

30 March 2010

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The Company Announcements Platform
Australian Securities Exchange
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ANNUAL GENERAL MEETING

Tap Oil Limited ("Company") advises that its Annual General Meeting ("AGM") will be held on Friday, 30 April 2010. Details of the AGM are contained in the Notice of Annual General Meeting, which has been dispatched to the Company's shareholders.

The abovementioned document can be downloaded from the Company's website www.tapoil.com.au

Enquiries to:

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Notice of Annual General Meeting

Explanatory Statement Proxy Form

Date: 30 April 2010

Venue: Kings Park Function Room – Room 1
Fraser Avenue, Kings Park,
West Perth, Western Australia

Time: 10.00am (WST)



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The Notice of Annual General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

Notice of Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of Tap Oil Limited (Company) will be held as follows:

Date: 30 April 2010
Venue: Kings Park Function Room – Room 1
Fraser Avenue, Kings Park
West Perth, Western Australia
Time: 10.00am (WST)

The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting describes the business to be considered at the meeting.

The Directors have determined that pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those registered shareholders of the Company at the close of business on 28 April 2010.

AGENDA

ORDINARY BUSINESS

Accounts and Reports

To receive and consider the financial report and the reports of the Directors and Auditors of the Company and its controlled entities for the reporting period, being the year ending 31 December 2009.

Resolution 1 – Approval of Remuneration Report

To consider and, if thought appropriate, to pass with or without amendment, the following resolution as a non-binding resolution:

“That, for the purposes of section 250R of the Corporations Act and for all other purposes, the shareholders adopt the Remuneration Report set out in the Directors’ Report for the financial year ending 31 December 2009.”

Resolution 2 – Re-election of Mr Michael Sandy

To consider and, if thought appropriate, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, Mr Michael Sandy, who retires by rotation in accordance with Article 6.3 of the Company’s Constitution, and being eligible for re-election, be re-elected as a Director of the Company.”

Resolution 3 – Election of Mr Douglas Bailey

To consider and, if thought appropriate, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, Mr Douglas Bailey, who was appointed to the Board on 11 November 2009 to fill a casual vacancy and who retires in accordance with Article 6.3 of the Company’s Constitution, and being eligible for election, be elected as a Director of the Company.”

Resolution 4 – Approval of Share Rights Plan

To consider and, if thought appropriate, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rules 7.2 (Exception 9) and for all other purposes, the shareholders of the Company approve the adoption of the Tap Oil Share Rights Plan on the terms set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by any Director of the Company eligible to participate in the plan or their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 5 – Grant of Share Rights to Mr Peter Stickland

Subject to Resolution 4 being approved, to consider and, if thought appropriate, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the shareholders of the Company approve the grant of a maximum of 2,500,000 Share Rights under the Tap Oil Share Rights Plan over the next three years to Peter Stickland on the terms set out in the Explanatory Statement accompanying this Notice including vesting conditions based on the achievement of performance hurdles.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Peter Stickland or any associate of Peter Stickland. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 6 – Non-Executive Directors’ Remuneration

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of clause 6.5 of the Constitution, Listing Rule 10.17 and all other purposes, the aggregate amount approved for the remuneration of Non-executive Directors be increased from \$400,000 to \$500,000 per annum.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by any Director, or associates of such a Director, unless the vote is cast by such a person as proxy or nominee for another person who is entitled to vote and is cast in accordance with the directions on the form appointing the proxy, or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

GENERAL BUSINESS

To transact any other business that may be brought forward in accordance with the Company's Constitution.



Matthew Worner
Company Secretary

19 March 2010

By Order of the Board.

NOTES

A shareholder of the Company who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint not more than two proxies. Where two proxies are appointed, each proxy may specify the proportion of the shareholder's votes that the proxy may exercise. If the shareholder appoints two proxies and the proportions are not specified, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of shareholders of Tap Oil Limited (Company) in connection with the business to be conducted at the Annual General Meeting of shareholders to be held at Kings Park Function Room – Room 1, Fraser Avenue, Kings Park, West Perth, Western Australia on 30 April 2010 at 10:00am (WST).

This Explanatory Statement should be read in conjunction with the accompanying Notice of Annual General Meeting.

ORDINARY BUSINESS

1. Accounts and Reports

In accordance with the Company's Constitution, the business of the meeting will include receipt and consideration of the Company's Financial Report and reports of Directors and Auditors for the year ended 31 December 2009.

2. Resolution 1 – Approval of the Remuneration Report

The Remuneration Report of the Company for the financial year ending 31 December 2009 is set out in the Directors' Report contained in the Company's 2009 Annual Report. As set out in the Remuneration Report, the Company has undertaken a comprehensive review of its remuneration practices during 2009. Overviews of the proposals which arise from this review are set out in Section 5 and 6 of this Explanatory Statement.

The Remuneration Report sets out the Company's remuneration arrangements for the Executive and Non-Executive Directors, other Group Executives and other employees of the Company. The Remuneration Report states that, while the current policy was used to make certain incentive awards in relation to 2008 and 2009 performance and employment, its use for making awards of options and shares ceased in May 2009. While no new awards will be made under this policy, which is described in the Remuneration Report, the policy will remain in place to govern the assessment and vesting of previously issued options and shares. It is expected that the last options issued under this policy will expire in 2013.

An opportunity will be given for discussion of the Remuneration Report at the meeting. These notes should be considered in conjunction with the explanatory notes in regard to Resolutions 4 and 5, which describe the way the proposed new remuneration policy will work. Attention should also be given to the various proposed awards that will be made, if shareholders approve Resolutions 4 and 5; these awards are described in Sections 5 and 6 of the Explanatory Statement.

Shareholders should note that the shareholder vote is advisory only and will not require the Company to alter any arrangements detailed in the Remuneration Report, should this Resolution 1 not be passed. However, despite the legislative effect of this requirement, the Board has undertaken that it will take the outcome of the vote into consideration when considering the Company's remuneration policy.

3. Resolution 2 – Re-election of Mr Michael Sandy

It is a requirement under Article 6.3 of the Company's Constitution that Directors (other than the Managing Director) must retire no later than the longer of the third Annual General Meeting or three (3) years from the date of their appointment. In addition, the Constitution specifies that one-third of Directors (rounded down to the nearest whole number and excluding the Managing Director) must retire at each Annual General Meeting. Accordingly, Michael Sandy retires by rotation and being eligible, has offered himself for re-election as a Director of the Company.

Mr Sandy is a geologist with over 30 years of experience in the resources industry, with the past 27 years focused on oil and gas. He has worked for various oil and gas companies, including Oil Search and Novus Petroleum, and is currently an Executive Director of Burseson Energy Limited.

Michael's extensive experience and depth of understanding of the Australian (and international) oil and gas industry is a considerable asset to the Company and highly valued by the Board. Accordingly, all of the other Directors fully support his re-election.

4. Resolution 3 – Election of Douglas Bailey

It is a requirement under Article 6.3(j) of the Company's Constitution that a Director appointed by the Board to fill a casual vacancy under Article 6.2(b) must retire at the next Annual General Meeting, and is eligible for election at that meeting. The Board appointed Mr Douglas Bailey as a Non-Executive Director on 11 November 2009. Accordingly, Mr Bailey retires and, being eligible, has offered himself for election as a Director of the Company.

Mr Bailey has a financial and accounting background and has over 30 years experience in the resources sector, having held senior executive and directorship positions with Ashton Mining Limited (including Chief Executive Officer), and was formerly the Chief Financial Officer at Woodside Petroleum Limited. Mr Bailey is currently a non-executive director of St Barbara Limited.

Mr Bailey's extensive experience and depth of understanding of the resources sector is a considerable asset to the Company and highly valued by the Board. Accordingly, all of the other Directors fully support his election.

5. Resolution 4 – Approval of Share Rights Plan

5.1 Overview of Proposed New Remuneration Policy

As was foreshadowed at the Company's Annual General Meeting held in April 2009, the Company has undertaken a review of its remuneration policies and practices. The Board engaged an independent remuneration consultant, Godfrey Remuneration, for the purpose of assisting the Remuneration Committee in the conduct of the remuneration review. An endorsement letter from Godfrey Remuneration is shown in Attachment 1 to this Explanatory Statement.

A summary of the outcomes and effects of this review, along with a discussion of proposed changes to the Company's remuneration structure, is set out below.

For the purposes of this Explanatory Statement the term "Group Executive" means the Managing Director/CEO, other Executive Directors (none at present) and the five other most highly compensated executive officers of the Company.

Traditionally, the Company has compensated its staff and Group Executives by way of a base salary, superannuation and incentives in the form of cash bonuses and grants of options or shares. The compensation program is designed to ensure that the level and form of compensation achieves certain objectives, including:

- Retention of staff and management to pursue the Company's strategy and goals;
- Delivery of value-adding outcomes for the Company;
- Fair and reasonable reward for past individual and Company performance; and
- Incentive to deliver future individual and Company performance.

The proposed new policy is due in part to feedback from the Company's shareholders at the time of the last Annual General Meeting and to changes in relevant legislation which compromised the ability of the Company to remunerate its staff competitively through its existing employee share and option incentive schemes. The revised remuneration policy has been designed to be simpler than the existing policy and consistent with the interests of shareholders whilst providing the Company's staff and Group Executives with appropriate remuneration and incentives in what remains a very competitive employment market, particularly in the oil and gas sector.

The Company's proposed new remuneration system will have 5 elements:

1. Fixed Annual Remuneration (FAR) or Base Salary;
2. A Short-Term Incentive (STI) Award which provides a reward for performance in the past year against a set of Key Performance Indicators (KPI's) for that year;
3. A Long-Term Incentive (LTI) Award which provides an incentive to deliver future Company performance;
4. Retention Incentives which encourage new employees to remain in employment for at least 3 years; and
5. Special Awards which reward individuals for meritorious achievements or retain individuals who are involved in a critical task that will extend more than one year.

In line with Corporate Governance principles, Non-Executive Directors are remunerated solely by way of fees and statutory superannuation. All Directors are encouraged to apply a proportion of their fees to purchase shares in the Company. The maximum total pool of available fees is set by shareholders in general meeting.

5.1.1 Base Salary or Fixed Annual Remuneration (FAR)

The first step to attracting and retaining talented, qualified and effective staff is paying base salaries which are competitive in the markets in which the Company operates. The Company compiles competitive salary information on companies of comparable size in the oil and gas industry from various sources. Information is obtained from surveys conducted by independent consultants and national and international publications.

FAR will be paid in cash and is not at risk other than by termination. Individual FAR is set each year based on job description, competitive salary information sourced by the Company and against overall competence in fulfilling the requirements of the particular role.

Each of the following awards and incentives (to 5.1.5) is at risk.

5.1.2 Short Term Incentive (STI) Awards

An STI Award will be assessed by a performance-based factor multiplied by a benchmark award for the individual's level in the Company multiplied by the individual's FAR. The Award is to be made 100% in cash and the amount of the payment is calculated by the following formula:

Performance Factor x STI Organisational Level Benchmark x Individual's FAR

An individual employee's Performance Factor will be assessed against both the individual's performance and the Company's performance over the preceding year. A rating for individual performance is determined on a scale of 1 to 5 based on how well the individual performs against the individual's annual goals. The Company's performance is assessed against a set of corporate goals, which are in the form of KPI's, which are set by the Board for a given year. In recent years KPI's have included tests on earnings before interest, tax, depreciation, amortisation and exploration expensed (EBITDAX), oil and gas reserves, safety, capital and exploration expenditure, RTSR (1 year), and portfolio management. Each KPI is given a relative weighting and is assessed against Threshold, Good and Excellent benchmarks. The Board will vary KPI's each year to suit prevailing circumstances.

As an example, in 2009, the STI Awards recognised modest to good outcomes in EBITDAX (successful insurance recovery), safety (successful seismic survey with 1,000 people on site in difficult Brunei terrain), RTSR (mid-level outcome), and portfolio management (gaining the new Rangkas permit and maturing new leads and possible future opportunities); there were no contributions from reserves additions and only a minor contribution from capital and exploration expenditure management.

Any Award will be subject to the Company exceeding one or more fundamental performance hurdles determined by the Board on an annual basis. While a positive STI Award might be assessed under a previously prescribed set of KPI's, circumstances within the year might see a reduction in the Company's ability or desire to pay such an award due to an unexpected material reduction in the Company's cash flow. The Board, at its absolute discretion, reserves the right to withhold the making of any STI Awards if it finds itself in such a position.

An individual's combined Performance Factor is determined from the assessment table below:

Performance Factors (%)					
Individual Performance Ranking					
Annual Corporate KPI Performance	5	4	3	2	1
< Threshold	0%	0%	0%	0%	0%
Threshold	0%	20%	50%	63%	75%
Good	0%	40%	100%	125%	150%
≥ Excellent	0%	60%	150%	188%	225%

Three STI Organisational Level Benchmarks have been established as percentages of individual FARs. These three levels reflect the increased involvement at each level in the organisation's pursuit and achievement of the Company's goals. These benchmarks are set out below:

Organisational Level	Managing Director	Management	Professional, Technical & Support
STI Organisational Benchmarks	20%	15%	12.5%

5.1.3 Long Term Incentive (LTI) Awards

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders. In the past, equity participation has been accomplished through the Company's various employee share and option incentive schemes (the Schemes), which have previously been approved by shareholders (as applicable).

A review of these Schemes identified a number of weaknesses as well as areas which have been made uncompetitive by recent changes in the legislation which governs the taxation of securities provided under such schemes. The Company now proposes to introduce a Share Rights Plan for its staff and Group Executives. This Share Rights Plan will become the principal tool for the award and administration of incentive entitlements to all staff and Group Executives. The new plan will represent a major simplification and standardisation of the Company's incentives system. Details of the Share Rights Plan (including a summary of the terms of the Share Rights Plan) are set out in Section 5.5 of this Explanatory Memorandum. Shareholders should note that existing options and share entitlements under the existing policy and Schemes will continue in place in accordance with their terms. However, it is not the intention of the Company to issue or grant any further entitlements under the existing policy and Schemes.

Summary of matters relevant to an LTI Award under the proposed Share Rights Plan

Subject to approval by shareholders of Resolution 4, an LTI Award will be made in the form of rights to shares which will have a vesting timeframe of 3 years. The number of rights that vest will be based on the Company's performance over the same three years.

An LTI Award will be made by way of the grant of Performance Rights as soon as practicable after each year end. Grants of Performance Rights will be made each year with effect from 1 January.

The number of Performance Rights to be granted annually to each employee is calculated by the following formula:

LTI Organisational Level Benchmark x Individual's FAR ÷ Share Price

Three maximum **LTI Organisational Benchmarks** have been established as percentages of Individual FARs. These three levels reflect the increased involvement of each level in pursuing and achieving the Company's goals. These benchmarks, which are set out in the following table, are subject to being reduced proportionately so that the total number of Performance Rights is within the Board's determined cap on the total number of Performance Rights which are issued as LTI Awards in a given year.

	Organisational Level		
	Managing Director	Management	Professional, Technical & Support
LTI Organisational Level Benchmarks	120%	70%	30%

The calculation will use the 30-day volume-weighted average share price (VWAP) of the Company's shares preceding the first day of each measurement period. The first Performance Rights will run from 1 January 2010.

The Board has established an initial guideline that the total number of Performance Rights to be issued in a single year will be capped at 1.5% of the fully paid issued capital of the Company as at the end of the prior year. In the event that the potential total number of Performance Rights exceeds the cap then all awardees receive a pro-rata reduced number of Performance Rights. This cap is at the discretion of the Company's Board and may be altered depending on the prevailing context. Any changes in the cap or exceptions will be reported each year.

Vesting of up to 50% of the Performance Rights will depend upon the Company's Absolute Total Shareholder Return (ATSR) over three years and up to 50% will depend upon Relative Total Shareholder Return (RTSR). The ATSR and RTSR performance hurdles required to achieve increasing levels of vesting will be set by the Board to apply from 1 January of the relevant year. For the first grant of Performance Rights the Board has proposed the following ATSR and RTSR performance hurdles:

Assess 50% of Rights against ATSR		Assess 50% of Rights against RTSR	
Average Annual ATSR over 3 years	% of Rights which will vest after 3 years	Relative TSR (Relative Percentile Ranking of TSR against peers over 3 years)	% of Rights which will vest after 3 years
<5%	0%	<P50%	0%
=5%	12.5%	=P50%	12.5%
=15%	25%	=P62.5	25%
≥25%	50%	≥P75%	50%

Note: for actual results between above benchmarks, the vesting of Performance Rights will be on a pro-rata basis.

The combination of ATSR and RSTR measures has been chosen to cover a range of outcomes which can deserve reward but may show up better under one measure but not under the other. The reward for strong absolute return is moderated in the event that there is a poorer relative return and the award for strong relative return is moderated in the event the absolute return is poorer. ATSR is used rather than earnings per share (EPS), as in the Board's view, EPS would shift the key focus away from the Company's long-term business which is currently exploration focused. However, the Company has and does use earnings as one of its short-term KPI's to ensure attention is paid to meeting forecast annual production and cost management targets.

Vesting characteristics of the Performance Rights are as follows:

1. Performance measurement period will be 3 years, which is consistent with the typical time cycle for an exploration program and the Company's strategic emphasis on exploration.
2. Performance will be based on differences in ATSR and RTSR as measured from the end of one preceding period to the end of the current (3 year) assessment period. The ATSR and RTSR will use the 30-day VWAP of the Company's shares preceding and including the last day of each measurement period.
3. RTSR will be assessed against a peer group of like companies determined by the Board before the start of each assessment period or as soon as practical thereafter. In 2010, the Company will use a group of about 30 petroleum industry companies which are listed on the ASX and whose market capitalisations range from about \$50 million to \$1,500 million.

5.1.4 Retention Incentives

Subject to approval by shareholders of Resolution 4, Retention Rights will be issued to staff pursuant to the terms of the Share Rights Plan upon or as soon as practicable after commencement of employment. Such rights would vest if the employee remains employed by the Company for 3 years. The number of Retention Rights to be issued to a new employee will be set at one of three levels reflecting the Organisational Level appropriate for the employee's initial job grade. These levels are outlined in the following table.

	Organisational Level		
	Managing Director	Management	Professional, Technical & Support
Organisational Level Benchmarks	Subject to initial employment contract negotiations	35%	15%

Retention Rights will be valued at 100% of the VWAP price of the Company's shares traded during the 30 calendar days preceding the date of grant. A number of new employees were recruited after May 2009 and Retention Rights will be granted to these employees following approval of Resolution 4.

5.1.5 Special Awards

The Board will retain the discretion to make Special Awards each year. Special Awards can be in the form of cash, and/or Performance Rights and/or Retention Rights. Special Awards will be granted to individual staff or Group Executives who are judged by the Board to have made an extraordinary contribution to the current or future performance of the Company or who are expected to play a critical role in one of the Company's activities that could take 2-3 years to complete and where retention of the individual's services is seen an important determinant of the success to that activity.

Subject to approval of Resolutions 4 and 5, a number of Special Awards will be made for the above purposes and to compensate a number of staff and Group Executives for changes in the value of awards to staff and Group Executives in moving from the existing Schemes to the proposed new scheme.

5.2 Discretionary Cap on Total Number of Rights

The Board will maintain a discretionary guideline cap on the total number of all Performance and Retention Rights which are issued to staff and Group Executives. Initially, the Board has set this cap at 6% of the number of issued fully paid shares in the Company. This cap will provide a margin to cover issues of Rights above the proposed 4.5% maximum level of Rights that will be issued over the 3 year life of such Rights at the guideline maximum rate of 1.5% per annum under the new LTI Award scheme. The Board will inform shareholders of exceptions or changes to these guidelines should they occur. Existing options (which decline in number until 2013 when the last of these options will expire if not exercised before that time) are not included in the calculation of this cap.

The Board is of the view that the imposition of such a cap will significantly reduce the potential for dilutionary effects of issues of Rights at low share prices.

5.3 Number of Rights Proposed to be Issued

Subject to the passage of Resolutions 4 and 5, the following number of Rights will be issued to staff and Group Executives (including the Managing Director) as soon as practicable by the Company in relation to the 2009 year:

- (a) Performance Rights – 2,347,286 (1.50 % of all issued fully paid capital)
- (b) Retention Rights – 724,940 (0.046 % of all issued fully paid capital)

To give context to these awards, the Board estimates that the number of options and/or shares that would have been allocated under the existing Schemes at or soon after year-end 2009 would have been approximately 4,000,000.

5.4 Background

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to the issue of shares or securities convertible into shares (including options) representing more than 15% of the issued capital of that company in any rolling 12-month period.

An exception to ASX Listing Rule 7.1, which is set out in ASX Listing Rule 7.2 (Exception 9), provides that issues under an employee incentive plan are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the plan as an exception to ASX Listing Rule 7.1.

Resolution 4 seeks shareholder approval for the adoption of an employee Share Rights Plan (Plan) in accordance with Exception 9 of ASX Listing Rule 7.2.

If Resolution 4 is passed, the Company will be able to issue shares under the Plan without impacting on the Company's ability to issue up to 15% of its total ordinary securities without shareholder approval in any 12-month period.

The objective of the Plan is to attract, motivate and retain key employees.

It is considered by the Directors that the adoption of the Plan and the future issue of Rights and shares under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

In the case of an offer to an Executive Director of Rights under the Plan, the acquisition of these securities will require shareholder approval in accordance with ASX Listing Rule 10.14.

A summary of the terms and conditions of the Plan is set out at in Section 5.5. The full terms and conditions of the Plan may be obtained free of charge by contacting the Company Secretary.

5.5 Summary of Share Rights Plan

Purpose of the Plan

The purpose of the Plan is to provide an incentive for employees and Executive Directors by enabling them to participate in the future growth of the Company and upon becoming shareholders to participate in the Company's profits and development. Under the Plan employees and Executive Directors may be granted rights to shares in the capital of the Company upon the satisfaction of specified performance criteria and specified periods of tenure (Rights). The provision of this incentive is expected to result in future benefits to the shareholders and employees of the Company.

Offer of Rights

When an employee satisfies specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer (Offer) to the employee of Rights. The Offer will specify the number of Rights being offered and the conditions that must be met by the employee before the Rights will vest.

Number of Rights Offered

The number of Rights that will be offered to an employee pursuant to an Offer is entirely within the discretion of the Directors. Each Right will, upon vesting, entitle the holder to one (1) share in the capital of the Company.

Vesting Conditions

The Rights will not vest unless the vesting conditions imposed by the Board have been satisfied.

Rights cannot vest nor can shares be issued in relation to vested Rights during a blackout period.

Exercise Price

An employee will not be required to make any payment in return for a grant of Rights nor for the issue or transfer of shares upon the vesting of Rights.

Lapse of Rights

Rights that have not vested will lapse on the seventh anniversary of the date of grant of the Rights or on the first to occur of certain specified events, including:

- (a) a failure to meet the Vesting Conditions;
- (b) a purported transfer of the Rights without the Board's consent;
- (c) the employee ceasing his or her employment or employment relationship with a Group Company; or
- (d) any other circumstances specified by the Board in the Offer.

Shares Allotted Upon Exercise of Rights

The Company will issue or transfer shares to the employee as soon as practicable after the vesting of Rights. The shares allotted under the Plan will be of the same class and will rank equally with shares in the Company at the date of issue.

The Company will seek listing of the new shares on ASX within the time required by ASX Listing Rules.

Transfer of Rights

A Right is not transferable without the consent of the Board.

Takeover, Scheme or Arrangement

In the event of a takeover bid under which the bidder acquires a relevant interest in at least 50.1% of the Company's shares being declared unconditional, the Board may determine that all or a specified number of the Rights vest. Unless the Board determines otherwise any Right which the Board determines does not vest will lapse.

In the event that a Court approves a proposed compromise or arrangement for the purpose of a scheme for the reconstruction of the Company or its amalgamation with any other company, or any person becomes bound or entitled to acquire shares in the Company under the Corporations Act, the Board may determine that all or a specified number of an employee's Rights vest. Unless otherwise determined by the Board any Right which the Board determines does not vest will lapse.

Bonus Issues, Rights Issues and Capital Reconstruction

In order to prevent a reduction of the number of shares to which the Rights relate in the event of bonus issues, rights issues or a capital reconstruction, there are provisions in the rules which provide a method of adjustment of the number of Rights to prevent such a reduction.

Participation in New Issues

There are no participating rights or entitlements inherent in the Rights and the holders will not be entitled to participate in new shares of capital offered to shareholders during the currency of the Rights. In addition, holders of Rights will not be entitled to vote or receive dividends as a result of their holding of Rights.

6. Resolution 5 – Grant of Share Rights to Mr Peter Stickland

6.1 Background

Subject to the passage of Resolution 4 shareholder approval is sought for the grant of up to 2,500,000 Rights, representing ordinary shares equal to 1.6% of the Company's current issued and outstanding ordinary shares, over the next three years to Mr Peter Stickland, the Managing Director of the Company, pursuant to the Share Rights Plan described above. Shareholder approval is required under ASX Listing Rule 10.14 because Mr Stickland is a Director of the Company.

Mr Stickland, who was appointed to the Board on 11 February 2009, faces considerable ongoing responsibilities and challenges in his role within the Company as Managing Director. The grant of the Rights will provide a long-term incentive for outstanding Company performance and promote his opportunity for share ownership in the Company.

6.2 Conditions of the Share Rights to Mr Stickland

An initial allocation of Rights will be granted to Mr Stickland, subject to the terms and conditions of the Share Rights Plan, referred to in Resolution 4. Information in relation to these allocations is provided below and in Sections 5.1.3 and 5.1.4 of this Explanatory Statement. Following receipt of shareholder approval of Resolution 5, an amount of 526,706 Performance Rights will be issued to Mr Stickland under the proposed LTI policy. An amount of 50,000 Retention Rights will be issued to Mr Stickland upon execution of an amendment of his employment contract replacing previous incentive Schemes with the new Schemes which are explained in this Explanatory Statement.

The Performance Rights will vest upon the satisfaction of the relevant vesting criteria set out Section 5.1.3. These Rights will be effective from 1 January 2010.

The proposed Retention Rights will compensate for transitional arrangements in remuneration policy and the changes in Mr Stickland's employment contract. Subject to approval of grant under Resolution 5 these Retention Rights will vest upon Mr Stickland achieving a tenure period of 3 continuous years from the date of grant.

6.3 Exercise of Rights and Allocation of Shares

To the extent that the performance and retention conditions outlined in section 6.2 above have been satisfied the Rights will automatically vest. Shares allocated to Mr Stickland upon vesting of the Rights will rank equally with all other shares of the Company on issue.

Based on independent advice and extensive investigation, the Non-Executive Directors are of the view that the overall remuneration of Mr Stickland, including the proposed grant of Rights, is reasonable having regard to the circumstances of the Company, the duties and responsibilities of Mr Stickland and the market levels of remuneration for people in his position in similar sized companies.

6.4 Technical Information Required by ASX Listing Rule 10.15A

ASX Listing Rule 10.15A requires the following information to be provided in relation to the Rights which may be granted to Mr Stickland pursuant to the Plan:

- (a) The maximum number of Rights (and hence the maximum number of shares) which may be granted to Mr Stickland is 2,500,000 over three years. The formula applicable to the calculation of the number of Rights to be potentially issued in each year is:

$$LTI\ Organisational\ Benchmark \times Base\ Salary \div Share\ Price$$

The total maximum number of 2,500,000 is based on applying the LTI Award calculation to Mr Stickland's 2010 FAR and providing a margin in expectation that his FAR will increase over the assumed 3 year period or for the making of Special Awards.

Further information in relation to the application of the formula is provided in the Explanatory Statement to Resolution 4.

- (b) No consideration is payable by Mr Stickland at the time of the grant of the Rights or when shares are issued to him upon satisfaction of the vesting conditions attached to the Rights.
- (c) No persons have been granted Rights under the Share Rights Plan.
- (d) The Board may, from time to time at its absolute discretion declare that any full or part time employee or Executive Director of the Company is eligible to receive Rights under the Plan.
- (e) No loans will be made by the Company in connection with the acquisition of Rights by Mr Stickland.
- (f) Details of any Rights and/or shares issued under the Plan will be published each year in the Annual Report of the Company relating to the period in which Rights or shares have been issued and the Annual Report will disclose that approval for the issue of shares under the Plan was obtained under Listing Rule 10.14. Any additional director who becomes entitled to participate in the Plan after Resolutions 4 and 5 are approved who is not named in this Notice of Annual General Meeting will not participate until approval is obtained under Listing Rule 10.14 (if approval is required under that Listing Rule).
- (g) The Rights will be granted to Mr Stickland no later than three years after the date of this Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).

7. Resolution 6 – Non-Executive Directors' Remuneration

Clause 6.5(a) of the Constitution requires that shareholders in general meeting set the maximum aggregate remuneration that may be paid to Non-Executive Directors of the Company. The currently approved maximum amount is \$400,000. This cap was set in 2003.

Pursuant to Resolution 6 of the Notice of Meeting, shareholders are asked to approve an increase in the aggregate amount of fees to be paid to the Company's Non-Executive Directors from \$400,000 to an amount of \$500,000.

The structure of the Company's Board has changed in recent times with the addition of a further Non-Executive Director. In addition, the Company feels it necessary to retain the level of recent fees so as to attract and retain Non-Executive Directors of a calibre required to effectively guide and monitor the business of the Company and to remunerate them appropriately for the expectations placed upon them and the regulatory environment in which the Company operates. Details of the remuneration paid to Non-Executive Directors during the years ended 31 December 2008 and 31 December 2009 are set out in the Company's Remuneration Report.

It is not the intention of the Company to pay Non-Executive Directors up to the level of the revised aggregated cap, but to set remuneration to a level which will be appropriate both now and into the future taking into account the changes that may take place in the Company's circumstances. The proposed 2010 fee for each Non-Executive Director will be \$85,000 and the Chairman's fee will be \$170,000. On this basis, total Non-Executive Directors fees for 2010 will be \$425,000. The proposed cap of \$500,000 will provide flexibility to accommodate future growth in the Company and possible increases in fees for a reasonable period into the future.

As all the Directors have an interest in the outcome of Resolution 6 they make no recommendation to shareholders in respect of this Resolution. The Company will disregard a vote cast on this Resolution 6 by any Director of the Company or an associate of that person.

8. Enquiries

Shareholders are invited to contact the Company Secretary, Mr Matthew Worner on +61 8 9485 1000 if they have any queries in respect of the matters set out in these documents.

Endorsement Letter from Godfrey Remuneration

GRC Godfrey Remuneration Group Pty Limited

Level 9
56 Berry Street, North Sydney 2060
Telephone 61-2-8923 5700
Facsimile 61-2-8923 5706
ABN: 38 096 171 247

15 March 2010

Dr. N. Taylor
Chairman
Tap Oil Limited
Level 1
47 Colin Street
West Perth WA 6005

Dear Dr. Taylor,

This letter is provided to confirm that the new remuneration policies and practices as outlined in the notice of the 2010 Annual General Meeting of Tap Oil Limited (Tap) are consistent with the advice we provided to Tap's Remuneration Committee as part of their review of Tap's remuneration practices in relation to non-executive and executive directors, top executives and employees.

In participating in the review, we benchmarked competitive remuneration practices for comparable roles and took account of the guidelines of various stakeholders. We also advised on emerging trends in relation to corporate governance and changes to the taxation of employee share schemes.

Based on our understanding of Tap's business circumstances we are of the view that the new remuneration strategies are consistent with industry practices and standards and that they will assist Tap in meeting its business objectives which are aimed at delivering superior returns to shareholders over the medium term.

Yours sincerely,



Denis Godfrey
Managing Director

GRC Godfrey Remuneration Group

PROXY FORM

To complete the Proxy Form, please refer to the instructions on the back of this form and to the Notice of Meeting and Explanatory Statement for details of each resolution.

I/We

(Block Lettering) Being a Shareholder(s) of Tap Oil Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

OR

☐

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person named above, or if no person is named, the Chairman of the Meeting or the Chairman's nominee, as my/our proxy to vote in accordance with the following directions or if no directions have been given as the proxy sees fit at the Annual General Meeting of the Company to be held on Friday, 30 April 2010 at 10:00am (WST) at Kings Park Function Room – Room 1, Fraser Avenue, Kings Park, West Perth, Western Australia and at any adjournment thereof. If no directions are given the Chairman intends to vote in favour of all of the resolutions.

Instructions on Voting

If two proxies are being appointed the proportion of voting rights this proxy represents is: _____ %

	For	Against	Abstain*
Ordinary Business			
Resolution 1 – Approval of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Mr Michael Sandy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Election of Mr Douglas Bailey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of Share Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Grant of Share Rights to Peter Stickland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Non-Executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the Chairman is to be your proxy and you do **not** wish to direct your proxy how to vote in relation to Resolution 6, please place a mark in this box

☐

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of Resolution 6 and that votes cast by him for Resolution 6 other than as proxy holder will be disregarded because of the interest. If you do not mark this box and you have not directed your proxy how to vote the Chairman of the meeting will not cast your vote on Resolution 6 and your votes will not be counted in computing the required majority if a poll is called on Resolution 6.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE OTHERWISE THIS APPOINTMENT OR PROXY WILL BE DISREGARDED.

*If you mark the abstain box for a particular item you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

PLEASE SIGN HERE

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Shareholder 1

Director

Shareholder 2

Director/Company Secretary

Shareholder 3

**Sole Director and
Sole Company Secretary**

(Optional) Contact Name

Contact Daytime Telephone

Date

Instructions for Completing Proxy

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointments do not specify this proportion each proxy may exercise half of the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumption set out in Section 129(5) and (6) of the Corporations Act a document must appear to have been executed in accordance with Section 127(1) and (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) and (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person. Where a shareholder completes and lodges a valid proxy 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.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as this proxy.
6. Lodgement of Proxy

A Proxy Form (and any Power of Attorney under which it is signed) must be lodged not later than 10:00am (WST) on Wednesday, 28 April 2010. Any proxy form lodged after that time will be invalid.

The Proxy Form may be lodged by posting, delivery or facsimile to:

Tap Oil Limited
Level 1
47 Colin Street
WEST PERTH WA 6005

Facsimile: +61 8 9485 1060

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TapOil