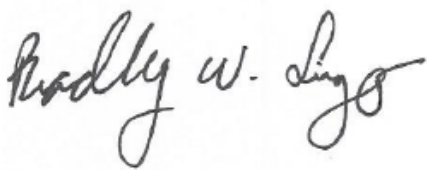
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** These dates are indicative only and are subject to change. Elk reserves the right, subject to the Corporations Act and the Listing Rules, to amend this indicative timetable. For example, Elk reserves the right to extend the Closing Date, accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw or vary the Entitlement Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares. Elk will consult with the Underwriter in relation to any change to this indicative timetable and any such change may require the consent of the Underwriter.

If you have any queries concerning the Entitlement Offer, or the actions you are required to take to subscribe for New Shares, please contact your financial adviser or the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 8.30am and 5.00pm (Sydney time) from Monday to Friday (excluding public holidays).

Yours sincerely



Mr Brad Lingo
Managing Director and CEO
Elk Petroleum Ltd (ASX:ELK)

Foreign jurisdictions

General Restrictions

This document is not an offer of securities. The Offer Booklet and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Shares in any place outside Australia, New Zealand (subject to (a) below) and Singapore (subject to (b) below). The distribution of the Offer Booklet and the accompanying Entitlement and Acceptance Form outside of Australia and, beyond restricted recipients as set out in the Offer Booklet, New Zealand and Singapore may be restricted by law and persons who come into possession of the Offer Booklet and the accompanying Entitlement and Acceptance Form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws. By applying for New Shares under the Offer Booklet, including by submitting the Entitlement and Acceptance Form or making a payment by Bpay® you represent and warrant that there has been no breach of such laws. The Company disclaims all liabilities to such persons.

(a) New Zealand

The New Shares being offered to residents of New Zealand under the Offer Booklet are not being offered or sold to the public in New Zealand other than being offered to existing Shareholders of Elk with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand). The Entitlement Offer is

not a regulated offer in New Zealand. The Offer Booklet and the Entitlement and Acceptance Form have not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand) or the Financial Markets Conduct Act 2013 (New Zealand). The Offer Booklet is not an investment statement, prospectus, or product disclosure statement under New Zealand law and may not contain all the information that an investment statement, prospectus, or product disclosure statement under New Zealand law is required to contain. While the Entitlement Offer is being extended to Eligible Shareholders with a registered address in New Zealand as at the Record Date, no application for listing and quotation will be made to NZX Limited.

(b) Singapore

The Offer Booklet and any other materials relating to the New Shares under the Entitlement Offer have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, the Offer Booklet, this document and any other document or materials in connection with the Entitlement Offer or sale, solicitation or invitation for subscription or purchase, of New Shares under the Entitlement Offer may not be issued, circulated or distributed, nor may the New Shares under the Entitlement Offer be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) existing holders of Shares; (ii) an “institutional investor” (as defined in the Securities and Futures Act, Chapter 289 of Singapore (**SFA**)); (iii) an “accredited investor” (as defined in the SFA); (iv) pursuant to and in accordance with an exemption under Subdivision (4) Division 1, Part XIII of the SFA; or (v) otherwise pursuant to, and in accordance with the conditions of any other applicable provision of the SFA.

The Offer Booklet has been given to you on the basis that you are: (i) an existing holder of Shares; (ii) an institutional investor; (iii) an accredited investor; or (iv) a person falling within the ambit of Subdivision (4), Division I of Part XIII of the SFA. You agree to be bound by the disclaimers, limitations and restrictions described herein. In the event that you are not an existing shareholder of Elk or an investor falling within any of the categories set out above, please return the Offer Booklet and any other materials relating to the Entitlement Offer immediately. The Offer Booklet, this document and such other materials relating to the Entitlement Offer may not be relied upon: (i) by any other person other than persons to whom the New Shares are issued or with whom the New Shares are placed; or (ii) for any other purpose other than described in (i). You may not reissue, distribute, forward or circulate the Offer Booklet or any part thereof in any manner whatsoever to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for transfer and/or sale to any other party. There are transferability and resale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to seek independent professional advice to acquaint themselves with the SFA provisions relating to such transferability and resale restrictions in Singapore and comply accordingly.

Accordingly, the Company has not offered or sold the New Shares or caused the New Shares to be made the subject of an invitation for subscription or purchase, nor shall it offer or sell the New Shares or cause the New Shares to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor shall it circulate or distribute this or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of the New Shares, whether directly or indirectly, to persons in

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Singapore other than pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

(c) United States

The Entitlement Offer is not an offer to sell or a solicitation of an offer to buy securities in the United States. New Shares may not be offered or sold in the United States or to, or for the account or benefit of, US persons in the absence of registration or an exemption from registration.

The New Shares have not been, and will not be, registered under the Securities Act of 1933 (US), or the securities laws of any state of the United States and accordingly, the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under that act or any applicable US state securities laws.

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