

ASX ANNOUNCEMENT

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ASX:TAP

Tap Oil Limited
ABN 89 068 572 341

Level 1, 47 Colin Street
West Perth WA 6005
Australia

T: +61 8 9485 1000
F: +61 8 9485 1060
E: info@tapoil.com.au

www.tapoil.com.au

Employment Terms for Executive Chairman

Tap Oil Limited (**Tap or the Company**) advises that it has agreed to new employment arrangements with Executive Chairman, Mr James Menzies, effective from 1 July 2017.

Mr Menzies was initially appointed as Executive Chairman in December 2016 to assist on a transitional basis following the restructure of the Company's Board and executive management team.

Since assuming that role, Mr Menzies has been focussed on implementing the Company's strategy of developing a portfolio of oil and gas production and development assets that provide low risk step out exploration opportunities in the South East Asian region. Mr Menzies is well known to the South East Asian oil and gas industry having previously founded and acted as CEO of Salamander Energy Plc, a company that built a portfolio of oil and gas assets in Malaysia, Indonesia and Thailand.

As Mr Menzies is seen as instrumental to the Company's successful implementation of that strategy, the Company has agreed to revised employment arrangements with Mr Menzies. Importantly, a significant component of Mr Menzies remuneration package is tied to the Company's performance over the length of Mr Menzies tenure as Executive Chairman. In structuring that incentive component, it is recognised that it is the achievement of the Company's strategic objectives (and not necessarily the length of time served) that is considered important.

Given the growth-focussed nature of the role, the Company has agreed that Mr Menzies will spend at least 75% of his time in the role and be based out of London, travelling to the South East Asian region as and when required. In this regard, it is noted that day-to-day activities of the Perth office are managed by the CFO, Mr Chris Bath, who has also been appointed to the role of General Manager. Further, the Company has engaged Mr Mike Buck, who is based in Singapore, to assist with its business development activities. Mr Buck has more than 35 years' experience in international upstream E&P and was previously Chief Operating Officer for Salamander Energy Plc.

As the Company executes on its strategy, the terms of Mr Menzies' engagement may be reviewed.

A summary of the key terms and conditions of Mr Menzies' employment is set out in the attached Schedule 1.

[Investor enquiries](#)

Chris Bath

CFO & Company Secretary

Schedule 1

Summary of key terms and conditions of Executive Employment Agreement

The summary below sets out the key terms and conditions of the Executive Employment Agreement between the Company and Executive Chairman, Mr James Menzies.

Term

The new employment terms are effective from 1 July 2017. There is no fixed term of employment. Mr Menzies employment can be terminated (for reasons other than cause) by either party providing not less than 3 months' notice to the other to that effect.

Time Commitment

Mr Menzies will devote at least 75% of his time, attention and skill to the performance of his duties both during normal business hours and at other times as reasonably necessary.

Location

Mr Menzies may base himself in London, United Kingdom. However, he may be required to work at other locations from time to time.

Remuneration

Under the new employment arrangements, Mr Menzies remuneration comprises:

- a fixed annual salary \$A300,000, inclusive of superannuation (**FAR**), an increase of \$50,000 per annum; and
- an equity incentive component on the terms set out below.

Equity incentive component

Subject to obtaining shareholder approval pursuant to ASX Listing Rule 10.11, Mr Menzies is to receive 10,344,828 performance rights to acquire ordinary fully paid shares in Tap Oil Limited.

Subject to achievement of prescribed relative TSR performance hurdles and Mr Menzies remaining employed as an executive with the Company for at least 3 years after the date of commencement of these new terms of employment, the performance rights will vest on the expiry of that 3 year period. Unvested performance rights will lapse immediately after the expiry of the 3 year period from the effective date of 1 July 2017.

Accelerated vesting in certain circumstances

If Mr Menzies ceases employment without cause before 3 years and the Board is satisfied there are adequate succession and transitional arrangements in place, accelerated vesting conditions will apply. Accelerated vesting will be assessed by reference to the extent to which certain strategic objectives relating to target 2P Reserves and Barrels of Oil per Day measures have been achieved prior to cessation of employment.

Where the accelerated vesting event occurs during the period between 2 and 3 years from the issue date of the performance rights, vesting will also be assessed by reference to achievement of the prescribed relative TSR performance hurdles (weighted 70% towards achievement of the strategic objectives and 30% towards the achievement of TSR hurdles.)

Where accelerated vesting is based on the achievement of a strategic objective resulting from an acquisition, 50% of the performance rights that are to vest in accordance with the strategic objective criteria will vest at the time of achievement of the relevant objective, while the remaining 50% will vest 12 months after that date provided that the Board is satisfied that all material assumptions made at the time of resolving to proceed with the acquisition have been substantially achieved.

The Company's Board also has the discretion to allow accelerated vesting of the performance rights should a change of control event occur, notwithstanding that the relevant vesting conditions have not been satisfied. If such a change of control event occurs, it has been agreed that not less than 25% of the performance rights will vest immediately.

Any unvested performance rights (other than where subject to a deferred vesting arrangement as a result of the achievement of certain strategic objectives prior to cessation of employment as an executive, as described above) will immediately lapse on cessation of employment as an executive.

To provide flexibility to deal with any extraordinary circumstances that may arise, the Board will at all times retain an overriding discretion to determine the extent of vesting of the performance rights.

In the event shareholder approval is not obtained for the issue of the abovementioned performance rights, the Company has agreed to pay Mr Menzies the cash equivalent of the value of any shares which he would otherwise have received on vesting of the performance rights, subject to the satisfaction of the relevant performance conditions which would otherwise have needed to be met for those performance rights to vest (with the share price to be calculated using the 30 day VWAP of Tap shares up to the date that the relevant performance conditions are satisfied).

Further details regarding the terms of the performance rights will be included in the relevant shareholder meeting documentation that will be dispatched to shareholders in due course.