



KAROON ENERGY LTD
(ACN 107 001 338)

NOTICE OF ANNUAL GENERAL MEETING
and
EXPLANATORY MEMORANDUM

Date of Meeting: 29 November 2019

Time of Meeting: 10:00 am EDT (Registration opens at 9:00 am EDT)

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 ENERGY LTD ACN 107 001 338

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of Shareholders of Karoon Energy Ltd ACN 107 001 338 (the **Company**) will be held at on 29 November 2019 at 10:00 am EDT 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 in further detail 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. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as a non-binding ordinary resolution:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2019, as contained within the Directors’ Report, be adopted.”

This resolution is subject to voting exclusions as set out at section 2 in the Explanatory Memorandum to this Notice of Meeting.

2. RESOLUTION 2 – ELECTION OF MR BRUCE PHILLIPS AS A DIRECTOR

Please note that, through its Nomination Committee, the Company conducted a comprehensive selection process and appointed Mr Bruce Phillips as an Independent Non-Executive Director on 1 January 2019. Mr Phillips is also Chairman of the Board. The Board unanimously supports the election of Mr Bruce Phillips as a Director.

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

“That Mr Bruce Phillips, who was appointed by the Board as a Director of the Company on 1 January 2019 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.”

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

Please note that Mr Clark Davey has served the Company as an 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.”

4. RESOLUTION 4 – RE-ELECTION OF MR PETER TURNBULL AS A DIRECTOR

Please note that Mr Peter Turnbull has served the Company as an Independent Non-Executive Director since 6 June 2014. The Board unanimously supports the re-election of Mr Peter Turnbull as a Director.

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

“That Mr Peter Turnbull, 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.”

5. RESOLUTION 5 – APPROVAL OF ISSUE OF SECURITIES UNDER THE PERFORMANCE RIGHTS PLAN 2019

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 7.2 Exception 9, the Performance Rights Plan 2019 as described in the Explanatory Memorandum accompanying this Notice of Meeting and the issue of securities under the Performance Rights Plan 2019.”

This resolution is subject to voting exclusions as set out at section 5 in the Explanatory Memorandum to this Notice of Meeting.

6. RESOLUTION 6 - APPROVAL TO ISSUE 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, the issue to Mr Robert Hosking or his nominee of:

- (a) 666,323 Short-term Incentive (STI) Performance Rights, which are at risk remuneration, and will only vest should the STI performance hurdles be met during the one-year performance period from 1 July 2019 to 30 June 2020 in addition to completion of one-year employment retention period ending 30 June 2021; and*
- (b) 666,323 Long-term Incentive (LTI) Performance Rights, which are at risk remuneration and will only vest should the LTI performance hurdles over the three-year performance period from 1 July 2019 to 30 June 2022 be satisfied*

under and in accordance with the Performance Rights Plan 2019 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 6 in the Explanatory Memorandum to this Notice of Meeting.

7. RESOLUTION 7 - RATIFICATION OF PREVIOUS ISSUE OF SHARES

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 7.4, the issue of 72,110,000 Shares at an issue price of \$0.93 per Share as detailed in the Explanatory Memorandum.”

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

8. FINANCIAL REPORTS

To receive and consider the Financial Report of the Company, together with the Directors’ Report and the Independent Auditor’s Report, for the financial year ended 30 June 2019, in accordance with the Corporations Act.

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

DATED: 28 October 2019

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'S Hosking', written in a cursive style.

Scott Hosking

Company Secretary

Voting Information

Voting entitlements

The Board of the Company has determined that persons holding fully paid ordinary shares in the Company as at 7.00 pm EDT on Wednesday 27 November 2019 will be entitled to attend and vote at the Annual General Meeting.

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 (disregarding fractions).

Enclosed with this Notice of Meeting 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.

Shareholders may also register the appointment of proxies online at 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 Form 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 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, if you appoint a member of the Key Management Personnel (**KMP**) of the Company (other than the Chairman) or any of the KMP's Closely Related Parties as your proxy, they will not be able to vote your proxy on the following resolutions unless you have directed them how to vote:

- Resolution 1 (Adoption of Remuneration Report);
- Resolution 5 (Approval of Issue of Securities under the Performance Rights Plan 2019);
- Resolution 6 (Approval to Issue Performance Rights to Mr Robert Hosking); and
- Resolution 7 (Ratification of Previous Issue of Shares).

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 all resolutions. 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.

KAROON ENERGY LTD

ACN 107 001 338

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders (**Shareholders**) of Karoon Energy 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 29 November 2019 at 10:00 am EDT (registration from 9:00 am EDT) (**Annual General Meeting**).

This Explanatory Memorandum, the Notice of Meeting and all attachments are important documents and should be read carefully and in their entirety.

2. 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 on pages 31 to 54 in the Company's 2019 Annual Report.

A 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 direct consideration when reviewing the remuneration practices and policies of the Company in the future.

Karoon's guiding principles and framework for remuneration strategy continues to ensure that the focus is maintained on the following issues:

- **Safety, culture and ethics** – ensuring that clear vesting gateways exist based on appropriate safety outcomes and the ethical and culturally sound management of the business being achieved;
- **Shareholder value is paramount:**
 - remuneration outcomes (particularly incentive-based outcomes) are designed to take account of share price movements across the reporting period and therefore reflect the value actually delivered to Shareholders through achievement of strategic objectives and/or Total Shareholder Return (**TSR**) in Absolute and/or Relative basis; and
 - a close alignment is created between operational performance, reward and sustained growth in shareholder value. This is done through achieving robust company building milestones year-on-year via the STI plan and through aiming to outperform a select group of 17 industry peer companies in the longer term alongside the achievement of 14% in Absolute TSR terms via the individual hurdles under the LTI plan;
- **People:**
 - our remuneration structures are designed to attract, motivate and retain the best people whilst remunerating them reasonably and competitively; and
 - we encourage our people (Directors, management and staff) to hold equity in the Company which builds a culture of viewing management decisions as an owner, thereby helping to further align executives and shareholder's interests;
- **Transparency** – remuneration measures, outcomes and reporting are as simple and transparent as possible for shareholders and other stakeholders to review and understand; and
- **Longer term focus** – we aim to ensure that key decision making is always appropriately longer term in its nature and focus.

We recognise that the role of the STI and LTI plans is not to reward employees for "day to day" outcomes but rather achievement of key company building goals. Our STIs are specifically designed to achieve significant value creation goals including delivering on the 'Three Pillar' corporate strategy of acquiring a high quality cash generating production asset, realise value by developing existing discoveries and exploration led growth, the success of which will be also measured for LTIs by a corresponding uplift in Shareholder value through sustained share price appreciation in a relative and independently absolute basis. This philosophy is evidenced for the financial year ended 30 June 2019 by no vesting of equity incentives under LTI plan and the Company-wide Operational Objectives not awarded for the STI plan notwithstanding that the Company announced the signing of a binding contract for a major production acquisition shortly after the end of the remuneration testing period.

No material changes are proposed in relation to our overall remuneration framework for the financial year ending 30 June 2020, however, there is a slightly higher weighting toward at-risk remuneration for Executive Directors and other KMP and the introduction of Absolute TSR to be 50% of the performance testing for LTIs

Remuneration framework and links to strategy

The Board and management are very aware of the need to ensure that executive performance outcomes are aligned to building asset value and securing share price growth for our Shareholders over time.

Key links between the remuneration framework, Karoon's strategy and Shareholder value are demonstrated as follows:

- the STI framework is based on a set of ambitious Company building goals on a rolling short-term basis;
- the LTI targets are now split into two independent but equally weighted performance conditions, being Absolute and Relative TSR measures – meaning, our team needs to outperform an industry peer group of companies and achieve an Absolute TSR of 14% for the full LTI performance incentive to vest;
- rewards for long-term value creation and executive retention by applying a one-year deferral of STI vesting after performance conditions are achieved and measuring LTI outcomes over a three-year test period;
- having a clear gateway for safety outcomes before any STI awards can be made and a clawback (negative discretion) provision in relation to bribery and/or corruption issues; and
- LTI awards will be delivered as performance rights rather than in cash assisting with capital preservation.

Outcomes and decisions for the financial year ended 30 June 2019 are:

- STI – 2018/2019 STI allocated to Company-wide Operational Objectives was not awarded. For employees and executives who are not Executive Directors, a component of their STI Role-specific Objectives was granted depending on individual performance in accordance with pre-set proportions of STI;
- LTI – No LTI was awarded for the financial year ended 30 June 2019 as Karoon did not achieve a satisfactory level of share price performance against its industry peer group of companies over the previous three-year period;
- Executive salaries - while there have been no increase to KMP base salary for five years, it is the Board's intention to closely review the market competitiveness of these salaries in the different regions in which we operate, and the proportion of reward 'At Risk' and the focus of 'At Risk' reward. In making any changes, we remain committed to ensuring that our key staff remuneration outcomes remain firmly aligned with shareholders as well as strategic and operational outcomes;

- Board fees - the structure and size of the Board is currently under review, together with Board Committees. The aim is to ensure an appropriate size, mix of skills and sharing of responsibilities across the Board and Board Committees as Karoon transitions to oil production. Part of this review will be to assess Board and Board Committee fees against current market rates, noting however, that there will be no increase to the Non-Executive Directors' fee pool;

Summary

During the financial year ended 30 June 2019, we made positive operational progress with our Neon and Goiá future development plans in the southern Santos Basin, offshore Brazil, as well as committing to a production acquisition and readying Karoon to drill its first exploration well in Peru. We have also reduced the total costs of operating the business through reducing our overall operating footprint through office moves and staff reductions in Australia and South America, better use of technology and reviewing the overall corporate model.

Our corporate strategy and remuneration related targets are designed and managed to improve shareholder value into the future. In these circumstances, the Board and Remuneration Committee have exercised restraint by holding salaries and Non-Executive Directors' fees steady, by providing no reward on the Company-wide Operational Objective STI outcome and confirming no LTI outcome will be awarded for the financial year ended 30 June 2019.

Voting exclusion statement with regards to resolution 1

Votes may not be cast, and the Company will disregard any votes cast, on resolution 1:

- by or on behalf of any member of the KMP whose remuneration details are included in the Remuneration Report, or any Closely Related Parties of those persons, regardless of the capacity in which the votes are cast; or
- by any person who is a member of the KMP as at the time the resolution is voted on at the Annual General Meeting or any Closely Related Parties of those persons, as a proxy,

unless the votes are cast as a proxy for a person who is entitled to vote on the resolution:

- in accordance with a direction in the proxy appointment; or
- by the Chairman of the Annual General Meeting in accordance with an express authorisation in the proxy appointment to cast the votes even if the resolution is connected directly or indirectly with the remuneration of a KMP member.

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.

3. RESOLUTION 2 - ELECTION OF MR BRUCE PHILLIPS

Resolution 2 relates to the election of Mr Bruce Phillips 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 Mr Bruce Phillips was appointed by the Company as an Independent Non-Executive Director and as Chairman of the Company on 1 January 2019.

Mr Phillips has 43 years' of technical, financial and commercial experience in the global energy industry, encompassing a number of corporate entities. Bruce has extensive experience in upstream oil and gas exploration and production via involvement in projects in Australasia, Africa, Europe and the Americas. He also has considerable experience in governing publicly listed companies, including the chairmanship of four companies listed on the ASX.

Since founding AWE Limited in 1997, Mr Phillips has held positions as CEO, chairman and non-executive director. He is currently the chairman of ALS Limited (ALQ: ASX), is the former chairman of Platinum Capital and AWE Limited (now part of Mitsui Corporation), and a former non-executive director of AGL Energy Limited (AGL: ASX) and Sunshine Gas Limited (formerly SHG: ASX: pre-merger with QGC). During Mr Phillips' executive career he held varied positions within the industry initially as a geophysicist for AMAX and Esso, graduating to a business development role at Command Petroleum Limited and General Manager of Petroleum Securities Australia Limited.

Mr Phillips has a Bachelor of Science (Hons), Geology and is a member of the Petroleum Society of Australia and the Australian Society of Exploration Geophysicists.

Mr Phillips has been a member of the Nomination and Remuneration Committees from 8 March 2019.

Current directorships of other listed companies include: Chair, ALS Limited.

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 Mr Bruce Phillips.

4. RE-ELECTION OF EXISTING DIRECTORS – MR DAVEY AND MR TURNBULL

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.

4.1 RESOLUTION 3- 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.

Mr Clark Davey is an Independent Non- Director of the Company appointed on 1 October 2010.

Mr Davey is a professional independent company director with over 40 years of experience in the natural resources industry as a taxation and strategy advisor. Mr Davey was a partner at Price Waterhouse and PricewaterhouseCoopers for a number of years with an oil and gas and natural resources specialty holding industry leadership roles in both firms. Mr Davey is a member of the Taxation Institute of Australia and the Australian Institute of Company Directors.

The wealth of taxation and business advisory experience Mr Davey brings to Karoon includes input on international company tax, Australian and overseas resource and indirect taxation and oversight of accounting, governance and capital management procedures. Mr Davey has advised many companies with both tax and management of joint venture interests as well as merger and acquisition transactions. He has also assisted both listed and unlisted 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, Remuneration and Risk & Governance Committees.

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

4.2 **RESOLUTION 4 –RE-ELECTION OF MR PETER TURNBULL AS A DIRECTOR**

Resolution 4 seeks Shareholder approval for the Company to re-elect Mr Peter Turnbull as a Director of the Company.

Mr Peter Turnbull is an Independent Non-Executive Director of the Company appointed on 6 June 2014.

Mr Turnbull is an ASX experienced independent non-executive director and chair with significant exposure to the global mining, energy and technology sectors.

Mr Turnbull brings to the Board significant commercial, legal and governance experience gained from working with boards and management to conceive, structure, fund and complete corporate transactions and to prioritise and maximise the value of organic growth strategies for shareholders.

Mr Turnbull also has significant regulatory and public policy experience from prior executive roles including as a Director of the Securities & Futures Commission of Hong Kong. Over time, Mr Turnbull has held roles as a director or senior officer of several global organisations which promote best practice governance and is a regular contributor and speaker in Australia and overseas on corporate governance issues. Mr Turnbull is a former President and current Life Member of the Governance Institute of Australia.

Mr Turnbull's senior executive roles over 30 years involved significant experience in very large publicly listed organisations with global operations, particularly South East Asia, Europe and the USA. This experience included over a decade in energy markets and the resources sector including as Company Secretary of Newcrest Mining Limited, Company Secretary and General Counsel of BTR Nylex Limited and General Manager, Legal and Corporate Affairs with Energex Limited.

Current directorships of other listed companies include: Chair, Calix Limited, since its ASX listing on 20 July 2018.

Mr Turnbull is Chairman of the Remuneration and Risk & Governance Committees and a member of the Audit and Nomination Committees.

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

5. **RESOLUTION 5 – APPROVAL OF ISSUE OF SECURITIES UNDER THE PERFORMANCE RIGHTS PLAN 2019**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities in any 12 month period than the amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2 contains a number of exceptions to Listing Rule 7.1. Exception 9 in Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within three- years before the date of issue, shareholders have approved the issue as an exception to Listing Rule 7.1.

The Company's previous performance rights plan, the Performance Rights Plan 2016 (**2016 PRP**), was approved by Shareholders at the 2016 Annual General Meeting and has now expired. The Company has considered the value of short-term as well as long-term incentives being issued to the eligible employees. In accordance with Exception 9 of Listing Rule 7.2, the Company now submits a new Performance Rights Plan (**2019 PRP**) to Shareholders of the Company to approve its operation and the issue of securities from time to time under the 2019 PRP, as an exception to Listing Rule 7.1. The 2019 PRP will provide flexibility to the Company's remuneration arrangements and create a mutual interdependence between eligible employees and the Company for the long-term benefit of both parties. The Directors have prepared the 2019 PRP taking into account the current operations, changes to government legislation, industry market practice and size of the Company.

Under the 2019 PRP eligible employees may be awarded Performance Rights to be issued and allotted fully paid ordinary shares for nil consideration, provided that certain performance conditions have been met either over a short or long-term. Each Performance Right can be converted into one fully paid ordinary share of the Company, subject to any adjustment in accordance with the 2019 PRP. The Remuneration Committee will be responsible for assessing whether the performance measures have been achieved.

The grant of Performance Rights as part of the STI program is conditional on the achievement of specified performance measures over a one-year performance period, and conditional on the employee remaining employed by the Company for an additional year past the performance period. The STI is 'At Risk' remuneration and recent history of near zero vesting has demonstrated that performance hurdles are reliable and measurable as well as tested properly.

The grant of Performance Rights as part of the LTI program is conditional on long-term relative performance and superior absolute Shareholder returns. Under the LTI, Performance Rights will only vest if the pre-determined performance conditions are achieved and the individual remains employed by the Company for the duration of the performance period. The LTI is 'At Risk' remuneration and recent history of near zero vesting has demonstrated that performance hurdles are reliable and measurable as well as tested properly.

The quantum of Performance Rights to be given to eligible employees will be based on a pre-determined percentage of total salary that is allocated to the STI or LTI amount, divided by the Company's volume weighted average share price in the period leading up to the first day of the performance period, normally 1 July annually. The portion of total salary to be allocated to the short or LTIs will be determined at the commencement of the performance period.

Summary of the terms of the 2019 PRP

A summary of the main terms and conditions of the 2019 PRP is set out in Annexure "A". A copy of the 2019 PRP is also available on Karoon's website www.karoonenergy.com under the Governance tab.

Number of securities previously issued under the scheme

No Performance Rights have been previously issued under the 2019 PRP, however, as at the date of approval of this Notice of Meeting there were 8,260,393 performance rights which have been issued but have either not yet vested or have not yet been exercised as part of the 2016 PRP.

Voting exclusion statement with regard to resolution 5

Votes may not be cast, and the Company will disregard any votes cast:

- in favour of resolution 5 by or on behalf of any director who is eligible to participate in the 2019 PRP or any of their associates; or
- in favour of or against resolution 5 by a member of the KMP as at the time the resolution is voted on at the Annual General Meeting or any Closely Related Parties of those persons, as a proxy,

unless the votes are cast as a proxy for a person who is entitled to vote on the resolution:

- in accordance with a direction in the proxy appointment; or
- by the Chairman of the Annual General Meeting in accordance with an express authorisation in the proxy appointment to cast the votes even if the resolution is connected directly or indirectly with the remuneration of a KMP member.

Board recommendation

The Non-Executive Directors of the Company unanimously support the resolution. The Executive Directors of the Company make no recommendation in relation to resolution 5 on the basis that the 2019 PRP allows for Performance Rights to be granted to Executive Directors and consequently the resolution relates to Executive Director remuneration.

6. RESOLUTION 6 - APPROVAL TO ISSUE PERFORMANCE RIGHTS TO MR ROBERT HOSKING

Resolutions 6 seeks Shareholder approval for the Company to grant to Mr Robert Hosking (or his nominee);

- a) 666,323 Short-term Incentive (STI) Performance Rights, which are at risk remuneration, and will only vest should the STI performance hurdles be met during the one-year performance period from 1 July 2019 to 30 June 2020 in addition to completion of one-year employment retention period ending 30 June 2021; and
- b) 666,323 Long-term Incentive (LTI) Performance Rights, which are at risk remuneration and will only vest should the LTI performance hurdles over the three-year performance period from 1 July 2019 to 30 June 2022 be satisfied,

on the terms and conditions set out in this Explanatory Memorandum and otherwise pursuant to the 2019 PRP.

Why is Shareholder approval being sought?

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. Mr Hosking is the Managing Director of the Company.

Accordingly, Shareholders are asked to approve the grant of Performance Rights to Mr Hosking (or his nominee), on the terms and conditions set out below.

Rationale for the granting of LTI Performance Rights

As set out in more detail in the 2019 Remuneration Report, the Company uses a LTI plan to align the interests of its Executive Directors with Shareholders' interests. The vesting of the LTI Performance Rights that will be granted, if resolution 6 is approved, is linked to the performance of the Company, as described below.

The LTI Performance Rights will only vest if the pre-agreed performance hurdles are achieved over the three-year period commencing on 1 July 2019. Specifically, vesting conditions are split as follows, noting that each hurdle is assessed independently of the other;

- 50% Relative TSR performance as assessed against a list of closely comparable and representative industry peer group of companies, whose business models and/or regions of operations are similar to those of Karoon, as set out in Table 1; and
- 50% Absolute TSR performance, with Absolute TSR being in excess of 14% per annum, being the Company's current weighted average cost of capital plus a 4% margin.

Table 1

Australian Market Peers	Global Peers
Australis Oil & Gas Limited	Cairn Energy plc
Beach Energy Limited	GeoPark Limited
Carnarvon Petroleum Limited	Gran Tierra Energy Inc
FAR Limited	Kosmos Energy Ltd
Horizon Oil Limited	QGEP Participacoes SA
Oil Search Limited	Premier Oil plc
Santos Limited	SOCO International plc

Senex Energy Limited	Tullow Oil plc
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 the energy sector.

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

Table 2

Relative TSR performance against the selected industry peer group	Proportion of target LTI to vest
Less than 50 th percentile	0%
At 50 th percentile	50%
Between 50 th and 75 th percentile	50% plus 2% for each additional percentile ranking above 50 th percentile
At or above 75 th percentile	100%

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 Performance Rights to be issued to Mr Hosking (or his nominee) are summarised in Annexure "B" in this Explanatory Memorandum.

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

The target remuneration package for Mr Hosking (or his nominee) as Managing Director, include the following components:

Table 3

Fixed (1/3 rd)*	STI (1/3 rd)	LTI (1/3 rd)
\$599,691	\$599,691**	\$599,691**

*excluding superannuation of \$21,002

** remuneration subject to Shareholder approval and satisfaction of short-term and long-term performance hurdles.

Further details of the Company's executive remuneration policy can be found in the Remuneration Report section of the Company's 2019 Annual Report.

The structure of Mr Hosking'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.

Under the LTI, Mr Hosking will receive their LTI as Performance Rights in accordance with the following table:

Table 4

		LTI Performance Rights
Mr Hosking	% of LTI	100%
	Per security value	\$0.90 per right
	Target Remuneration Amount	\$599,691
	Total Securities 'At Risk'	666,323

Calculation of LTI Performance Right fair value

The fair value of Performance Rights to be issued to Mr Hosking (or his nominee) is equivalent to the VWAP of the Company's shares traded on the ASX in the 20 days before and after 1 July 2019, being \$0.90. 1 July 2019 is the first day of the testing period for the Relative TSR test period.

Grant and vesting of STI Performance Rights

The STI Performance Rights to be granted to Mr Hosking (or his nominee) are subject to satisfaction of performance hurdles set at the beginning of the financial year ending 30 June 2020. If the performance hurdles are met, these Performance Rights will be subject to a retention period and become exercisable from 1 July 2021.

In respect of the financial year ending 30 June 2020, the target STI component of remuneration for Mr Hosking is \$599,691.

The maximum Performance Rights available was calculated by dividing that amount by the fair value of the Performance Rights at the beginning of the performance period, being \$0.90.

As a result, a maximum of 666,323 Performance Rights are 'At Risk' in respect of the financial year ending 30 June 2020.

The following schedule of performance conditions outlines the performance hurdles for assessing the number of Performance Rights to be vested to Mr Hosking (or his nominee) at the end of the performance period.

Table 6

Criteria	Hurdle
Safety	TRIR of < 2 required for any award to proceed.
Acquisition Strategy	Complete the funding, commercial and regulatory approvals for the Baúna acquisition and move to transaction completion.
Southern Santos Basin	Progress Karoon's strategic goals at Neon and Goiás and a potential farm-out.
Exploration	Marina-1 exploration well drilled safely, on time and within budget.
Corporate Operating Model	Corporate re-structure to move toward a more development and production centric business model.
Anti-bribery and Corruption	Negative discretion will be applied, if necessary, by the Board of Directors should any material event which constitutes a breach of Karoon's Anti-bribery and Corruption Policy occur.

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 that, taking into account safety and Anti-bribery and Corruption Policy compliance, demonstrate a clear pathway toward value creation, either through commercially attractive acquisitions, commercial arrangements to monetise assets 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. Safety will continue to 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 are set out in the 2019 PRP and are summarised in Annexure "B" in this Explanatory Memorandum.

Current valuation of STI Performance Rights

The current estimated fair value of the Performance Rights is calculated based on the closing share price at the time of approval of this Notice of Meeting on 24 September 2019, being \$1.235. The Company estimates that each of the STI Performance Rights to be granted to Mr Hosking (or his nominee) have a value of \$1.225 as at 9 September 2019 being the closing share price on that day.

Other details

The Performance Rights that are the subject of resolution 6 will be granted to Mr Hosking or his nominee following the AGM and in any case within 12 months of the AGM.

Over the 12 months prior to 9 September 2019, the lowest recorded price of Shares in SEATS trading on ASX was \$0.775 on 24 December 2018 and the highest was \$1.81 on 30 July 2019.

The only Director of the Company that currently participates in the 2019 PRP Plan is Mr Hosking.

The Company will not make any loans in connection with the Performance Rights which may be granted to Mr Hosking pursuant to resolution 6.

Mr Hosking's interest in Shares

Since the date of the last AGM, Mr Hosking was not granted any incentive under the 2016 ESOP or under the 2016 PRP. The proposal to issue Options under the 2016 ESOP and Performance Rights under the 2016 PRP was withdrawn from being proposed to Shareholders at the 2018 AGM.

As at the date of this Notice of Meeting, Mr Hosking had an interest in 12,131,868 Shares, 574,172 Options and 202,903 performance rights. That represents 5.22% of the total Shares in the Company. If Shareholders approve resolution 6, and all the Performance Rights are granted as contemplated by this Notice of Meeting, Mr Hosking will have the following interest in Shares, Options and performance rights under either the 2016 PRP or the 2019 PRP:

Shares	Options	Performance Rights
12,131,868	574,172	1,535,549

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 6 vest and are paid in Shares, Mr Hosking would acquire an additional 2,109,722 Shares. If these were newly issued Shares, Mr Hosking would have an interest in 5.76% of the total issued Shares in the Company (based on the total number of issued Shares in the company as at 24 September 2019).

Additional information regarding resolution 6

All Executive Directors are Eligible Employees for the purposes of the 2019 PRP and therefore are eligible to participate in the 2019 PRP.

Voting exclusion statement with regards to resolution 6

Votes may not be cast, and the Company will disregard any votes cast:

- in favour of resolution 6 by or on behalf of any director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or any of their associates; or
- in favour of or against resolution 6 by a member of the KMP as at the time the resolution is voted on at the Annual General Meeting or any Closely Related Parties of those persons, as a proxy,

unless the votes are cast as a proxy for a person who is entitled to vote on the resolution:

- in accordance with a direction in the proxy appointment; or
- by the Chairman of the Annual General Meeting in accordance with an express authorisation in the proxy appointment to cast the votes even if the resolution is connected directly or indirectly with the remuneration of a KMP member.

Board recommendation

The Non-Executive Directors of the Company unanimously support the resolution. The Executive Directors of the Company make no recommendation in relation to resolution 6 on the basis that the resolution relates to an Executive Director's remuneration.

7. RESOLUTION 7 – RATIFICATION OF PREVIOUS ISSUE OF SHARES

On 23 October 2019, the Company announced an equity raising including, in part, the placement of 72,110,000 Shares at an issue price of \$0.93 per Share to eligible sophisticated, professional and other institutional investors located in Australia and select international jurisdictions. As at the date of this Notice of Meeting, settlement of these new Shares is expected to occur on 31 October 2019 and normal trading of these new Shares is expected to commence on 1 November 2019. The placement is within the Company's placement capacity under Listing Rule 7.1 as modified by a waiver from ASX obtained by the Company.

The Company seeks approval for the purposes of Listing Rule 7.4 to the issue and allotment of these 72,110,000 Shares, such that these securities will not be counted towards the 15% limit on the issue of securities without Shareholder approval pursuant to Listing Rule 7.1. If resolution 7 is passed then those Shares will be deemed to have been issued with Shareholder approval and will, therefore, not be counted towards the aforementioned 15% limit.

Listing Rule 7.5 requires the following information to be provided to Shareholders for the purposes of obtaining shareholder approval pursuant to Listing Rule 7.4:

- the placement comprises the issue of 72,110,000 fully paid ordinary shares;
- the issue price is \$0.93 per Share;
- the placement comprises the issue of fully paid ordinary shares ranking equally in all respects with existing Shares;
- the placement comprises the issue of Shares to eligible sophisticated, professional and other institutional investors located in Australia and select international jurisdictions. The placement is fully underwritten by Macquarie Capital (Australia) Limited and Royal Bank of Canada (trading as RBC Capital Markets);
- the funds raised by the issue of the Shares will be used to partially fund the acquisition of the Baúna oil field in the southern Santos Basin, offshore Brazil including payment of the balance of the purchase price and funding abandonment escrow and minimum loan facility balance requirements, to fund Karoon's exploration well in the Tumbes Basins, offshore Peru, to strengthen the balance sheet and support associated working capital and to fund the transaction costs associated with the equity raising announced by the Company on 23 October 2019; and
- a voting exclusion statement has been included in this Notice of Meeting.

Voting exclusion statement with regard to resolution 7

Votes may not be cast, and the Company will disregard any votes cast in favour of resolution 7 by or on behalf of a person who participated in the issue of the Shares the subject of the resolution or any of their associates, unless the votes are cast as a proxy for a person who is entitled to vote on the resolution:

- in accordance with a direction in the proxy appointment; or
- by the Chairman of the Annual General Meeting in accordance with a direction in the proxy appointment to vote as the proxy decides.

Board recommendation: None of the Directors have a material personal interest in the subject matter of resolution 7 and therefore, the Directors believe that the ratification of the issue is beneficial for the Company.

The Directors unanimously recommend that Shareholders vote in favour of resolution 7, as it allows the Company to ratify the above issue of Shares and retain the flexibility to issue the maximum number of equity securities permitted under Listing Rule 7.1 without shareholder approval.

8. AGENDA ITEM 8 - FINANCIAL REPORTS

Section 317 of the Corporations Act requires the Company's Financial Reports, Directors' Report and Independent Auditor's Report for the financial year ended 30 June 2019 to be laid before the Annual General Meeting. The Financial Report, the Directors' Report and the Independent Auditor's Report are contained in the Company's 2019 Annual Report, a copy of which has been made available to Shareholders with this Explanatory Memorandum and the accompanying Notice of Meeting, and it is also available on request to the Company.

While no resolution is required to be put to Shareholders in relation to this item, Shareholders should consider these 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 reports.

9. GLOSSARY

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

2016 ESOP:	The Company's 2016 Employee Share Option Plan.
2016 PRP:	The Company's 2016 Performance Rights Plan.
Annual General Meeting or AGM:	Is defined in section 1 in this Explanatory Memorandum to Shareholders.
ASX:	ASX Limited (ACN 008 624 691).
Board:	The Board of Directors of the Company.
Closely Related Party:	Includes a KMP's spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.
Company or Karoon:	Karoon Energy Ltd (ACN 107 001 338).
Corporations Act:	Corporations Act 2001 (Cth).
Corporations Regulations:	Corporations Regulations 2001 (Cth).
EDT:	Eastern Daylight Time, being the time in Melbourne, Victoria.
Listing Rules:	The Official Listing Rules of the ASX, as amended from time to time.
LTI:	Long-term Incentive.
Key Management Personnel or KMP:	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.
Notice of Meeting:	The notice convening the Annual General Meeting which accompanies this Explanatory Memorandum.
Options:	Options to acquire shares in the Company.
Performance Rights:	Rights issued under the Performance Rights Plan 2019.
Performance Rights Plan 2019 or 2019 PRP:	The Performance Rights Plan 2019.
Remuneration Committee:	The Remuneration Committee of the Company.
Remuneration Report:	The Remuneration Report for the financial year ended 30 June 2019 as contained within the Directors' Report and forming part of the Company's 2019 Annual Report.

Shareholders:	Holders of Shares.
Shares:	Fully paid ordinary shares in the capital of the Company.
STI:	Short-term Incentive.
Total Shareholder Return or TSR:	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.
VWAP:	Volume weighted average price.

ANNEXURE "A"

SUMMARY OF THE TERMS OF THE 2019 PRP PROPOSED UNDER RESOLUTION 5

Offers

- A. The Company may from time to time during the operation of the 2019 PRP make an offer in writing to any Eligible Employee specifying:
- the number of Performance Rights for which the Eligible Employee may subscribe;
 - the period during which the offer may be accepted;
 - any conditions that will apply;
 - the period (if any) that an Eligible Employee must wait before any ordinary shares acquired on the exercise of any Right may be disposed of;
 - the date on which the Eligible Employee's right to subscribe for and be issued or transferred ordinary shares will lapse;
 - circumstances in which the Eligible Employee's right to subscribe for and be issued or transferred ordinary shares will lapse; and
 - any other matters required to be specified by the Corporations Act or the Listing Rules.

Eligible employees

- B. Any full-time or part-time employee or any Executive Director of the Company or any subsidiary.

Grant of Performance Rights

- C. Performance Rights offered to an Eligible Employee will entitle the Eligible Employee to subscribe for and be issued or transferred the relevant number of fully paid ordinary shares.

Exercise price

- D. There will be no exercise price required to be paid on exercise of the Right.

Participant

- E. An Eligible Employee who has been granted Performance Rights will be a participant.

Vesting conditions

- F. Unless otherwise determined by the Board, Performance Rights granted under the 2019 PRP will vest on the first anniversary of the grant date, subject to all other conditions being met.
- G. If a participant dies, becomes permanently disabled, is retrenched, reaches the age of retirement or is given a bona fide redundancy, or if the Company is in the process of winding-up, and at that time the participant holds Performance Rights which are subject to the satisfaction of any relevant vesting condition, the Board may resolve that all or a specified number of the participant's Performance Rights vest immediately.

Cessation of employment

- H. If a participant ceases to be an employee before or after he or she has satisfied the vesting conditions attaching to an offer of Performance Rights, then all rights in respect of those Performance Rights lapse, unless the participant ceases to be an employee by reason of death, permanent disability, retrenchment, retirement or redundancy.

Death, permanent disability, retirement, retrenchment or redundancy

- I. If a participant dies, becomes permanently disabled, is retrenched, reaches the age of retirement or is given a bona fide redundancy, and at that time the participant holds a right to subscribe for ordinary shares (whether or not subject to satisfaction of any relevant vesting condition), the participant, or in the event of death or legal incapacity, the participant's legal personal representative, retains the Performance Rights subject to lapsing for any other reason under the 2019 PRP.

Adjustments and reorganisations

- J. A participant has no right to any variation in the offer price or the number of securities to be granted in an offer of shares upon the occurrence of a new issue of shares or other securities to holders of shares, unless the participant has validly exercised their Performance Rights in accordance with the 2019 PRP prior to the record date for the new issue.
- K. In respect of a participant who has accepted an offer of Performance Rights, if there is a bonus issue to the Company's Shareholders prior to the time at which the Right has been exercised, that participant will be entitled, upon later issue of the relevant ordinary shares, to receive an issue of so many additional shares as would have been issued to a Shareholder who, on the record date for determining entitlements under the bonus issue, held ordinary shares equal in number to the shares comprised in the offer of Performance Rights.
- L. In the event of any reorganisation of the issued capital of the Company other than a bonus issue, the rights of each participant will be changed to the extent necessary to comply with the Listing Rules (where relevant) applying to a reorganisation of capital of a body corporate.

Takeover

- M. If the Board determines that there has been a change of control of the Company, the replacement of a majority of the Board is imminent or that a bidder who did not have a relevant interest in more than 50% of the Company's issued shares has acquired (or become entitled to acquire) a relevant interest in more than 50% of the Company's issued shares, then the Board may resolve that the Company notify each participant in writing that some or all of the participant's unvested Performance Rights have vested on the basis of a pro-rated achievement of any vesting conditions applying to those unvested Performance Rights.

Termination or suspension

- N. Subject to the Listing Rules, the 2019 PRP may be amended at any time by a resolution of the Board.

ANNEXURE "B"

THE PERFORMANCE RIGHTS PROPOSED TO BE GRANTED UNDER RESOLUTION 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 STI and LTI Performance Rights cannot be exercised until 1 July 2020 and 1 July 2022 respectively (**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 5.00 pm (Melbourne Australia 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 Dates 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 Performance Rights holder will be entitled to have issued to him/her (in addition to the Shares which would otherwise be issued to him/her under that bonus issue) bonus shares (**Bonus Shares**) if on the record date for the Bonus Issue the Performance Rights holder has been registered as the holder of the number of Shares of which he/she would have been registered as holder if, immediately prior to that date, he/she had duly exercised his/her Performance Rights and the Shares the subject of such exercise had been duly allotted and issued to him/her. 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 Performance Rights holder will be changed to the extent necessary to comply with the applicable Listing Rules in force at the time of the reorganisation.
11. 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.