



ASX Announcement / Media Release

2 February 2018

Elk Appoints Jim Piccone as an Executive Director

HIGHLIGHTS

- Mr. Piccone was a co-founder of Resolute Energy from whom Elk Petroleum acquired the Greater Aneth Oil Field (GAF) in December 2017.
 - Mr. Piccone joined Elk's US management team as the Chief Executive Officer and a Director of Elk Petroleum Inc., Elk's main US subsidiary. His appointment to these roles was effective on 1 January 2018.
 - A recognised US oil and gas industry leader and manager, he brings to the ELK Board valuable experience and knowledge of the GAF operations, our Aneth JV party, the Navajo Nation Oil & Gas Company, the US industry legal framework and he has a significant network of contacts in US financial markets.
 - Mr. Piccone has already done an outstanding job in implementing a smooth Aneth operatorship transition from Resolute Energy to Elk USA.
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The Board of **Elk Petroleum Limited (ASX Code: ELK)** (or the "Company") is very pleased to announce the appointment of Mr. James (Jim) M. Piccone as an Executive Director of the Company. The appointment is effective from Friday, 2 February 2018.

Mr. Piccone is an experienced US resource & energy executive with a proven track record of successfully building companies in the US upstream and midstream oil & gas energy sectors. He was retained by Elk USA to be its CEO from 1 January 2018.

Mr. Piccone brings a wealth of experience and knowledge from his previous roles in business development, management, new ventures, mergers and acquisitions, and corporate finance.

Personal Background

Mr. Piccone has 39 years of experience in the US oil and gas business, most recently as a co-founder, director and President of the company that is now Resolute Energy Corporation (NYSE: REN).



Mr. Piccone began his career as an attorney specializing in oil and gas transactions and financings and then moved into executive management and the position of general counsel of a successful NYSE listed company. In 2004, Mr. Piccone co-founded Resolute. Along with overall management of that company as President, Mr. Piccone focused on the company's giant conventional oil asset, the Greater Aneth Field, which is being developed with application of enhanced oil recovery methods, including CO₂ flooding. Mr. Piccone has extensive experience in oil and gas financial transactions and participated in Resolute's successful capital markets transaction in 2009 that brought the company public on the New York Stock Exchange. Mr. Piccone has strong relationships with many institutions in the financial world, including some who participated in the Elk's recent financing transactions. Mr. Piccone also has well established relationships with key authorities within the Navajo Nation on whose reservation the Aneth Field is located. As Chief Executive Officer of Elk Petroleum, Inc. (**Elk USA**), Mr. Piccone will oversee all Company activities within the United States. Mr. Piccone is based at Elk USA's office in Denver, Colorado.

Elk's Chairman, Dr. Neale Taylor commented: "Elk's Board is pleased to welcome Jim as an Executive Director of the Company. Jim brings to Elk's Board a wide range of legal, financial and technical skills, as well as experience in organisation building, business development, management and entrepreneurship. His experience will provide the Board with direct insights to the management of Elk's operations at Aneth and its JV relationship with the Navajo Nation Oil & Gas Company, and he will assist the Board to implement the most appropriate financial, tax, accounting and legal structures for Elk's current US corporate entities."

Mr. Piccone commented: "I am really excited to be joining the Elk Board. The combination of Elk's technical expertise with that of the Resolute team that has joined Elk establishes a high level technical capability for EOR development. The Aneth Field is a world class asset with enormous upside from EOR. This asset in the hands of Elk, with its intense focus on this long-established technology and its proven financial capabilities, provides a unique value proposition for Elk's shareholders. I am honored to have a role in the Elk team."

A summary of the key terms and conditions of Mr. Piccone's executive employment agreement are set out in the attached Schedule. Elk retained Longnecker & Associates, consultants in US executive recruitment and remuneration, to advise on the employment agreement between Elk USA and Mr. Piccone. Longnecker advised that the agreement and the remuneration terms are consistent with current US practices and benchmarks.

For further information please contact:

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ABOUT ELK PETROLEUM

Elk Petroleum Limited (ASX: ELK) is an oil and gas company specialising in Enhanced Oil Recovery (EOR), with assets located in one of the richest onshore oil regions of the USA, the Rocky Mountains. Elk's strategy is focused on applying proven EOR technologies to mature oil fields, which significantly de-risks the Company's strategy of finding and exploiting oil field reserves.

Schedule

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 (**Agreement**) between Mr. James M. Piccone and Elk Petroleum Inc. (**Elk USA**), the holding company for all of the US assets of Elk Petroleum Limited, (ASX: ELK) (**Elk** or the **Company**).

Commencement of employment and appointment

Mr. Piccone's employment with Elk USA is effective from 1 January 2018.

Position

Mr. Piccone is appointed as the Chief Executive Officer (CEO) and a Director of Elk USA.

Term

The Agreement is for approximately 4 years, and terminates on 31 December 2021 (**Term**). The Agreement has automatic one year extensions unless non-renewal notice given.

Remuneration

(a) Salary

Base Salary is US\$375,000 per annum. This amount is reviewable at least annually.

(b) Initial Equity Grant (Sign-On Award)

Mr Piccone will be granted 4.5 million ELK shares at no cost, subject to Shareholder approval at the next General Meeting of Shareholders.

(c) Incentive Awards

(i) Short-Term Incentive Program (STI)

Mr Piccone will be entitled to annual STI Awards; awards will be based on achieving certain Company and individual performance goals.

- **Company Performance Assessment Criteria** - Likely to include: Production volumes, Lease Operating Expenses; General and Administrative Expenses, and successful execution of Capital Projects; and

- **Individual Performance Assessment Criteria** – Likely to include in 2018: EPI debt refinancing, pricing differentials, employee retention, and positive influence on non-operated interests at Grieve and Madden.

Related points:

- Metrics and structure to be agreed annually
- Award target: of 100% of Base Salary in 2018; 125% in 2019, then subject to increase from time to time, with actual payouts above and below target for over and underperformance
- Awards may be paid 50% in cash and 50% in ELK Shares, with the share component subject to Shareholder approval

(ii) Long-Term Incentive Program (LTI)

Mr Piccone will be entitled to annual LTI Awards; the awards will vest in one-third increments over three years, with one half of the award in 2018 subject to performance criteria based on the performance of the Company's Total Share Return (TSR) relative to those of a peer group of Australian and US listed companies. The payout of the performance portion of the award can range from 0% to 200% based on such TSR measure.

Related points:

- Award maximum value level to be set at 300% of Base Salary; provided, however, for CY2018 the award level will be set at 600% of Base Salary with 50% being subject to ratable time-based vesting and 50% subject to performance vesting
- Awards to be paid 100% in ELK Shares, subject to Shareholder approval
- Performance Vesting Scale:
 - 50% for performance at 33rd percentile level
 - 100% for performance at 50th percentile level
 - Up to 200% for performance at 100th percentile level
 - With ratable vesting in between such points
 - Under certain circumstances the award shall be increased to 500% with certain "make up" awards also to be granted retroactively.

Shareholder Approval of Rights

The Company will seek shareholder approval of the initial grant of ELK Shares as well as for the maximum number of ELK Shares that can be issued to Mr. Piccone over the three-year period from the date of the relevant approval. Further detail will be provided at the time of seeking shareholder approval.

(d) Termination

Mr. Piccone may resign by giving Elk USA 30 days written notice. The Company may terminate Mr. Piccone's employment without notice, but subject to certain severance payment rights on the part of Mr. Piccone.

(e) Severance Payments

- 2 x Base Salary *plus* 2 x Target STI *plus* Pro-rata share of bonus *plus* 24 months of subsidised medical insurance payments
- To be paid over 24 months
- Unvested time based LTI awards vest, with performance based LTI remaining on-foot

(f) Change of Control Severance Payments

- 3 x Base Salary *plus* 3 x Target STI *plus* Pro-rata share of bonus *plus* 24 months of subsidised medical insurance payments
- To be paid as lump sum 30 days after termination
- Unvested time based LTI awards vest, with performance based LTI also vesting

(g) Protective Covenants

Mr. Piccone is restrained from engaging in competitive business with the Company, or soliciting clients, employees or contractors from the Company, in each case during his employment and for a period of 18 months after his employment ends. This latter period is reduced if employment ends within the first 2 years of the Agreement or following a Change of Control.