



ELK PETROLEUM 

Entitlement Offer Presentation

3 June 2016

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- The reserves and resources assessment contained in this presentation follows the guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS).
- The Reserves and Contingent Resources in this announcement and in the Offer Booklet of which this presentation forms part, relating to the Grieve CO₂ EOR project, operated by Denbury Resources Inc, is based on an independent review and audit conducted by VSO Petroleum Consultants Inc, previously known as Pressler Petroleum Consultants, Inc. and fairly represents the information and supporting documentation prepared by, or under the supervision of the VSO Petroleum Consultants Inc. The review and audit was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Grant Olsen, a Director of VSO Petroleum Consultants, Inc. (he is not an Elk employee) an independent petroleum advisory firm. Mr. Olsen is a Registered Professional Engineer in the State of Texas and his qualifications include a Bachelor of Science and Master of Science (both in Petroleum Engineering) from Texas A&M University. He has more than 10 years of relevant experience. Mr. Olsen is a member of the Society of Petroleum Engineers (SPE) and an Associate Member of the Society of Petroleum Evaluation Engineers. Mr. Olsen meets the requirements of Qualified Petroleum Reserves and Resource Evaluators as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this report.
- The information in this presentation, and in the Offer Booklet of which this presentation forms part, that relates to Reserve and Contingent Resources estimates for the Grieve CO₂ EOR project and the Contingent Resource estimates for the Singleton CO₂ EOR project have been compiled or in the case of the Singleton CO₂ EOR project prepared by Mr. Brian Dolan, COO and VP-Engineering of Elk Petroleum USA who is a qualified person as defined under the ASX Listing Rule 19 and has consented to the use of the reserves and resources figures in the form and context in which they appear in this presentation. Mr. Dolan is a full-time employee of the company. Mr. Dolan earned a degree in Mechanical Engineering from the University of Colorado at Boulder and has more than 23 years of relevant experience. Mr. Dolan has sufficient experience that is relevant to the company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr. Dolan consents to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

Raising Up To A\$30.8m Equity to Fund Company to Production



Elk is conducting a A\$30.8m Pro-Rata Non-Renounceable Entitlement offer (“Entitlement Offer”)

- 1 New share for every Elk share held
- A\$0.075 per New Elk Share
- Total raising up to A\$30.8m

Equity funds raised proposed to be used to fund Grieve Development

- Direct Grieve project capex contribution
- Equity raising transaction costs
- Corporate working capital

The Entitlement is underwritten for A\$15m

- Taylor Collison is Underwriter with Republic Investment Management* as sub-underwriter

Senior debt funding mandated in parallel

- Elk has mandated a large US institution to provide a >US\$55m debt facility
- Full amount available at financial close subject to completing equity raising and credit approval
- Debt is proposed to be used to fund direct Grieve project capex and transaction costs
- Targeting financial close of debt facility and Grieve JV with operator Denbury Resources by 30 June 2016

[^] 0.72 AUD/USD

^{*}Republic Investment Management holds a 28.16% interest in Elk.



Grieve EOR Project	<ul style="list-style-type: none"> ▪ Successful restructuring of the Grieve JV will lead to a material increase in Elk's working interest to 49% (from current 35%) ▪ Elk and Denbury have signed Confirmation and Extension Agreement containing the key transaction documentation in definitive form (subject to signing)
2P Reserves and Near-term Cash Flow	<ul style="list-style-type: none"> ▪ Under the Grieve JV restructuring, Elk's 2P reserves will increase to 5.3 MMbbl and Elk will receive an effective 70% of net cash flow of the first 2 million barrels of production ▪ First production targeted for late 2017 with reservoir repressurization ahead of expectations and schedule ▪ Under consensus pricing, Elk net operating income forecast circa A\$100m over first three years⁽¹⁾
Development Pathway	<ul style="list-style-type: none"> ▪ Clear pathway to completion of the Grieve Project development under a fully agreed (subject to signing) fixed price Turnkey Development Contract with Denbury for US\$55m with defined completion date ▪ Grieve Project oil exported via Elk's 100% owned pipeline via fixed tariff under Grieve JV restructure
Debt Funding Mandated	<ul style="list-style-type: none"> ▪ Elk has mandated a large US institution to provide a >US\$55m debt facility subject to credit approval and customary terms and conditions with full amount available at financial close ▪ Discussions with debt financiers have been aligned to achieve financial close of Grieve Restructure with Denbury by 30 June 2016
Partially Underwritten Offer	<ul style="list-style-type: none"> ▪ The A\$30.8m Entitlement Offer is underwritten for A\$15m

(1) See slide 22



Pro-rata Non-Renounceable Entitlement Offer (“The Entitlement Offer”)

Key Terms of the Entitlement Offer



Offer size and structure	<ul style="list-style-type: none">▪ The Entitlement Offer to raise gross proceeds of up to A\$30.76m▪ The Entitlement Offer is underwritten for A\$15m▪ Maximum 410.0 million new Elk ordinary fully paid ordinary shares (New Shares) to be issued (100% of existing shares on issue) assuming no convertible securities are exercised
Offer price	<ul style="list-style-type: none">▪ A\$ 0.075 per New Share representing:<ul style="list-style-type: none">▪ 21.6% discount to the 30 day VWAP of A\$0.0957▪ 23.5% discount to the last closing price of A\$0.098 on 2 June 2016
Ranking	<ul style="list-style-type: none">▪ New Shares issued will rank equally with existing Elk shares
Use of proceeds	<ul style="list-style-type: none">▪ The funds raised from this Rights Issue, together with the Senior Debt Facility are proposed to be used to fund development of the Grieve CO₂ enhanced oil recovery project in Wyoming USA, Grieve pipeline capital works, oil hedging costs and transaction costs associated with debt and equity capital raising▪ Detailed uses of equity funds detailed in presentation
Underwriting	<ul style="list-style-type: none">▪ The Entitlement Offer is partially underwritten by underwriter Taylor Collison and part of underwritten amount is sub-underwritten by Republic Investment Management

Changes to Capital Base



- Elk currently has 410.1 million ordinary shares outstanding⁽¹⁾
- Up to 410.1 million New Shares may be issued via the Entitlement Offer
- On completion of the Entitlement Offer there will be up to 820.2 million Elk shares on issue

Issued Capital – Offer Maximum (Fully Subscribed²)

Elk shares currently outstanding	410,073,919
Maximum new shares issued via entitlement offer	410,073,919
Total Elk shares outstanding following completion of Entitlement Offer	820,147,838

Issued Capital – Offer Minimum (Assuming only Underwritten Amount is raised²)

Elk shares currently outstanding	410,073,919
New shares issued via underwritten entitlement offer (A\$15m)	200,000,000
Total Elk shares outstanding following completion of Entitlement Offer	610,073,919

(1) For options, retention rights, and performance rights on issue see Offer Booklet (3 June 2016)

(2) Subject to rounding fractional entitlements up

Entitlement Offer Indicative Timetable



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 and ineligible shareholders	6 June 2016
Shares commence trading on an “ex”-entitlement basis	7 June 2016
Record Date to determine entitlements under the Offer (7pm Sydney time)	8 June 2016
Dispatch of Offer Booklet and Entitlement Offer and Acceptance Forms	9 June 2016
Opening date of the Entitlement Offer	9 June 2016
Last day to extend the offer closing date	16 June 2016
Closing Date (5pm Sydney time)	21 June 2016
Deferred settlement trading commences	22 June 2016
Notification of under subscriptions to ASX (last date)	By 23 June 2016
Shortfall allocations	28 June 2016
New Share Issue date and deferred settlement trading ends	28 June 2016
Holding statements expected to be dispatched to Shareholders	28 June 2016
Trading of New Shares expected to commence on ASX	29 or 30 June 2016

Uses of Entitlement Offer Funds



- Net proceeds of the equity raised will be used to fund Grieve capital works:

Use of equity funds A\$m	Offer Minimum (A\$15.0m)	Offer Maximum (A\$30.8m)
Grieve capital works ⁽¹⁾	11.3	27.1
Costs of raising	1.7	1.7
Corporate working capital	2.0	2.0
Total equity raised	15.0	30.76

- Allocation of net equity proceeds is expected to be applied as follows:

Grieve Capital Works (subject to change) ⁽¹⁾ A\$m	Offer Minimum (A\$15.0m)	Offer Maximum (A\$30.8m)
CO ₂ purchase and project management	5.6	5.6
Engineering works and documentation	1.4	1.4
CO ₂ extraction & reinjection equip' purchase	4.4	8.0
Mechanical contracts	-	12.1
Grieve Capital works funded via equity	11.3	27.1

- Elk plans to fund remaining commitments with debt as described in the Offer Booklet and following slide

(1) Assuming AUD/USD exchange rate of 0.72

Remaining funding requirements



- In the event of 100% take up of Entitlements, Elk's remaining Grieve funding requirements are A\$50.7m ⁽¹⁾
- In the event of an Entitlement Offer raising A\$15m, Elk's remaining Grieve funding requirements are A\$66.5m ⁽¹⁾

Remaining Grieve funding requirements-to first oil production A\$m	Offer Minimum (A\$15.0m)	Offer Maximum (A\$30.8m)
Grieve capital works	76.4	76.4
Grieve pipeline works	3.5	3.5
First milestone payment (paid 27 May 2016)	(2.1)	(2.1)
Equity funding	(11.3)	(27.1)
Remaining funding requirement	66.5	50.7

(1) Assuming AUD/USD exchange rate of 0.72

Senior Loan Facility Update



Financier Mandated	<ul style="list-style-type: none">▪ Elk has now mandated the credit arm of a premier global asset management firm to provide a senior loan facility to fund the restructure of the Grieve Project▪ The mandated lender is the credit arm of a premier global asset management firm with a Houston-based oil and gas lending team highly experienced in financing US CO₂ EOR projects (including those developed and operated by Denbury)
Loan Facility Size	<ul style="list-style-type: none">▪ Under the terms for the restructuring of the Grieve Project JV, Elk is to provide US\$55 million – the final 1/3 of capex – necessary to complete the development of the Grieve Project▪ The terms of the mandate letter executed provide for senior secured loan facilities of >US\$55 million for direct Grieve Project development funding plus additional facility amounts to cover hedging and other associated Grieve Project restructuring transaction costs
Loan Approvals	<ul style="list-style-type: none">▪ While the financier has conducted a significant technical review already, the mandate is subject to customary terms and conditions as well as final credit and other internal approvals▪ The financier has indicated that these approvals should be received within the next two weeks
Financial Close	<ul style="list-style-type: none">▪ Loan financing closing targeted for 30 June 2016



Elk Petroleum Corporate Overview

Conventional oil, proven practices and repeatable growth model



Elk Petroleum Limited (ASX:ELK): positioned for opportunity in current oil price environment

- Focused on low risk enhanced oil recovery (“EOR”) redeveloping proven, conventional oil fields
- EOR born from low oil prices to maintain reserves and increase production
- Business leveraged to capture opportunities created by current low oil price environment:

Conventional oil + proven reservoirs + existing infrastructure + EOR = profitable production

Foundation oil production project: Grieve Oil Project, Casper, WY

- Elk holds an interest in a conventional CO₂ EOR field development project nearing completion
- On completion, Grieve EOR project is anticipated to deliver to Elk:
 - 2P Reserves = 5.3 MMbbl*
 - Target production commencement = 4Q2017
 - First 5Y forecast production = 2.4—3.1 MMbbl*
 - First 5Y forecast average annual net operating income= A\$22—29m[^]*
- Forecasts are subject to risk factors for example as disclosed in the Offer Booklet

Production focused

**Redeveloping proven
oil reservoirs**

**Engineering,
not exploration**

* 2P and 3P forecast production first 5Y from first oil

[^] 0.72 AUD:USD.

* Futures curve & Bloomberg Consensus oil price forecasts

*Subject to successful restructure of Grieve JV with Denbury and subject to other risk factors including as detailed in Section 4 of the Offer Booklet.



Brad Lingo. MD & CEO

- Appointed 1 August 2015
- Former MD & CEO of Drillsearch Energy
 - 15 x increase in market valuation / 8 x increase in share price
 - Became Australia's 3rd largest onshore oil producer
 - Finance - successfully raised ~A\$450m in equity and debt
 - Delivered 29 new conventional discoveries
 - Drilled 98 wells over 6-years with 73% success rate
 - Oversaw the production commencement of 12 new fields
- Expertise:
 - Upstream/midstream oil & gas company building track record
 - Business development, new ventures, M&A, corporate finance
- Experience:
 - Tenneco Energy
 - El Paso Corporation
 - Sunshine Gas
 - Commonwealth Bank of Australia (SVP & Head of Oil & Gas)



David Evans. COO

- Appointed 1 May 2016
- Former CTO and acting COO Drillsearch
- Geologist—29 years upstream global oil & gas development, production and exploration experience
- Significant exposure to Brownfield redevelopments and EOR projects
- Vegas Egypt, Burren Energy PLC, Petro-Canada International, Cairn Energy/Command Petroleum, Roxar Limited, Baker Hughes



Alex Hunter. CFO

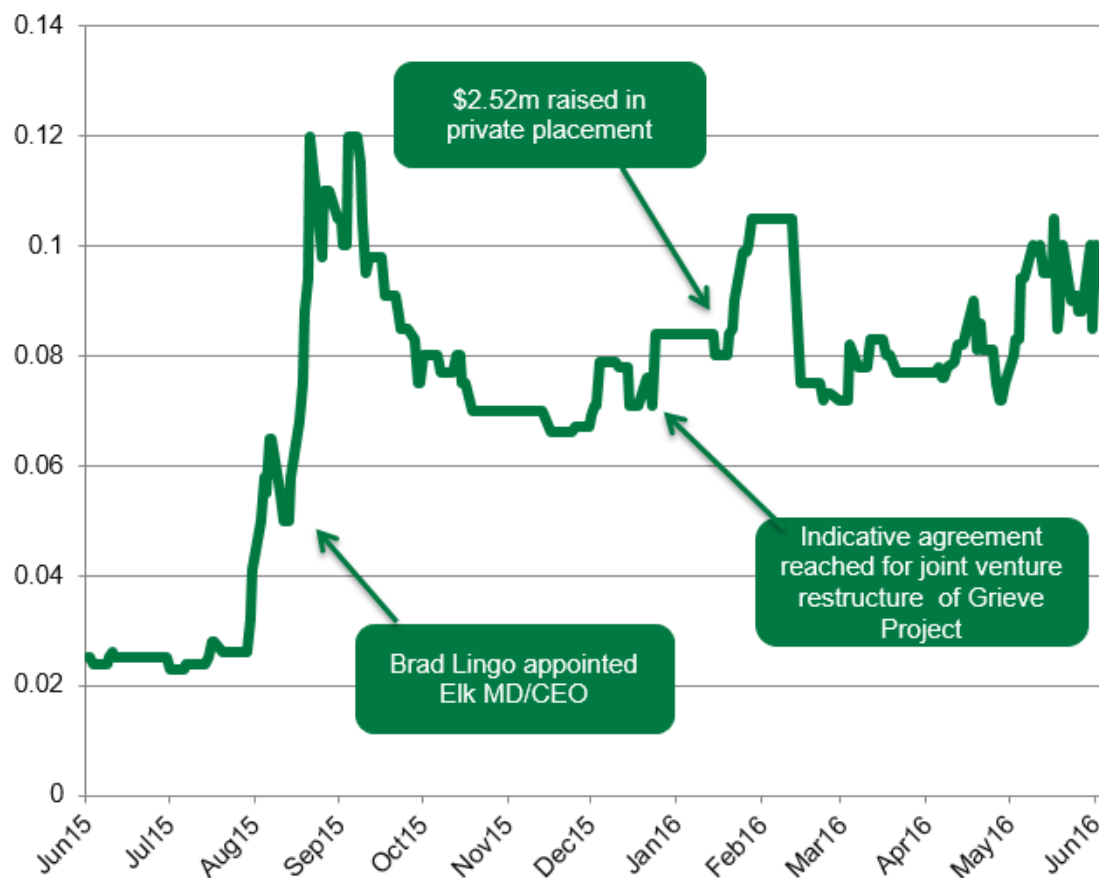
- Appointed 14 April 2016
- 10y+ experience in resources/oil and gas M&A, capital raising and corporate finance
- Prior roles as General Manager BD-Drillsearch and Associate Director-RFC Corporate Finance
- Strong financial analytical & management skills
- Previous 10y experience in engineering, construction and infrastructure project management



Established Denver, Colorado based management team

- Scott Hornafius, President, Elk Petroleum Inc (USA)
- Brian Nolan, Chief Operating Officer, Elk Petroleum Inc (USA)
- Over 10y Northern Rockies EOR experience

Elk performance snapshot



Elk share price chart 12-months ending 2 June 2016

Capital Structure

ASX code	ELK
Ordinary Shares	410.1m
52-week Low-High (A\$/share)	0.02-0.13
Market cap @ 10 cps	A\$41m
Cash (31 March 2016)	~A\$2m
2P Reserves	~5.3 mmblys
2C Resources	~3.9 mmblys
Reserves and Resources as set out in the Company's Quarterly Activities Report ASX Announcement of 29 January 2016. No changes to Elk's Reserves and Resources have occurred since this announcement.	

Major shareholders

Republic Investment Management	28.16%
Robert Healy	13.1%
Begley Superannuation	6.6%
Cypresswood Capital	4.2%
Cairnglen Investments	3.25%
Bradley Lingo	2.6%



Grieve CO₂ EOR project



Grieve CO₂ EOR Project 75% complete



Grieve CO₂ EOR project, Casper WY:

- Wind River Basin, Northern Rockies
- Easily accessible, well serviced, existing infrastructure
- Proposed agreement on JV restructure with Denbury (NYSE:DNR)*
- Proposed new JV arrangements with superior project value*
- Project over 75% complete
- Material increase in reserves
- Significant cost savings and controls
- Outstanding F&D and operating costs
- Robust and financeable economics
- Strong look forward economics
- Compares favourably to other top tier projects
- Significant additional income from 100% Elk oil export pipeline
- Operator Denbury, very experienced EOR operator
- First oil scheduled for late 2017

Grieve CO₂ EOR Project Reserves & Resources

Scenario	Post JV Restructure (MMbbl)*	
	Gross	Net to Elk
2P (Probable Reserves)	12.3	5.3
3P (Probable + Possible Reserves)	16.4	7.0
3C (Contingent Resources)	16.3	7.0

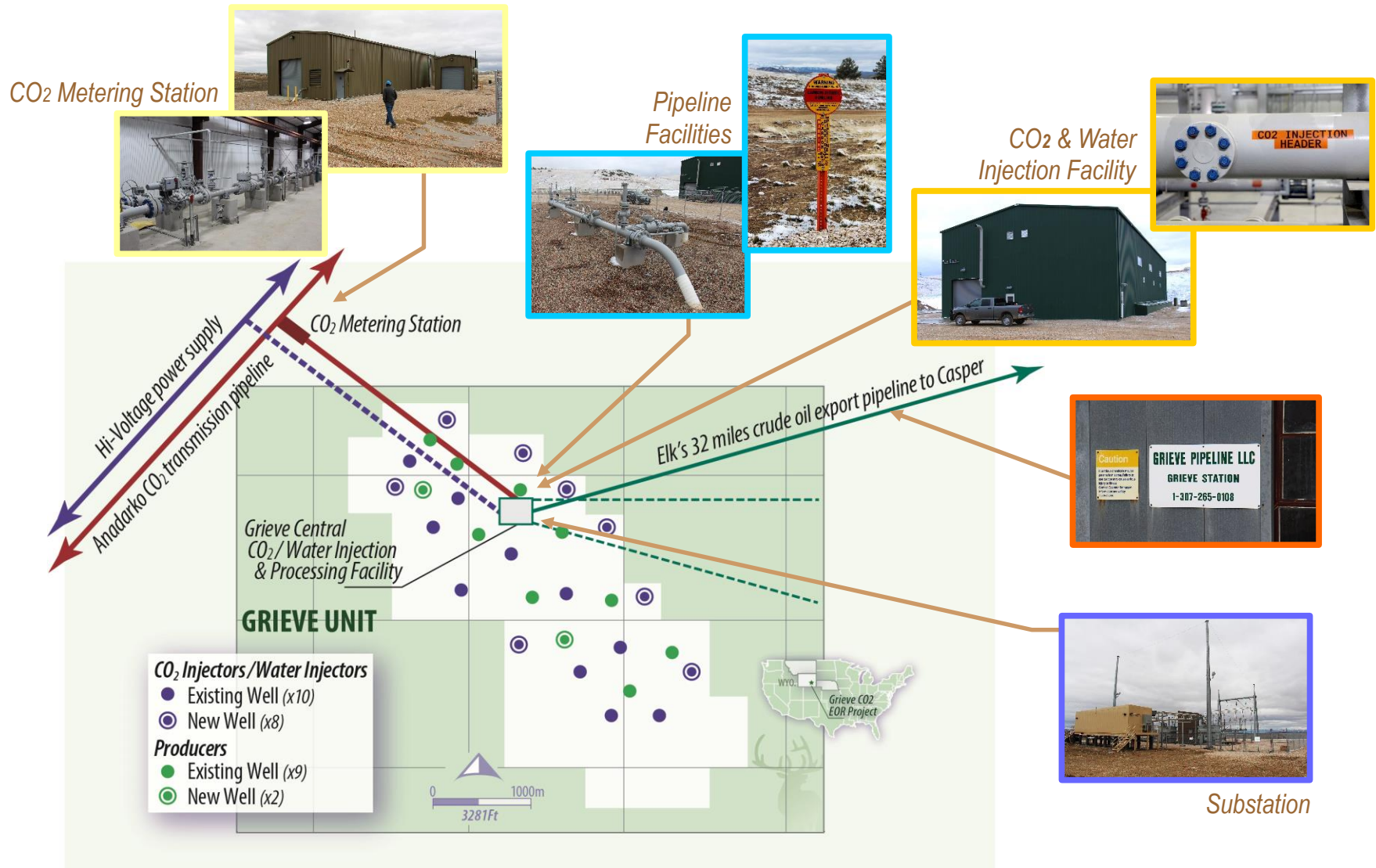
**Net volumes to Elk subject to finalisation of proposed Grieve JV restructure*



**Refer to Elk announcement dated 21 December 2015 for more detailed JV re-structure information*



Grieve CO₂ EOR Project – A Field-level View

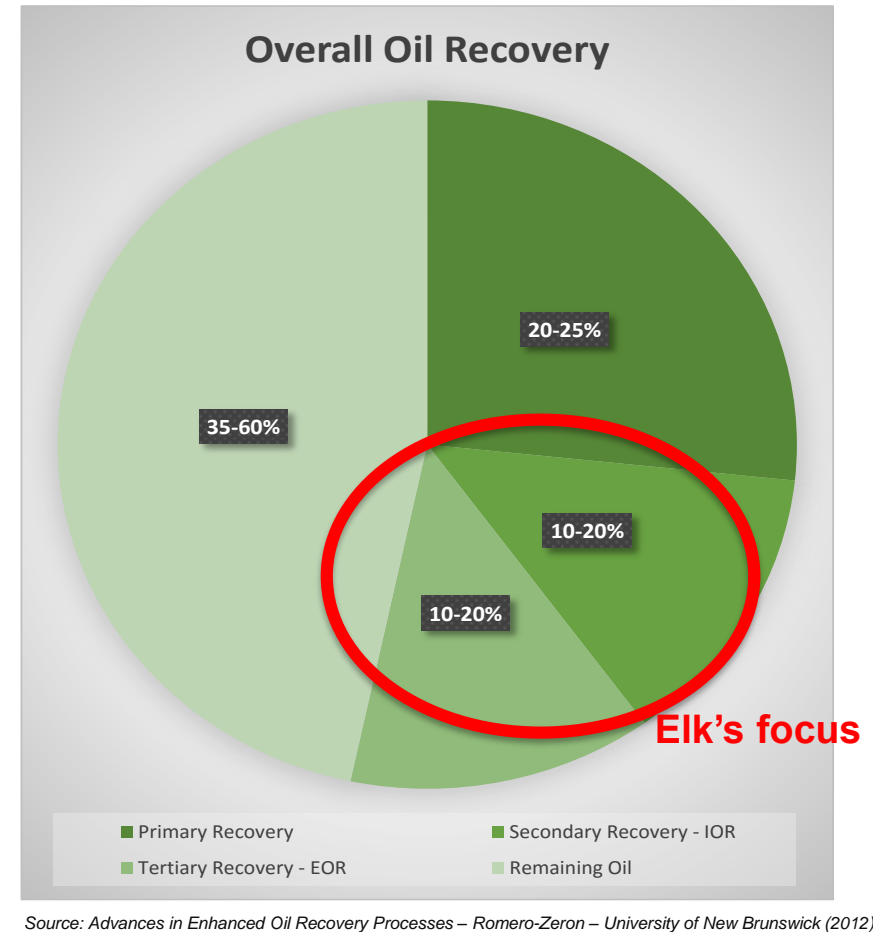
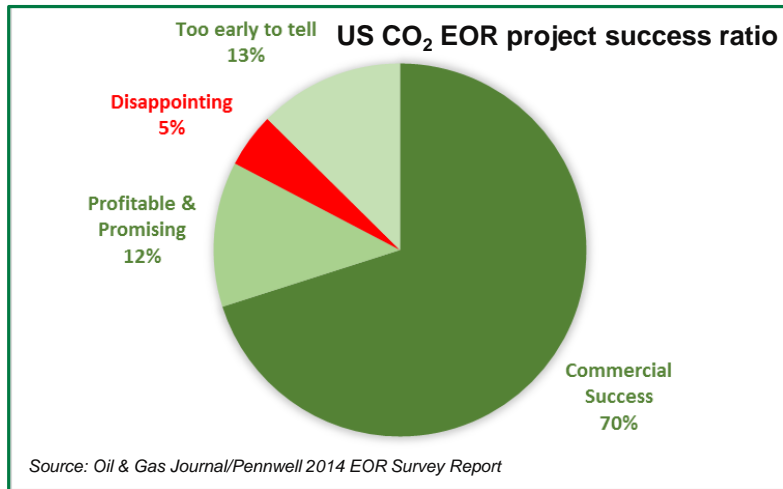




What is EOR?

‘For every barrel of oil extracted from oil fields in primary recovery phase, there remains 3-4 barrels of stranded oil left in the ground’

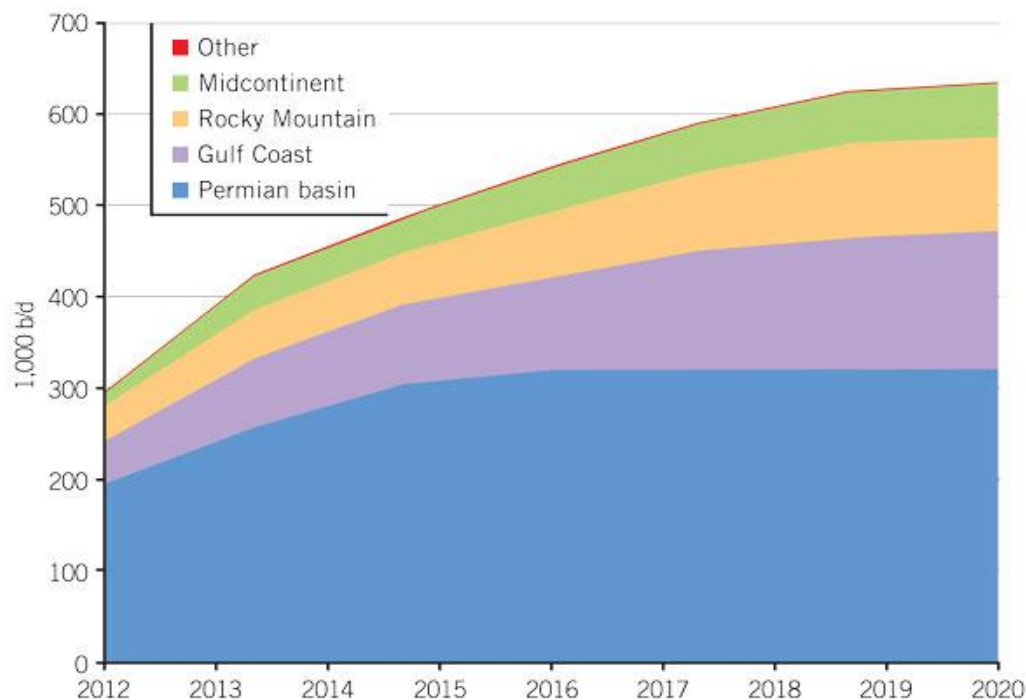
- Specialist secondary & tertiary method of oil recovery
- Successfully deployed for nearly 50 years
- Can extract 20-40% more than primary recovery
- Substantially increase oil recovery & productive life
- Attractive economics even in low oil price markets
- Used extensively in North America & Middle East
- Largely under-utilized in Australasia
- Widely implemented techniques include CO₂ injection



US Market EOR performance and opportunity



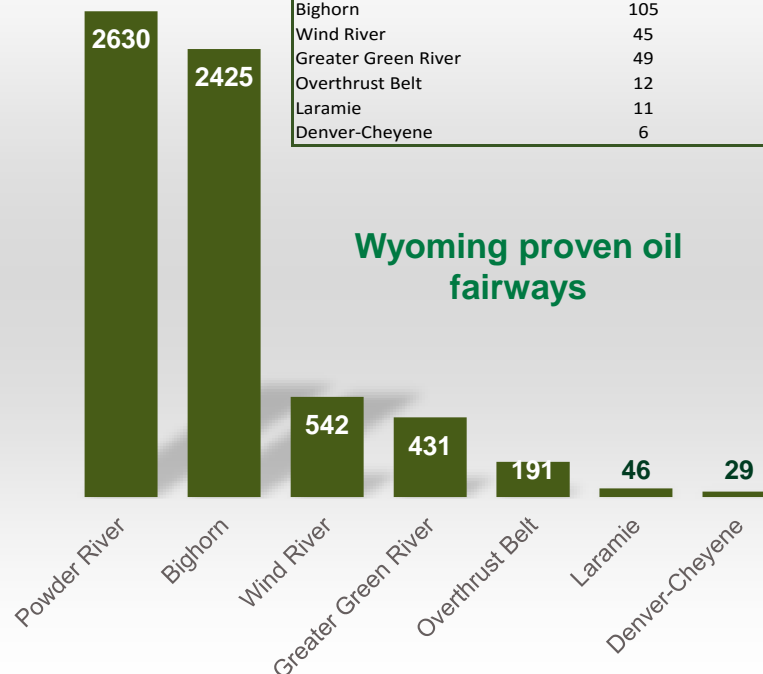
PROJECTED CO₂-EOR PRODUCTION BY REGION



Source: Advanced Resources International Inc. adjustment to OGJ EOR/Heavy Oil Survey 2014

Cumulative Oil Production (MMBO) Northern Rockies

Basin Name	Total CO ₂ EOR Candidate Reservoirs
Powder River	289
Bighorn	105
Wind River	45
Greater Green River	49
Overthrust Belt	12
Laramie	11
Denver-Cheyenne	6



Source: SPE-122921-MS-Estimates of Potential CO₂ Demand for CO₂ EOR in Wyoming Basins

- First commercial CO₂ EOR production commenced in 1972
- ~100bn to 160bn barrels of stranded oil forecast for recovery by EOR technology*
- 1.5bn barrels produced through CO₂ EOR over past 25 years**

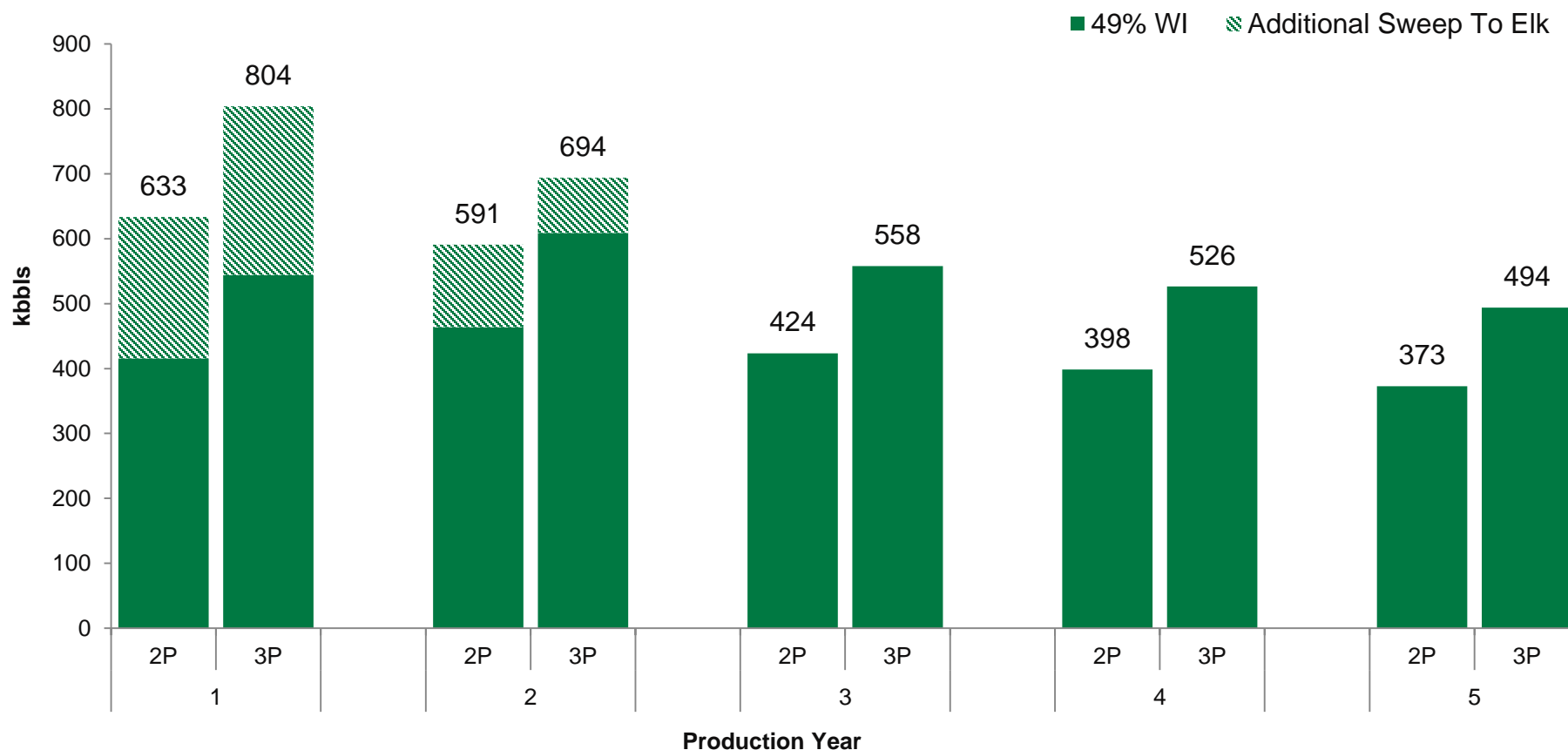
*US Department of Energy
**Visiongain Research, October 2014

Grieve Production – Elk Net Share (Post Royalties)



*Elk's net share of production is estimated to be between 2.4 and 3.1 MMbbls over the first 5 years from first oil**

2P & 3P Production (Net to Elk, Post Royalties)



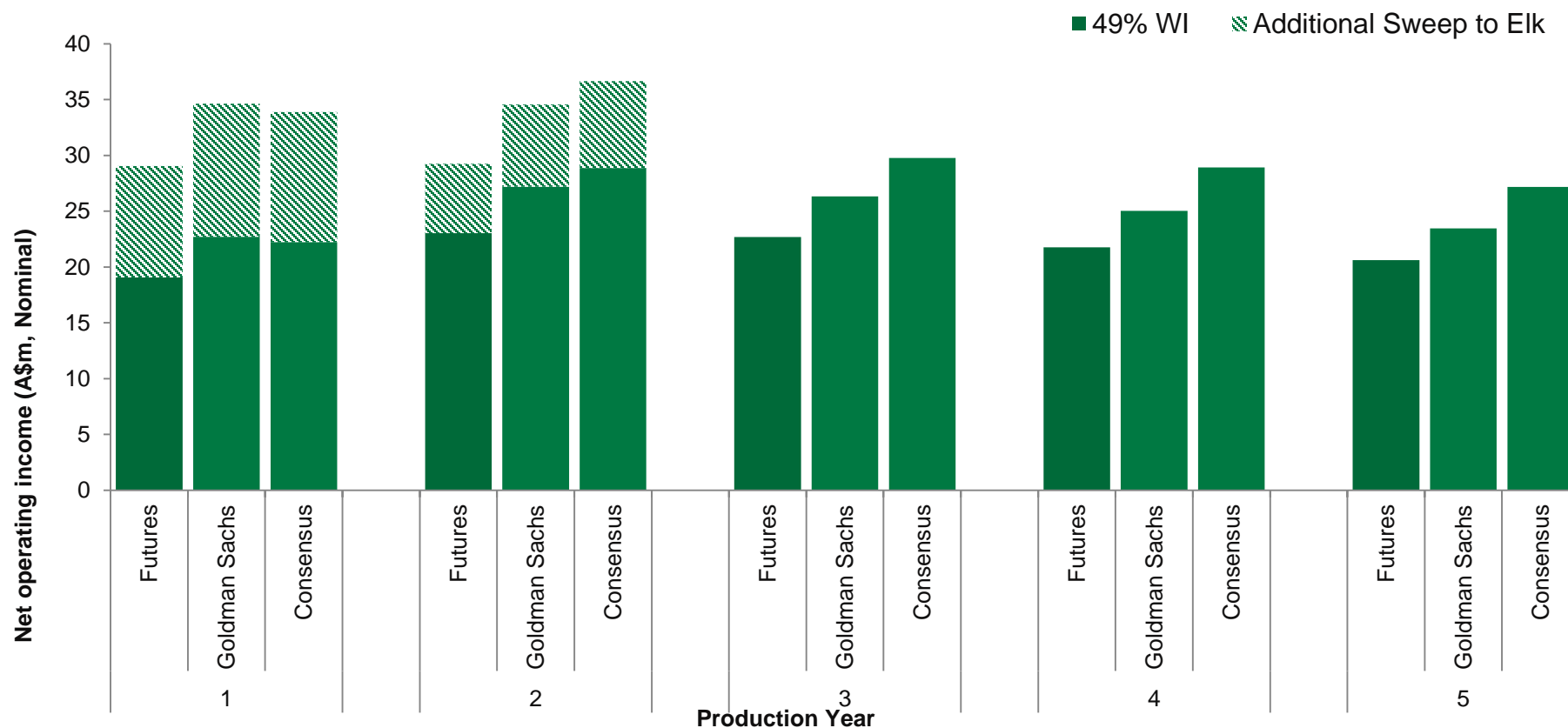
**Subject to successful restructure of Grieve JV with Denbury and subject to other risk factors including as detailed in Section 4 of the Offer Booklet.*



Profitability: Net Operating Income (Pre-Finance)

*The Project will generate strong and stable cash flows from first oil**

Elk Net operating income (A\$m, Nominal) ⁽¹⁾



(1) Assumes 0.72 AUD:USD exchange rate

Pricing sourced from Bloomberg (26 May 2016) and Goldman Sachs Global Investment Research (13 May 16)

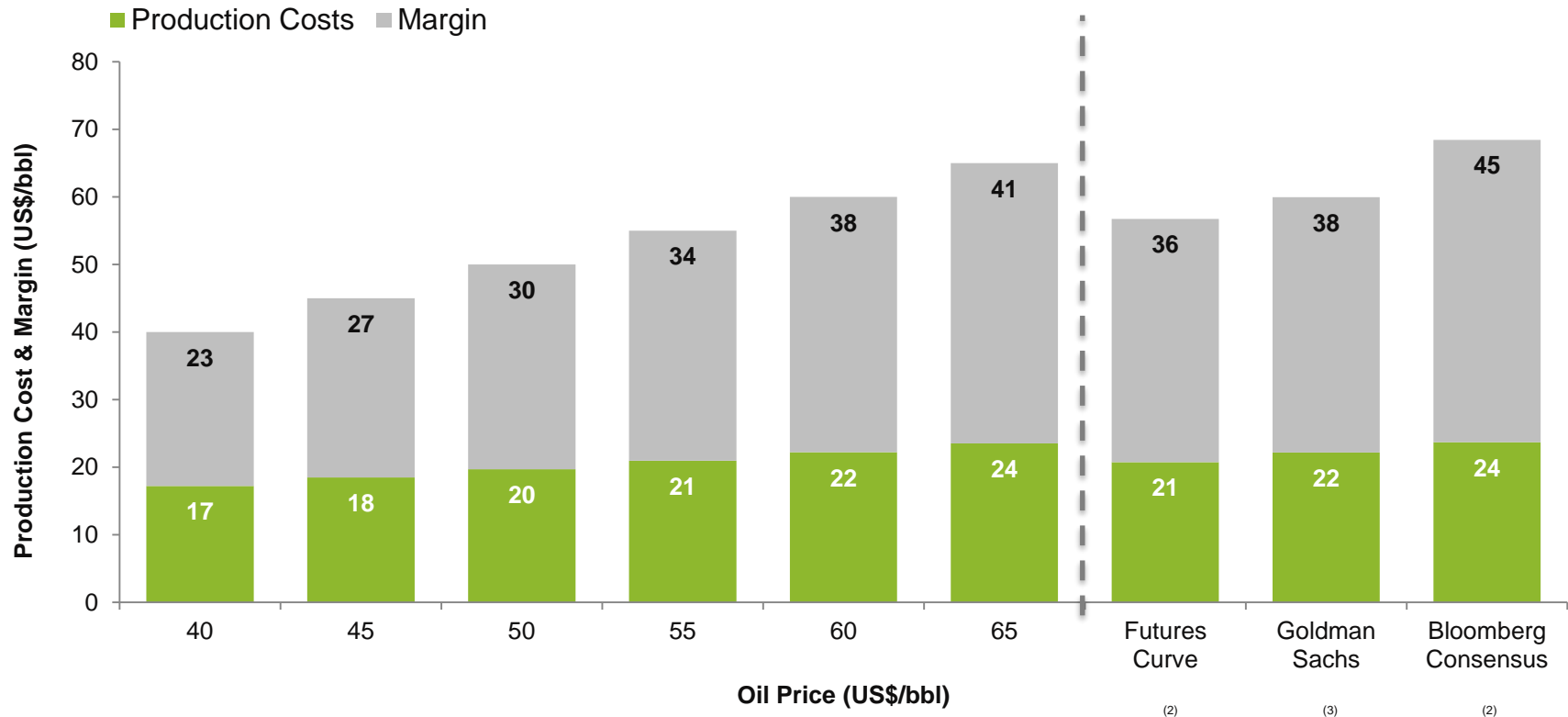
**Subject to successful restructure of Grieve JV with Denbury and subject to other risk factors including as detailed in Section 4 of the Offer Booklet.*



Project Economics: Production Cost & Margin

Production margins remain robust, even in low oil price conditions

Average Production Costs (Including Royalties)⁽¹⁾ of First 5 Years (US\$/bbl, Real)



(1) Includes all Elk's share of the Grieve Oil Pipeline cash flows

(2) Bloomberg (26 May 2016)

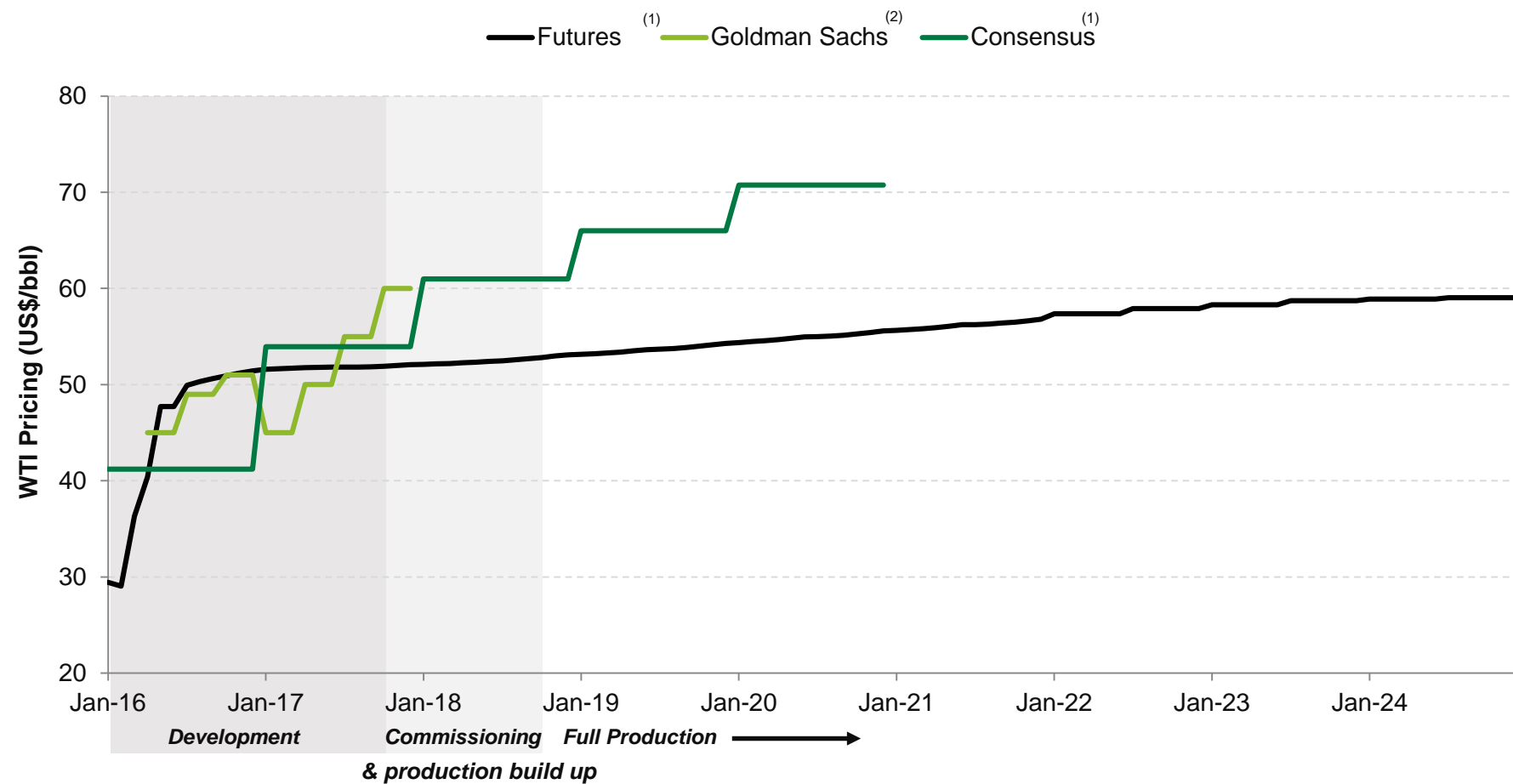
(3) Goldman Sachs Global Investment Research (13 May 16)

**Subject to successful restructure of Grieve JV with Denbury and subject to other risk factors including as detailed in Section 4 of the Offer Booklet.*

Oil Price Scenarios



WTI Pricing Assumptions (US\$/bbl, Nominal)



(1) Source: Bloomberg (26 May 2016)

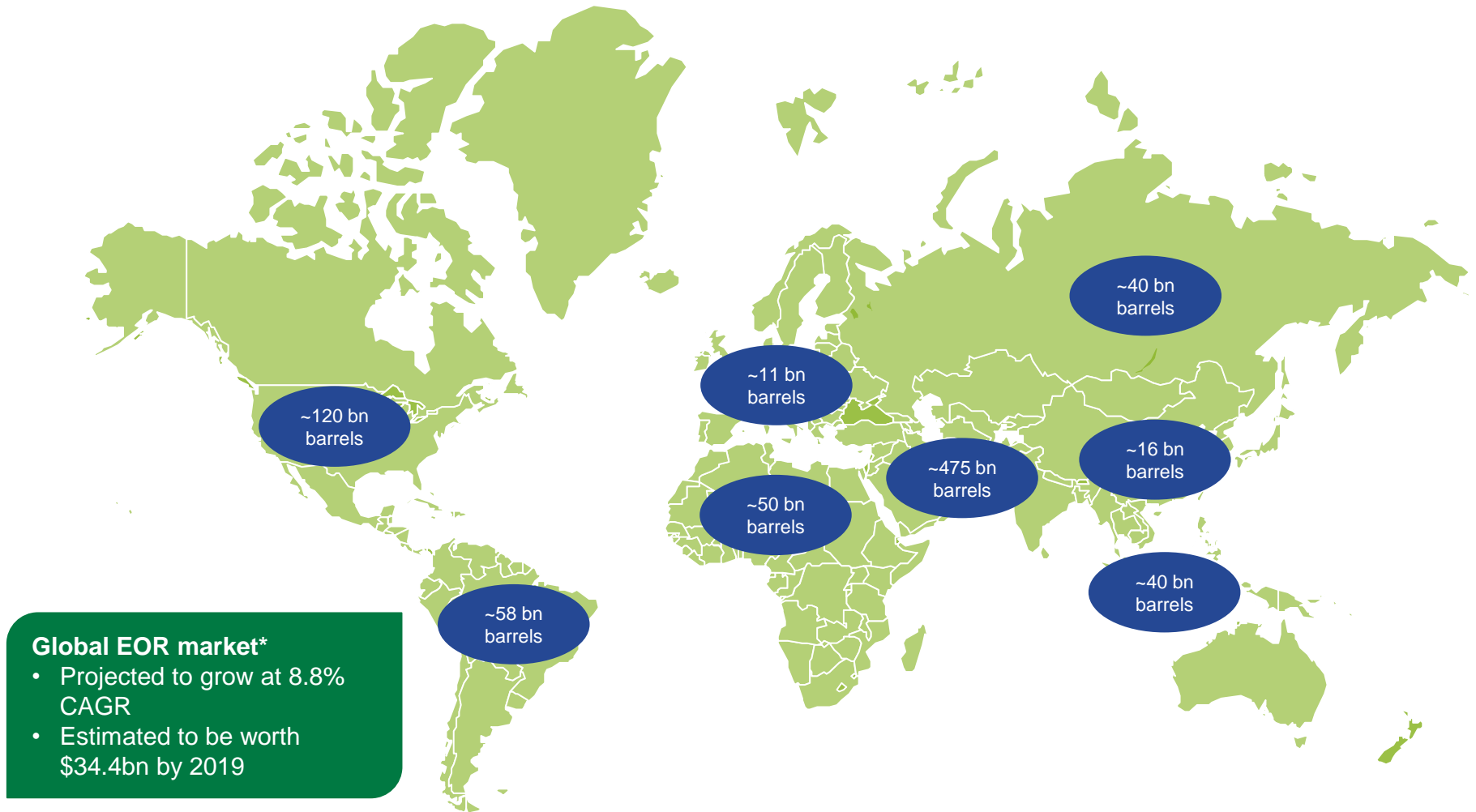
(2) Source: Goldman Sachs Global Investment Research (13 May 16)



Strategy for Value Creation

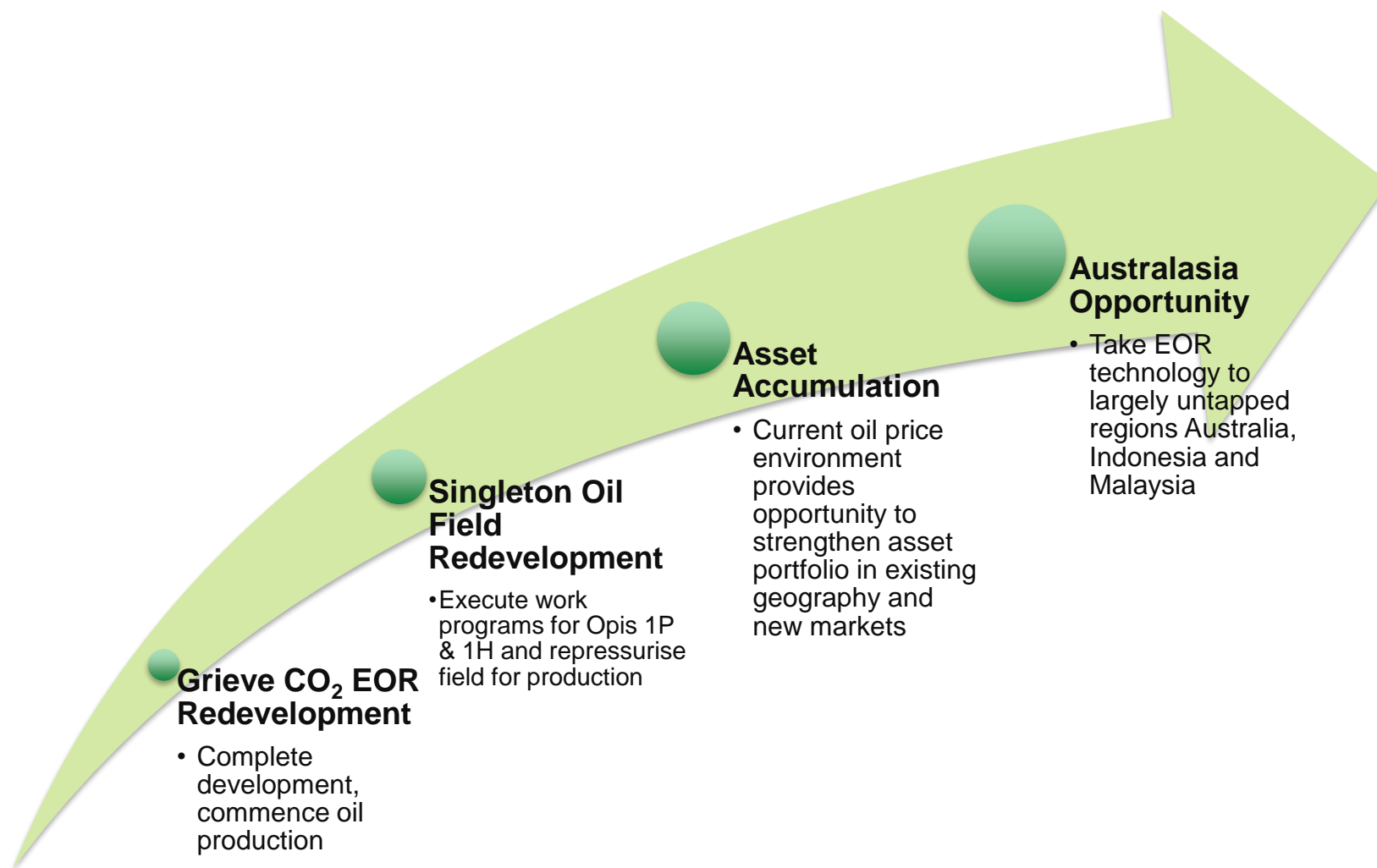


Why do we want to go down this path? - EOR Potential



*BCC Research, August 2013

Source: Society of Petroleum Engineers





Key Takeaways – Investing in Elk

- Only ASX-listed oil company focussed on enhanced oil recovery (EOR)
- Pipeline of high-quality projects ranging from early stage to late stage nearing completion
- Main projects are in the prolific Northern Rocky Mountain Oil Fairway in the states of Wyoming, Montana & Nebraska, USA
- Company's flagship EOR Project – the Grieve Project – is over 75% complete and is anticipated to commence production late 2017/early 2018
- To deliver the Grieve Project, ELK has partnered with Denbury Resources, North America's leading EOR oil production company
- Under proposed new partnership arrangements Denbury is guaranteeing both cost and time for completion, and project start-up
- ELK has agreed to fund US\$55m, the last 30% of Capex, and will receive 75% of the operating profit from the first million barrels and 65% from the second million
- Significant annuity revenue to Elk from 100%-owned Grieve Oil Pipeline
- Annual net operating income for first 5-years averages A\$25-31 million pa^(1,2)
- Grieve Project is repeatable and ELK has already identified additional projects with 20 miles of the Grieve Project supporting additional growth
- Grieve Project funding will come from combination of senior and mezzanine debt and new equity capital funding

(1) Assumes 0.72 AUD:USD exchange rate

(2) Range: Futures to Bloomberg Consensus for 2P (12.3MMbbl) production profile (Pricing source: Bloomberg 26 May 2016)

(3) Inclusive of Grieve Oil pipeline revenue

Grieve Project Economics

Project life	20 years
Capex invested to date	US\$120m
Remaining capex spend	US\$55m
Development cost (/bbl)	US\$7-10
Operating cost (/bbl) (Excluding royalties)	US\$12-16
Profit margin (/bbl) (first 5 years) ^(2,3)	US\$46-57
Total projected revenue (project life) ^(1,2,3)	A\$384-473m
First 5 years net operating income (annual)	A\$25-31 m/y



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