



**KAROON GAS AUSTRALIA LTD**

**(ACN 107 001 338)**

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**NOTICE OF ANNUAL GENERAL MEETING**

**and**

**EXPLANATORY MEMORANDUM**

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Date of Meeting: 22 October 2015

Time of Meeting: 11:00 am (Registration opens at 10:00 am)

Place of Meeting: Club Pavilion Level 2, RACV Club, 501 Bourke Street Melbourne,  
Victoria, 3000

***This Notice of Meeting and Explanatory Memorandum should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.***





KAROON GAS AUSTRALIA LTD ACN 107 001 338

## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that an Annual General Meeting of shareholders of Karoon Gas Australia Ltd ACN 107 001 338 (**Company**) will be held at on 22 October 2015 at 11am at Club Pavilion Level 2, RACV Club, 501 Bourke Street Melbourne, Victoria 3000.

The Explanatory Memorandum that accompanies and forms part of this Notice of Annual General Meeting describes the various matters to be considered at the Annual General Meeting. Shareholders should read the Explanatory Memorandum accompanying this Notice of Meeting before deciding how to vote.

### AGENDA

#### 1. FINANCIAL REPORTS

To receive and consider the Financial Report of the Company for the year ended 30 June 2015, together with the Directors' Report and the Auditor's Report in accordance with the Corporations Act.

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

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2015, as contained within the Directors' Report, be adopted.”*

This resolution is subject to voting exclusions as set out at section 4 of the Explanatory Memorandum to this Notice of Meeting.

**Note:** This resolution shall be determined as if it were an ordinary (majority) resolution, but under section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company. The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

#### 3. RESOLUTION 2 – ELECTION OF DR DAVID KLINGNER AS A DIRECTOR

*Please note that, through its Nomination Committee, the Company conducted a comprehensive selection process and appointed Dr David Klingner as an independent Non-Executive Director. Dr Klingner is also the Chairman of the Board. The Board unanimously supports the election of Dr David Klingner as a Director.*

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That Dr David Klingner, who was appointed by the Board as a director of the Company on 19 December 2014 pursuant to paragraph 11.11 of the Constitution (allowing the appointment of Directors on an interim basis until the next annual general meeting) and who retires in accordance with Listing Rule 14.4 and paragraph 11.12 of the Constitution, is eligible for election as a Director of the Company at this AGM and who, being eligible, offers himself for election as a Director of the Company, be elected as a Director of the Company with immediate effect.”*

**4. RESOLUTION 3 – RE-ELECTION OF MR CLARK DAVEY AS A DIRECTOR**

*Please note that Mr Clark Davey has served the Company as independent Non-Executive Director since 1 October 2010. The Board unanimously supports the re-election of Mr Clark Davey as a Director.*

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That Mr Clark Davey, who retires by rotation in accordance with Listing Rule 14.4 and paragraph 11.3 of the Constitution of the Company, and who, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.”*

**5. RESOLUTION 4 – RE-ELECTION OF MR JOSE COUTINHO BARBOSA AS A DIRECTOR**

*Please note that Mr Jose Coutinho Barbosa has served the Company as a Non-Executive Director since 31 August 2011. The Board unanimously supports the re-election of Mr Jose Coutinho Barbosa as a Director.*

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That Mr Jose Coutinho Barbosa, who retires by rotation in accordance with Listing Rule 14.4 and paragraph 11.3 of the Constitution of the Company, and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.”*

**6. RESOLUTION 5 – APPROVAL TO ISSUE ESOP OPTIONS AND PERFORMANCE RIGHTS TO MR ROBERT HOSKING**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That the Company approve for all purposes, including Listing Rule 10.14 and Chapter 2E of the Corporations Act, the issue to Mr Robert Hosking or his nominee of:*

- a) 490,909 Long Term Incentive (LTI) ESOP Options at an exercise price of \$3.04 and 69,230 LTI Performance Rights, which options and performance rights are at risk remuneration, a relevant proportion of which will vest on satisfaction of the LTI performance hurdles over the three year performance period from 1 July 2015; and*
- b) 73,187 Performance Rights, to be granted as a result of the satisfaction of 55% of short term incentive (STI) performance hurdles over the 2015 financial year,*

*under and in accordance with the Employee Share Option Plan 2012 and Performance Rights Plan 2012 and otherwise on the terms and conditions set out in the Explanatory Memorandum.”*

This resolution is subject to voting exclusions as set out at section 7 of the Explanatory Memorandum to this Notice of Meeting.

**7. RESOLUTION 6 – APPROVAL TO ISSUE ESOP OPTIONS AND PERFORMANCE RIGHTS TO MR MARK SMITH**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That the Company approve for all purposes, including Listing Rule 10.14 and Chapter 2E of the Corporations Act, the issue to Mr Mark Smith or his nominee of:*

- a) 490,909 LTI ESOP Options at an exercise price of \$3.04 and 69,230 LTI Performance Rights, which options and performance rights are at risk remuneration, a relevant proportion of which will vest on satisfaction of the LTI performance hurdles over the three year performance period from 1 July 2015; and*
- b) 73,187 Performance Rights, to be granted as a result of the satisfaction of 55% of STI performance hurdles over the 2015 financial year,*

*under and in accordance with the Employee Share Option Plan 2012 and Performance Rights Plan 2012 and otherwise on the terms and conditions set out in the Explanatory Memorandum.”*

This resolution is subject to voting exclusions as set out at section 7 of the Explanatory Memorandum to this Notice of Meeting.

**8. RESOLUTION 7 – NON EXECUTIVE DIRECTOR FEE POOL INCREASE**

*Please note that, the fees payable to each Non-Executive Director have not increased during the 2015 financial year, and are not planned to increase during the 2016 financial year. The proposed increase to the Non-Executive Director fee pool is the result of the addition of two new Independent Non-Executive Directors and the appointment of an Independent Non-Executive Chairman.*

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 10.17 and for all other purposes, the maximum aggregate annual amount payable by the Company to Non-Executive Directors by way of directors fees be increased by \$300,000 from \$900,000 to \$1,200,000 per annum effective from 30 June 2015.”*

This resolution is subject to voting exclusions as set out at section 8 of the Explanatory Memorandum to this Notice of Meeting.

**OTHER BUSINESS**

To transact any other business which may be properly brought before the meeting in accordance with the Company’s Constitution and the Corporations Act.

**REQUIRED MAJORITIES AND IMPORTANT NOTICES**

Resolutions 1 to 7 are ordinary resolutions and will be passed only if supported by a majority of the votes cast by Shareholders entitled to vote on the resolutions.

Further information is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

DATED: 20 September 2015

**BY ORDER OF THE BOARD**



Scott Hosking

Company Secretary

## Voting Information

### *Voting entitlements*

In accordance with regulation 7.11.38 of the Corporations Regulations, the Company determines that fully paid ordinary shares held as at 7.00pm (EDT) on 20 October 2015 will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time.

Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the meeting.

### *Appointing a proxy*

In accordance with section 249L(1)(d) of the Corporations Act, Shareholders are advised that:

- Each Shareholder who is entitled to attend and vote at the Annual General Meeting has a right to appoint a proxy;
- The proxy need not be a shareholder of the Company;
- A body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Shareholder's proxy; and
- A shareholder who is entitled to cast two or more votes at the Annual General Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one half of the votes.

Enclosed with this Explanatory Memorandum is a proxy form for use by Shareholders (**Proxy Form**). A Shareholder who appoints a proxy may specify the way in which the proxy is to vote on each resolution or may allow the proxy to vote at their discretion.

In accordance with section 250BA of the Corporations Act, the Company specifies the following information for the purpose of receipt of proxy appointments:

Share Registrar:	Computershare Investor Services Pty Limited
Physical Address:	Yarra Falls, 452 Johnston Street, Abbotsford, Vic 3067, Australia
Postal Address:	GPO Box 242, Melbourne, Vic 3001, Australia
Facsimile Number:	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)

For Intermediary Online subscribers only (custodians): [www.intermediaryonline.com](http://www.intermediaryonline.com).

Shareholders may also register the appointment of proxies online at [www.investorvote.com.au](http://www.investorvote.com.au) by using the secure online access information set out in the proxy form.

The completed Proxy Form must be received by the Company at the address specified above, or your proxy must be lodged online, at least 48 hours before the time notified for the Annual General Meeting.

### **Notes:**

1. If a Proxy Form is signed or authenticated by an appointer's attorney, the power of attorney or a certified copy thereof (if any) under which it is signed must accompany the Proxy Form and be received by the Share Registrar – Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Vic 3067, not later than 48 hours before the appointed time of the Annual General Meeting.
2. Proxy Forms executed by a corporation must be in accordance with the requirements of the Corporations Act or under the hand of its attorney. In the case of a sole director/secretary company, please indicate "sole director" in the space provided.

3. Should you desire to direct your proxy on how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit or abstain from voting.
4. If two or more proxies are appointed, you may delete "all" and insert the relevant number or proportion of shares in respect of which each such appointment is made. A separate proxy must be completed for each proxy.
5. If attending the Annual General Meeting please bring the Proxy Form to assist registration. If a representative of a corporate security holder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, Downloadable Forms.
6. If you need any further information about this form or attendance at the Annual General Meeting please contact the Share Registrar - Computershare Investors Services Pty Limited on (within Australia) 1300 850 505 (outside Australia) +61 3 9415 4000.

*Voting restrictions that may affect your proxy*

Due to the voting exclusions that apply to certain items of business, the Key Management Personnel (**KMP**) of the Company and their Closely Related Parties will not be able to vote your proxy on the following resolutions unless you have directed them how to vote or, in the case of the Chairman, if you expressly authorise him to vote:

- Resolution 1 (Adoption of Remuneration Report);
- Resolution 5 (Approval to issue ESOP Options and Performance Rights to Mr Robert Hosking);
- Resolution 6 (Approval to issue ESOP Options and Performance Rights to Mr Mark Smith); and
- Resolution 7 (Non-Executive Director Fee Pool Increase).

*How the Chairman of the meeting will vote proxies*

If the Chairman is appointed as proxy for any Shareholder, the Chairman will vote the proxy in the manner specified by the Shareholder in that proxy. If the Shareholder does not specify how the Chairman is to vote on any Resolution, the Chairman as proxy will vote **in favour** of Resolutions 1 to 7. By appointing the Chairman as proxy, you authorise him to vote any undirected proxy votes on resolutions 1, 5, 6 and 7 even though they are connected to remuneration of the KMP.

**EXPLANATORY MEMORANDUM TO SHAREHOLDERS**

**1. INTRODUCTION**

This Explanatory Memorandum has been prepared for the information of shareholders (**Shareholders**) of Karoon Gas Australia Ltd (**Company**) in connection with the business to be transacted at the Annual General Meeting of the Company to be held at Club Pavillion Level 2, RACV Club 501 Bourke Street Melbourne, Victoria, 3000 on 22 October 2015 at 11:00am AEDT (registration from 10:00am AEDT) (**Annual General Meeting**).

At the Annual General Meeting, Shareholders will be asked to consider resolutions to:

1. adopt the Remuneration Report;
2. elect Dr David Klingner as a Director of the Company;
3. re-elect Mr Clark Davey as a Director of the Company;
4. re-elect Mr Jose Coutinho Barbosa as a Director of the Company;
5. approve the issue of options under the Employee Share Option Plan 2012 and performance rights under the Performance Rights Plan 2012 to Mr Robert Hosking or his nominee;
6. approve the issue of options under the Employee Share Option Plan 2012 and performance rights under the Performance Rights Plan 2012 to Mr Mark Smith or his nominee; and
7. increase the annual Non-Executive Director fee pool.

The purpose of this Explanatory Memorandum is to provide information that the Board believes to be material to Shareholders in deciding whether or not to pass these resolutions. It explains the resolutions and identifies the Board's reasons for putting them to the Shareholders. This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

This Explanatory Memorandum, Notice of Meeting and all attachments are important documents and should be read carefully and in their entirety. If you have any questions regarding the matters set out in this Explanatory Memorandum or the Notice of Meeting, please contact your accountant, solicitor or other professional advisor.

**2. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the resolutions set out in the Notice of Meeting.

Enclosed with this Explanatory Memorandum is a proxy form for use by Shareholders. All Shareholders are invited and encouraged to attend the Annual General Meeting or, if they are unable to attend in person, to complete, sign and return the proxy form to the Company, or appoint a proxy online, in accordance with the instructions contained in the proxy form and the Notice of Meeting. Lodgement of a proxy form will not preclude a Shareholder from attending and voting at the Annual General Meeting in person.

**3. ANNUAL FINANCIAL REPORTS**

Section 317 of the Corporations Act requires the Company's Financial Report, Director's Report and Auditor's Report for the year ended 30 June 2015 to be laid before the Annual General Meeting. The Financial Report, the Directors' Report and the Auditor's Report are contained in the Company's 2015 Annual Report, a copy of which has been made available to Shareholders with this Explanatory Memorandum and the accompanying Notice of Meeting, and is also available on request to the Company.



While no resolution is required in relation to this item, Shareholders should consider the documents and raise any matters of interest with the Directors of the Company when this item is being considered. In accordance with the Corporations Act, Shareholders will be given an opportunity to ask questions about and make comments on the management of the Company. The Company's external auditor will also be present at the meeting and Shareholders will have an opportunity to ask the external auditor questions in relation to the conduct of the audit, the Auditor's Report and the independence of the auditor. Shareholders may submit a written question to the auditor if the question is relevant to the content of the Auditor's Report or the audit of the annual Financial Report. If you wish to do so you must submit any such written question by 15 October 2015.

#### **4. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

Section 250R(2) of the Corporations Act requires the Company to propose a resolution that the Remuneration Report be adopted. The Remuneration Report may be found within the Directors' Report in the 2015 Annual Report. The vote on this resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

During the financial year, the Remuneration Committee continued with its goal of aligning executive reward with the implementation of the business strategy thus creating inherent value for shareholders. Over the past 12 months, the Remuneration Committee has carefully balanced the need to attract, retain and reward our executives whilst at the same time maximising the cash balance required for operational activities. Share-based grants therefore have continued to be the primary foundation for rewarding our key employees.

The Board believes that the Company's remuneration policy and practices, as described in the 2015 Remuneration Report are sound, reasonable and appropriate.

Key management personnel (including all Directors) and their closely related parties are prohibited from voting on the advisory resolution under section 250R of the Corporations Act.

In accordance with the Corporations Act, Shareholders will be given an opportunity to ask questions and make comments on the Remuneration Report.

**Board recommendation:** Noting that each Director has a personal interest in their own remuneration from the Company (as described in the Remuneration Report), the Board unanimously recommends that Shareholders vote in favour of the adoption of the Remuneration Report.

#### **Voting exclusion statement with regard to resolution 1**

In respect of resolution 1, the Company will disregard any votes cast on the resolution:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the remuneration report and any closely related parties of those persons; or
- as a proxy by a member of the KMP or a KMP's closely related party.

However, the Company need not disregard any vote by any such person excluded from voting on resolution 1 if:

- it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by any of them who is chairing the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with an express authorisation on the proxy form.

## 5. RESOLUTION 2 – ELECTION OF DR DAVID KLINGNER

Resolution 2 relates to the election of Dr David Klingner as a Director of the Company.

The Company, through its Nomination Committee conducted a comprehensive search and selection process and, as a result of that process Dr Klingner was appointed by the Company as an independent Non-Executive Director on 19 December 2014. Dr Klingner is also the Board's Chairman. The Board considers that the recent significant reconstitution of the Board in 2014 has provided the Company with a Board having an optimal mix of skills and experience to meet the needs of the Company at this time.

David has over a decade of Australian and international boardroom experience and has worked in the natural resources industry for 48 years. David spent his career working for Rio Tinto (and Rio Tinto affiliated companies) holding many senior executive positions including Head of Exploration, Group Executive Coal and Gold, Managing Director Kaltim Prima Coal as well as various other commercial and technical roles including Group Geologist Petroleum Exploration. Since 2004, David has been an active company chairman and corporate director.

David brings considerable global project development and stakeholder management expertise to the Board of Karoon across the resources industry. He has experience in navigating complex and difficult social and fiscal environments as well as chairing several companies through the modern governance landscape both in Australia and in North America. In addition, David has significant exploration experience worldwide, including South America.

Dr. Klingner has a Bachelor of Science degree in Geology (Hons) from the University of Queensland and a PhD from the University of Melbourne. He is a fellow of the Australian Institute of Mining and Metallurgy and a member of the Prospectors and Developers Association of Canada and the Institute of Corporate Directors.

Current and past directorships of other listed companies include: former Chairman of Turquoise Hill Resources Ltd (formerly Ivanhoe Mines Ltd IVN:TSE), a TSX and NYSE & NASDAQ listed company (TRQ: TSX, NYSE & NASDAQ. Resigned 1 January 2015), former Chairman of Codan Limited (ASX: CDA. Resigned 18 February 2015) and former Chairman of Energy Resources of Australia Ltd (ASX: ERA. Resigned 8 February 2013).

Member of the Remuneration Committee, Risk and Governance Committee.

In accordance with Listing Rule 14.4 and paragraphs 11.11 and 11.12 of the Constitution of the Company, the Company may appoint a Director who holds office until the next Annual General Meeting of the Company and is then eligible for re-election.

**Board recommendation:** The Board unanimously supports the election of Dr Klingner.

## 6. RE-ELECTION OF EXISTING DIRECTORS

The Board unanimously supports the re-election of both of the retiring Directors the subject of resolutions 3 and 4.

These Directors have significant and invaluable experience as detailed further below and the Board considers that, if re-elected, they will continue to provide a significant contribution to the Board of the Company.

In accordance with paragraph 11.3 of the Constitution of the Company, at the Annual General Meeting in every year, one-third of the Directors for the time being, and any other Director not in such one-third who has held office for three years or more (except the Managing Director), must retire from office. Pursuant to paragraph 11.4 of the Constitution of the Company, a retiring Director is eligible for re-election.

## 6.1 RESOLUTION 3 – APPROVAL OF RE-ELECTION OF MR CLARK DAVEY AS A DIRECTOR

Resolution 3 seeks Shareholder approval for the Company to re-elect Mr Clark Davey as a Director of the Company.

Clark has over 30 years experience in the Australian natural resources industry as a taxation consultant to oil and gas and mining companies. Clark was a partner at Price Waterhouse and PricewaterhouseCoopers specialising in the natural resources industry. For a number of years he held resource industry leadership roles within both firms. Clark is a member of the Taxation Institute of Australia and the Australian Institute of Company Directors.

Clark provides a wealth of taxation and business advisory knowledge and experience to the Company, including experience with company income tax, petroleum resource rent taxation in Australia and assisting with accounting and capital management. He has assisted many Australian companies with tax management of their joint venture interests and has had considerable experience with merger and acquisition transactions. He has also assisted companies expand their resource industry interests internationally.

Current directorships of other listed companies include: Redflex Holdings Limited (appointed 6 January 2015).

Mr Davey is Chairman of the Audit Committee and a member of the Nomination Committee, Remuneration Committee and Risk and Governance Committee.

**Board recommendation:** The Board unanimously supports the re-election of Mr Davey.

## 6.2 RESOLUTION 4 – APPROVAL OF RE-ELECTION OF MR JOSE COUTINHO BARBOSA AS A DIRECTOR

Resolution 4 seeks Shareholder approval for the Company to re-elect Mr Jose Coutinho Barbosa as a Director of the Company.

Jose Coutinho spent 38 years with Petróbras, beginning his career in a number of technical and management positions, culminating in his appointment as Acting President and CEO of Petróbras, one of the world's largest petroleum exploration and production companies.

Earlier in his career, Jose Coutinho was Executive Vice-President and CEO of Petróbras Internacional SA (otherwise known as Braspetro) and was Managing Director for Exploration and Production of Petróbras until his retirement during February 2003. Since then, he has managed his own independent consulting firm, Net Pay Óleo & Gás Consultoria Ltda, headquartered in Rio de Janeiro, Brazil, operating in areas of the petroleum industry. Jose Coutinho brings knowledge and experience to the Company, including experience with geology, exploration and production and local knowledge of the oil and gas industry in Brazil and internationally.

Current and past directorships of other listed companies include Lupatech SA (director from 24 March 2008 to 29 April 2011 and re-appointed 4 May 2012. Resigned 28 March 2014).

Mr Barbosa is also the Temasek Representative Director on the Board of Directors of Odebrecht Oleo e Gas (OOG) (Unlisted).

**Board recommendation:** The Board unanimously supports the re-election of Mr Barbosa.

## 7. RESOLUTIONS 5 AND 6 – APPROVAL TO ISSUE LTI ESOP OPTIONS AND LTI PERFORMANCE RIGHTS AND STI PERFORMANCE RIGHTS TO MR ROBERT HOSKING AND MR MARK SMITH

Resolutions 5 and 6 seek Shareholder approval for the Company to grant to Mr Robert Hosking or his nominee and to Mr Mark Smith or his nominee;

- a) 490,909 Long Term Incentive (LTI) ESOP Options at an exercise price of \$3.04 and 69,230 LTI Performance Rights, which options and rights are at risk remuneration a relevant proportion of which will vest on satisfaction of the LTI performance hurdles over the three year performance period from 1 July 2015; and

b) 73,187 Performance Rights, to be granted as a result of the satisfaction of 55% of short term incentive (STI) performance hurdles over the 2015 financial year,

pursuant to the Employee Share Option Plan (**ESOP**) and Performance Right Plan (**PRP**).

**Why is shareholder approval being sought?**

ASX Listing Rule 10.14 requires shareholder approval in order for a director to be issued equity securities in the Company under an employee incentive scheme.

The grant of Options and Performance Rights to Mr Hosking and Mr Smith constitutes the giving of a financial benefit to a related party of the Company. For the sake of completeness, the Board has decided to seek the approval of Shareholders in a general meeting under Chapter 2E of the Corporations Act 2001 (Cth).

Accordingly, Shareholders are asked to approve the grant of Options and Performance Rights to Mr Hosking and to Mr Smith, on the terms and conditions set out below.

**Rationale for the grant of Long Term Incentive Options and Performance Rights**

As set out in more detail in the 2015 Remuneration Report, the Company uses a Long Term Incentive plan to align the interests of its Executive Directors with Shareholders' interests. The vesting of the LTI Options and LTI Performance Rights that will be granted, if resolutions 5 and 6 are approved, is linked to the performance of the Company, as described below.

The LTI ESOP Options and LTI Performance Rights will only vest if Company-wide performance measures are achieved over the three year period commencing on 1 July 2015. Specifically, vesting will be subject to the Company's relative Total Shareholder Return (TSR) performance exceeding the Relative TSR of the following bespoke group of companies:

Table 1

Australian market peers	Global market peers
AWE Limited	Cobalt International Energy Inc
Beach Energy Limited	Gran Tierra Energy Inc
Buru Energy Limited	GeoPark Limited
Drillsearch Energy Limited	Kosmos' Energy Limited
FAR Limited	Ophir Energy plc
Horizon Oil Limited	QGEPC Participacoes SA
New Zealand Oil and Gas Ltd	Tullow Oil plc
Origin Energy Limited	
Oil Search Limited	
Santos Limited	
Senex Energy Limited	
Woodside Petroleum Limited	

This group has been carefully selected by the Remuneration Committee to include those companies which have similar business models, geological footprints and operations to the Company, as well as companies that Shareholders may consider when looking to invest in a similar type of company. While the Australian market peers include the majority of constituents of the S&P/ASX 200 Energy index, the group excludes Caltex Australia Limited, Paladin Energy Limited, Whitehaven Coal, Liquidified Natural Gas Ltd and WorleyParsons, as the Board does not consider these to be appropriate comparators with respect to the above criteria.

Vesting of the LTI Options and LTI Performance Rights will occur in accordance with the following schedule:

Table 2

<b>Relative TSR performance against the selected peer group</b>	<b>Proportion of Target LTI to Vest</b>
Less than 50 <sup>th</sup> percentile	0%
At 50 <sup>th</sup> percentile	50%
Between 50 <sup>th</sup> and 75 <sup>th</sup> percentile	50% plus 2% for each additional percentile ranking above 50 <sup>th</sup> percentile
At or above 75 <sup>th</sup> percentile	100%
At 100 <sup>th</sup> percentile	120% (Maximum number issued under this resolution)

For peers reporting or quoted in currencies other than Australian dollars, the value of foreign currencies will be measured using the prevailing foreign exchange rate as found on the Reserve Bank of Australia website and normalised to Australian dollars on the first day of the testing period and the last day of the testing period. The Australian dollar value of returns to peer companies in foreign currencies will be measured using the foreign exchange rate as recorded on the Reserve Bank of Australia website on the day the return is announced.

In the event of delisting, merger or acquisition of any of the above peer companies, the Remuneration Committee will apply its discretion to assess the relative performance of that entity:

- by normalising its performance over the testing period in the case of delisting; or
- substituting the performance of the new entity from the day of acquisition in the case of merger or acquisition.

The terms of the LTI Options and LTI Performance Rights to be issued to Mr Hosking and Mr Smith are summarised in Annexure A and Annexure B to this Explanatory Memorandum.

The number of LTI Options and LTI Performance Rights to be issued to Mr Hosking and Mr Smith is considered reasonable by the Board of Directors in regard to their respective responsibilities and their respective achievements to date. The Board considers it appropriate that performance measures relate to the overall market performance of the Company in terms of its Relative TSR performance against the select group of local and global exploration and production companies, which may be of investment interest.

The target remuneration packages for each of Mr Hosking and Mr Smith, as executive directors, include the following components:

Table 3

<b>Fixed (40%)*</b>	<b>Short Term Incentive (30%)</b>	<b>Long Term Incentive (30%)</b>
\$600,000	\$450,000**	\$450,000**

\*excluding superannuation of \$19,308

\*\* remuneration subject to shareholder approval and satisfaction of short term and long term performance hurdles.

The maximum number of LTI ESOP Options and LTI Performance Rights which may vest has been calculated as 120% of the target LTI remuneration. This allows for the achievement of the outperformance at the 100th percentile based on the Relative TSR award table above. In order to achieve the 120% of target performance hurdle and vesting of the maximum number of LTI options and performance rights, the Company must outperform all peers listed in table 1 on a Relative TSR basis over the performance period.

Further details of the Company's executive remuneration policy can be found in the Remuneration Report section of the Annual Report.

The structure of Mr Hosking's and Mr Smith's remuneration is derived from the same structure as other employees and senior management and is comprised of base salary and a combination of short and long term incentives.

Table 4

Under the LTI, each of Mr Hosking and Mr Smith receive their LTI in a mix of Options and Performance Rights in accordance with the following table:		LTI Performance Rights	LTI Options
Mr Hosking	% of LTI	30%	70%
	Per security value	\$2.34 per right	\$0.77 per option
	Target Remuneration Amount	\$135,000	\$315,000
	Maximum Number of Securities which could vest (including 120% for outperformance)	<b>69,230</b>	<b>490,909</b>
Mr Smith	% of LTI	30%	70%
	Per security value	\$2.34 per right	\$0.77 per option
	Target Remuneration Amount	\$135,000	\$315,000
	Maximum Number of Securities which could vest (including 120% for outperformance)	<b>69,230</b>	<b>\$490,909</b>

### **Calculation of Exercise Price of the LTI Options**

The exercise price of the LTI ESOP Options to be granted is calculated by applying a 30% premium to the Volume Weighted Average Price (**VWAP**) of the Company's shares traded on the ASX in the 20 days before and after 1 July 2015 (**Premium Exercise Price**). 1 July 2015 is the commencement of the testing period for the Relative TSR calculation. The VWAP is \$2.34 and the exercise price of the Options, if approved will be \$3.04. This methodology to calculate the Premium Exercise Price for ESOP Options is consistent with the Company's approach used in prior ESOP grants for other participants in the plan and is also consistent with the exercise price determined for ESOP Options to be awarded to other participants in the FY2016 grant.

### **Calculation of LTI Option Fair Value**

The estimated fair value is calculated based on a Black and Scholes option pricing model which takes into account a number of variables to determine fair value (including the exercise price, current and expected volatility of the underlying shares, dividends expected to be paid in relation to the shares and the life of the option) and is consistent with the methodology required under the applicable accounting standards.

Based on the Black and Scholes option pricing model described above, the Company estimates that each of the ESOP Options the subject of resolutions 5 and 6, have a value of \$0.77 at the time of preparing this notice, based on the assumptions in the table below:

Table 5

Exercise Price (being the VWAP over the 20 days either side of the beginning of the performance period, being 1 July 2015,(\$2.34) plus a 30% premium)	\$3.04
Time to expiration of Option	4 years
Volatility	50%
Risk free interest rate	2.05%
Annualised dividend yield	Nil

### **Calculation of LTI Performance Right Fair Value**

The Fair Value of Performance Rights is equivalent to the VWAP of the Company's shares traded on the ASX in the 20 days before and after 1 July 2015. 1 July 2015 is the first day of the testing period for the Relative TSR calculation. The VWAP is \$2.34.

### **Grant and Vesting of STI Performance Rights**

STI Performance Rights proposed for approval under resolution 5 and 6 are the result of the satisfaction of 55% of performance hurdles set at the beginning of the 2015 financial year. Performance Rights that will be granted if resolutions 5 and 6 are approved will be subject to a retention period and become exercisable from 1 July 2016.

In respect of the 2015 financial year, the target STI component of remuneration for Mr Hosking and Mr Smith was \$449,769 each.

The maximum Performance Rights available is calculated by dividing that amount by the Rights Fair Value.

For the purpose of calculating the maximum Performance Rights available, the estimated fair value for the Performance Rights is the 90 day Volume Weighted Average Price assessed prior to the commencement of testing period of 1 July 2014 being \$3.38.

As a result, a maximum of 133,068 Performance Rights were At Risk in respect of the 2015 financial year.

The following schedule of performance conditions outlines the performance hurdles and their achievement for assessing the number of Performance Rights to be granted.

Table 6

<b>Performance Condition</b>	<b>Achievement Against STI Performance Targets</b>	<b>STI at Risk (% of Maximum STI Opportunity)</b>	<b>STI Vesting Outcome (% of Maximum STI Opportunity)</b>
<b>Safety</b>	Zero lost time incidents and a TTIR of 0.54 were recorded during the performance period. Several training seminars and live drills exercises were conducted and safety incentive programs instituted were a great success. Resulting in full vesting under this measure.	20%	20%
<b>Operational</b>	Santos Basin drilling program was completed on time, on budget and new resources were discovered at the Echidna-1 exploration well. Resulting in full vesting under this measure.  Carnarvon Basin drilling program commenced, however, was not completed by 30 June 2015. Subsequent to 30 June 2015, the Levitt-1 exploration well was completed on budget. However, there was no discovery of hydrocarbons.	35%  20%	35%  Nil%
<b>Time and Cost Budgeting</b>	While potential joint operation participants remained in data rooms and continued discussions, the farm-outs in the South American portfolio were not completed.	25%	Nil%
<b>Resulting STI Grant</b>		133,068 Performance Rights	73,187 Performance Rights

As outlined above, a total of 55% of the available STI opportunity, **73,187** Performance Rights, being 55% of 133,068, are now proposed to be issued to Mr Hosking and Mr Smith, based on the actual outcomes against the performance targets as assessed by the Remuneration Committee.

Linking STI outcomes to operational performance develops an essential alignment between the Company's year-to-year inherent value growth through identification, evaluation and drilling of exploration and evaluation targets and the reward provided to those who establish that value. The Remuneration Committee annually reviews and recommends operational performance metrics, including safety, that demonstrate a clear pathway toward value creation, either through the discovery of new hydrocarbons or movement closer to development for previous discoveries.

In setting objectives for the performance period, the Remuneration Committee assesses the operational goals for the performance period and upcoming key value drivers within the Company's operations, allowing for transparent measurement of performance against these objectives. The Remuneration Committee recognises the risks associated with offshore drilling and considers safety paramount to its operations. Therefore going forward, safety will be used as a gateway for vesting conditions.

The Performance Rights will have a retention period ending 12 months from the grant date before they become exercisable and convertible into fully paid ordinary shares. The Performance Rights will expire after a further 12 months if not exercised before.

The terms of the Performance Rights being are set out in the Performance Rights Plan 2012 and are summarised in Annexure "B" to this Explanatory Memorandum.



### ***Current Valuation of STI Performance Rights***

The current estimated fair value of the Performance Rights is calculated based on the prevailing share price at the time of approval of this Notice of Meeting. The Company estimates that each of the STI Performance Rights the subject of resolutions 5 and 6 have a value of \$1.97 as at 27 August 2015 being the closing share price on that day.

### ***Other details***

The relevant number of ESOP Options and Performance Rights will be granted to Mr Hosking or his nominee and Mr Smith or his nominee following the AGM and in any case within 12 months of the AGM.

Over the 12 months prior to 27 August 2015, the lowest recorded price of Shares in SEATS trading on ASX was \$1.68 on the 25 August 2015 and the highest was \$4.00 on 5 September 2014.

The directors of the Company that participate in the Plan or any other employee incentive scheme of the Company are Mr Hosking and Mr Smith.

### ***Mr Hosking's interest in Shares***

Since the date of the last AGM, Mr Hosking was granted 424,310 Options under the ESOP after shareholder approval at the 2014 AGM. There was no amount payable for the grant of the ESOP Options.

As at the date of this Notice of Meeting, Mr Hosking had an interest in 11,945,017 Shares, 624,310 Options and 0 Performance Rights. That represents 4.8% of the total Shares in the Company. If Shareholders approve resolution 5, and all ESOP Options and Performance Rights are granted as contemplated by this Notice of Meeting, Mr Hosking will have the following interest in Shares, Options and Performance Rights:

<b>Shares</b>	<b>Options</b>	<b>Performance Rights</b>
11,874,462	1,115,219	142,417

If all of the Options and Performance Rights previously granted to Mr Hosking were exercised and Options and the Performance Rights proposed to be granted under resolution 5 vest and are paid in Shares, Mr Hosking would acquire an additional 1,257,636 Shares. If these were newly issued Shares, Mr Hosking would have an interest in 5.32% of the total issued Shares in the Company.

### ***Mr Smith's interest in Shares***

Since the date of the last AGM, Mr Smith was granted 424,310 Options under the ESOP. There was no amount payable for the grant of the ESOP Options.

As at the date of this Notice of Meeting, Mr Smith had an interest in 2,892,037 Shares, 624,310 Options and 0 Performance Rights. That represents 1.2% of the total Shares in the Company. If Shareholders approve resolution 6, and all ESOP Options and Performance Rights are granted as contemplated by this Notice of Meeting, Mr Smith will have the following interest in Shares, Options and Performance Rights:

<b>Shares</b>	<b>Options</b>	<b>Performance Rights</b>
2,892,037	1,115,219	142,417

If all of the Options and Performance Rights previously granted to Mr Smith were exercised and Options and the Performance Rights proposed to be granted under resolution 6 vest and are paid in Shares, Mr Smith would acquire an additional 1,257,636 Shares. If these were newly issued Shares, Mr Smith would have an interest in 1.68% of the total issued Shares in the Company.

## **Voting exclusion statement with regard to resolutions 5 and 6**

In respect of resolutions 5 and 6, the Company will disregard any votes cast on the resolutions:

- by Mr Robert Hosking or an associate of Mr Robert Hosking;
- by Mr Mark Smith or an associate of Mr Mark Smith; or
- as a proxy by a member of the KMP or a KMP's closely related party.

However, the Company need not disregard any vote by any such person excluded from voting on resolutions 5 or 6 if:

- it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by any of them who is chairing the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with an express authorisation on the proxy form.

**Board recommendation (Resolution 5):** The Board (other than Mr Robert Hosking) unanimously recommends that Shareholders vote in favour of the issue of options under the Employee Share Option Plan 2012 and Performance Rights under the Performance Rights Plan 2012 to Mr Robert Hosking or his nominee. Mr Robert Hosking makes no recommendation.

**Board recommendation (Resolution 6):** The Board (other than Mr Mark Smith) unanimously recommends that Shareholders vote in favour of the issue of options under the Employee Share Option Plan 2012 and Performance Rights under the Performance Rights Plan 2012 to Mr Mark Smith or his nominee. Mr Mark Smith makes no recommendation.

## **8. RESOLUTION 7 – INCREASE OF NON EXECUTIVE FEE POOL**

In accordance with ASX Listing Rule 10.17, the Board seeks shareholder approval to increase the maximum annual aggregate of remuneration that may be paid to Non-Executive Directors by \$300,000 from \$900,000 to \$1,200,000 effective from 30 June 2015.

The current fee pool limit of \$900,000 was approved by shareholders at the 2012 Annual General Meeting. The base fee and individual committee fees of Non-Executive Directors has remained steady since 1 July 2013 and has not been increased for the 2016 financial year. The increase to the Non-Executive Director fee pool is a result of the addition of additional Independent Non-Executive Directors and greater Board independence as well as the appointment of the Independent Non-Executive Chairman and the formation of the Risk and governance Committee. There are now six Non-Executive Directors.

During the 2015 Financial Year, the total fees paid, including superannuation contributions made on behalf of Non-Executive Directors was \$869,142.

Given the annual aggregate fees payable to Non-Executive Directors is approaching the fee pool limit, the Board has determined that it is appropriate to seek shareholder approval for an increase in the fee pool.

The fee pool increase will allow the Company to continue to attract non-executive directors with appropriate expertise, experience and skills.

If approved, the Non-Executive Director fee pool may be divided between Non-Executive Directors as the Board determines.

Within the last 3 years, only one non-executive director was issued securities under Listing Rules 10.11 or 10.14, being on 30 November 2012, when Mr Jose Coutinho Barbosa or his nominee was issued 200,000 options to acquire Shares at an exercise price of \$6.85 each with an expiry date of 26 October 2016. These options did not vest and were cancelled on 24 August 2015.

**Board recommendation:** The Board unanimously recommends that shareholders vote in **favour** of the resolution.

#### **Voting exclusion statement with regard to resolution 7**

In respect of resolution 7, the Company will disregard any votes cast on the resolution:

- by or on behalf of a Director and any closely related parties of a Director; or
- as a proxy by a Director or their closely related parties.

However, the Company need not disregard any vote by any such person excluded from voting on resolution 7 if:

- it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by any of them who is chairing the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with an express authorisation on the proxy form.

## **9. GLOSSARY**

The following terms and abbreviations used in this Explanatory Memorandum have the following meaning:

<b>Annual General Meeting:</b>	Is defined in section 1 of this Explanatory Memorandum.
<b>ASX:</b>	ASX Limited (ACN 008 624 691).
<b>Board:</b>	The Board of Directors of the Company.
<b>Closely Related Party:</b>	Includes a KMP's spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.
<b>Company:</b>	Karoon Gas Australia Ltd (ACN 107 001 338).
<b>Corporations Act:</b>	Corporations Act 2001 (Cth).
<b>Corporations Regulations:</b>	Corporations Regulations 2001 (Cth).
<b>EDT:</b>	Eastern Daylight Time, being the time in Melbourne, Victoria.
<b>ESOP:</b>	Employee Share Option Plan 2012.
<b>ESOP Options:</b>	Options issued under the ESOP.
<b>Key Management Personnel or KMP:</b>	Those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.
<b>Listing Rules:</b>	The Official Listing Rules of the ASX, as amended from time to time.
<b>LTI:</b>	Long Term Incentive
<b>Notice of Meeting:</b>	The notice convening the Annual General Meeting which accompanies this Explanatory Memorandum.
<b>Options:</b>	Options to acquire shares in the Company.
<b>Performance Rights:</b>	Rights issued under the Performance Rights Plan 2012.
<b>Remuneration Committee:</b>	The remuneration committee of the Company.
<b>Remuneration Report:</b>	The Remuneration Report for the year ended 30 June 2015 as contained within the Directors' report and forming part of the 2015 Annual Report.

<b>Shareholders:</b>	Holders of Shares.
<b>Shares:</b>	Fully paid ordinary shares in the capital of the Company.
<b>STI:</b>	Short Term Incentive.
<b>Total Shareholder Return or TSR:</b>	A measure of the entire return a shareholder would obtain from holding an entity's securities over a period, taking into account factors such as changes in the market value of the securities and dividends paid over the period.
<b>VWAP:</b>	Volume weighted average price

## ANNEXURE "A"

### THE ESOP OPTIONS PROPOSED TO BE GRANTED UNDER RESOLUTIONS 5 AND 6

Subject to satisfaction of the Company wide performance conditions, each ESOP Option entitles the holder to acquire one fully paid ordinary share (**Share**) in the Company.

1. There is no amount payable for the grant of the ESOP Options.
2. Each ESOP Option is a right to acquire one share in the Company, subject to the achievement of the performance measures set out above and valid exercise of the Options and payment of the exercise price.
3. Options do not carry any dividend or voting rights. Options are non-transferable, except in limited circumstances or with the consent of the Board.
4. Vesting of the ESOP Options is subject to the satisfaction of Key Performance Indicators over a period from 1 July 2015 to 30 June 2018.
5. The ESOP options cannot be exercised until 1 July 2018 (**Exercise Date**) except in the circumstances set out in paragraph 5 below.
6. The ESOP Options will lapse at 5.00pm (Melbourne Time) 12 months from the relevant Exercise Date (**Expiry Date**). Any ESOP Options which have not been exercised on or before 5.00pm (Melbourne Time) on the Expiry Date lapse automatically.
7. Options are non-transferable, except in limited circumstances or with the consent of the Board.
8. In the event of a takeover of the Company or a change of control, the Board may accelerate the vesting of the Options according to pro rata achievement of the performance conditions.
9. ESOP Options may only be exercised by notice in writing (**Exercise Notice**) delivered to the registered office of the Company. The Exercise Notice must specify the number of options being exercised and must be accompanied by:
  - (a) the Exercise Price for the number of Options or ESOP Options specified in the Exercise Notice; and
  - (b) the certificate for those Options or ESOP Options, for cancellation by the Company.
10. The Exercise Notice only becomes effective when the Company has received cleared funds for the full amount of the Exercise Price.
11. On receipt of the Exercise Notice, the Board must:
  - (a) allot and issue or transfer the number of Shares specified in the Exercise Notice to the ESOP Option holder;
  - (b) cancel the certificate for the ESOP Options being exercised;
  - (c) if applicable, issue a new certificate for any remaining ESOP Options covered by the certificate accompanying the Exercise Notice; and
  - (d) apply for Official Quotation by the ASX of all Shares issued in accordance with the Exercise Notice.
12. There are no participating rights or entitlements inherent in the ESOP Options and holders will not be entitled to participate in new issues of capital offered to the Company's Shareholders during the currency of the ESOP Options. However, the Company will send a notice to each holder of the ESOP Options in accordance with the Listing Rules before the record date of any new issues of capital offered to the Company's Shareholders.

13. If from time to time on or prior to the Expiry Date the Company makes an issue of Shares to the Shareholders by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of ESOP Options an optionholder will be entitled to have issued to him (in addition to the Shares which would otherwise be issued to him under that bonus issue (**bonus shares**) if on the record date for the bonus issue the optionholder has been registered as the holder of the number of Shares of which he would have been registered as holder if, immediately prior to that date, he had duly exercised his ESOP Options and the Shares the subject of such exercise had been duly allotted and issued or transferred to him. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted under the bonus issue.
14. In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an optionholder will be changed to the extent necessary to comply with the applicable Listing Rules in force at the time of the reorganisation.
15. Generally, as set out in the rules of the approved Employee Share Option Plan 2012.

## ANNEXURE "B"

### THE PERFORMANCE RIGHTS PROPOSED TO BE GRANTED UNDER RESOLUTIONS 5 AND 6

1. Each Performance Right entitles the holder to subscribe for and be allotted one fully paid ordinary share (**Share**) in the Company.
2. There is no amount payable for the grant of the Performance Rights
3. The Performance Rights cannot be exercised until 12 months after the date of grant (**Exercise Date**) except in the circumstances set out in paragraph 7 below.
4. There is no exercise price to be paid on exercise of the Performance Rights.
5. The Performance Rights will lapse at 5.00pm (Melbourne Time) 12 months from the relevant Exercise Date (**Expiry Date**). Any Performance Rights which have not been exercised on or before 5.00pm (Melbourne Time) on the Expiry Date lapse automatically.
6. The Performance Rights are transferable after the Exercise Date although no application will be made to the ASX for Official Quotation of the Performance Rights.
7. In the event of a takeover of the Company or a change of control, the Board may accelerate the vesting of the Performance Rights.
8. Performance Rights may only be exercised by notice in writing (**Exercise Notice**) delivered to the registered office of the Company. The Exercise Notice must specify the number of Performance Rights being exercised and must be accompanied by the certificate for those Performance Rights, for cancellation by the Company.
9. If from time to time on or prior to the Expiry Date the Company makes an issue of Shares to the Shareholders by way of capitalisation of profits or reserves (a **bonus issue**), then upon exercise of Performance Rights a rightsholder will be entitled to have issued to him (in addition to the Shares which would otherwise be issued to him under that bonus issue (**bonus shares**) if on the record date for the bonus issue the rightsholder has been registered as the holder of the number of Shares of which he would have been registered as holder if, immediately prior to that date, he had duly exercised his Performance Rights and the Shares the subject of such exercise had been duly allotted and issued to him. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted under the bonus issue.
10. In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of a rightsholder will be changed to the extent necessary to comply with the applicable Listing Rules in force at the time of the reorganisation.
11. Generally, as set out in the approved Performance Rights Plan 2012.
12. The grant of Performance Rights is subject to Company-wide operational objectives, as reviewed annually by the Remuneration Committee and is followed by a retention period of one year prior to vesting.

