

6 June 2016

Dear Shareholder,

## **Elk Petroleum Ltd - Pro Rata Non-Renounceable Entitlement Offer Notice to Ineligible 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.

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. 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 CO<sub>2</sub> 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 <sub>2</sub> purchase and project management	5.56
Engineering finalisation and documentation	1.39
CO <sub>2</sub> extraction and reinjection equipment purchase	8.03
Mechanical contracts	12.10
<b>Sub-total</b>	<b>27.08**</b>
Elk corporate working capital	2
Costs of the Entitlement Offer	1.68
<b>Total</b>	<b>30.76</b>

\* 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

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#### ELK PETROLEUM LIMITED

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already on issue.

Upon completion of the Entitlement Offer, assuming all entitlements 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.

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.

The restrictions upon eligibility to participate in the Entitlement Offer arise because of the legal and regulatory requirements in countries other than Australia, New Zealand and Singapore and the potential costs to Elk of complying with these legal and regulatory requirements compared with the relatively small number of Elk shareholders in those countries and the relatively small number and low value of New Shares to which those Ineligible Shareholders would otherwise be entitled. Elk has determined, pursuant to the ASX Listing Rules and the Corporations Act, that it would be unreasonable to make or extend offers to the Ineligible Shareholders.

According to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), Elk wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer. You will also not be sent the documents relating to the Entitlement Offer.

### **Nominee**

Subject to ASIC approval, Taylor Collison (which is also the Underwriter) has been appointed by the Company to act as nominee for the purposes of section 615 of the Corporations Act to:

- 1 subscribe for New Shares which would otherwise have been available to Ineligible Shareholders had they been eligible to participate in the Entitlement Offer;
- 2 sell those New Shares; and
- 3 distribute the proceeds of any sale of New Shares (less the subscription price and other costs) to Ineligible Shareholders in proportion to their shareholding in the Company at the Record Date.

Taylor Collison proposes to charge a brokerage fee of 0.25% (plus GST) on the sale of New Shares it takes up in its proposed capacity as nominee of Ineligible Shareholders.

The Company and Taylor Collison will not be liable for the failure of Taylor Collison to sell the New Shares or the failure to sell the New Shares at any particular price. There is no guarantee that any proceeds will be realised from the sale of New Shares that would otherwise have been offered to Ineligible Shareholders.

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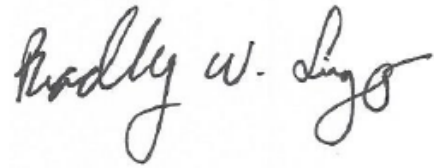
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**Website** [www.elkpet.com](http://www.elkpet.com)

**You are not required to do anything in response to this letter.**

If you have any further questions, you should contact your stockbroker, account or other professional adviser.

On behalf of Elk, I thank you for your continued support.

Yours sincerely

A handwritten signature in black ink, reading "Bradley W. Lingo". The signature is written in a cursive, flowing style.

Mr Brad Lingo

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

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