



Offer Booklet

A partially underwritten non-renounceable pro-rata entitlement offer by Elk Petroleum Ltd ACN 112 566 499 to Eligible Shareholders of one New Share for every one Share held on the Record Date at an offer price of A\$0.075 per New Share to raise up to approximately A\$30.76 million.

The Entitlement Offer opens on Thursday, 9 June 2016 and closes at 5.00 pm (Sydney time) on Tuesday, 21 June 2016 (unless extended).

The Entitlement Offer is partially underwritten.

This is an important document and requires your immediate attention. You should read this document in its entirety before making any investment decision. If you are in any doubt about what to do, please consult your professional adviser.

This document is not a prospectus or other form of disclosure document. It does not contain all of the information that an investor would find in a prospectus or that an investor may require to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered under this Offer Booklet.

Financial Advisor



Australian legal Advisor



Underwriter



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IMPORTANT INFORMATION

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Offer Booklet

This Offer Booklet has been prepared by Elk Petroleum Ltd ACN 112 566 499 (**Elk** or **Company**) and is dated 3 June 2016.

This Offer Booklet is not a prospectus or other disclosure document under the Corporations Act and has not been lodged with ASIC. The Entitlement Offer contained in this Offer Booklet is being made without disclosure in accordance with section 708AA of the Corporations Act, as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73.

Neither ASIC nor ASX, nor any of their officers or employees takes responsibility for the Entitlement Offer or the merits of the investment to which the Entitlement Offer relates.

This is an important document

This Offer Booklet does not constitute financial product advice and has been prepared without taking into account Eligible Shareholders' investment objectives, financial circumstances or particular needs. The Offer Booklet does not purport to contain all the information that Eligible Shareholders may require to make an informed investment decision regarding, or about the rights attaching to, the New Shares. If, after reading this Offer Booklet, you have any questions about the Entitlement Offer, you should contact your stockbroker, lawyer, accountant or other professional adviser.

Before deciding whether to apply for New Shares, each Eligible Shareholder should consider whether Elk is a suitable investment for them in light of their own investment objectives and financial circumstances and should seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to invest.

Investment Risks

There are a number of risk factors that could potentially impact on Elk and its operations. For non-exhaustive information about these risks, please refer to the "Investment Risks" in section 4. The potential tax effects of the Entitlement Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers. Applications for New Shares, including any Additional New Shares, by Eligible Shareholders can only be made on the Entitlement and Acceptance Form sent to Eligible Shareholders which accompanies this Offer Booklet.

Future performance and forward looking statements

Applicants for New Shares should note that the past share price performance of Elk provides no guidance as to its future share price performance. Any financial information provided in this Offer Booklet is for illustrative purposes only and is not represented as being indicative of Elk's future financial performance.

Any forward looking statements in this Offer Booklet are based on Elk's current expectations about future events. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Elk and its Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Offer Booklet.

Ineligible Shareholders

The Entitlement Offer is only made to Eligible Shareholders. The Entitlement Offer is not extended to, and no New Shares are offered to or will be issued to, Shareholders with registered addresses outside Australia, New Zealand and Singapore (**Ineligible Shareholders**). See section 1.4 for information in relation to a nominee proposed to be appointed (subject to ASIC approval, which the Company has applied for) in relation to Ineligible Shareholders.

Elk considers it is unreasonable to extend the Entitlement Offer to Shareholders with registered addresses in jurisdictions outside Australia, New Zealand and Singapore having regard to the number and value of New Shares that would be offered in such jurisdictions, the number of holders of Shares outside Australia, New Zealand and Singapore and the cost of complying with the legal and regulatory requirements in those jurisdictions.

Foreign jurisdictions and restrictions on the distribution of this Offer Booklet

(a) General Restrictions

This 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 (b) below) and Singapore (subject to (c) below). The distribution of this Offer Booklet and the accompanying Entitlement and Acceptance Form outside of Australia, New Zealand (subject to (b) below) and Singapore (subject to (c) below) may be restricted by law and persons who come into possession of this 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 this Offer Booklet, including by submitting the Entitlement and Acceptance Form or making a payment by BPAY^{®1} you represent and warrant that there has been no breach of such laws.

The Company disclaims all liabilities to such persons. Eligible Shareholders are responsible for ensuring that taking up New Shares under the Entitlement Offer does not breach the restrictions set out in this Offer Booklet or otherwise violate the securities laws in the relevant overseas jurisdictions.

No action has been taken to register or qualify this Offer Booklet, the New Shares, or the Entitlement Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia, and, to the extent described below, New Zealand and Singapore.

Shareholders resident in Australia, New Zealand or Singapore holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Entitlement Offer (and any Additional New Shares which may be applied for) does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

(b) New Zealand

The New Shares being offered to residents of New Zealand under this 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. This Offer Booklet and the accompanying 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). This 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.

(c) Singapore

This 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, 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

¹ [®] Registered to BPAY Pty Ltd ABN 69 079 137 518

“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.

This 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 or an investor falling within any of the categories set out above, please return this Offer Booklet and any other materials relating to the Entitlement Offer immediately. 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 this 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 Singapore other than pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

(d) United States

This 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.

Disclaimer

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer not contained in this Offer Booklet. Any information or representation not contained in this Offer Booklet may not be relied on as having been authorised by Elk, or its related bodies corporate, in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, neither Elk, nor any other person, warrants the future performance of Elk or any return on any investment made under this Entitlement Offer.

None of Elk’s advisers nor any of their respective affiliates or related bodies corporate nor any of their respective directors, officers, partners, employees, representatives or agents have authorised or caused the issue of this Offer Booklet and they do not take any responsibility for the information set out in this Offer Booklet or any action taken by you on the basis of such information.

To the maximum extent permitted by law, Elk’s advisers and their respective affiliates or related bodies corporate and any of their respective directors, officers, partners, employees, representatives or agents exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer or this Offer Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

None of Elk's advisers nor any of their respective affiliates or related bodies corporate nor any of their respective directors, officers, partners, employees, representatives or agents make any recommendations as to whether you or your related parties should participate in the Entitlement Offer, nor do they make any representations or warranties to you concerning this Entitlement Offer, or any information contained in the Offer Booklet and you represent, warrant and agree that you have not relied on any statements made by any of Elk's advisers or any of their respective affiliates or related bodies corporate or any of their respective directors, officers, partners, employees, representatives or agents in relation to the New Shares, Additional New Shares or the Entitlement Offer generally.

Statements made in this Offer Booklet are made only as at the date of this Offer Booklet. The information in this Offer Booklet remains subject to change without notice.

Defined terms and abbreviations

Terms and abbreviations used in this Offer Booklet are defined in section 6.

References to sections are to sections of this Offer Booklet, unless otherwise stated.

Queries

If you have not received a personalised Entitlement and Acceptance Form or have any queries on how to complete the Entitlement and Acceptance Form, please contact the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) from 8.30am – 5.00pm on Monday to Friday (excluding public holidays).

LETTER FROM THE CHAIRMAN

3 June 2016

Dear Shareholder,

On behalf of Elk Petroleum Ltd (**Elk** or the **Company**), I am pleased to invite you to participate in a one for one non-renounceable pro rata entitlement offer (**Entitlement Offer**) at an offer price of A\$0.075 (**Offer Price**) per fully paid ordinary share in Elk issued under the Entitlement Offer (**New Share**) to raise up to approximately A\$30.76 million (before expenses). The Entitlement Offer was announced to ASX on 3 June 2016.

Grieve JV Restructure Nearing Conclusion

This Entitlement Offer represents an important milestone of the renewal of Elk that began with the appointment of Mr Brad Lingo as Managing Director in August 2015. Since then Elk has made significant progress in restructuring its flagship project, the Grieve CO₂ enhanced oil recovery (**EOR**) Project (**Grieve Project**) in Wyoming, USA. On 21 December 2015 the Company announced a non-binding Letter of Intent with the operator Denbury Resources Inc. (**Denbury**), under which Elk would, increase its working interest in the project to 49%, receive an effective 70% of project net cash flows from the first 2 million barrels of oil and enter into a fixed price (US\$55 million) turn-key agreement with Denbury for the completion of the project. Elk has also reached agreement with Denbury on the principle definitive agreements for the restructure of the Grieve Project joint venture with Denbury (**Grieve JV**) as announced on 27 May 2016, although the definitive agreements have not been signed and the restructure is not binding as at the date of this Offer Booklet.

The Board considers that the proposed restructure of the Grieve JV would deliver to Shareholders key benefits. Not only would the proposed restructure deliver to Elk Shareholders a significant improvement in potential financial return from the asset, it reduces the risks in relation to the final stages of the development via the fixed price turn-key contract. The Board remains focused on delivering the Grieve Project's near-term cashflows and considers the fixed price turn-key contract, proposed to be provided by the experienced operator Denbury, to be an important contributor to successful project outcomes.

The Company has received strong support in relation to debt funding for the project and is pleased to have mandated the credit arm of a premier global asset management firm 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 (subject to, among other things, final approval from that financier) as previously announced and as described in section 1.7. The quantum of the facility demonstrates the attractiveness of the Grieve Project and the proposed restructured agreement with Denbury. That debt funding is subject to various risk factors, including as described in section 4.2(3).

This partially underwritten Entitlement Offer is proposed in order to assist the Company to fund part of the remaining funding required to complete the Grieve Project to first production. To that end, I am pleased to outline the highlights of the Entitlement Offer through which you can participate in Elk's growing future.

Investment Offer Highlights

A number of investment highlights support participation in the Entitlement Offer, subject to various risk factors, such as those described in section 4.

Grieve EOR Project Restructure

Restructuring of the Grieve JV would lead to a material increase in Elk's working interest to 49% (from the current level of 35%). Elk and Denbury have signed a Confirmation and

Extension Agreement and subject to execution of the key transaction documentation in definitive form it is proposed for closing to be completed by 30 June 2016.

2P Reserves Increase and Potential Near-term Cash Flow

If the Grieve JV restructuring is completed, 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 is targeted for late 2017 with reservoir repressurisation ahead of expectations and schedule. Under consensus pricing, Elk's net operating income forecast is circa A\$100 million over the first three years (see section 8 of this Offer Booklet).

Development Pathway

As outlined above, a clear pathway to completion of the Grieve Project development is proposed to be finalised on completion with Denbury via a fixed price Turn-key Development Contract for US\$55 million. Any Grieve Project oil would be exported via Elk's 100% owned pipeline via fixed tariff under the Grieve JV restructure.

Details of the Entitlement Offer

Under the Entitlement Offer, each Eligible Shareholder is being given the opportunity to subscribe for one New Share for every one fully paid ordinary share in Elk (each a **Share**) which the relevant Eligible Shareholder holds at 7.00 pm (Sydney time) on 8 June 2016, at the Offer Price of A\$0.075 per New Share.

The Offer Price represents an approximate:

- discount of 23.5% to the closing Share price on 2 June 2016, being the day before the Entitlement Offer was announced;
- discount of 21.6% to the one month volume weighted average price (**VWAP**) of Shares prior to 2 June 2016; and
- discount of 15.0% to the three month VWAP of Shares prior to 2 June 2016.

The proceeds of the Entitlement Offer are proposed to be used primarily to fund a portion of the remaining development work required to bring the Grieve Project into production. Further details about the Grieve JV restructure and Elk's proposed financing arrangements are provided in sections 1.7 and 4 in this Offer Booklet.

The Entitlements are non-renounceable. This means that Eligible Shareholders who do not take up all or any part of their Entitlements may not trade their Entitlements on ASX or otherwise transfer their Entitlements off-market. Shareholders who do not take up their Entitlements in full will not receive any value for those Entitlements that they do not take up.

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 Entitlements. Republic Investment Management Pte. Ltd. (incorporated in Singapore, **Republic**, which is a substantial shareholder of Elk, but not a related party of Elk, as described in section 3.3) 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 and Republic (and all other sub-underwriters, to the extent appointed by the Underwriter) will not be able to take up any New Shares under the underwriting or sub-underwriting arrangements until after Eligible Shareholders have had the opportunity to participate in the shortfall facility described in section 1.12 (**Shortfall Facility**).

Under the Shortfall Facility, Eligible Shareholders can apply for New Shares in excess of their Entitlement (subject to the terms in section 1.12). Any New Shares that are not taken up by Eligible Shareholders (whether on exercise of any Entitlement allocated under this Offer Booklet, or otherwise acquired under the Shortfall Facility) are then anticipated to be taken up by the Underwriter and/or Republic (and other sub-underwriters, to the extent appointed by the Underwriter) or placed in

accordance with section 1.13, subject to the terms of the Underwriting Agreement (which is summarised in Section 5.2).

The maximum number of New Shares which may be issued under the Entitlement Offer is 410,073,919 (assuming no convertible securities, performance rights or retention rights in Elk are converted into Shares by the Record Date).

This Offer Booklet contains important information about the Entitlement Offer, including a personalised Entitlement and Acceptance Form which details your Entitlement to New Shares in Elk. If you are an Eligible Shareholder, and you wish to apply for all or some of the New Shares making up your Entitlement, you must submit your payment of the Application Monies through BPAY® or, if you are unable to pay via BPAY®, complete the accompanying Entitlement and Acceptance Form and lodge it together with a cheque for the relevant Application Monies. If paying by BPAY® you do not need to return the Entitlement and Acceptance Form. Eligible Shareholders can apply to participate in the Shortfall Facility in the same way, except that sufficient Application Monies will be required to pay for their entire Entitlement plus the Additional New Shares desired, all at the Offer Price.

This Offer Booklet should be read carefully and in its entirety before deciding whether or not to participate in the Entitlement Offer. In particular, you should consider the investment risks outlined in section 4.

If you have any questions in respect of the Entitlement Offer, please consult your stockbroker, accountant, lawyer or other professional adviser.

On behalf of the board of Directors of Elk, I invite you to consider this investment opportunity and thank you for your ongoing support of our Company.

Yours Sincerely

A handwritten signature in dark ink, appearing to read 'Neale Taylor', with a stylized flourish at the end.

Dr Neale Taylor
Chairman

KEY DETAILS RELATING TO THE ENTITLEMENT OFFER

Key data relating to the Entitlement Offer

Entitlement Offer	One New Share for every one Share held by Eligible Shareholders on the Record Date
Offer Price per New Share	A\$0.075
Maximum number of New Shares to be offered under the Entitlement Offer (unless convertible securities are converted into Shares by the Record Date)	410,073,919 New Shares
Approximate proceeds from the Entitlement Offer (before expenses)	A\$30.76 million

Summary of key Entitlement Offer dates**

Announcement of the Entitlement Offer	Prior to commencement of trading on 3 June 2016
Lodgement of notices and documents with ASX and lodgement with ASX and mailing of letter to Option holders	3 June 2016
Lodgement with ASX 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	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
Trading of New Shares expected to commence on ASX	29 or 30 June 2016

** 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.

ANSWERS TO KEY QUESTIONS

Question	Answer	Further Information
What is the Entitlement Offer?	The Entitlement Offer constitutes the offer of one New Share for every one Share held, at an Offer Price of A\$0.075 per Share.	Section 1.1
Who can participate in the Entitlement Offer?	<p>Only Eligible Shareholders can participate in the Entitlement Offer. Eligible Shareholders are Shareholders with registered addresses in Australia, New Zealand or Singapore and who are registered holders of Shares at the Record Date.</p> <p>Elk has (subject to ASIC approval) appointed Taylor Collison as nominee to subscribe for and sell the New Shares which Ineligible Shareholders would otherwise have been entitled to under the Entitlement Offer, had they been Eligible Shareholders.</p>	Sections 1.2 to 1.4
How much do I have to pay to participate in the Entitlement Offer?	The Offer Price for each New Share is A\$0.075. You may subscribe for all, or part, of your Entitlement. You may also subscribe for additional New Shares in excess of your Entitlement (see below and section 1.12).	Section 1.5 and 1.12
What are the terms of the New Shares?	The New Shares proposed to be issued under the Entitlement Offer will rank equally with all existing Shares.	Section 1.16
What is the purpose of the Entitlement Offer?	Proceeds from the Entitlement Offer are proposed to be utilised primarily to fund part of Elk's share of the cost to complete the redevelopment of the Grieve, Wyoming CO ₂ enhanced oil recovery project. Further details are provided in section 1.7.	Section 1.7
Is the Entitlement Offer underwritten?	The Entitlement Offer is partially underwritten by Taylor Collison. Taylor Collison has entered into a sub-underwriting agreement with a substantial shareholder of Elk, being Republic.	Sections 1.11, 3.5 to 3.7 and 5.2
Can I apply for New Shares in excess of my Entitlement?	<p>Yes. Eligible Shareholders who take up their full Entitlement under the Entitlement Offer may apply for more New Shares than the number shown as their Entitlement on their Entitlement and Acceptance Form.</p> <p>Applications for Additional New Shares may be made if a Shortfall under the Entitlement Offer exists. Refer to section 1.12 for further information in relation to the Shortfall Facility.</p>	Section 1.12
What are the risks associated with applying for New Shares under the Entitlement Offer?	<p>An investment in Elk involves general risks associated with any investment in the share market, including that the price of New Shares may rise or fall.</p> <p>There are also a number of risk factors, both</p>	Section 4

	specific to Elk and of a general nature, which may affect, among other things, the future operating and financial performance of Elk and the value of an investment in Elk.	
What are my options?	<p>You may:</p> <ul style="list-style-type: none"> • take up all of your Entitlement (with or without application for Additional New Shares); • take up part of your Entitlement and allow the balance of your Entitlement to lapse; or • do nothing and allow all of your Entitlement to lapse. <p>Any Entitlements to New Shares not taken up are proposed to be issued under the Shortfall Facility described in section 1.12, or subsequently placed as described in section 1.13 or taken up by the Underwriter and/or Republic under the Underwriting Agreement (and other sub-underwriters, to the extent appointed). The key terms of the Underwriting Agreement are summarised in section 5.2.</p>	Section 2
How do I accept my Entitlement?	<p>If you are an Eligible Shareholder, and you wish to apply for all or some of the New Shares making up your Entitlement, you must submit payment of the Application Monies through BPAY®, or if you are unable to use BPAY®, you must complete the accompanying Entitlement and Acceptance Form and lodge it together with a cheque for the Application Monies. If paying by BPAY® you do not need to return the Entitlement and Acceptance Form.</p> <p>Please refer to section 2 for further details on how to accept your Entitlement. If you have not received a personalised Entitlement and Acceptance Form, or if you have any queries about how to accept your Entitlement, please call the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).</p>	Section 2
Can I sell or transfer my Entitlement?	No. The Entitlement Offer is non-renounceable and Eligible Shareholders may not sell, trade or transfer any part of their Entitlement on ASX or off-market.	Section 1.9
How can I obtain further information?	Elk encourages you to seek advice from your financial or other professional adviser in respect of the Entitlement Offer including any possible tax consequences.	

1 DETAILS OF THE ENTITLEMENT OFFER AND ELIGIBILITY

1.1 Overview of the Entitlement Offer

Elk is undertaking the Entitlement Offer under which it is offering Eligible Shareholders the opportunity to subscribe for one New Share in Elk for every one Share held at 7.00 pm (Sydney time) on 8 June 2016 (**Record Date**) at an Offer Price of A\$0.075 per Share (**Offer Price**).

The Entitlement Offer opens on 9 June 2016 and will close at 5.00 pm (Sydney Time) on 21 June 2016, unless extended.

The number of New Shares for which you are entitled to subscribe is shown on the accompanying Entitlement and Acceptance Form.

You may also wish to apply for additional New Shares under the Shortfall Facility set out in section 1.12.

1.2 Eligibility to participate in the Entitlement Offer

A person will be eligible to participate in the Entitlement Offer if:

- (1) the person is a registered holder of Shares at 7.00 pm (Sydney time) on the Record Date; and
 - (2) the person's registered address is in Australia, New Zealand or Singapore,
- (each an **Eligible Shareholder**).

Elk reserves the right to determine whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder.

1.3 Shareholders outside Australia, New Zealand and Singapore

The Company has determined that it is not practical for Shareholders with registered addresses in other jurisdictions to participate in the Entitlement Offer, having regard to the number and value of New Shares they would be offered, the number of Shareholders outside Australia, New Zealand and Singapore and the costs of complying with the regulatory requirements in those jurisdictions.

To the extent that a person holds Shares on behalf of another person resident outside Australia, New Zealand or Singapore, it is the first person's responsibility to ensure that any acceptance complies with all applicable foreign laws.

1.4 Appointment of nominee on behalf of Ineligible Shareholders

The Company has, subject to ASIC approval, appointed Taylor Collison (which is also the Underwriter) 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 those New Shares (less the relevant Application Monies 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.

Taylor Collison's appointment is subject to ASIC's approval and if ASIC does not grant that approval an alternate nominee may be appointed.

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.

1.5 Offer Price

The Offer Price payable for each New Share is A\$0.075 which represents a 23.5% discount to the closing market price of Shares on ASX on 2 June 2016 (being the last day on which the Shares traded prior to the announcement of the Entitlement Offer on 3 June 2016).

Eligible Shareholders will not be obliged to pay brokerage or other fees in respect of New Shares acquired under the Entitlement Offer, although the Company may pay certain professional and other fees to third parties.

Eligible Shareholders should note that the market price of Shares may rise and fall between the date of this Entitlement Offer and the date when New Shares are issued under the Entitlement Offer. Accordingly, the price you pay per New Share pursuant to this Entitlement Offer may be either higher or lower than the market price of Shares at the opening date of this Entitlement Offer or at the time the New Shares are issued under this Entitlement Offer.

Elk recommends that you monitor the price of Shares, which can be found in the financial pages of major Australian metropolitan newspapers, or on the ASX website at www.asx.com.au (ASX:ELK).

The highest and lowest market sale prices of the Shares on ASX during the twelve months immediately preceding the date of this Offer Booklet and the respective dates of those sales were:

Highest: A\$0.125 on 7 September 2015

Lowest: A\$0.023 on 1 July 2015

The latest available closing sale price of the Shares on ASX prior to the date of this Offer Booklet was A\$0.098 per Share on 2 June 2016.

1.6 Closing Date

The Entitlement Offer is scheduled to close at **5.00 pm (Sydney Time) on Tuesday, 21 June 2016**. Please refer to section 2 for details on how to accept your Entitlement.

Please note that Elk reserves the right, subject to the Corporations Act and the Listing Rules, to amend the Closing Date of the Entitlement Offer. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares.

1.7 Use of funds

The total amount to be raised under the Entitlement Offer is approximately A\$30,755,544 (before expenses). The majority of the proceeds of the Entitlement Offer are proposed to be utilised by the Company to provide initial funding of capital costs associated with the Grieve Project. The remainder of the proceeds are proposed to be used by the Company as working capital and to pay for the costs of this Entitlement Offer, as set out below:

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

[^]Equity portion of total proposed US\$55 million Elk funding commitment under proposed revision to the Grieve JV agreement

As the Company has announced to the ASX in recent months, it is proposed, subject to signing of definitive binding agreements, to restructure the Grieve JV. The Grieve Project is the Company's flagship CO₂ EOR project. As announced to the ASX on Friday 27 May 2016, Elk and its joint venture partner, Denbury, have reached agreement on the principal definitive agreements in implementing the restructure of the Grieve Project (although the definitive agreements have not been signed and the restructure is not binding as at the date of this Offer Booklet). The Company has paid the first US\$1.5 million progress payment as part of the overall funding arrangements to be implemented as part of the Grieve JV.

Subject to finalisation of the negotiations with Denbury, Elk will earn a 49% equity interest in the Grieve Project and an effective 70% of project net cash flow of the first 2 million barrels of oil production (although there is no guarantee that will eventuate, as described in section 4).

As part of the Grieve JV restructuring, Elk has agreed (subject to final execution) to negotiate the final binding agreements for Elk to provide US\$55 million of funding to Denbury, for the final capital expenditures required to complete the Grieve Project. As previously announced, the Company intends to source this funding through a combination of debt and equity funding, including via the Entitlement Offer. Following Elk's progress payment of US\$1.5 million to Denbury announced on 25 May 2016, the total remaining proposed commitment to Denbury is US\$53.5 million. The A\$27.08 million detailed in the table above is proposed to be dedicated to paying part of that US\$53.5 million.

The remainder of that US\$53.5 million amount is proposed to be provided through one or more debt facilities. As announced on 1 June 2016, the Company has mandated the credit arm of a premier global asset management firm to provide, subject to final approval by the lender and subject to other terms and conditions, a senior loan facility sufficient to fund US\$55 million (to be used to fund the remainder of the US\$53.5 million amount above for direct Grieve Project development) plus additional facility amounts to cover hedging and other associated Grieve Project restructuring transaction costs.

If the debt funding described above does not proceed, Elk proposes to seek alternate funding to complete its outstanding payments under the proposed Grieve JV restructure from other debt and/or equity sources. Certain key risks associated with debt funding not proceeding are detailed in section 4.2(3).

Further detail regarding the proposed restructure of the Grieve JV between Elk and Denbury was outlined in the Company's ASX announcements of 21 December 2015 and 24 February 2016.

The proposed Grieve Project restructuring is not yet binding as the restructuring remains subject to commercial agreement of final documentation between Elk and Denbury. Elk is aiming to enter into definitive agreements with Denbury by 30 June 2016.

If the Grieve Project restructure does not proceed as expected, it is anticipated that Elk would use funds raised under the Entitlement Offer to continue to fund the Grieve Project under the existing joint venture agreement with Denbury, to pay the costs of the Entitlement Offer and for corporate working capital. Certain key risks associated with the restructure not proceeding are detailed in section 4, for example at sections 4.2(2) and 4.2(20).

In the event that the Entitlement Offer results in Elk raising an amount lower than the targeted raising amount of A\$30.76 million, the Grieve Project funding and the total amounts detailed in the table above will be scaled back. Refer to section 8 for further information.

This section contains the Directors' statements of current intentions as at the date of this Offer Booklet. Intervening events may alter the way the proceeds of the Entitlement Offer are ultimately applied by the Company and may alter the costs estimated above.

1.8 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been submitted or once you have paid the Application Monies by BPAY®.

1.9 Non-renounceable offer

The Entitlement Offer is made on a non-renounceable basis and, accordingly, Eligible Shareholders may not sell, trade or transfer all or part of their Entitlement on ASX or off-market.

Shareholders who do not take up their Entitlement in full will not receive any value in respect of that part of the Entitlement that they do not take up.

Any portion of your Entitlement that you decide not to subscribe for, will lapse and the New Shares, the subject of those Entitlements, will form the Shortfall and are anticipated to be taken up by Eligible Shareholders under the Shortfall Facility as described in section 1.12 and then, if any Shortfall remains, taken up by:

- (1) the Underwriter pursuant to the Underwriting Agreement to the extent of its underwriting obligation;
- (2) Republic to the extent of its sub-underwriting obligation to the Underwriter (or other sub-underwriters, to the extent appointed by the Underwriter); or
- (3) placees in accordance with section 1.13.

The terms of the Underwriting Agreement are summarised in section 5.2.

1.10 Minimum Subscription

There is no minimum subscription for the Entitlement Offer.

1.11 Entitlement offer partially underwritten

The Company has entered into an Underwriting Agreement with the Underwriter. The terms of the Underwriting Agreement are summarised in section 5.2. One of the Company's substantial shareholders, Republic, has been appointed by the Underwriter to sub-underwrite approximately A\$9.72 million (inclusive of Republic's Entitlement) of the underwritten amount. The Underwriter reserves the right to appoint sub-underwriters up to the extent of the Underwriter's underwriting commitment.

The Underwriter and/or its sub-underwriters will only take up, or identify investors under section 1.13 to take up, New Shares up to their respective maximum commitments to the extent there is a Shortfall after Entitlements are taken up and after the Shortfall Facility is completed.

1.12 **Shortfall Facility**

Subject to the Corporations Act and the requirements of the Listing Rules, Eligible Shareholders who subscribe for their full Entitlement may apply for more New Shares than the number shown on their Entitlement and Acceptance Form.

Eligible Shareholders will be given this opportunity to apply for New Shares in excess of their Entitlement (at the same price as their Entitlement, of A\$0.075 per New Share) through the Shortfall Facility which will be conducted simultaneously with the Entitlement Offer. New Shares will only be available under the Shortfall Facility in the event that other Eligible Shareholders do not take up all their Entitlements. The opportunity to participate in the Shortfall Facility is subject to the Directors' control and compliance with applicable laws. The Shortfall Facility is provided in advance of the Underwriter or sub-underwriters and parties described in section 1.13 having access to the Shortfall.

Eligible Shareholders may apply for New Shares under the Shortfall Facility (**Additional New Shares**) by entering the number of Additional New Shares they wish to subscribe for in the relevant part of the Entitlement and Acceptance Form. Please refer to section 2.3 for further information.

There is no guarantee that you will receive Additional New Shares. Subject to applicable laws, Directors intend to accept all Applications from Eligible Shareholders for Additional New Shares to the extent of the Shortfall. In the event of oversubscriptions in the Applications under the Shortfall Facility it is proposed that they will be scaled back on a pro rata basis, based on Applicants' shareholdings in the Company at 7.00 pm (Sydney time) on the Record Date. This is subject to the Company seeking to ensure that no person will be issued New Shares through participation in the Shortfall Facility if such issue will result in their voting power in the Company exceeding 19.9% or increasing at all, if they already hold voting power in the Company above 19.9%.

If the number of Additional New Shares issued to an Eligible Shareholder is fewer than the number applied for by that Eligible Shareholder, surplus Application Monies will be refunded in full. Interest will not be paid on monies refunded.

Additional New Shares will be issued at the same time as the New Shares under the Entitlement Offer are issued.

Directors and their associates and other related parties of the Company are ineligible to participate in the Shortfall Facility. Republic is also not eligible to participate in the Shortfall Facility, assuming Republic's voting power in the Company remains over 19.9% at 7.00pm (Sydney time) on the Record Date (refer to section 3.3 for further information).

1.13 **Placement of Shortfall after the Shortfall Facility**

If there is still a Shortfall after the application process for Entitlements and the Shortfall Facility has been completed, the Underwriter's underwriting obligations take effect subject to the terms of the Underwriting Agreement summarised in section 5. The Company reserves the right, including as proposed by the Underwriter, to place any Shortfall with persons interested in subscribing for Shares in the Company following the close of the Entitlement Offer and Shortfall Facility. Placees may include institutional and high net worth clients of the Underwriter or sub-underwriters and various other parties introduced by the Company, the Underwriter or sub-underwriters. The Directors will seek to ensure that no person will be issued New Shares through participation in the Shortfall if such issue will result in that person's voting power in the Company exceeding 19.9% or increasing at all, if they already hold voting power in the Company above 19.9% (other than the Underwriter and Republic, to the extent described in sections 3).

Any placement of the Shortfall will be made, at the latest, within three months after the close of the Entitlement Offer. The Directors reserve the right to issue the Shortfall at their discretion.

1.14 Quotation and Trading

Elk has applied to the ASX for official quotation of the New Shares in accordance with the Listing Rule requirements. The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

If ASX does not grant quotation of the New Shares, Elk will repay all Application Monies (without interest).

1.15 Issue of New Shares including Additional New Shares

Elk expects to both issue the New Shares, including any Additional New Shares which the Directors exercise their discretion to issue, and to dispatch holding statements for the New Shares (including any Additional New Shares) on or before 28 June 2016. Quotation of New Shares, including any Additional New Shares which the Directors exercise their discretion to issue, is expected to commence on 29 or 30 June 2016.

Application Monies will be held in trust for Applicants until New Shares (including any Additional New Shares) are issued. Interest earned on Application Monies will be for the benefit of Elk and will be retained by Elk irrespective of whether New Shares or any Additional New Shares are issued.

1.16 Rights attaching to New Shares

New Shares including any Additional New Shares will be fully paid and rank equally in all respects with existing Shares and will carry the same voting rights, dividend rights and other entitlements at the time they are issued.

The key rights and obligations attaching to the New Shares (including any Additional New Shares) are set out in Elk's constitution, a copy of which can be obtained from the company secretary of Elk.

1.17 Reconciliation and the rights of Elk

The Entitlement Offer is a complex process and in some instances investors may believe that they will own more Shares than they ultimately did as at the Record Date or are otherwise entitled to more Shares than initially offered to them. This may result in a need for reconciliation. If reconciliation is required, it is possible that Elk may need to issue additional New Shares to ensure that the relevant Shareholders receive their appropriate allocation of Shares.

Elk reserves the right to reduce the size of an Entitlement or the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders or other applicable investors, if Elk believes in its complete discretion that their claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, Elk may, in its discretion, require the relevant Shareholder to transfer excess Shares to another Shareholder or third party at the Offer Price per Share. If necessary, the relevant Shareholders may need to transfer existing Shares held by them or to purchase Additional New Shares on-market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for Shares in excess of their Entitlement and any actions they are required to take in this regard.

By applying under the Entitlement Offer, those doing so irrevocably acknowledge and agree to do the above as required by Elk in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of Elk to require any of the actions set out above.

1.18 Notice to nominees and custodians

Persons acting as nominees for other persons must not take up any Entitlements on behalf of, or send any documents related to the Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States.

Elk is not required to determine whether or not any registered Shareholder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws. Elk is not able to advise on foreign laws.

1.19 Information availability

If you are an Eligible Shareholder in Australia, New Zealand or Singapore, you can obtain a copy of this Offer Booklet during the term of the Entitlement Offer on Elk's website at <http://elkpet.com/> or you can call the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) from 8.30am – 5.00pm on Monday to Friday (excluding public holidays).

A replacement Entitlement and Acceptance Form can also be requested by calling the Share Registry.

If you access the electronic version of this Offer Booklet, you should ensure that you download and read the entire Offer Booklet. The electronic version of this Offer Booklet on the Elk website will not include a personalised Entitlement and Acceptance Form.

1.20 Issue and dispatch

New Shares issued pursuant to the Entitlement Offer will be issued in accordance with the Listing Rules and the indicative timetable set out on page 8 of this Offer Booklet (subject to potential changes to that timetable).

Pending the issue of the New Shares or payment of refunds pursuant to this Offer Booklet, all Application Monies will be held by the Company or the Share Registry in trust for the Applicants in separate bank accounts. The Company, however, will be entitled to retain all interest that accrues on the bank accounts and each Applicant waives the right to claim interest, by completing and returning the Entitlement and Acceptance Form or by making their payment by BPAY®.

The expected date for issue of New Shares offered by this Offer Booklet and dispatch of holding statements is specified in the timetable set out on page 8 of this Offer Booklet.

It is the responsibility of Applicants to check their allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

1.21 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and the Shares are enhanced disclosure securities quoted on ASX. As such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities.

This Offer Booklet is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Entitlement Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from the ASX website at www.asx.com.au (ASX:ELK).

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and the ASX website.

1.22 **Privacy**

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or through the Share Registry). The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that is held about you. If you wish to do so please contact the Share Registry at the relevant contact numbers set out in this Offer Booklet.

Collection, maintenance and disclosure of certain personal information is governed by legislation, including the *Privacy Act 1988* (Cth) and the Corporations Act. You should note that if all information required on the Entitlement and Acceptance Form is not provided, the Company may not be able to accept or process your Application.

1.23 **Risks**

An investment in Elk involves general risks associated with any investment in the share market, including that the price of New Shares may rise or fall.

There are also a number of important risk factors, both specific to Elk and of a general nature, which may affect the future operating and financial performance of Elk and the value of an investment in Elk. A number of these specific and general risk factors are described non-exhaustively in the "Investment Risks" in section 4. Before deciding to invest in Elk, you should consider these factors carefully.

1.24 **Broker handling fee**

The Company may choose to implement a broker handling fee at its discretion. This may comprise a handling fee of 1.0% of the Offer Price paid per New Share (plus GST) placed out of the Shortfall in accordance with section 1.13, subject to a maximum handling fee of \$250 payable to the broker per placee (**Broker Handling Fee**). The Company may pay the Broker Handling Fee to stockbrokers recognised by ASX as full service brokers or non-advisory brokers, provided they submit a valid claim for a Broker Handling Fee.

2 HOW TO APPLY FOR NEW SHARES

2.1 What Eligible Shareholders may do

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may:

- (1) take up all of your Entitlement as described in section 2.2 (with or without application for Additional New Shares under the Shortfall Facility described in sections 1.12 and 2.3); or
- (2) take up part of your Entitlement and allow the balance of your Entitlement to lapse (refer to section 2.2); or
- (3) allow all of your Entitlement to lapse (refer to section 2.8).

2.2 Applying for New Shares

An Eligible Shareholder may take up all or part of their Entitlement by making payment by BPAY® (in accordance with section 2.5) or completing the Entitlement and Acceptance Form which accompanies this Offer Booklet and returning it, together with correct Application Monies in cleared funds in accordance with the instructions in sections 2.4 and 2.6, in each case by no later than 5.00 pm (Sydney Time) on the Closing Date.

The Company may, but is not obliged to, accept an Application received after the Closing Date if the Application is postmarked prior to the Closing Date. If the Company does not accept an Application for any reason, the Company will refund any excess Application Monies to the Eligible Shareholder, without interest.

For the convenience of Eligible Shareholders, an Australian reply paid envelope has been enclosed with this Offer Booklet.

Please note that if you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. A separate Entitlement and Acceptance Form and payment of Application Monies must be completed for each separate Entitlement you hold.

If you allow part of your Entitlement to lapse, your shareholding in Elk will be diluted.

2.3 Applying for Additional New Shares

Eligible Shareholders who subscribe for their full Entitlement may apply for Additional New Shares under the Shortfall Facility described in section 1.12.

To do this, please submit the appropriate Application Monies via BPAY® to pay for all New Shares under your Entitlement plus the Additional New Shares you wish to apply for under the Shortfall Facility. Alternatively, if you are unable to use BPAY®, enter the number of Additional New Shares you wish to subscribe for in the relevant part of the Entitlement and Acceptance Form.

The amount of Application Monies you submit with your Application (refer to sections 2.4 to 2.6) must equal the Offer Price multiplied by the total number of New Shares, including Additional New Shares, you wish to subscribe for.

2.4 Payment

Payment of Application Monies (which must equal the Offer Price multiplied by the number of New Shares, including any Additional New Shares you wish to subscribe for) will only be accepted in Australian dollars.

Payment should be made using BPAY® if possible. New Zealand and Singapore Shareholders who do not have an Australian bank account will be able to pay by cheque (see below at section 2.6).

Cash payments will not be accepted. Receipts for payment will not be issued.

Elk will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement plus any Additional New Shares (if any) as your payment will pay for.

Any Application Monies received for more than your final allocation of New Shares, including any Additional Shares, will be refunded as soon as practicable after the close of the Entitlement Offer. No interest will be paid to applicants on any Application Monies received or refunded.

2.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, please make sure you use the specific Biller Code and your unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your Application will not be recognised as valid.

Please note that by paying by BPAY®:

- (1) you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form and as described in this Offer Booklet (including in section 2.9; and
- (2) if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00 pm (Sydney time) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

2.6 If you are unable to pay by BPAY®

Elk encourages payments by BPAY® if possible.

If you are a New Zealand or Singapore resident Shareholder who is completing a payment by cheque, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque in Australian currency for the amount of the Application Monies, payable to '**Elk Petroleum Limited**' and crossed '**Not Negotiable**'.

It is your responsibility to ensure that your payment by cheque is received by the Share Registry by no later than 5.00 pm (Sydney time) on the Closing Date. You must ensure cleared funds are held in your account as your cheque will be banked as soon as it is received. Please note that you should consider postal and cheque clearance timeframes in meeting this deadline.

Your cheque must be:

- a) for an amount equal to the Offer Price multiplied by the number of New Shares and Additional New Shares that you are applying for; and
- b) in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars or Singapore dollars. New Zealand and Singapore resident Shareholders must arrange for payment to be made in Australian dollars.

Please return your completed application form and cheque to the address below:

Mailing Address:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001 Australia

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed on the day of receipt. If the amount of Application Monies is insufficient to pay in full for the number of New Shares, including any Additional New Shares you applied for, or is more than the number of New Shares including any Additional New Shares you applied for, you will be taken to have applied for such whole number of New Shares (including any Additional New Shares) which is covered in full by your Application Monies. Alternatively, the Company may in its discretion reject your Application, in which case any Application Monies will be refunded to you (without interest).

If you do not receive any or all of the Additional New Shares you applied for, any excess Application Monies will be returned to you (without interest).

Eligible Shareholders are asked **not** to forward cash as cash payments will **not** be accepted. Receipts for payment will not be provided.

2.7 **No trading of Entitlements**

Entitlements under the Entitlement Offer are non-renounceable and will not be tradeable on ASX or otherwise transferable. Eligible Shareholders who do not take up their Entitlement in full will not receive any value in respect of that part of the Entitlement that they do not take up.

2.8 **Allowing your Entitlement to lapse**

If you do nothing, all of your Entitlement will lapse and your shareholding in Elk will be diluted.

2.9 **Effect of Application**

A payment made through BPAY® or a completed and lodged Entitlement and Acceptance Form together with the payment of requisite Application Monies constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid Application for New Shares. Elk's decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By making a payment by BPAY® or by completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies, you will also be deemed to have acknowledged, represented and warranted in your own capacity and on behalf of each person on whose account you are acting that:

- (1) you have read and understand this Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;

- (2) you agree to be bound by the terms and conditions of the Entitlement Offer, the provisions of this Offer Booklet and the accompanying Entitlement and Acceptance Form, and Elk's constitution;
- (3) you authorise Elk to register you as the holder(s) of New Shares allotted to you;
- (4) all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- (5) you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- (6) once Elk receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your Application or funds provided except as allowed by law;
- (7) you satisfy each of the criteria set out in section 1.2;
- (8) you agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the Offer Price per New Share;
- (9) you authorise Elk, the Underwriter, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- (10) you declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- (11) the information contained in this Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- (12) this Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in Elk and is given in the context of Elk's past and ongoing continuous disclosure announcements to ASX;
- (13) you acknowledge the statement of risks in the "Investment Risks" section of this Offer Booklet, and that investments in Elk are subject to risks, not all of which are disclosed in section 4;
- (14) you acknowledge that none of Elk or the Underwriter or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of Elk, nor do they guarantee the repayment of capital;
- (15) you agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- (16) you authorise Elk to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- (17) for the benefit of Elk, the Underwriter and their respective related bodies corporate and affiliates, you are not an Ineligible Shareholder and you are eligible to participate in the Entitlement Offer;
- (18) the law of any place does not prohibit you from being given this Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an

Application for New Shares and that you are otherwise eligible to participate in the Entitlement Offer;

- (19) you are an Eligible Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Entitlement Offer;
- (20) you acknowledge that the New Shares have not been, and will not be, registered under the Securities Act of 1933 (US) and may not be offered or sold, directly or indirectly, in the United States absent registration except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act of 1933 (US) and any other applicable securities laws;
- (21) you have not and will not send any materials relating to the Entitlement Offer to any person (including nominees or custodians) where to do so would breach applicable laws; and
- (22) if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in transactions where neither you nor any person acting on your behalf knows, or has reason to know, that the sale is illegal.

2.10 Brokerage

No brokerage fee is payable by Eligible Shareholders who accept their Entitlement.

2.11 Enquiries concerning Entitlement and Acceptance Form

If you have any questions on how to complete the Entitlement and Acceptance Form or take part or all of your Entitlement, please contact the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) from 8.30am – 5.00pm on Monday to Friday before the Closing Date (excluding public holidays).

3 EFFECT ON CAPITAL STRUCTURE

3.1 Effect on existing capital structure

Assuming that the maximum number of New Shares is issued under the Entitlement Offer and assuming none of the Company's existing Options or retention and performance rights are exercised or converted, the indicative capital structure of the Company will be as follows (before taking account of any further issues described in this section 3.1):

Shares	Number
Shares on issue as at 8 June 2016	410,073,919
New Shares offered under the Entitlement Offer	410,073,919
Total Shares on issue on close of the Entitlement Offer	820,147,838

At the date of this Offer Booklet, the Company also has the following Options on issue:

- 22,675,000 listed Options, each exercisable into one Share at an exercise price of A\$0.25 on or before 22 July 2017;
- 100,000 unlisted Options, each exercisable into one Share at an exercise price of A\$0.20 on or before 30 June 2016; and
- 1,333,333 unlisted Options, each exercisable into one Share at an exercise price of A\$0.075 on or before 31 March 2018,

all of which may be exercised prior to the Record Date in order to participate in the Entitlement Offer. Unless they are exercised into Shares prior to the Record Date, the Options do not carry an entitlement to participate in the Entitlement Offer.

The Company also has the following retention rights and performance rights on issue which may convert into Shares in certain circumstances:

- 56,054 retention rights to 30 June 2016;
- 736,286 retention rights to 30 June 2017;
- 4,527,825 performance rights to 30 June 2016;
- 2,833,119 performance rights to 30 June 2017; and
- 5,000,000 performance rights (issued to a previous CEO of Elk).

In addition to the current capital structure, as allowed for under Listing Rule 7.1 or as previously approved by Shareholders, Elk intends to issue the following securities prior to 30 June 2016, however not before the Record Date of the Entitlement Offer:

- 610,266 ordinary shares to Bradley Lingo (the Company's Managing Director and CEO) for A & B Class Funding and Retention Award as outlined in the Company's 2015 Notice of Annual General Meeting;
- 2,000,000 retention rights to Bradley Lingo as outlined in the Company's 2015 Notice of Annual General Meeting;
- In addition, Mr Lingo has potential A & B Class Reserve and Production Awards as outlined in the Company's 2015 Notice of Annual General Meeting which are yet to be

approved, and are subject to approval, by shareholders. This is noted for informational purposes only as any allotment of shares under this award would first need to be approved by shareholders;

- 195,000 retention rights to 30 June 2018 to Directors, employees and advisers in respect of FY15;
- 1,810,000 performance rights to 30 June 2018 at a hurdle price of \$0.08220 per Share to Directors, employees and advisers in respect of FY15; and
- At the discretion of Elk and subject to the approval by Elk's board of Directors, the allotment of up to 1,000,000 shares to suppliers of Elk for payment for services rendered.

The above amounts and awards have been made to reflect the performance, improvement and corporate achievements over relevant reporting periods prior to award.

Elk has appointed a financial advisor to provide corporate finance and transaction advisory services to Elk in relation to the proposed Grieve JV restructuring and the associated equity and debt financing. A success fee customary in corporate finance advisory roles of this nature is payable to that advisor in the event that the Grieve JV restructure is successfully completed along with raising of required capital. Elk may elect, at its sole discretion, to pay part of that fee in Shares at an agreed VWAP, but no decision has been made to exercise that discretion.

In addition, at Elk's sole election, Elk may issue Shares to professional consultants (including the financial advisor mentioned immediately above) under short term contracts in lieu of cash fees of up to A\$26,250 per month (based on VWAP calculations). The Company is not bound to issue any such Shares and can elect to pay professional consultants in cash at the Company's sole discretion, although it is likely that the Company will issue up to the Company's remaining placement capacity of 1 million Shares to pay professional consultant fees.

3.2 Dilution

Shareholders should note that if they do not participate in the Entitlement Offer, their holdings may be diluted by up to 50% depending upon take up of the Entitlement Offer.

The following are examples of how dilution may impact Shareholders if they decide not to participate in the Entitlement Offer, assuming that the maximum number of New Shares available under the Entitlement Offer is issued:

	Holdings as at Record Date	Approximate % at Record Date	Entitlements under the Entitlement Offer	Holdings if Entitlement not taken up	Approximate % following issue of New Shares
Shareholder 1	25,000,000	6.1%	25,000,000	25,000,000	3.0%
Shareholder 2	10,000,000	2.4%	10,000,000	10,000,000	1.2%
Shareholder 3	5,000,000	1.2%	5,000,000	5,000,000	0.6%
Shareholder 4	1,000,000	0.2%	1,000,000	1,000,000	0.1%
Shareholder 5	500,000	0.1%	500,000	500,000	0.06%

The following are examples of how dilution may impact Shareholders if they decide not to participate in the Entitlement Offer, assuming that only the 200,000,000 New Shares which are underwritten by the Underwriter under the Entitlement Offer are issued:

	Holdings as at Record Date	Approximate % at Record Date	Entitlements under the Entitlement Offer	Holdings if Entitlement not taken up	Approximate % following issue of 200,000,000 of the New Shares
Shareholder 1	25,000,000	6.1%	25,000,000	25,000,000	4.1%
Shareholder 2	10,000,000	2.4%	10,000,000	10,000,000	1.6%
Shareholder 3	5,000,000	1.2%	5,000,000	5,000,000	0.8%
Shareholder 4	1,000,000	0.2%	1,000,000	1,000,000	0.16%
Shareholder 5	500,000	0.1%	500,000	500,000	0.08%

3.3 Details of substantial holders

Those persons holding voting power of 5% or more of the Shares on issue immediately prior to the date of this Offer Booklet, based on substantial shareholder notices lodged, are set out below.

Substantial holder	Shares	% (undiluted) Note 1	% (undiluted) Note 2
Republic Investment Management Pte Ltd	115,457,964	28.16%	28.16%
Robert Anthony Healy	53,884,136	24.19%	13.14%
Begley Superannuation Co Pty Ltd (Begley Engineering S/F A/C)	26,945,156	7.01%	6.57%

Note 1 : Based on percentage as disclosed on the latest Form 604 lodged

Note 2 : Based on Shares disclosed on the latest Form 604 lodged and the current number of Shares on issue

3.4 Interests of the Directors

The interests of the Directors in securities of the Company immediately prior to the date of this Offer Booklet are as follows (which amounts are also disclosed in section 3.1):

	Notifiable interest in Shares as at the date of this Offer Booklet	Notifiable interest in Options, retention rights and performance rights in Elk at the date of this Offer Booklet	Entitlement to participate in the Entitlement Offer (assuming no Options are exercised and no rights are converted)
Bradley Lingo	11,716,070	-	11,716,070
Neale Taylor	857,660	50,000 Options (\$0.25 exercise price / 22 July 2017 expiry) 175,000 retention rights (of which 35,000 are to 30 June 2016 / 140,000 to 30 June 2017) 1,543,228 performance rights (of which 1,416,497	857,660

	Notifiable interest in Shares as at the date of this Offer Booklet	Notifiable interest in Options, retention rights and performance rights in Elk at the date of this Offer Booklet	Entitlement to participate in the Entitlement Offer (assuming no Options are exercised and no rights are converted)
		are to 30 June 2016 / 126,731 to 30 June 2017)	
Russell Krause	0	-	0
Matt Healy	1,353,008	50,000 Options (\$0.25 exercise price / 22 July 2017 expiry) 70,000 retention rights (to 30 June 2017)	1,353,008
Timothy Hargreaves	6,525,731	833,333 Options (\$0.25 exercise price / 22 July 2017 expiry)	6,525,731

The Company's announcements, including the latest director's interest notices, contain further information in relation to these interests.

As previously approved by Shareholders, the following Directors are to be allotted Shares and/or rights (which may convert into Shares) for the year ended 30 June 2015 (which are also disclosed in section 3.1). Elk intends to issue the following securities prior to 30 June 2016, however not before the Record Date of the Entitlement Offer:

- Bradley Lingo** 610,266 Shares for A & B Class Funding and Retention Award as outlined in the Company's 2015 Notice of Annual General Meeting (Mr Lingo is also proposed to be paid the cash balance of that award, being \$146,765)

2,000,000 retention rights as outlined in the Company's 2015 Notice of Annual General Meeting

In addition, Mr Lingo has potential A & B Class Reserve and Production Awards as outlined in the Company's 2015 Notice of Annual General Meeting which are yet to be approved, and are subject to approval, by Shareholders. This is noted for informational purposes only as any allotment of Shares under this award would first need to be approved by Shareholders;
- Neale Taylor** 40,000 retention rights to 30 June 2018, in respect of FY15;

280,000 performance rights to 30 June 2018 at a hurdle price of \$0.08220 per Share, in respect of FY15;
- Russell Krause** 20,000 retention rights to 30 June 2018, in respect of FY15;

40,000 performance rights to 30 June 2018 at a hurdle price of \$0.08220 per Share, in respect of FY15;
- Matt Healy** 20,000 retention rights to 30 June 2018, in respect of FY15;

40,000 performance rights to 30 June 2018 at a hurdle price of \$0.08220 per Share, in respect of FY15;

- Timothy Hargreaves 20,000 retention rights to 30 June 2018, in respect of FY15;
40,000 performance rights to 30 June 2018 at a hurdle price of \$0.08220 per Share, in respect of FY15;

Each of the Directors who have entitlement to participate in the Entitlement Offer intends to take up their own personal Entitlements in part or in full.

3.5 Underwriter's interests in the Company

As stated in section 1, the Underwriter has entered into the Underwriting Agreement with the Company.

As at the date of this Offer Booklet, the Underwriter holds no Shares in the Company and has nil voting power in the Company. The Underwriter and its associates are not related parties of the Company and have no interest in Options, retention rights or performance rights in the Company, in each case as at the date of this Offer Booklet.

If a Shortfall remains after the issue of New Shares under Entitlements and Additional New Shares under the Shortfall Facility under section 1.12, the Underwriter will be required to increase its shareholding in the Company and its voting powers will increase based on the Underwriter's increased shareholding (assuming there is inadequate sub-underwriting and insufficient placees identified under section 1.13 to cover the Underwriter's underwriting commitment of 200,000,000 New Shares less any New Shares which may be issued due to sub-underwriters already appointed taking up their Entitlements).

If there is a Shortfall, the voting power of the Underwriter in the Company could increase from the current level of approximately 0%, up to a maximum of approximately 32.8%.

The table below sets out the voting power of the Underwriter, and the resulting voting power of the Underwriter in the Company, under three scenarios immediately following the completion of the Entitlement Offer. These scenarios are included for illustrative purposes only and are used to highlight the theoretical minimum and maximum shareholding outcome for the Underwriter following the Entitlement Offer.

Scenario 1: All Shareholders take up their Entitlements to acquire New Shares under the Entitlement Offer.

Scenario 2: 50% of Shareholders take up their Entitlements to acquire New Shares under the Entitlement Offer and none of the Shortfall is taken up under section 1.12 or subsequently under section 1.13. Failing the Shortfall being taken up by sub-underwriters, the Underwriter would be required to subscribe for up to 200,000,000 New Shares out of the Shortfall in accordance with the Underwriting Agreement (this scenario is displayed in the table immediately below, to illustrate the possible take up for the Underwriter).

Scenario 3: No Shareholders take up their Entitlements to acquire New Shares under this Entitlement Offer and none of the Shortfall is taken up under section 1.12 or subsequently under section 1.13. Failing the Shortfall being taken up by sub-underwriters, the Underwriter would be required to subscribe for up to 200,000,000 New Shares out of the Shortfall in accordance with the Underwriting Agreement (this scenario is displayed in the table immediately below, to illustrate the possible take up for the Underwriter).

Underwriter	Scenario 1		Scenario 2		Scenario 3	
	Number of Shares	Approximate % of total Shares on issue	Number of Shares	Approximate % of total Shares on issue	Number of Shares	Approximate % of total Shares on issue
Voting power prior to Entitlement Offer	0	0%	0	0%	0	0%
New Shares acquired	0	0%	200,000,000	24.5%	200,000,000	32.8%
Voting power immediately after Entitlement Offer	0	0%	200,000,000	24.5%	200,000,000	32.8%

3.6 Republic's interests in the Company

As stated in section 1, the Underwriter has entered into a sub-underwriting agreement with Republic by which Republic has agreed to sub-underwrite A\$9,722,222 of the Underwriter's underwriting commitment (inclusive of Republic's Entitlement).

As at the date of this Offer Booklet, Republic holds 115,457,964 Shares, representing voting power of 28.2% in the Company.

None of Republic or its associates are related parties of the Company and none of them hold any interest in Options, retention rights or performance rights in the Company.

Pursuant to Republic's sub-underwriting agreement, if a Shortfall remains after the issue of New Shares as Entitlements and none of the Shortfall is taken up under sections 1.12 or 1.13, Republic will be required to increase its shareholding in the Company and its voting power may increase based on its increased shareholding.

If there is a Shortfall, the voting power of Republic in the Company could increase from the current level of approximately 28.2%, up to a maximum of approximately 40.2% (inclusive of Republic's Entitlement).

The table below sets out the voting power of Republic and the resulting voting power of Republic in the Company, under three scenarios immediately following the completion of the Entitlement Offer. These scenarios are included for illustrative purposes only and are used to highlight the theoretical minimum and maximum shareholding outcome for Republic following the Entitlement Offer.

Scenario 1: All Shareholders take up their Entitlements to acquire New Shares under the Entitlement Offer except for Republic (but Republic's Entitlement is taken up by unassociated parties in the Shortfall).

Scenario 2: 50% of Shareholders take up their Entitlements to acquire New Shares under the Entitlement Offer and none of the Shortfall is taken up under section 1.12 or subsequently under section 1.13. Republic would be required to subscribe for up to 129,629,630 New Shares out of the Shortfall (inclusive of Republic's Entitlement) in accordance with its sub-underwriting agreement.

Scenario 3: No Shareholders take up their Entitlements to acquire New Shares under this Entitlement Offer and none of the Shortfall is taken up under section 1.12 or subsequently under section 1.13. Republic would be required to subscribe for up to 129,629,630 New Shares out of the Shortfall (inclusive of Republic's Entitlement) in accordance with its sub-underwriting agreement.

Republic	Scenario 1		Scenario 2		Scenario 3	
	Number of Shares	Approximate % of total Shares on issue	Number of Shares	Approximate % of total Shares on issue	Number of Shares	Approximate % of total Shares on issue
Voting power prior to Entitlement Offer	115,457,964	28.2%	115,457,964	28.2%	115,457,964	28.2%
New Shares acquired	0	0%	129,629,630	15.9%	129,629,630	21.2%
Voting power immediately after Entitlement Offer	115,457,964	14.1%	245,087,594	30.1%	245,087,594	40.2%

3.7 Effects on control

The potential effect the Entitlement Offer (including the underwriting and sub-underwriting) will have on the control of the Company, and the consequences of that effect, is as follows:

- (1) if all Eligible Shareholders take up their entitlements under the Entitlement Offer then the Entitlement Offer will have no effect on the control of the Company;
- (2) the proportional interests in the Company of those Eligible Shareholders who do not take up their Entitlement to New Shares under the Entitlement Offer will be diluted by those other Eligible Shareholders who take up some, or all of their Entitlement or take up all of their Entitlement and participate in the Shortfall under the Shortfall Facility (under section 1.12) and by any participation in the Shortfall by the Underwriter, any sub-underwriters (such as Republic) and any investors described under section 1.13;
- (3) the proportional interests in the Company of Ineligible Shareholders will be diluted because those Ineligible Shareholders are not entitled to participate in the Entitlement Offer; and
- (4) if there is still a Shortfall after the offer to Eligible Shareholders under the Entitlement Offer (including the Shortfall Facility) is complete, the voting power in the Company of:
 - (a) the Underwriter could increase from the current level of 0% to up to a maximum of 32.8%, which could occur in the event that:
 - (i) 0% of the New Shares are taken up under the Entitlement Offer and Shortfall Facility;
 - (ii) no sub-underwriting occurs (e.g. if sub-underwriters fail to fulfil their sub-underwriting commitments); and
 - (iii) no investors are proposed to take up the Shortfall under section 1.13, although if its appointment as foreign holder nominee is approved by ASIC, the Underwriter will seek to sell the New Shares acquired on behalf of those Ineligible Shareholders as described in section 1.4; or
 - (b) Republic could increase from the current level of 28.2% to up to a maximum of approximately 40.2%, based on the assumptions in paragraphs 3.7(4)(a)(i) (except assuming that Republic subscribes for its entire Entitlement) and 3.7(4)(a)(iii).

- (5) Accordingly, the Entitlement Offer may have control implications for the Company. The Underwriter or Republic may increase their respective abilities to influence the composition of the Company's board and management and strategic direction (although the Underwriter and Republic are not associates of each other as at the date of this Offer Booklet). Both the Underwriter and Republic have indicated that if they were to acquire their respective maximum potential voting power in the Company (described above) following the Entitlement Offer, they have no intention of making any material changes to the board, management or strategic direction of the Company. However, this intention may change in light of subsequent events or circumstances.

Aside from Republic, no sub-underwriter would become a substantial holder of Shares in the Company (as defined in the Corporations Act) as a consequence of receiving New Shares by virtue of their sub-underwriting in relation to the Entitlement Offer.

4 INVESTMENT RISKS

4.1 Introduction

This section describes some of the potential risks associated with Elk's business and the industry in which it operates, and the risks associated with an investment in New Shares in general. It does not purport to list every risk that may be associated with Elk's business or the industry in which it operates, or an investment in Shares now or in the future, and the occurrence or consequences of some of the risks described in this section are partially or completely outside of the control of Elk, its Directors and the senior management team.

The selection of risks included in this section has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Offer Booklet. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for New Shares, you should satisfy yourself that you have sufficient understanding of these matters and should consider if New Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Offer Booklet or are in any doubt as to whether to participate in the Entitlement Offer, it is recommended that you seek professional guidance from your stockbroker, accountant, lawyer or other professional adviser before deciding to participate in the Entitlement Offer.

The risk factors described below in relation to the price and value of Shares are also relevant to the price and value of the Company's quoted Options.

4.2 Specific risks related to an investment in Elk

There are specific risks associated with an investment in New Shares, including in relation to the Company's existing and proposed business operations. These include, without limitation:

(1) Development

The Company has a 35% working interest in the Grieve Project which is in the final stages of development, and a 100% interest in the Singleton CO₂ enhanced oil recovery project in Nebraska (**Singleton Project**) which is in early stage development. Potential investors should understand that development projects do involve certain risks.

- **Grieve Project**

Currently, development of the Grieve Project is more than 75% complete.

The latest field downhole pressure surveys by Denbury show that the re-pressurising of the Grieve Project oil field (**Grieve Oil Field**) has reached minimum miscibility pressure (**MMP**) following the sustained injection of CO₂ (supplied by Denbury) and water. Since mid-2013, CO₂ and water have been injected into the Grieve Oil Field and over the last several months CO₂ injection rates have been averaging 55-65 million standard cubic feet (MMscf) per day. To date approximately 33 billion standard cubic feet (**BCF**) of CO₂ has been injected into the Grieve Oil Field. The latest Grieve Oil Field downhole pressure survey completed in mid-April 2016 showed the Grieve Oil Field pressures are now 2,480 pounds per square inch (**PSI**), above the estimated MMP of 2,256 PSI. The survey also indicated that the Grieve Oil Field continues to build pressure in-line with the injection of CO₂ and water. The re-pressurisation of the Grieve Oil Field is currently ahead of schedule.

The Grieve Project is a complex geological, technical and engineering project that requires geological and civil, mechanical, petroleum and reservoir engineering input to design and construct a successful project that meets oil production forecasts. There is no guarantee that this will occur. Key development risks associated with the Grieve Project include, without limitation, a possibility that the design and specifications for the surface and sub-surface elements of the project are not suitable for the intended production process, or surface and sub-surface construction and development work is not undertaken according to specification or appropriate standards and regulations, and as a result the as-constructed surface and sub-surface project elements do not support production at the forecast rates, or at all, resulting in sub-economic production performance, negative environment, health and safety outcomes or other unintended operational outcomes that have a negative impact on production, profitability, health, safety and the environment. Any of these sub-optimal outcomes may affect the Company's viability and have a negative impact on the price of Shares.

- **Singleton Project**

Elk owns a 100% working interest in, and operates, the Singleton Project, which contains the Singleton oil field (**Singleton Oil Field**). The Company considers the Singleton Oil Field to be a potentially suitable CO₂ EOR project. Elk acquired a 100% working interest in the Singleton Project in Nebraska and became the operator of it in May 2014. The Singleton Project was acquired as the basis for a potential future CO₂ EOR project for Elk to implement after the Grieve Project generates free operating cash flow, or sooner if alternative funding can be arranged for the Singleton Project. These aspirations may never be realised and the Singleton Project may never produce hydrocarbons. The Singleton Project will require geological, technical and engineering design inputs similar to the Grieve Project, although the former is at an earlier stage of development. Key risks associated with the Singleton Project include, without limitation, the possibility that the preliminary design and specification of the surface and sub-surface elements of the project are not sufficient to provide economically viable development, or that surface and sub-surface construction and development work is not undertaken according to specification or appropriate standards and regulations, and as a result the as-constructed project elements do not support production, resulting in sub-economic performance of the asset, negative environment, health and safety outcomes or other unintended operational outcomes that have a negative impact on the Singleton Project, its future prospects of development, health, safety and the environment. Any of the sub-optimal outcomes may affect the Company's viability and have a negative impact on the Share price.

There can be no assurance that development of these projects, or any other development projects that may be acquired in the future (if any), will result in the recovery of oil and gas or that they will ever be commercialised. There are a number of geological, geophysical, engineering and commercial uncertainties, among numerous other development uncertainties that will bear on what actual recoveries and production rates (if any) will be achieved and the timing of responses to the enhanced oil recovery techniques that might be applied in each case.

The development costs of such projects are based on a number of assumptions with respect to the method and timing of development, and, for the Grieve Project, significant input from the Grieve JV operator, Denbury. By their nature, these estimates and assumptions are subject to material uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the projects' and the Company's viability. There is also a risk that the Grieve Project and Singleton Project will never be developed for various other reasons, such as legal, contractual, force majeure, acts of terrorism or regulatory matters or if adverse commodity prices adversely affect the projects.

(2) **Grieve JV**

If the Grieve Project restructure does not proceed as proposed, the existing Grieve JV is anticipated to continue to operate. The existing Grieve JV is not as commercially attractive to Elk as the proposed restructured joint venture agreement, and the former may reduce the project's potential profitability in the event it is commercialised (which may never occur) and the Company's prospects of raising equity and debt capital. This outcome may adversely affect the Grieve Project viability and have a negative impact on the Company's financial position and Share price and result in further litigation between the Company and Denbury as described in section 4.2(20).

(3) **Financing risks**

There is a risk that Elk will not be able to obtain the remaining US\$53.5 million it requires to complete the Grieve JV restructuring announced to the ASX Market Announcements Platform.

As previously announced, the Company intends to source this funding through a combination of debt and equity funding. A substantial portion of this funding may be provided through one or more debt facilities. Please refer to section 1.7 for details of the mandate which the Company has entered into with a premier global asset management firm. This mandate does not yet provide certainty of funding to make up the balance of Elk's proposed obligation to fund the Grieve Project restructure, after the proposed use of funds raised under the Entitlement Offer (if any). There is also a risk that the Company will fail to raise adequate funds under the Entitlement Offer to achieve its objectives described in section 1.7. If the debt or equity financing cannot be obtained in a timely fashion then Elk may not be able to complete the full funding commitments it is seeking to undertake for the completion of the Grieve Project. This may result in contractual breaches by Elk (with potential consequential liabilities against Elk), detrimentally affect the Grieve Project and the Company's interest in it, adversely affect the Company's viability and financial position and have a negative impact on Elk's Share price.

(4) **Underwriting risks**

The Underwriting Agreement entered into between the Company and the Underwriter is subject to certain terms and conditions, the key terms of which are summarised in section 5.2. If certain conditions are not satisfied or certain events occur, the Underwriter may terminate the Underwriting Agreement. In addition, there is a risk that the Company or the Underwriter may breach the Underwriting Agreement, which may result in the Underwriter (and sub-underwriters) not providing the underwritten funds required in accordance with that agreement.

If the Underwriting Agreement is terminated or breached and the Entitlement Offer does not proceed or does not raise the funds required for the Company to meet its stated objectives, set out in section 1.7, the Company will need to find alternative financing to meet its funding requirements. In addition, even if the Underwriting Agreement is not terminated, the Company may still be unable to raise sufficient funding under the Entitlement Offer to meet its funding requirements (given the Entitlement Offer is only partially underwritten).

There is no guarantee that alternative funding could be sourced, either at all or on satisfactory terms. Termination of the Underwriting Agreement could materially adversely affect the Company's business and financial position.

(5) **Enhanced Oil Recovery ("EOR") Process**

Enhanced Oil Recovery Processes, or EOR Processes, are typically considered after primary and secondary production have become uneconomic. EOR Processes are well known in the oil and gas industry.

The Grieve Project is located in a geological and geographical region where many EOR projects are operated successfully, but there is a risk that oil production resulting from EOR at the Grieve Project doesn't occur or is less than forecast due to a different EOR response than what has been predicted, resulting in a sub-economic project which may affect the Company's viability and have a negative impact on the Share price. There is also no guarantee that any EOR Process can occur or will be viable at the Singleton Project.

(6) Grieve Project developer and operator

Denbury is the operator of the Grieve JV. As a result, the Company is exposed to various risks arising from Denbury's control of the development and operation of the Grieve Project. If development or operation problems occur or other problems arise in the relation to the Grieve JV, the Company may not be in a position to resolve those problems and the Company, its financial position and its Share price may be adversely affected.

For example, there is a risk that Denbury's corporate strategy or commercial focus may change, resulting in a shift of focus away from EOR projects in Wyoming or in the US generally, resulting in a negative impact on its ability or willingness to develop and operate the Grieve Project. There is a risk that Denbury is impacted by macroeconomic factors or microeconomic factors, resulting in bankruptcy, other interference to its operations and a negative impact on its ability to develop and operate the Grieve Project (any of which may have a negative impact on the Company's operations, financial position and the Share price).

(7) Company operations

The operations of the Company may be affected by various factors, including failure to locate or identify Petroleum Resources and Petroleum Reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in gaining government or regulatory approvals, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, force majeure events by suppliers, product processes and pipeline transporters, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, commodities, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful development and/or production of its project and prospect interests.

(8) Petroleum Reserves and Petroleum Resources

Estimates of Petroleum Reserves and Petroleum Resources are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques become available. In addition, by their nature, Petroleum Reserves and Petroleum Resources estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change.

This may result in alterations to development and commercial flow plans, which may, in turn, either benefit or adversely affect the Company's operations, financial position, viability and Share price.

(9) Oil price volatility and exchange rate

If the Company achieves success leading to oil production (which may not occur), the revenue it may derive through the sale of oil exposes the potential income of the Company to oil price and exchange rate risks. Oil prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and

demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of oil are denominated in United States dollars and, while material levels of current and near-term expenditures are incurred in United States dollars, the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(10) Contracts risk

The Company currently has contracting arrangements with third party contractors for the petroleum operations in the United States of America (**USA**). The Directors are unable to predict the risk of:

- (a) financial failure or default of the contractor or any other third party to a contract for which the Company is a party, or
- (b) insolvency or other managerial failure by any of the operators and contractors used by the Company in its activities, or
- (c) insolvency or other managerial failure by any of the other service providers used by the Company or operators for any activity; or
- (d) mechanical, other operating or commercial failure by contractors or of the contractors' equipment or services, which are used by or provided to the Company.

(11) Environmental

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment applicable in the jurisdiction of those activities. As with most development or production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced development or production proceeds. It is the Company's practice to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

(12) Sovereign

The Company's projects are located in the USA and are subject to the risks associated with operating in that country. These risks may include economic, social or political instability or change, changes of laws (such as those affecting foreign ownership), government participation, taxation, working conditions, rates of exchange, exchange control, approvals and licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Any future material adverse changes in government policies or legislation in the USA that affect foreign ownership, exploration, development or activities of companies involved in oil and gas exploration, development and production, may affect the viability and profitability of the Company and its financial position and Share price.

(13) Joint venture, acquisitions or other strategic investments

The Company may make strategic investments in complementary businesses, or enter into strategic partnerships or alliances with third parties in order to enhance its

business. Such arrangements involve a wide range of risks, including in relation to the Grieve JV.

(14) **Status of leases**

The Company cannot guarantee that its current petroleum leases will be renewed beyond their current expiry date and there is a material risk that, in the event the Company is unable to renew any of its leases beyond their current expiry dates, the Company's interest in those leases will be relinquished.

(15) **Competition**

Elk is exposed to competition in the USA domestic and international oil markets and could be adversely impacted by cheaper future oil supply from other sources, in particular, potentially reducing the price of any uncontracted oil produced from the Grieve Project in the future. Elk is also exposed to the USA domestic CO₂ supply market. Elk's ability to successfully pursue and implement CO₂ EOR projects in the USA is dependent upon continued access to these CO₂ supplies on an economically viable basis. Pricing for CO₂ supplies in the USA domestic market is largely linked to prevailing USA domestic oil prices. As such the Company is subject to macroeconomic and physical risks that may affect the CO₂ supply market.

(16) **Insurance**

Elk maintains insurance coverage limiting financial loss resulting from certain operating risks, in accordance with standard industry practice or as determined by the Board. However, not all risks inherent to Elk's operations or those of its joint venture affiliates can be adequately insured economically or at all, and losses and liabilities arising from uninsured or underinsured operational events or the failure of one of its insurance providers could increase Elk's costs or cause other adverse effects to Elk's financial position, viability and its Share price. If claims are made under insurance policies, it may result in an increase in insurance premiums.

(17) **Exchange rate risks**

International prices of various commodities are denominated in United States dollars, whereas the income and certain amounts associated with the Company's expenditure are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(18) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations (which may not occur), the Company may require further financing in addition to amounts potentially raised under the Entitlement Offer and other potential debt funding described in section 1.7 as necessary to pay for the proposed Grieve Project restructuring. Should Elk be unable to raise the required amount of debt to finance the Grieve Project restructuring, the Company's interest in the Grieve Project may be compromised, with a potential resulting negative impact on the Company's financial position, viability and Share price. Those negative impacts may also occur if the Company is unable to raise funds needed for additional purposes in future.

Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development programmes as the case may be. However, there is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(19) **Hedging risks**

As at the date of this Offer Booklet the Company has no committed oil price hedging. Implementation of an agreed oil price and interest rate hedging program is, however, anticipated in conjunction with utilizing a significant degree of debt financing for the proposed development of the Grieve Project. In addition to an oil price hedging program specific to the Grieve Project debt financing, additional hedging may be considered at a future date subject to availability and will be consistent with prudent financial management practices adopted by the Company. If the Company does enter into a hedging transaction, there is a risk that the Company may not be able to deliver physical production into committed hedges, if for example, there was a production stoppage. In that event the Company could be adversely affected if the oil price were to move unfavourably, depending on the form of oil price hedging protection utilized. In addition, there is a market-to-market risk in respect of accounting for hedging that could adversely impact the Company's financial results.

(20) **Litigation risks**

The Company is exposed to possible litigation risks including, without limitation, title claims, tenure disputes, environmental claims, occupational health and safety claims and employee and other industrial claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, viability, financial performance and financial position.

The basis for the proposed restructuring of the joint venture and ownership of the Grieve Project arises out of various disputes under the terms of the joint venture and development agreements. In May 2015, the Company instituted legal proceedings in the US Federal District Court in Wyoming against Denbury arising out of these disputes (the **Grieve Dispute**). With a view to resolving these disputes, both the Company and Denbury agreed to terminate these proceedings and to work towards a negotiated commercial settlement. Closing on transactions contemplated by, and completing, the Grieve Project restructure is anticipated to include a full legal settlement and release of all claims associated with the Grieve Dispute. Until such time as the closing on the restructuring of the Grieve Project, these claims and underlying disputes remain the basis for reinstituting the litigation commenced in May 2015.

If the Grieve Project restructuring and/or the Company's financing of that restructuring do not occur in a timely manner, there is a likelihood that the Grieve Dispute will recommence (or other litigation against Denbury may commence).

The Company is not currently engaged in any litigation and has settled a previous dispute with the Crow Tribe in the US state of Montana, as announced to the ASX Market Announcements Platform.

(21) **Dilution risk under the Entitlement Offer**

The completion of the Entitlement Offer may result in the issue of up to approximately 410,073,919 New Shares (and potentially more, for example if existing convertible securities are converted into Shares in time for the Record Date). If an Eligible Shareholder does not take up their full Entitlement, their percentage holding of Shares are likely to be diluted. Examples of how dilution may impact on Shareholders are set out in section 3.2.

4.3 **General risks**

(1) **Price of Shares**

As a publicly company listed on ASX, Elk is subject to general market risks that are inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of Elk.

Some of the factors which may affect the price of the Shares include fluctuations in the local and international stock markets, the size of the Company's market capitalisation, changes in investor sentiment toward particular market sectors, the demand for and supply of capital, movements in interest rates, general economic and political conditions including interest rates, inflation rates, exchange rates, consumer sentiment, commodity and oil prices, changes to government fiscal, monetary and regulatory policies and settings, and changes in legislation and regulation.

The historic share price performance of the Shares provides no guidance as to its future share price performance.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resources stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(2) Trading and liquidity in Shares

There can be no guarantee that an active market for Shares will exist. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid for their Shares under the Entitlement Offer.

(3) Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and the financial position of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(4) Taxation

The acquisition and disposal of securities, including Shares and New Shares, will have tax consequences, which will differ depending on the individual financial affairs of each investor and applicable laws. All potential investors in the Company are urged to obtain independent financial and taxation advice about the consequences of acquiring New Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for New Shares under this Offer Booklet.

(5) Shareholder dilution – future Share issues

In the future, Elk may elect to issue more Shares or other securities. While the Company is subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of any such future issues of Shares or other securities.

(6) Changes in tax rules or their interpretation

Changes in tax law (including, without limitation, goods and services taxes, stamp duties and other impost and charges imposed by government), or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. In particular, both the level and basis of tax may change. In addition, an investment in the New Shares involves tax considerations which may differ for each Shareholder. Each Eligible Shareholder is encouraged to seek professional tax advice in connection with a further investment in Elk.

(7) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development, production and other activities, as well as on its ability to fund those activities.

(8) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and key personnel such as the Directors. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these personnel cease their employment or appointment with the Company (or its group) or if the composition of the Company's board of Directors changes.

(9) **Government and regulatory factors**

Government or regulatory policies and laws may change, which could have an impact on the Australian or United States economic environment, market conditions or Elk's operations. Depending on the nature of any such changes, it may adversely impact the operations or future financial performance of Elk and on its Share price.

(10) **Management of growth**

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Entitlement Offer. The capacity of the Company's management to properly implement and manage the strategic direction of the Company's group may affect the Company's financial performance.

(11) **Regulatory risks**

The introduction of new legislation or amendments to existing legislation by governments, developments in existing law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations (particularly in Australian and the USA), could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its Shares. In addition there is a commercial risk that legal action may be taken against the Company in relation to commercial or other matters.

(12) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance, financial position and viability of the Company and the value of the New Shares offered under this Offer Booklet. Therefore, the New Shares to be issued pursuant to this Offer Booklet carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Offer Booklet.

5 ADDITIONAL INFORMATION

5.1 Reliance on Offer Booklet

This Offer Booklet has been prepared pursuant to section 708AA of the Corporations Act, as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73, for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act.

This Offer Booklet was lodged with ASX on 3 June 2016.

Section 708AA of the Corporations Act requires an entity which seeks to rely on the disclosure exemption in section 708AA to lodge a "cleansing notice" with ASX which, among other things:

- (1) sets out any information that had been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
 - (a) the assets and liabilities, financial position and performance, profits and losses and prospects of Elk; or
 - (b) the rights and liabilities attaching to the New Shares; and
- (2) states the potential effect of the issue of the New Shares on control of Elk and the consequences of that effect.

Elk lodged a cleansing notice in respect of the Entitlement Offer with ASX on 3 June 2016.

In deciding whether or not to apply for New Shares, including any Additional New Shares under the Entitlement Offer, you should rely on your own knowledge of Elk, refer to the documents lodged and the disclosures made by the Company on ASX (which are available on the ASX website at www.asx.com.au (ASX code: ELK)) and seek advice from your financial or other professional adviser.

5.2 Underwriting Agreement

The Company has entered into the Underwriting Agreement with Taylor Collison dated 3 June 2016 under which the Underwriter has agreed, subject to the terms of that agreement, to partially underwrite the Entitlement Offer to the value of A\$15,000,000 (being up to 200,000,000 New Shares) less any Application Monies which may be received from sub-underwriters already appointed taking up their Entitlements. This means that, subject to the terms of the Underwriting Agreement, the Underwriter will subscribe for, or will procure sub-underwriters or parties under section 1.13 to subscribe for (after applications for New Shares out of the Entitlements and the Shortfall Facility), any Shortfall up to A\$15,000,000 less any Application Monies which may be received from sub-underwriters already appointed taking up their Entitlements.

The Company has agreed to pay to the Underwriter:

- a management fee of 1.5% (exclusive of GST) of the amount which the Underwriter has agreed to underwrite under the Entitlement Offer (excluding the funds raised as a result of Taylor Collison acting as nominee for Ineligible Shareholders, as described in section 1.4);
- an underwriting fee of 3.0% (exclusive of GST) of the amount which the Underwriter has agreed to underwrite under the Entitlement Offer (excluding the funds raised as a result of Taylor Collison acting as nominee for Ineligible Shareholders, as described in section 1.4); and

- reasonable costs, professional fees and expenses of and incidental to the Entitlement Offer which are incurred by the Underwriter.

The obligations of the Underwriter under the Underwriting Agreement are subject to the Company giving the Underwriter written notice of any Shortfall and customary confirmations about the Company's compliance with the Underwriting Agreement and regulatory requirements.

As is customary in underwriting agreements:

- (1) The Company has agreed, subject to certain limitations, to indemnify the Underwriter, its related bodies corporate and each of the directors, officers, employees, agents, advisers and authorised representatives of the Underwriter and its related bodies corporate against certain liabilities, losses, claims, demands and proceedings and certain costs and expenses they may suffer or incur in connection with the Entitlement Offer.
- (2) The Company has given certain representations, warranties and undertakings in favour of the Underwriter in connection with the Entitlement Offer.
- (3) Subject to compliance with applicable laws, the Underwriter may engage sub-underwriters on such terms and conditions as it determines in its absolute discretion. The Underwriter is responsible for paying any sub-underwriting fees. The Underwriter's underwriting engagement under the Underwriting Agreement is not conditional on the appointment or continued appointment of sub-underwriters.
- (4) The Underwriter will ensure that, except with the approval of the Company, no person will acquire, through participation in the part of the Shortfall underwritten by the Underwriter (by sub-underwriting the Entitlement Offer or otherwise), voting power in the Company of, or increase their voting power in the Company to, an amount in excess of 19.9% of all the Shares on issue as a result of the issue of New Shares which are underwritten.
- (5) The Underwriter has the right, up until the Issue Date under the Entitlement Offer (which is scheduled for 28 June 2016), to terminate the Underwriting Agreement in various circumstances, including, among other customary termination events, if any of the following occur:
 - (1) **misleading statement in the Entitlement Offer documents:** a material statement in a document relating to the Entitlement Offer (including this Offer Booklet) is found to be untrue, misleading or deceptive;
 - (2) **changes in prospects of the Company:** a material adverse change occurs in the condition, financial position or prospects of the Company and its related bodies corporate taken as a whole;
 - (3) **breach of constitution or laws or regulations:** the Company breaches its constitution or contravenes any provision of the Corporations Act, the Listing Rules or any other applicable Australian laws, in a manner which would, in the Underwriter's reasonable opinion, materially and adversely affect the Company or the Entitlement Offer;
 - (4) **breach of the Underwriting Agreement:** the Company or any of its subsidiaries breaches a material provision (including, but not limited to, representations, warranties or undertakings) of the Underwriting Agreement, that, in the Underwriter's reasonable opinion, is material;
 - (5) **timetable not met:** there are certain delays in the timetable for the Entitlement Offer in relation to events which are wholly within the Company's control;

- (6) **Entitlement Offer or Entitlement Offer documents withdrawn:** the Company withdraws the Entitlement Offer or a document relating to the Entitlement Offer (including this Offer Booklet);
- (7) **unapproved alteration of capital:** the Company alters, or announces an intention to alter its capital structure or its constitution in a way that would, in the Underwriter's reasonable opinion, materially and adversely affect the Company or the Entitlement Offer;
- (8) **unapproved encumbrances:** the Company or one of its subsidiaries gives security over its assets (other than certain permitted encumbrances) in favour of any person who is not a security holder at the date of the Underwriting Agreement which would, in the Underwriter's reasonable opinion, materially and adversely affect the Company or the Entitlement Offer;
- (9) **false or misleading information given to the Underwriter:** any information that is, in the Underwriter's reasonable opinion, material that was supplied at any time by or on behalf of the Company to the Underwriter in respect of any aspect of the Company or its subsidiaries or the Entitlement Offer is or becomes misleading or deceptive or contains a material omission;
- (10) **commencement of hostilities:** there is an outbreak of hostilities not presently existing, an escalation of hostilities occurs or a terrorist act is committed in certain jurisdictions which would, in the Underwriter's reasonable opinion, materially and adversely affect the Company or the Entitlement Offer;
- (11) **changes of law:** a government agency adopts or announces any change in any applicable laws or governmental policies which would, in the Underwriter's reasonable opinion, materially and adversely affect the Company or the Entitlement Offer;
- (12) **suspension:** any securities issued by the Company are suspended from quotation on ASX (but excluding a trading halt) or are the subject of an ASX statement to the effect that the securities will be suspended or cease to be quoted;
- (13) **quotation on the ASX:** approval for quotation of the New Shares (to the extent they are issued under the Entitlement Offer) is not given by ASX within three months following the date of signing of the Underwriting Agreement or the ASX makes a statement to any person that official quotation of the New Shares will not be granted;
- (14) **significant change to management or board:** there is a significant change to the composition of the senior executives of the Company or of its board of Directors without the approval of the Underwriter (which approval may not be unreasonably withheld);
- (15) **interest rate increase:** after the date of the Underwriting Agreement, the indicator rate for bonds issued by the Australian Commonwealth government, which have a tenor of either three or ten years, rises 1% or more;
- (16) **judgment:** a judgment in an amount exceeding A\$250,000 is obtained against the Company or any of its related bodies corporate and is not set aside or satisfied within five business days; or
- (17) **movement in the All Ordinaries Index or the Small Ordinaries Index:** the All Ordinaries Index or the S&P/ASX Small Ordinaries Index (each, an **Index**), both published by Standard & Poor's in respect of the financial market of ASX, is at any time on any two consecutive business days prior to allotment of the New Shares 10% or less of the level that Index attained at the close of trading on the business day before the date of signing the Underwriting Agreement.

5.3 **Copies of documents**

The annual financial report of Elk for the year ended 30 June 2015, being the most recently lodged annual financial report of Elk before the date of this Offer Booklet and all continuous disclosure notices given by Elk to ASX since the 30 June 2015 annual financial report was lodged with ASX, are available on the ASX website at www.asx.com.au (ASX code: ELK).

5.4 **Estimated expenses of the Entitlement Offer**

The estimated expenses of the Entitlement Offer (excluding GST) are A\$1.68 million as described in section 1.7.

The total expenses can only be estimated at the date of this Offer Booklet as final expenses are dependent on the number of New Shares subscribed for under the Entitlement Offer and the total amount of Shortfall placed.

5.5 **Risks**

You should refer to the non-exhaustive “Investment Risks” in section 4 and you should consider these factors in light of your personal circumstances, including financial and taxation issues, before making a decision in relation to your Entitlement.

5.6 **Taxation**

Shareholders should be aware that there may be taxation implications of participating in the Entitlement Offer. Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Booklet. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences for Shareholders.

5.7 **Alteration of terms**

Elk reserves the right, at its discretion, to vary, suspend or cancel the Entitlement Offer at any time, subject to the Corporations Act, the Listing Rules and any other law or regulation to which the Company is subject.

Any variation, suspension or cancellation does not give rise to any liability on the part of or any action against, Elk or any Director and will be binding on all Shareholders.

If the Directors determine to suspend or cancel the Entitlement Offer, any Application Monies received by the Company in relation to New Shares not already issued will be refunded in accordance with the Corporations Act, without interest, as soon as reasonably practical after the suspension or cancellation.

5.8 **Overseas jurisdictions**

This Offer Booklet does not, and is not intended to, constitute an offer, invitation or issue in any place in which, or to any person to whom, it would be unlawful to make such an offer, invitation or issue. By applying for New Shares, 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 distribution of this Offer Booklet outside of Australia, New Zealand and Singapore (subject to sections (b) for New Zealand and (c) for Singapore of the “Foreign jurisdictions and restrictions on the distribution of this Offer Booklet” sub-section in the “Important Information” section) may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. The Company disclaims all liabilities to such persons.

Eligible Shareholders are responsible for ensuring that taking up New Shares under the Entitlement Offer does not breach the restrictions set out in this Offer Booklet or otherwise violate the securities laws in the relevant overseas jurisdictions.

No action has been taken to register or qualify this Offer Booklet, the New Shares, or the Entitlement Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia and New Zealand.

5.9 Clearing House Electronic Sub-Register System (CHES)

The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Booklet. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

5.10 Governing law

This Offer Booklet, the Entitlement Offer, and the contracts formed on acceptance are governed by the laws of New South Wales. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales.

5.11 Enquires

If you have any questions in respect of the Entitlement Offer, please contact the Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) from 8.30 am – 5.00 pm from Monday to Friday before the Closing Date.

6 DEFINITIONS

Terms and abbreviations used in this Offer Booklet have the following meaning:

2C	Denotes the Best Estimate scenario of Contingent Resources
2P	Is equivalent to the sum of Proved Reserves plus Probable Reserves. It denotes the Best Estimate scenario of Petroleum Reserves
3C	Denotes the High Estimate scenario of Contingent Resources
3P	Is equivalent to the sum of Proved Reserves plus Probable Reserves plus Possible Reserves. It denotes the High Estimate scenario of Petroleum Reserves
A\$ or \$	The lawful currency of Australia, unless otherwise specified
Additional New Shares	New Shares applied for by Eligible Shareholders in excess of their Entitlement by using the Shortfall Facility
Applicant	An Eligible Shareholder who applies for New Shares under the Entitlement Offer or who applies for New Additional Shares under the Shortfall Facility
Application	A valid application by way of an Entitlement and Acceptance Form (with cleared Application Monies) or made via a BPAY® payment
Application Monies	Monies paid by Eligible Shareholders in respect of New Shares, including any Additional New Shares they apply for
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691, or the market operated by it, as the context requires
Best Estimate	Is the best estimate of the quantity that will actually be recovered from an accumulation by an oil and gas project. It is the most realistic assessment of recoverable quantities if only a single result were reported. When probabilistic methods are used there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate
Board	The Company's board of Directors
Broker Handling Fee	Has the meaning given in section 1.24
Closing Date	5.00 pm (Sydney time) on 21 June 2016 (unless extended)
Contingent Resources	The quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development oil and gas projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
Corporations Act	<i>Corporations Act 2001</i> (Cth)

Denbury	Denbury Resources Inc. (incorporated in Delaware, United States)
Directors	The directors of the Company
Eligible Shareholder	A person who meets the requirements set out in section 1.2
Elk or Company	Elk Petroleum Ltd ACN 112 566 499
Entitlement	The entitlement of an Eligible Shareholder under the Entitlement Offer
Entitlement and Acceptance Form	The entitlement and acceptance form which accompanies this Offer Booklet
Entitlement Offer	The offer to Eligible Shareholders to apply for one New Share for every one Share held at 7.00pm (Sydney time) on the Record Date under this Offer Booklet
EOR	Enhanced oil recovery
FY	Financial year
Grieve Dispute	Has the meaning given in section 4.2(20)
Grieve JV	The Grieve Project joint venture with Denbury
Grieve Project	The Grieve CO ₂ enhanced oil recovery (EOR) redevelopment project in Wyoming, in which Elk has a joint venture interest and in which Denbury Resources Inc. is the other joint venturer
GST	Goods and services tax or any similar tax
High Estimate	An optimistic estimate of the quantity that will actually be recovered from an accumulation by an oil and gas project. When probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate
Ineligible Shareholder	Has the meaning given under “Ineligible Shareholders” on page 1 of this Offer Booklet
Listing Rules	The Listing Rules of ASX
MMbbl	one million barrels of oil
New Share	A Share to be issued pursuant to the Entitlement Offer
Offer Booklet	This document dated 3 June 2016, including the accompanying Entitlement and Acceptance Form
Offer Price	\$0.075 per New Share
Option	An option to acquire a Share
Petroleum Reserves	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Petroleum Reserves must satisfy four criteria, being that they must be discovered, recoverable, commercial and remaining based on

	the development project(s) applied
Possible Reserves	Those additional Petroleum Reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved Reserves plus Probable Reserves plus Possible Reserves (3P). When probabilistic methods are used there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate
Probable Reserves	Those additional Petroleum Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recoverable than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved Reserves plus Probable Reserves (2P). When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will exceed the 2P estimate
Proved Reserves	Those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations. If deterministic methods are used the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. When probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered equal or exceed the estimate
Petroleum Resources	All quantities of petroleum (recoverable and unrecoverable) naturally occurring on or within the Earth's crust, discovered and undiscovered, plus those quantities already produced. It includes all types of petroleum whether currently considered conventional or unconventional
Record Date	7.00 pm (Sydney time) on 8 June 2016
Republic	Republic Investment Management Pte. Ltd. (incorporated in Singapore), a substantial shareholder in the Company and a sub-underwriter of part of the Entitlement Offer
Share	A fully paid ordinary share in the Company
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277
Shareholder	A registered holder of Shares
Shortfall	Those New Shares under the Entitlement Offer not subscribed for by Eligible Shareholders under their Entitlements
Shortfall Facility	The shortfall facility described in section 1.12
Taylor Collison or Underwriter	Taylor Collison Limited ABN 53 008 172 450, the Underwriter of the Entitlement Offer

Underwriting Agreement	The underwriting agreement between the Underwriter and the Company summarised in section 5.2
US\$	United States of America dollars
VWAP	Volume weighted average price

7 CORPORATE DIRECTORY

Directors

Bradley Lingo

Neale Taylor

Russell Krause

Matt Healy

Timothy Hargreaves

Company Secretaries

David Franks

Andrew Bursill

Registered Office

Suite 4, Level 9

341 George Street, Sydney, NSW 2000

Website

<http://elkpet.com/>

Financial Advisor

Miro Advisors

Level 1, 24 Kings Park Road, West Perth WA

T: (08) 9482 7700

Underwriter

Taylor Collison Limited

GPO Box 4261, Sydney NSW 2001

Level 10, 167 Macquarie Street, Sydney NSW

T: (02) 9377 1500 F: (02) 9232 1677

www.taylorcollison.com.au

Legal Advisers

Norton Rose Fulbright Australia

Level 18, Grosvenor Place

225 George Street, Sydney NSW 2000

T: (02) 9330 8000 F: (02) 9330 8111

www.nortonrosefulbright.com

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

Abbotsford VIC 3067

T: (Australia) 1300 850 505 (Overseas) +61 3 9415 4000

8 INVESTOR PRESENTATION



ELK PETROLEUM 

Entitlement Offer Presentation

3 June 2016

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- Actual values, results or events may be materially different to those expressed or implied in this presentation. Any forward looking statements in this presentation speak only at the date of issue of this presentation. Subject to any continuing obligations under applicable law and the ASX Listing Rules, the Company does not undertake any obligation to update or revise any information or any of the forward looking statements in this presentation or any changes in events, conditions or circumstances on which any such forward looking statement is based.
- 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.

Management Team



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

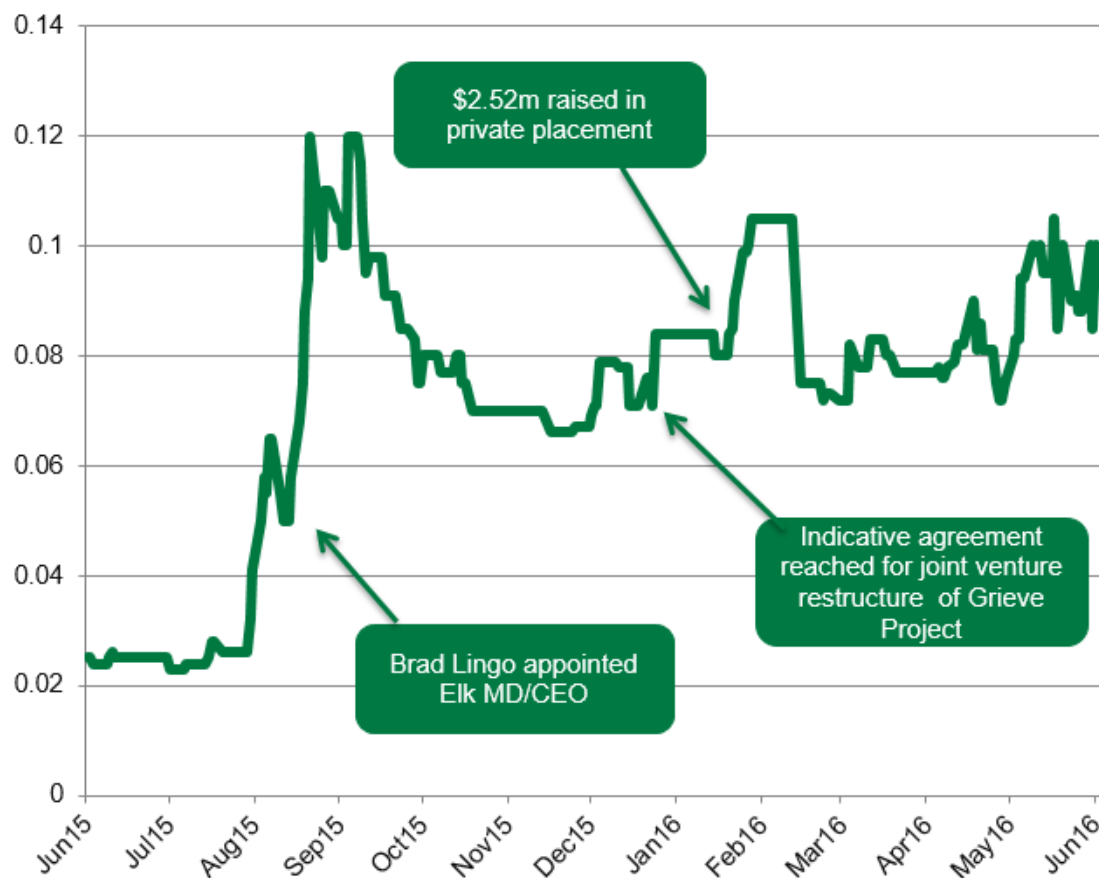
- Appointed 14 April 2016
- 10y+ experience in resources/oil and gas M&A, capital raising and corporate finance
- Prior roles as General Manager BD-Drillsearch and Associate Director-RFC Corporate Finance
- Strong financial analytical & management skills
- Previous 10y experience in engineering, construction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

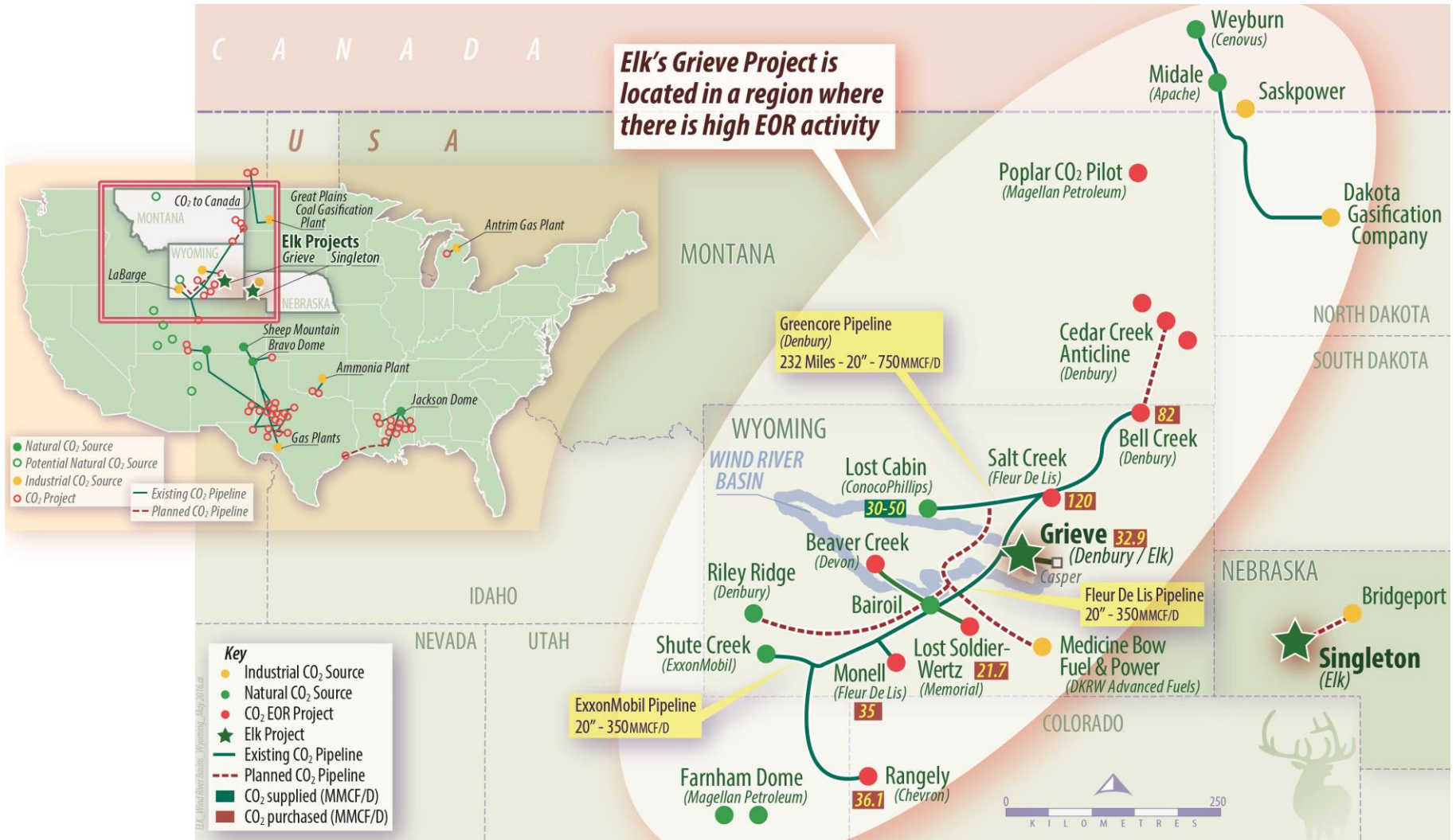
Major shareholders

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

US assets—Wind River Basin, Northern Rockies, WY



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

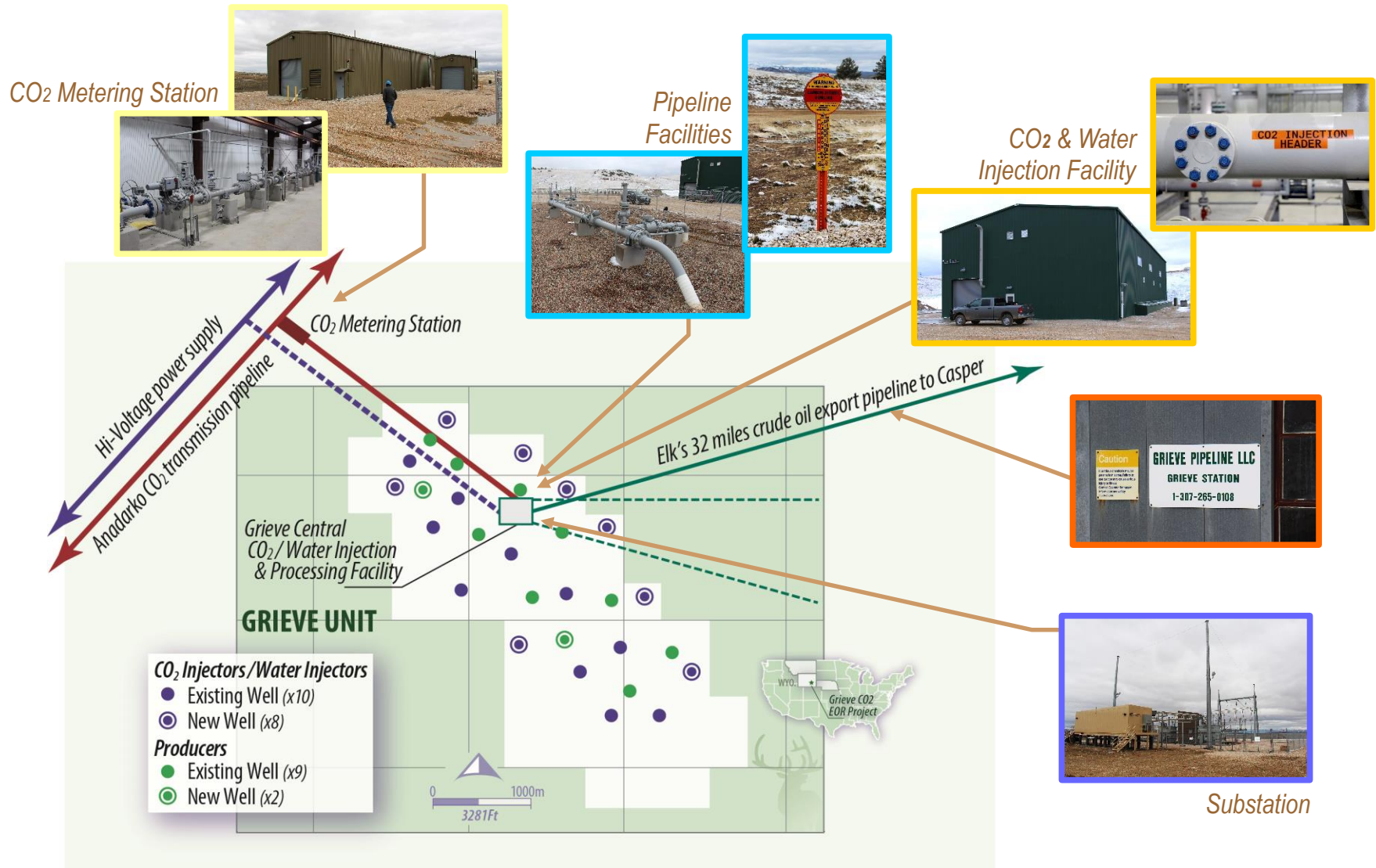
**Net volumes to Elk subject to finalisation of proposed Grieve JV restructure*



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



Grieve CO2 EOR Project – A Field-level View

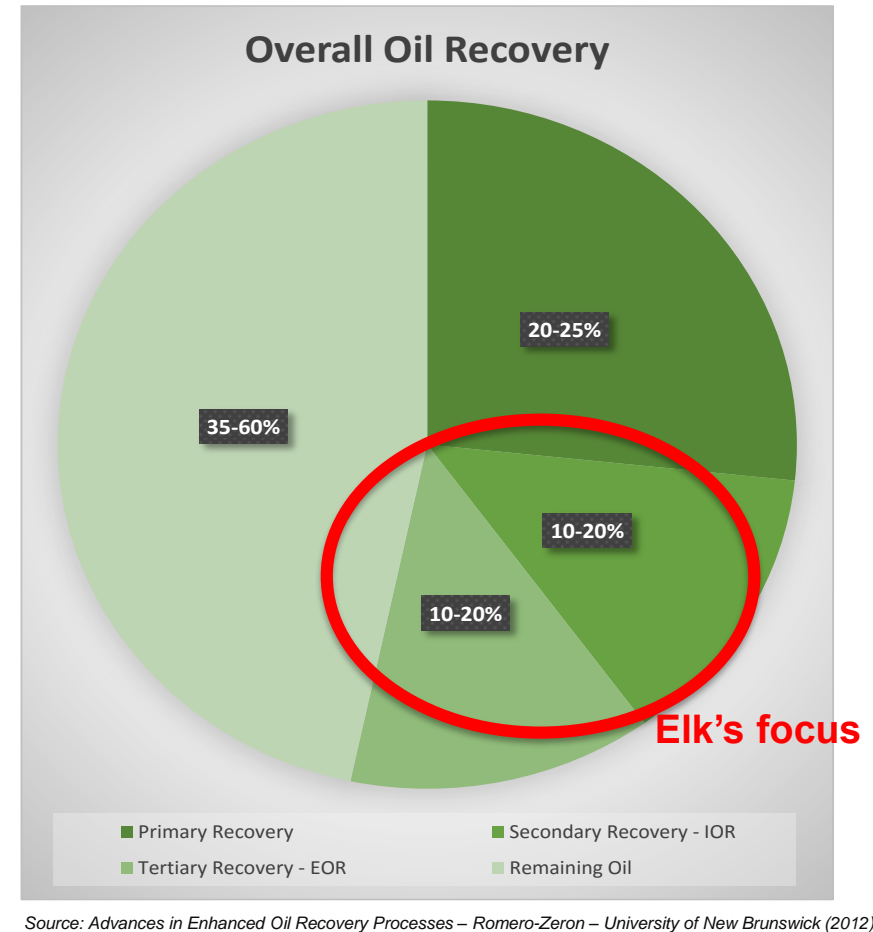
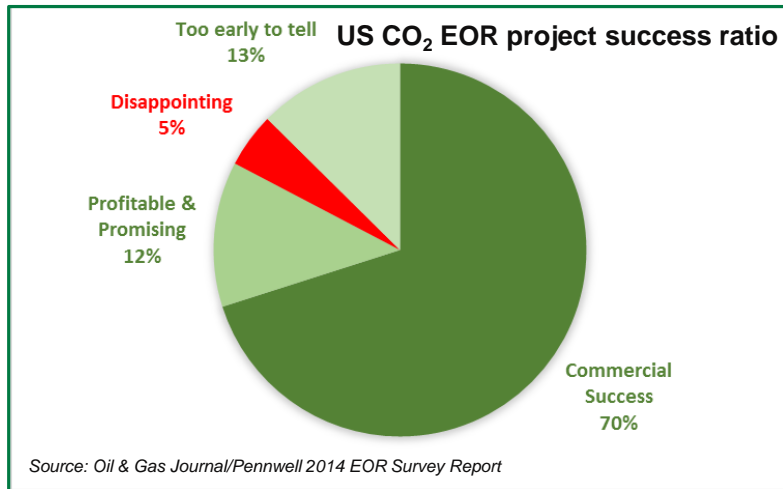




What is EOR?

‘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’

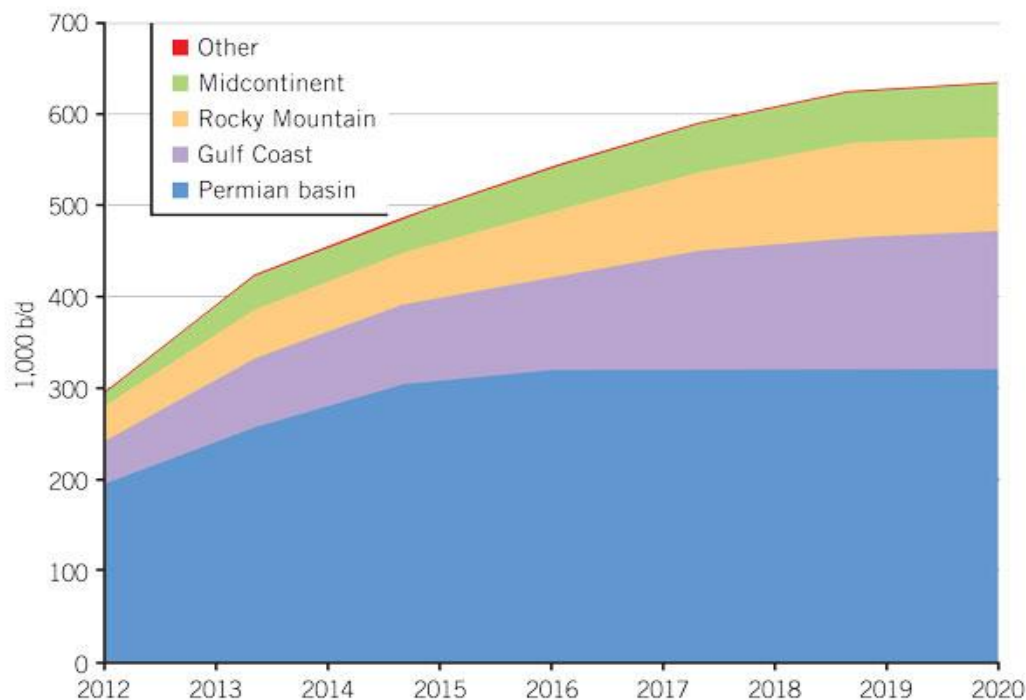
- Specialist secondary & tertiary method of oil recovery
- Successfully deployed for nearly 50 years
- Can extract 20-40% more than primary recovery
- Substantially increase oil recovery & productive life
- Attractive economics even in low oil price markets
- Used extensively in North America & Middle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



US Market EOR performance and opportunity



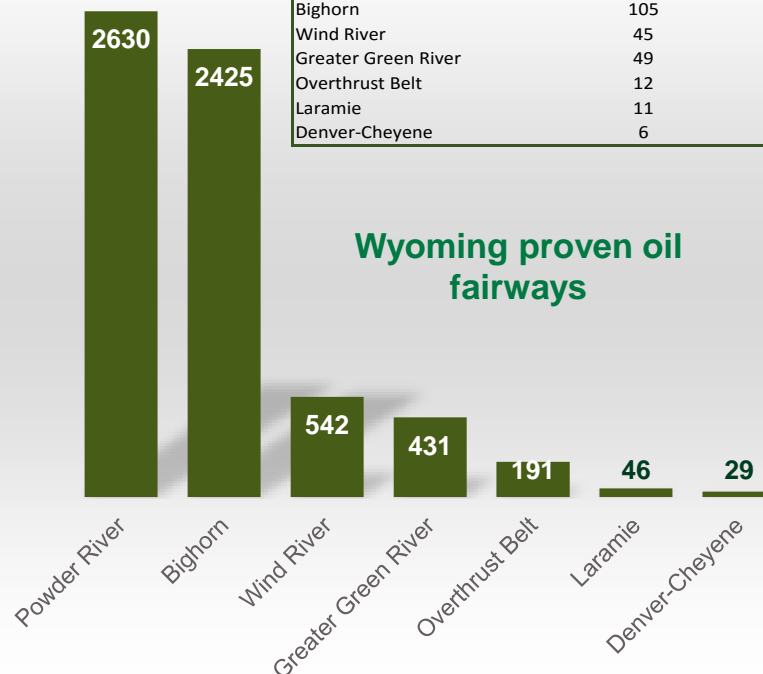
PROJECTED CO₂-EOR PRODUCTION BY REGION



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**

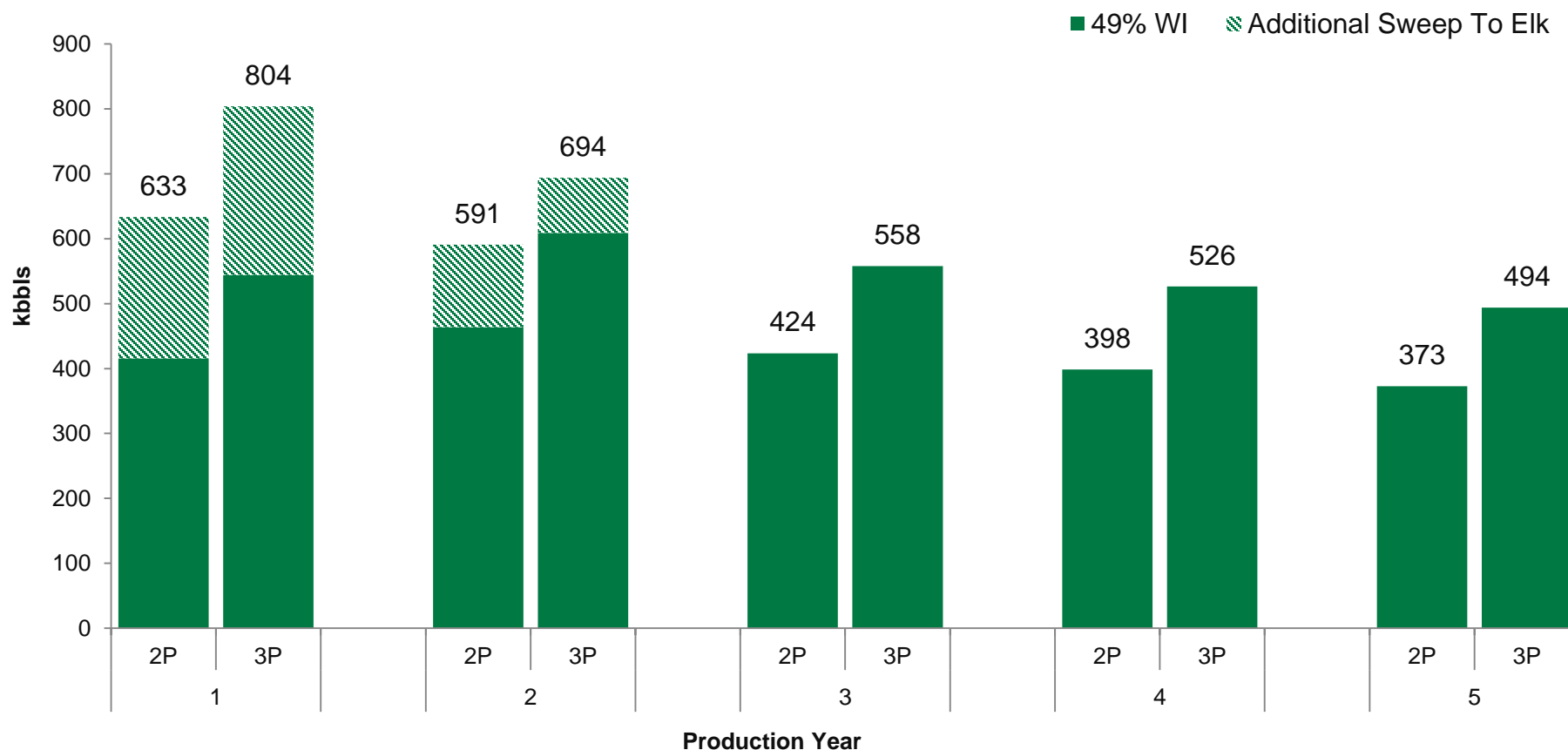
*US Department of Energy
**Visiongain Research, October 2014

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)



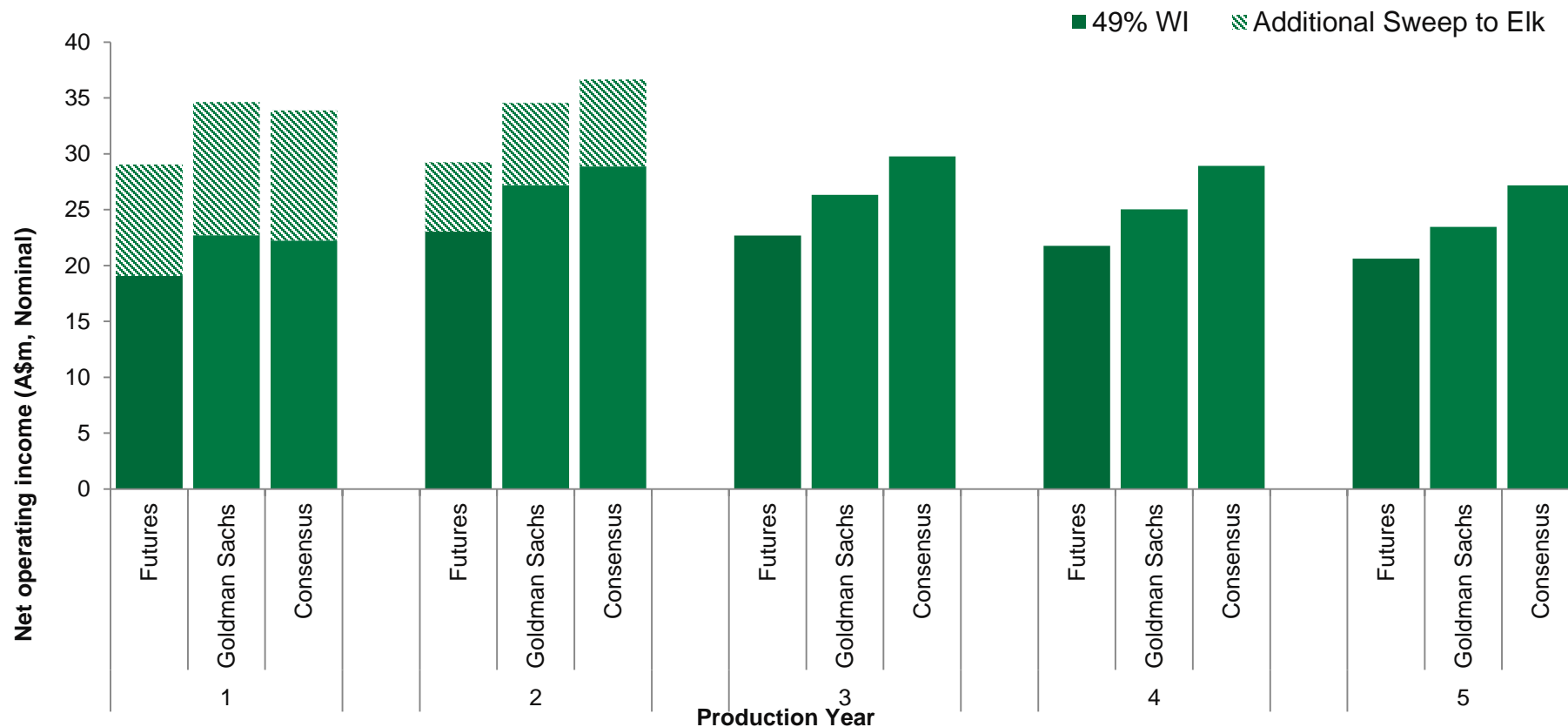
**Subject to successful restructure of Grieve JV with Denbury and subject to other risk factors including as detailed in Section 4 of the Offer Booklet.*



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)

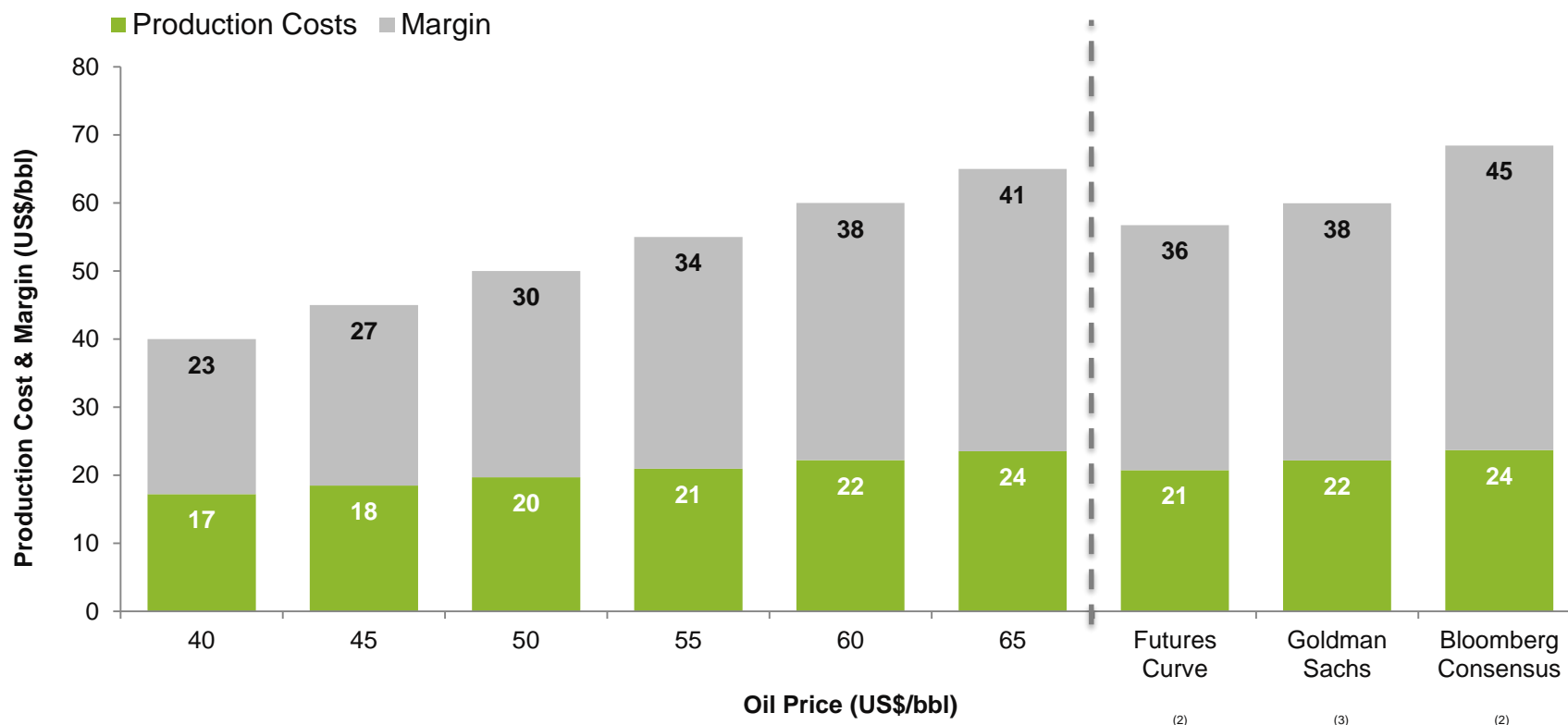
**Subject to successful restructure of Grieve JV with Denbury and subject to other risk factors including as detailed in Section 4 of the Offer Booklet.*



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)

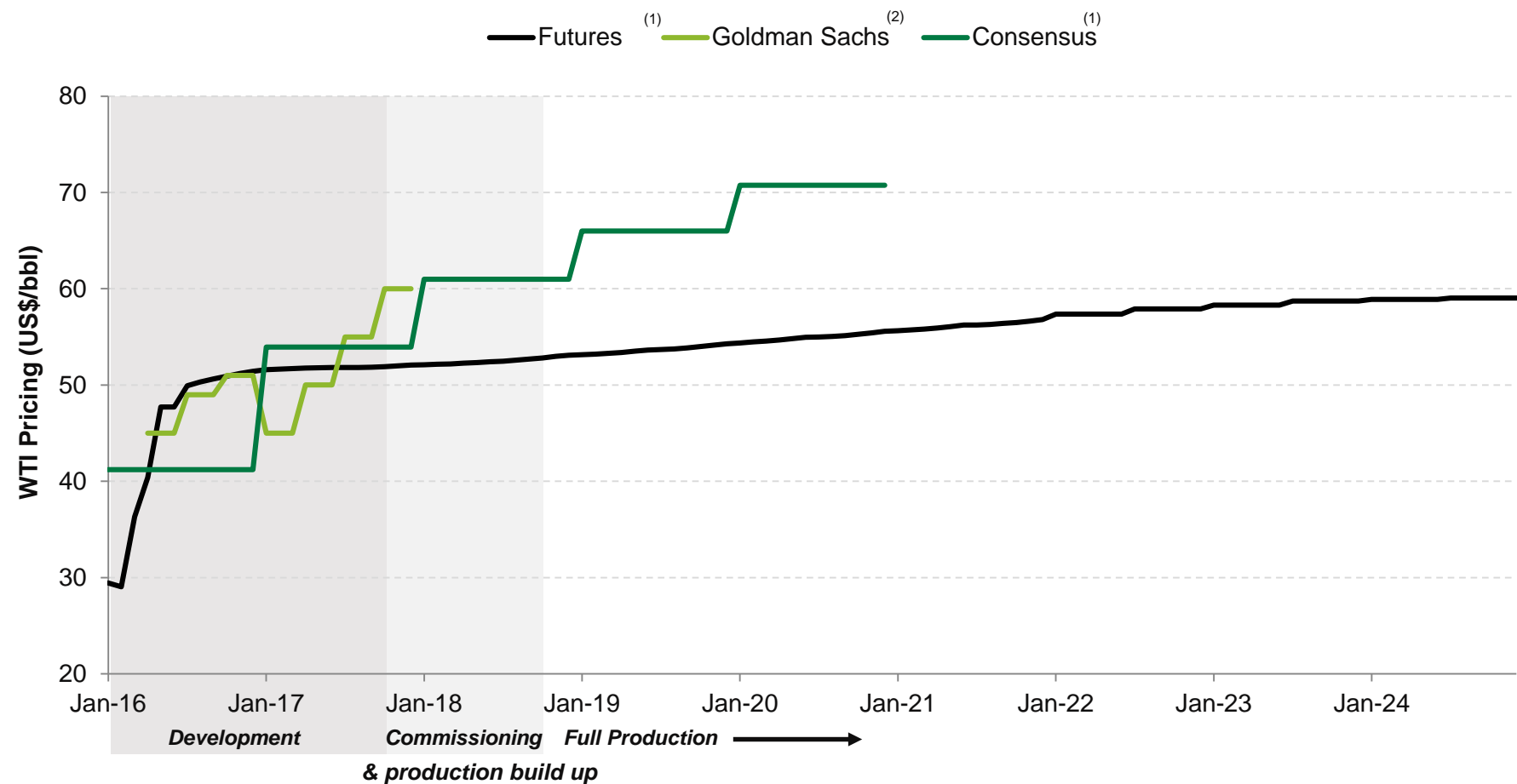
(3) Goldman Sachs Global Investment Research (13 May 16)

**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)

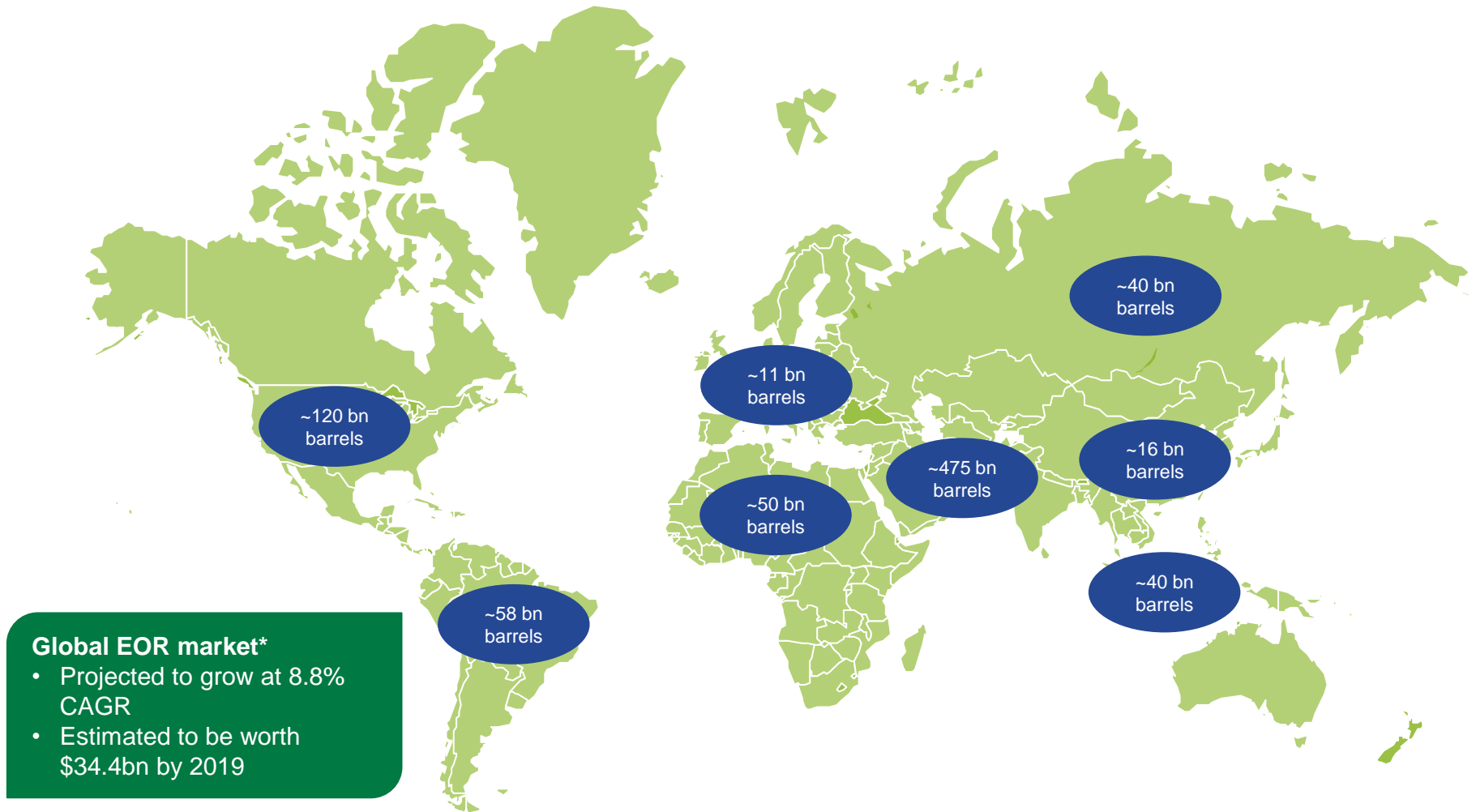
(2) Source: Goldman Sachs Global Investment Research (13 May 16)



Strategy for Value Creation

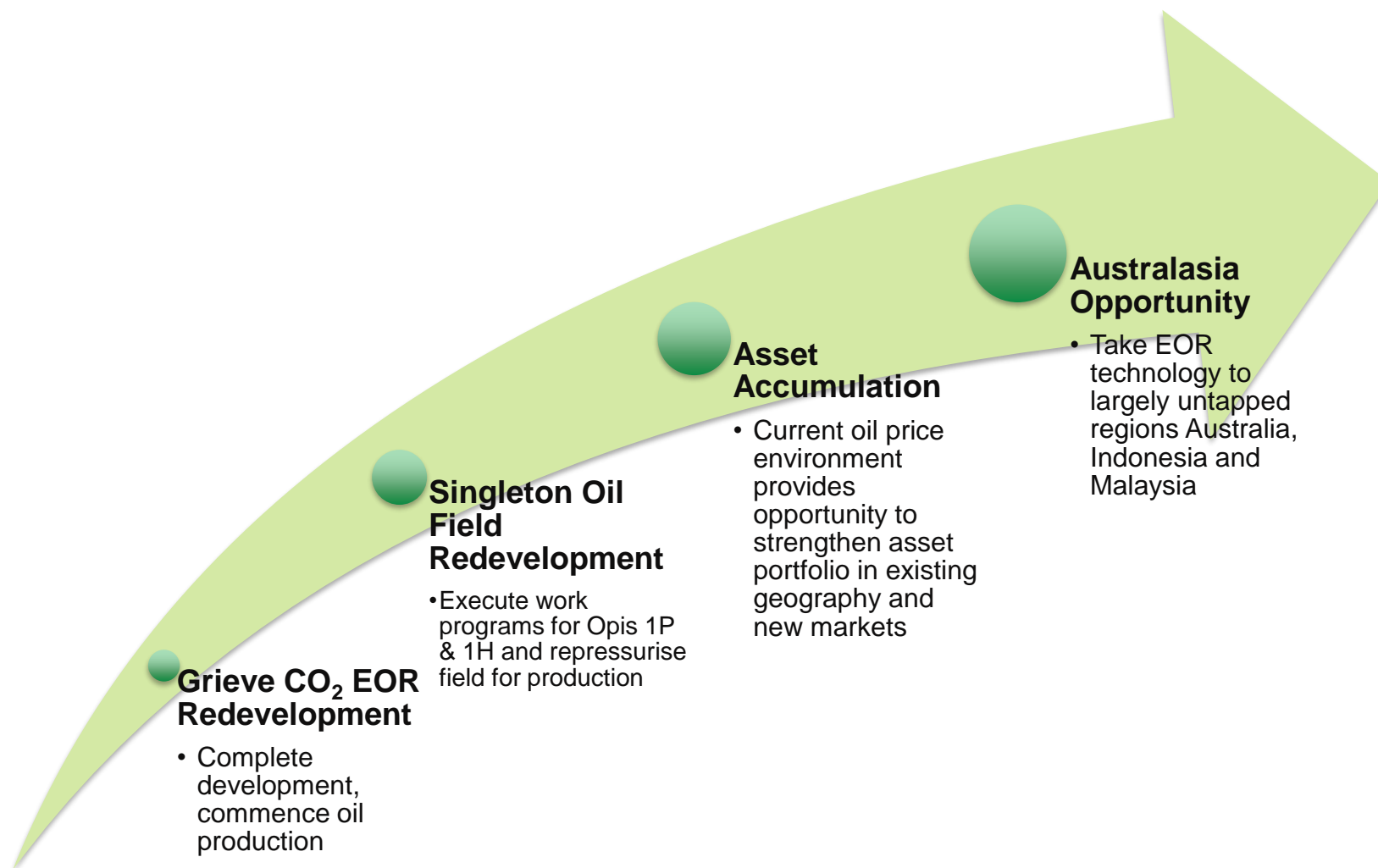


Why do we want to go down this path? - EOR Potential



*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



ELK PETROLEUM

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