



ABN 38 112 566 499

# 2018 NOTICE OF ANNUAL GENERAL MEETING

**Time:** 10.00 am (AEDT)

**Date:** Wednesday, 14 November 2018

**Place:** Portside Centre  
Symantec House  
Level 5, 207 Kent Street  
Sydney, NSW 2000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, using the contact details on page 12.



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## LETTER TO SHAREHOLDERS

8 October 2018

Dear Shareholder

### Annual General Meeting

On behalf of the Board, I am pleased to invite you to attend the Annual General Meeting ("AGM") of Elk Petroleum Limited. This meeting will be held at 10.00 am (AEDT) on Wednesday, 14 November 2018 at:

Portside Centre  
Symantec House  
Level 5  
207 Kent Street  
Sydney, NSW 2000

Enclosed are the following documents:

- Notice of Meeting and Explanatory Statement;
- Proxy Form for the Annual General Meeting; and
- Shareholder Review and Annual Report for the year ended 30 June 2018 - for those Shareholders who have requested a printed copy.

This Notice of AGM contains resolutions relating to:

- Adoption of Remuneration Report (Resolution 1);
- Re-election of Directors (Resolutions 2 and 3);
- Re-appointment of auditor (Resolution 4);
- Approval of issue of shares to Mr James Piccone, Executive Director (Resolution 5); and
- Approval of potential termination benefits to Mr James Piccone, Executive Director (Resolution 6).

### Important Notice – 2018 Annual Report

Shareholders are reminded that the Annual Report is only mailed to those Shareholders who have elected to receive it in hard copy. The 2018 Annual Report can be viewed on the Company's website at <http://www.elkpet.com/>

We look forward to seeing you at the Annual General Meeting.

Yours faithfully,



**Neale Taylor**  
*Chairman*

## YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

## VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out on page 5.

## APPOINTING A PROXY

A Shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote at the Meeting on their behalf. A proxy does not need to be a Shareholder of Elk Petroleum Limited.

If a Shareholder is entitled to cast two or more votes at the Meeting, the Shareholder may appoint two proxies and may specify the percentage or number of votes each proxy can exercise. If the proxy form does not specify the percentage or number of the Shareholder's votes that each proxy may exercise, each proxy may exercise half of the Shareholder's votes on a poll. Fractions will be disregarded.

To appoint a proxy online:

- a. go to <https://investor.automic.com.au/#/loginsah>;
- b. login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'; and
- c. to use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form.

Alternatively, you can appoint a proxy by completing and signing the enclosed proxy form and sending the form to by:

- a. In person to Automic, Level 5, 126 Phillip Street, Sydney NSW 2000;
- b. Post to Automic at GPO BOX 5193, Sydney, NSW 2001 Australia; or
- c. Fax to Automic at (+61 2) 8583 3040.

The deadline for receipt of proxy appointments is 10.00am (AEDT) on Monday, 12 November 2018.

**Proxy appointments received later than this time will be invalid.**

## POWER OF ATTORNEY

If the proxy form is signed under a power of attorney on behalf of a Shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already been provided to the Share Registry.

## CORPORATE REPRESENTATIVES

If a representative of a corporate Shareholder or a corporate proxy will be attending the Meeting, the representative should bring to the Meeting adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

An appointment of corporate representative form may be obtained from Automic by calling 1300 288 664 (local) or +61 2 9698 5414 (international) or online at: <https://automic.com.au/forms.html>.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (AGM) of Shareholders of Elk Petroleum Limited will be held at Portside Centre, Symantec House, Level 5, 207 Kent Street Sydney, NSW 2000 at 10.00 am (AEDT) on Wednesday, 14 November 2018. Registration will open at 9.15am (AEDT).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the AGM. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

The Directors have determined under Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at 7.00pm (AEDT) on Monday, 12 November 2018.

## AGENDA

### ADOPTION OF ANNUAL REPORT

To receive and consider the Annual Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2018.

Shareholders will be asked to consider, and if thought fit, to pass, with or without amendment, the Resolution below, which will be proposed as a **Non-Binding Ordinary Resolution**:

#### 1. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

*"To adopt the Elk Remuneration Report for the year ended 30 June 2018."*

Shareholders will be asked to consider, and if thought fit, to pass, with or without amendment, the Resolutions below, which will be proposed as **Ordinary Resolutions**:

#### 2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR RUSSELL KRAUSE

*"That Mr. Russell Krause, being a Director of the Company who retires by rotation in accordance with clause 69.2 of the Constitution and, being eligible for re-election, is re-elected as a Director of the Company."*

#### 3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR JAMES PICCONE

*"That Mr. James Piccone, being a Director of the Company elected in accordance with clause 68.1 of the Constitution to fill a casual vacancy, retires in accordance with clause 68.2 of the Constitution and, being eligible for re-election, is re-elected as a Director of the Company."*

#### 4. RESOLUTION 4 – RE-APPOINTMENT OF AUDITOR

*"That, pursuant to and in accordance with section 327B of the Corporations Act and for all other purposes, KPMG having been nominated by a Member and consented in writing to act in the capacity of auditor, be re-appointed as auditor of the Company, as set out in the Explanatory Memorandum accompanying the Notice."*

#### 5. RESOLUTION 5 – APPROVAL OF ISSUE OF SHARES TO JAMES PICCONE

*"That for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 4,500,000 Shares to Mr James Piccone and/or his nominee on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice."*

#### 6. RESOLUTION 6 – APPROVAL OF POTENTIAL TERMINATION BENEFITS TO MR JAMES PICCONE, EXECUTIVE DIRECTOR

*"That approval be given for all purposes, including sections 200B and 200E of the Corporations Act, for the Company to provide termination benefits to Mr James Piccone, an Executive Director of the Company, in connection with Mr Piccone ceasing to hold a managerial or executive office with the Company or a related body corporate, on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."*

Dated: 8 October 2018

By Order of the Board



**Elk Petroleum Limited**

**David Franks**

*Joint Company Secretary*

# VOTING EXCLUSION STATEMENT

For the definitions of Key Management Personnel (KMP) and Closely Related Parties, please refer to the Glossary on page 13.

The Corporations Act restricts members of the KMP of the Company and their Closely Related Parties from voting in relation to remuneration related Resolutions (such as Resolutions 1, 5 and 6)

In addition, separate voting restrictions apply in respect of Resolutions 1, 5 and 6 under the ASX Listing Rules.

## What this means for Shareholders

If you intend to appoint a member of the KMP (other than the Chairman of the Meeting) as your proxy, please ensure that you direct them how to vote on Resolutions 1, 5 and 6. If you do not do so, your proxy will not be able to vote on your behalf on Resolutions 1, 5 and 6.

If you intend to appoint the Chairman of the Meeting as your proxy, you are encouraged to direct him how to vote by marking the boxes for Resolutions 1, 5 and 6 (for example if you wish to vote for, or against, or to abstain from voting). If you appoint the Chairman as your proxy without directing him how to vote, the proxy form authorises him to vote as he decides on Resolutions 1, 5 and 6 (even though those Resolutions are connected with the remuneration of KMP). The Chairman of the Meeting intends to vote in favour of all Resolutions (where permissible).

The Company will disregard votes cast on Resolutions 1 and 5 to 6 (inclusive) by the persons detailed in the table below.

Resolution	Voting Exclusions
<b>Resolution 1 – Adoption of Remuneration Report</b>	<p>In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Company's key management personnel (including the Directors), whose remuneration details are included in the Remuneration Report (KMP), or any of that person's Closely Related Parties (such as close family members and any controlled companies of those persons) (collectively referred to as Restricted Voter).</p> <p>However, the Company need not disregard a vote if:</p> <ul style="list-style-type: none"> <li>a. it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; and</li> <li>b. it is not cast on behalf of a Restricted Voter.</li> </ul> <p>If you appoint the person chairing the Meeting (Chair) and you are not a Restricted Voter, by submitting the Proxy Form you authorise the person</p> <p>chairing the Meeting to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP, and you will be taken to have directed the Chair to vote in accordance with his or her stated intention to vote in favour of Resolution 1.</p> <p>If you do not want your vote exercised in favour of Resolution 1, you should direct the person chairing the Meeting to vote "against", or to abstain from voting on, this Resolution.</p>
<b>Resolution 5 – Approval of issue of shares to James Piccone</b>	<p>The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:</p> <ul style="list-style-type: none"> <li>• Mr James Piccone who will participate in this issue; or</li> <li>• any associates of Mr James Piccone.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 5 if:</p> <ul style="list-style-type: none"> <li>• the vote is cast in accordance with the directions on the proxy form, specifying how the proxy is to vote on the Resolution; or</li> <li>• the vote is cast by the Chairman of the Meeting, in accordance with a direction on the proxy form, to vote as the proxy decides.</li> </ul>
<b>Resolution 6 – Approval of potential termination benefits to Mr James Piccone, Executive Director</b>	<p>The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:</p> <ul style="list-style-type: none"> <li>• Mr James Piccone; or</li> <li>• any associates of Mr James Piccone.</li> </ul> <p>However, the Company need not disregard a vote on Resolution 6 if:</p> <ul style="list-style-type: none"> <li>• the vote is cast in accordance with the directions on the proxy form, specifying how the proxy is to vote on the Resolution; or</li> <li>• the vote is cast by the Chairman of the Meeting, in accordance with a direction on the proxy form, to vote as the proxy decides.</li> </ul>

# EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held on Wednesday, 14 November 2018 at 10.00 am (AEDT).

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

## 1. ANNUAL REPORT

The business of the Meeting will include receipt and consideration of the Company's Annual Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2018, which are included in Elk's Annual Report.

In accordance with the Corporations Act 2001, Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the Annual Report, and on the management of Elk.

The Company's auditor will be present at the Meeting. During the discussion of this item, the auditor will be available to answer questions on the:

- Conduct of the audit;
- Preparation and content of the Auditor's Report;
- Accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- Independence of the auditor in relation to the conduct of the audit.

### Written questions for the Auditor

If you would like to submit a written question about the content of the Auditor's Report or the conduct of the audit of the Annual Financial Report to the Company's Auditor, please send your question to the Company Secretary. A list of qualifying questions will be made available at the Meeting.

Please note that all written questions must be received at least five business days before the Meeting, which is by 7 November 2018.

## 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report is set out in the Annual Report. The Remuneration Report details the Company's remuneration arrangements for the Directors and senior management of the Company over the reporting period and sets out past and current remuneration, including incentive rights and awards.

The Company has voluntarily increased its disclosure in its Remuneration Report for the financial year ended 30 June 2018, beyond the normal base level expected of a company, to incorporate remuneration levels for KMPs for calendar year ended 31 December 2018.

### Corporations Act

S 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 1 is advisory only and not binding on the Company or its Directors.

However, under the Corporations Act, if at least 25% of the votes cast on Resolution 1 are against the adoption of the Remuneration Report then:

- If comments are made on the Remuneration Report at the Meeting, Elk's 2019 Remuneration Report will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- If, at next year's AGM, at least 25% of the votes cast on the resolution for adoption of the 2019 Remuneration Report are against it, Elk will be required to put to Shareholders a resolution proposing that an Extraordinary General Meeting (EGM) be called to consider the election of Directors (Spill Resolution). If the Spill Resolution is passed (i.e. more than 50% of the votes cast are in favour of it), all of the Directors (other than the Managing Director) will cease to hold office at the subsequent EGM, unless re-elected at that Meeting.

Last year, a resolution was passed on a show of hands to adopt the 2017 Remuneration Report, with the show of hands and proxy positions both in excess of 75% in favour of the resolution.

In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the Remuneration Report.

### Board recommendation for Resolution 1:

*The Remuneration Report forms part of the Directors' Report, which was approved in accordance with a unanimous resolution of the Board. The Chairman will vote undirected proxies in favour of this Resolution.*

# EXPLANATORY STATEMENT

## 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR

Clause 69.2 of the Constitution requires that one third of the Directors and any other Director not in such one third who has held office for three years or more (or if their number is not a multiple of three, then the number nearest to one third) must retire at each annual general meeting. A Managing Director is exempt from this requirement.

Clause 69.4 provides that a Director who retires is eligible for re-election.

Clause 69.3 provides that the Directors who retire at a General Meeting must be those who have been longest in office since their last election.

Clause 69.7 provides that the Managing Director is not subject to retirement by rotation and is not taken into account in determining the rotation of retirement of directors.

Clause 68.2 provides that a Director who retires at the Annual General Meeting due to their appointment under the casual vacancy provisions under Clause 68.1 is not taken into account in determining the rotation of retirement of directors.

Mr Russell Krause will retire and now seeks re-election in accordance with clauses 69.2, 69.3 and 69.4 of the Constitution.

### **Brief Curriculum Vitae of Mr Krause**

Independent Non-executive Director

#### ***Experience and expertise***

Mr Krause joined the Board of Elk on 13 March 2015.

Mr. Krause has over 25 years' experience in Stockbroking and Investment Management with a primary focus on the resources sector. He has held a number of Directorships and Senior management positions with a number of Australia's leading firms, including firms with US oil and gas assets. For the past ten years he has worked on a number of North American oil and gas projects in relation to Capital Raising and Corporate Advisory.

#### ***Current directorships of other listed companies***

Speciality Metals International Limited, Red Sky Energy Limited, Austex Oil Limited

#### ***Former directorships of other listed companies in the last three years***

None

#### ***Special responsibilities***

Chairman of the Audit Committee

Member of the Remuneration and Risk Committee

#### ***Undirected Proxies for Resolution 2:***

*The Directors (with Mr Krause abstaining) unanimously recommend that Shareholders vote in favour of the re-election of Mr Krause. The Chairman will vote undirected proxies in favour of this Resolution.*

## 4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR

Mr James Piccone was appointed to fill a casual vacancy and now seeks re-election in accordance with clause 68.2 of the Constitution.

### **Brief Curriculum Vitae of Mr Piccone**

Executive Director

#### ***Experience and expertise***

Mr Piccone joined the Board of Elk on 2 February 2018.

Mr. Piccone has 39 years of experience in the USA oil and gas industry. He has extensive experience with oil and gas financial transactions and financing, most recently as a director of Resolute Energy Corporation. As the CEO of Elk Petroleum Inc. and a non-executive director of Elk Petroleum Ltd. he oversees the Denver Colorado based US subsidiary of Elk Petroleum Ltd.

#### ***Current directorships of other listed companies***

None

#### ***Former directorships of other listed companies in the last three years***

None

#### ***Special responsibilities***

None

#### ***Undirected Proxies for Resolution 3:***

*The Directors (with Mr Piccone abstaining) unanimously recommend that Shareholders vote in favour of the re-election of Mr Piccone. The Chairman will vote undirected proxies in favour of this Resolution.*



## 5. RESOLUTION 4 – REAPPOINTMENT OF AUDITOR

KPMG were appointed as the auditors of the company effective 27 June 2018 following the resignation of BDO East Coast Partnership and receipt of ASIC's consent to the resignation under Section 329(5) of the Corporations Act 2001.

The appointment of KPMG by the Board of Directors was in the best interests of the Company and its shareholders. The appointment of KPMG will allow the Company to engage a "Big 4" auditor while achieving its objective of streamlining the financial reporting process for all the entities of the Group. The decision to change auditor was not the result of any disagreement between the Company and BDO on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

KPMG will act as the Company's auditor on a 'casual vacancy' basis until the conclusion of the Annual General Meeting unless formally appointed as the Company's new auditor with the approval of the shareholders.

In accordance with Section 328B of the Act, the Company has sought and obtained a nomination from a Shareholder for KPMG to be appointed as the Company's auditor. A copy of this nomination is set out in Annexure 1.

KPMG has given its written consent to act as the Company's auditor subject to Shareholder approval of this Resolution 4.

If Resolution 4 is passed, the appointment of KPMG as the Company's auditor will take effect at the close of this AGM.

### **Board Recommendation:**

*The Directors unanimously recommend the appointment of KPMG as auditor of the Company.*

## 6. RESOLUTION 5 – APPROVAL OF ISSUE OF SHARES TO JAMES PICCONE

### **Background**

As announced on 2 February 2018, Elk USA entered into an executive employment agreement with Mr James Piccone in respect of his employment as the Chief Executive Officer and a Director of Elk USA (**Executive Employment Agreement**).

The Company is seeking approval for the share placement to Mr. James Piccone, Executive Director. Under Mr Piccone's Executive Employment Agreement, he is entitled to an initial equity grant or Sign-On Award of 4,500,000 Shares.

### **ASX Listing Rules, Chapter 10**

ASX Listing Rule 10.11 provides that an entity must not issue equity securities to a related party without the approval of holders of Shares. Mr Piccone, as a director, is a related party. For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders:

- a. Mr James Piccone is an Executive Director of the Company;
- b. The maximum number of shares to be issued is 4,500,000 Shares to be allotted to Mr James Piccone;
- c. The Shares will be allotted in one tranche and not more than one month after the date of the 2018 Annual General Meeting;
- d. The Shares will be issued at Nil Consideration as part of Mr Piccone's Executive Employment Agreement and no funds will be shares from the allotment;
- e. The Shares will be fully paid ordinary shares and will rank equally in all respects with the Company's existing shares on issue;
- f. A voting exclusion applies to this resolution, as set out in the Notice of Meeting on page 6;

### **Corporations Act, Chapter 2E**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. Exceptions to this general prohibition include where the company first obtains the approval of its Shareholders in general meeting, or the financial benefit being provided is on arm's length terms or better or is considered reasonable remuneration.

For the purposes of Chapter 2E of the Corporations Act, the Board has determined that the issue of securities to Mr Piccone as part of his remuneration package is reasonable, given his responsibilities to the Company and has relied on the reasonable remuneration exception provided in section 211 of the Corporations Act in this regard. Accordingly, Shareholder approval of Resolution 5 is not required under Chapter 2E of the Corporations Act.

Board recommendation for Resolution 5: The Directors (with Mr Piccone abstaining) unanimously recommend that Shareholders vote in favour of approving the share placement to Mr. James Piccone.

# EXPLANATORY STATEMENT

## 7. RESOLUTION 6 – APPROVAL OF POTENTIAL TERMINATION BENEFITS TO MR JAMES PICCONE, EXECUTIVE DIRECTOR

### Background

As announced on 2 February 2018, Elk USA entered into an executive employment agreement with Mr James Piccone in respect of his employment as the Chief Executive Officer and a Director of Elk USA (**Executive Employment Agreement**).

Resolution 6 seeks approval from Shareholders under sections 200B and 200E of the Corporations Act for termination benefits that Mr Piccone may be entitled to receive pursuant to the terms of the Executive Employment Agreement, if his employment with Elk USA is terminated.

### Sections 200B and 200E of the Corporations Act

The Corporations Act provides that the Company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the Company, or its related bodies corporate, if it is approved by Shareholders or an exemption applies (for example, where the benefit together with other benefits does not exceed the payment limits set out in the Corporations Act, including where a benefit does not exceed one year's average base salary).

As an Executive Director of Elk and Chief Executive Director of Elk USA, Mr Piccone is a person who holds a managerial or executive office for the purposes of the Corporations Act.

The term "benefit" is open to a wide interpretation and, in this context, is broad and would likely include the early or automatic vesting of long-term incentive entitlements held by Mr Piccone at the time of termination, including the Performance Rights. However, the applicable restrictions would not extend to:

- a. the payment of any salary to Mr Piccone for the period up to the date of termination of employment; or
  - b. the payment of any pro-rated cash performance bonuses to Mr Piccone for the period up to the date of termination of employment,
- as such payments would not be in connection with the cessation of his employment.

### Termination payments under the Executive Employment Agreement

A payment will be exempt from the requirement to obtain Shareholder approval in circumstances where (among others):

- a. the payment is given under an agreement made between the company and the person before the person became the holder of the relevant office as consideration for the person agreeing to hold office; and
- b. the amount of the payment and the value of any other benefits is less than the statutory cap set by sections 200F and 200G of the Corporations Act.

The statutory cap is determined by reference to the person's annual "base salary", but depends on the period in which the person has held a managerial or executive office at the company (**Relevant Period**). For example:

- where the Relevant Period is less than a year, the statutory cap is the person's estimated annual base salary proportionally adjusted to reflect the extent to which the Relevant Period is less than a year.
- where the Relevant Period is one year, the statutory cap is the base salary that the person received from the company during the Relevant Period.

Mr Piccone's potential payments and other benefits under the Executive Employment Agreement are summarised below.

Although there is no current intention by Elk USA to terminate Mr Piccone's employment within the first 12 months, nor does Mr Piccone has any current intention to cease employment within the first 12 months, the Board considers it prudent to obtain Shareholder approval under sections 200B and 200E of the Corporations Act for any termination benefits provided to Mr Piccone under the Executive Employment Agreement in case those benefits are not exempt under the Corporations Act.

If Shareholder approval is given, the value of any payments under the Executive Employment Agreement, or for past services rendered, will be disregarded when applying section 200F(2)(b) or section 200G(1)(c) of the Corporations Act, which set a statutory cap for such benefits.

The amount of any termination payment that may be made to Mr Piccone will depend on a number of factors, including his remuneration and the circumstances in which he leaves office. Accordingly, the precise amount cannot be ascertained at the present time.

### Remuneration and incentive arrangements

Mr Piccone's base salary, initial equity grant, short-term incentive entitlements and long-term incentive entitlements (including under the Incentive Plan) were disclosed in the announcement dated 2 February 2018. In summary:

- a. **Base salary:** US\$375,000 per annum, reviewable at least annually;
- b. **Initial equity grant:** Mr Piccone will be granted 4,500,000 Shares at no cost, subject to Shareholder approval, as proposed under Resolution 5;

c. **STI and LTI awards:**

- i. Mr Piccone will be entitled to annual STI awards which will be granted based on achieving certain Company and individual performance goals to be agreed annually; and
- ii. Mr Piccone will be entitled to annual LTI awards. Mr Piccone's LTI for CY2018 (31 December 2018) are outlined in the Remuneration Report of the Annual Report for the year ended 30 June 2018 announced to the ASX on 28 September 2018.

**Termination provisions**

The Executive Employment Agreement contains termination provisions to the following effect:

a. **Resignation by Mr Piccone**

Mr Piccone may resign at any time by giving Elk USA no less than 30 days' written notice.

b. **Termination by Elk USA**

Elk USA may terminate the Executive Employment Agreement with or without Cause (as defined in the Executive Employment Agreement).

**Potential termination benefits**

Set out in the table below are the potential payments and other benefits that could arise under the Executive Employment Agreement in various different termination scenarios. As noted above, Resolution 6 seeks approval for the giving of benefits in connection with the termination of Mr Piccone's employment. In summary:

- c. The payment of any salary, or payment of any pro-rated cash performance bonuses, for the period up to the date of termination of employment under the Executive Employment Agreement would not be considered benefits in connection with the termination of Mr Piccone's employment.
- d. Payment of cash and bonuses or the removal of any automatic lapsing requirement under the Incentive Plan in respect of any Performance Rights held by Mr Piccone at the time of termination would be considered benefits in connection with the termination of Mr Piccone's employment.

Circumstances of termination	Termination payments	LTIs
a. Termination by Elk USA without Cause; or	i. Payment of an amount equal to 24 months of Mr Piccone's base salary as of the termination date, payable in substantially equal monthly instalments over a period of 24 months (or in the case of death or disability, payable in a lump sum);	All unvested time-based LTIs held by Mr Piccone shall immediately and automatically vest in full. However, all outstanding performance-based LTIs shall remain outstanding.
b. Termination by Mr Piccone for Good Reason; or	ii. Payment of an amount equal to 2 times the target STI payment (calculated based on Mr Piccone's base salary), payable in substantially equal monthly instalments over a period of 24 months (or in the case of death or disability, payable in a lump sum);	
c. Death or disability of Mr Piccone	iii. Payment of a bonus equal to the pro-rata share of the target STI payment; and	
	iv. Monthly payment or reimbursement of medical insurance premiums for Mr Piccone's family for a period of 24 months.	
Resignation by Mr Piccone other than for Good Reason	No entitlement	Provided that the resignation occurs on or after (1) Mr Piccone has attained the age of 65; and (2) the fourth anniversary of the commencement date of his employment, his outstanding LTIs shall remain outstanding and continue to vest and become payable as if Mr Piccone had remained a current employee.
Termination by Elk USA for Cause	No entitlement	No entitlement

**Board recommendation for Resolution 6:**

The Directors (with Mr James Piccone abstaining) unanimously recommend that Shareholders vote in favour of approving the potential termination benefits to Mr Piccone.



# EXPLANATORY STATEMENT

## 8. ENQUIRIES

Shareholders may contact the Company Secretary if they have any queries in respect of the matters set out in these documents.

David Franks  
*Joint Company Secretary*  
Elk Petroleum Limited

c/- CFO Innovation  
GPO Box 5193, Sydney, NSW 2001, Australia

Tel: (+61 2) 9299 9690  
Fax: (+61 2) 9251 7455  
Email: [dfranks@fa.com.au](mailto:dfranks@fa.com.au)

# GLOSSARY

**AEDT** means Australian Eastern Daylight Time, Sydney, New South Wales.

**Annual General Meeting**, **AGM** or **Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given to that term by section 12 of the Corporations Act.

**ASX** means ASX Limited (ABN 98 008 624 691).

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the board of Directors of the Company as constituted from time to time.

**Closely Related Parties**, in relation to a member of KMP, means the member's spouse, child or dependant (or a child or dependant of the member's spouse), anyone else in the member's family who may be expected to influence or be influenced by the member in the member's dealings with Elk (or the Elk Group), and any company the member controls.

**Company** or **Elk** means Elk Petroleum Limited (ABN 38 112 566 499).

**Constitution** means the Constitution of the Company.

**Control** has the meaning given in section 50AA of the Corporations Act.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** mean the Directors of the Company.

**Documents** means each of the Notice, Explanatory Statement and the Proxy Form and all other documents that accompany each other when sent to each Shareholder.

**Eligible Person** means persons who are eligible to participate in the Incentive Plan.

**Elk Group** means Elk and its controlled entities.

**Elk USA** means Elk Petroleum Inc., Elk's main US subsidiary.

**Executive Employment Agreement** means the executive employment agreement between Elk USA and Mr James Piccone in respect of Mr Piccone's employment as the Chief Executive Officer and a Director of Elk USA.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Equity Securities** has the meaning given to that term in ASX Listing Rule 19.

**Good Reason** means, without the express written consent of Mr Piccone, (i) a material reduction (meaning 10% or more) in any of his base salary, target STI percentage or target LTI percentage; (ii) a material diminution in his authority, duties, title or responsibilities; (iii) a permanent relocation in the geographic location at which he must perform services to a location outside of the Denver, Colorado metropolitan area; or (iv) any other action or inaction that constitutes a material breach by Elk USA or Elk of the Executive Employment Agreement or any material written agreement between Mr Piccone, Elk USA and Elk.

**Incentive Plan** means the Performance Rights Plan.

**Key Management Personnel** or **KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of Elk or the Elk Group, whether directly or indirectly. Members of the KMP include all Directors and certain senior executives.

**LTI** means the long-term incentive program of the Company.

**Notice** means the notice of Meeting that accompanies and forms part of the Documents.

**Ordinary Resolution** means a resolution passed by more than 50 per cent of the votes at a general meeting of shareholders.

**Participants** means Eligible Persons and their permitted nominees to receive Performance Rights in their place.

**Performance-based Performance Right** means a Performance Right subject to performance-based vesting criteria.

**Performance Right** means a right to be issued or transferred one Share upon satisfaction of a performance condition on a specified date.

**Relevant Period** has the meaning given to that term in section 200F(5) of the Corporations Act.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Retention Right** means a right to be issued or transferred to Shares, according to the formula applicable to the right, upon satisfaction of a retention condition on a specified date.

# GLOSSARY

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Share Registry** means Computershare Investor Services.

**Special Resolution** means a resolution passed by more than 75 per cent of the votes at a general meeting of Shareholders.

**STI** means the short-term incentive program of the Company.

**Time-based Performance Right** means a Performance Right subject to time-based vesting criteria.

**Trading Day** has the meaning given to that term in ASX Listing Rule 19.12.

**VWAP** means volume weighted average price.

## Interpretation

In these Documents, unless the context requires otherwise:

- a. a reference to a word includes the singular and the plural of the word and vice versa;
- b. a reference to a gender includes any gender;
- c. if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- d. a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- e. headings are included for convenience only and do not affect interpretation;
- f. a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- g. a reference to a thing includes a part of that thing and includes but is not limited to a right;
- h. the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- i. a reference to a statute or statutory provision includes but is not limited to:
  - i. a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
  - ii. a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
  - iii. subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- j. reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- k. a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.



## ANNEXURE 1 – NOTICE OF NOMINATION OF AUDITOR

8 October 2018

Mr David Franks  
Joint Company Secretary  
ELK Petroleum Limited  
GPO Box 5193  
Sydney NSW 2001

For the purposes of Section 328B(1) of the Corporations Act 2001 and for all other purposes, I, Dr Neale Taylor, being an individual Member of ELK Petroleum Limited, hereby nominates KPMG of Level 38, Tower 3, 300 Barangaroo Avenue, Sydney NSW 2000 for appointment as auditor of ELK Petroleum Limited at the 2018 Annual General Meeting for the Company.

Yours sincerely

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

**Dr Neale Taylor**

*Individual Shareholder in Elk Petroleum Limited*



If you are attending the meeting  
in person, please bring this with you  
for Securityholder registration.

[EntityRegistrationDetailsLine1Envelope]  
[EntityRegistrationDetailsLine2Envelope]  
[EntityRegistrationDetailsLine3Envelope]  
[EntityRegistrationDetailsLine4Envelope]  
[EntityRegistrationDetailsLine5Envelope]  
[EntityRegistrationDetailsLine6Envelope]

## [HolderNumber]

Holder Number:  
[HolderNumber]

## Vote by Proxy: ELK

Your proxy voting instruction must be received by **10.00am (AEDT) on Monday, 12 November 2018**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

### SUBMIT YOUR PROXY VOTE ONLINE

**Vote online at <https://investor.automic.com.au/#/loginsah>**

Log in & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



### SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

#### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

#### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

#### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

#### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

#### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

#### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

#### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.





By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).