

Chairman's address

Good morning Ladies and Gentlemen,

The 2018-19 year has been a truly transformational year for Karoon Energy. The legacy of past years has allowed a new beginning for your company.

The Baúna acquisition

Karoon is transforming from a pure exploration company into an embryonic global exploration and production (E&P) entity. This transformation is being underpinned by the acquisition of the Baúna project in the southern Santos Basin, Brazil.

This strategic acquisition offers long term cash flows and profits for Karoon, along with very good in-field growth opportunities. It also provides synergies for development of our nearby Neon and Goiás oil fields, and in the longer term, any success from our adjacent exploration prospects. Coupled with the drilling of the large Marina prospect in Peru in Q1 2020, we are all excited about the opportunities in front of us.

Our management team will have more to say about these projects later in the meeting.

The Board's focus areas

From a Board perspective, the last year has been a very busy one. The Baúna acquisition has required directors to commit significant time and effort to ensure appropriate guidance, diligence and governance during the sale and purchase process, the subsequent equity and debt capital raisings, and of course the transition to operating a significant offshore production facility. This will continue to be the Board's primary area of focus in the year ahead.

1. People and succession planning

In parallel, the Board will also be focussing on the step-changes required for management to operate, and for the Board to govern, the new Karoon.

The enhancement of the management team to operate Baúna will be outlined later in the meeting.

With respect to the Board, after conducting a review of the skills required for the future, last month we outlined our succession plans to the market. The Board determined there is a need to refresh the Board in the period ahead and to identify and appoint one or more new Non-Executive Directors (NEDs) to complement the board's existing global oil production operations and project development experience. We are in the early stages of this process.

Mr Mark Smith, one of the founders of Karoon and its long-standing Exploration Director is not seeking re-election today. Mark wishes to retire from full time executive life after completion of the Marina-1 exploration well in Peru; and will remain as an adviser to the board for the foreseeable future.

Over the coming calendar year, Karoon also has two additional Non-Executive Directors (NEDs) who have advised they will be retiring after having provided long and valuable service to the Company. Mr Jose Coutinho Barbosa and Mr Geoff Atkins wish to retire for personal reasons after the Baúna acquisition has been Completed, and Karoon's transformation to an oil production entity is accomplished. They have generously agreed to continue until suitable replacement directors are identified.

The company will continue to be well positioned to maximise the shareholder benefits from its transition from a pure exploration company to a more significant global E&P entity.

2. Remuneration

One of the key areas of my own due diligence before accepting a Board position with Karoon was the shareholder votes in 2017 & 2018 against the Remuneration Report. The Board has therefore spent considerable time addressing shareholder concerns by simplifying Key Management Personnels' (KMP) remuneration. In FY2019 there were no increases to fixed remuneration for KMPs for the fifth straight year, no Long Term Incentive (LTI) awards, and only minimal award of Short Term Incentives (STIs). Further, there was no increase to NED fees.

Boards always deal with the competing forces of attracting, retaining and incentivising talented people versus shareholder expectations on cost. For an Australian company operating in a cyclical global industry, with most of its workforce located internationally, these tensions are complicated and exacerbated.

We are pleased the major proxy advisory firms have unanimously recommended voting in favour of our Remuneration report this year. We hope shareholders also recognise the efforts being made by the Board and management to balance these forces when they consider voting on the Remuneration Report later in the meeting.

3. Governance

Recently the Board has also revamped its committee structure, their charters and associated policies to ensure we have appropriate governance measures in place to review and oversee the Company's new modus operandi.

The Remuneration and Nomination Committees have been combined into one new People, Culture & Governance (PGC) Committee led by Mr Peter Turnbull. The Audit Committee has been enhanced to become the Audit and Risk (AR) Committee chaired by Mr Clark Davey and we have inaugurated a new Sustainability and Operational Risk (SOR) Committee. The new SOR Committee was identified by the Board as an essential requirement for oversight of our new production operations and their interaction with broader stakeholder communities. Importantly, this committee is chaired by one of our Brazilian based directors, Ms Luciana Rachid.

The Board has also refreshed its key policies to ensure Karoon will be recognised as a world class operator in the areas of HSSE, Diversity, Anti-Bribery, Fraud and Corruption, and its Whistleblower protections. It has also meant adding a Sustainability Policy to formalise our existing actions in the areas of Climate Change and Modern Slavery.

We encourage shareholders to visit our website in the not too distant future to read and understand our actions in these important areas.

4. Sustainability

At the risk of emphasising one policy area over another, I would also recommend shareholders familiarise themselves with the Company's Sustainability Report. Upon joining Karoon, I was pleased to see the Company has a strong emphasis on interacting with the communities in which it operates, including social programs focussed on children and education in Brazil and Peru. Our sustainability mantra is simply stated as *"leave an area in better condition than when we arrive"*.

5. Asset portfolio management

Now turning to asset portfolio management. The Board is clearly delighted with the Baúna acquisition and the financial and strategic benefits it delivers for shareholders.

Karoon now has considerable flexibility and optionality in its asset portfolio. We will hold a 100% position in the Baúna, Neon and Goiá assets and whilst our primary path is self-financing their exploitation, we have the flexibility to farmout or sell down if more attractive demands for capital arise, for example a discovery at the Marina prospect in Peru.

We have also been focussed on ensuring the Company's broader asset portfolio is appropriately sized for our capital capabilities and corporate values. In Australia we have relinquished WA-314-P after failing to attract a suitable farminee. We have also listened to our broader stakeholder groups and have initiated actions to relinquish EPP46 in the Great Australian Bight.

The Board also continues to focus on our asset management (or geological and administrative) costs. We have reduced staff and are rationalising our premises in Australia. However, we will be increasing personnel levels in Brazil to ensure we have appropriate capabilities to operate the Baúna project.

These capital management initiatives follow previous actions in Brazil and Peru, where we have rebalanced most of our exploration capital expenditure commitments from compulsory to discretionary spending.

6. Capital management

Making an asset acquisition that is approximately 4 to 5 times the market capitalisation of a company is always going to be a major challenge. The Board needed to balance the requirements of seeking significant debt and equity capital at a reasonable cost, against ensuring the Company has a stable platform to thrive and grow in the future.

We believe an appropriate balance has been achieved. While not all shareholders may be happy with the dilutionary effect if they could not participate in the equity capital raising, the overwhelming support for the transaction by the vast majority of old, and new, shareholders has been pleasing.

Over the next few years, the Board's priority for capital allocation will be firstly to invest in growth, then debt reduction and dividends to shareholders, with any excess capital thereafter allocated to initiatives such as share buy-backs or capital returns.

Outlook

Ladies & Gentlemen, the oil & gas industry outlook is healthier than some would have you think.

The International Energy Agency notes that fossil fuels accounted for 80% of global energy demand at the turn of the century. This rose to 81% last year, suggesting that despite our global efforts towards heavy investment in renewable energy, the overall demand for energy continues to grow in line with an ever-increasing global population, and a rise in living standards in the developing world.

As a subset of energy demand, the outlook for conventional oil and gas assets should remain attractive for several decades as fields decline at a faster rate than decline in demand, and fewer oil and gas discoveries are made and developed.

As for Karoon, we believe our corporate outlook is much stronger than it has been for some time and indeed stronger than most of our peers in Australia. We will have longer term revenue, be oil production specific and cash flow positive, which sets us apart from many.

Strategically we are marching towards establishing ourselves as a global E&P entity; operationally we are rapidly building capability to become an operator of meaningful oil production; and the building blocks are in place to reward our patient shareholders. Add to this the recently announced contract to drill the large Marina prospect in Peru and you can see why we are excited about the future.

Conclusion

Finally, ladies and gentlemen, I would like to thank all of you, our shareholders, for your patient support; to Bob Hosking and his management team for their hard work and dedication in carrying out our strategies in a challenging environment; and to my fellow Directors for their support over the past year. In particular, I thank Peter Turnbull for his tenure as Interim Chairman and the extensive time he dedicated to ensuring my smooth transition to the role of your Chairman.

Today I would also like to single out an outstanding individual for special recognition. Mark Smith retires from the board at the close of this meeting. He was one of the Company's founders and his contribution to the success of Karoon cannot be overestimated. Mark's technical expertise and leadership qualities have been fundamental to the success of Karoon. Mark is a world class oil finder and has built a top-class technical team that will be a fundamental pillar of the company for the decades to come. Mark, you leave the Board with a great legacy. We are delighted you have agreed to stay on as an adviser to the Board in the longer term, and on behalf of the Board and shareholders we say thank you and wish you every success in the future.

Important Note

Should investors have any questions or queries regarding the company, please contact James Wootton on 03 9616 7500 or jwootton@karooneenergy.com.au All **holding** enquiries should be directed to our share registrar, Computershare on 1300 850 505.

About Karoon Energy Ltd

Karoon Energy Ltd is an international oil and gas exploration company with projects in Australia, Brazil and Peru and is an ASX listed company.

Karoon has a core exploration growth strategy, focused on large targets in proven Petroleum Systems. The Company is looking to complete the acquisition of a foundation production asset that will underpin long-term sustainable growth and shareholder value.

Karoon's strategic vision is to transform into a global E&P company with material production to underpin growth through a highly prospective exploration portfolio and entrepreneurial spirit.

Forward-looking Statements

This announcement may contain certain "forward-looking statements" with respect to the financial condition, results of operations and business of Karoon and certain plans and objectives of the management of Karoon. Forward-looking statements can generally be identified by words such as 'may', 'could', 'believes', 'plan', 'will', 'likely', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties, which may include, but are not limited to, the outcome and effects of the subject matter of this announcement. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward-looking statements as actual outcomes may differ materially from forward-looking statements. Any forward-looking statements, opinions and estimates provided in this announcement necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of Karoon. Such statements may cause the actual results or performance of Karoon to be materially different from any future results or performance expressed or implied by such forward-looking statements. Forward-looking statements including, without limitation, guidance on future plans, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward-looking statements speak only as of the date of this announcement.

Karoon disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.