

RELATED PARTY POLICY

1. Commitment to good governance

Karooon Energy Ltd (**Karooon** or **Company**) and all of its wholly owned subsidiaries (together the **Karooon Group**) are committed to:

- (a) achieving contemporary corporate governance standards in all their activities and to being open and transparent in relation to any related party transactions;
- (b) complying with all relevant related party requirements set out in the Corporations Act 2001 (Cth) (**Corporations Act**) and ASX Listing Rules; and
- (c) ensuring that the Board of Karooon has proper oversight and control of all related party issues.

2. Purpose

The purpose of this Policy is to:

- (a) publish Karooon's commitment to comply with all relevant related party requirements set out in the Corporations Act and the ASX Listing Rules applicable to Karooon;
- (b) set out a governance framework for managing and approving related party transactions in Karooon; and
- (c) establish a clear process to comply with Karooon's related party obligations.

3. Summary

Prior to any transaction being entered into, all related party transactions must be approved by the:

- (a) People, Culture and Governance Committee;
- (b) Karooon Board; and
- (c) Karooon's shareholders prior to the transaction being entered into, unless an exception applies (as determined by the Karooon Board).

Karooon, and members of the Karooon Group, are prohibited from giving a **financial benefit** to a related party unless:

- (d) the Karooon shareholders have approved the giving of the financial benefit; or
- (e) a relevant exception to the ASX Listing Rules applies.

As a listed entity, Karooon and its subsidiaries are also prohibited from entering into certain transactions with related parties without shareholder approval.

4. Who is a related party?

For the purposes of this policy, Karoon has adopted the following definition of a related party (which is derived from the meaning used in each of the Corporations Act and the ASX Listing Rules):

- (a) any person or entity that controls Karoon;
- (b) a director of Karoon, or of a Karoon Group member, or of an entity that controls Karoon;
- (c) a person with close personal ties to any of the persons referred to in (b) above, these ties may be based on family, friendship or other social or business connections;
- (d) any entity:
 - (i) controlled by a person referred to in (a), (b) or (c) above; or
 - (ii) in which a person referred to in (a), (b) or (c) above has a material personal interest;and
- (e) any other person or entity whose relationship with Karoon or a member of the Karoon Group is, in the opinion of the Board, such that this policy should apply to that person or entity.

The rules regarding related party transactions also apply to:

- (f) any person who has been a related party (as defined above) at any time in the last six months; and
- (g) any person who the Board believes, or has reasonable grounds to believe, is likely to become a related party (as defined above) at any time in the future.

Note: If there is any doubt as to whether a particular person or entity is a related party of the Karoon Group for the purposes of this policy, the matter should be immediately referred to the People, Culture and Governance Committee who will make a recommendation to the Board.

5. What is a “financial benefit”?

Under the Corporations Act, the term ‘financial benefit’ is to be interpreted broadly.

When applying this policy, the Board will have regard to the commercial nature of the transaction, and any consideration given for the benefit will be disregarded (even if the consideration is considered to be adequate).

Some examples of **financial benefits** include:

- (a) giving or providing finance or property (including buying, selling or leasing an asset);
- (b) supplying or receiving services;
- (c) issuing securities or granting options; and
- (d) taking up or releasing an obligation of the related party.

6. The exceptions in the Corporations Act:

There are a number of exceptions to the requirement in the Corporations Act to obtain shareholder approval for the giving of a financial benefit to a related party. However, unless one of these exceptions applies, **shareholder approval must be obtained in accordance with this policy prior to the giving of a financial benefit to a related party.**

6.1 *The 'arm's length' exception*

Pursuant to the Corporations Act, Karoon is not required to obtain shareholder approval for the giving of a financial benefit to a related party if the proposed transaction is on **arm's length** terms, or on terms that are less favourable to the related party.

In determining whether the arm's length exception applies to a transaction, the Board will have regard to the following factors that reflects ASIC guidance:

- (a) the terms of the transaction and in particular, how those terms compare with those of any comparable transaction Karoon has entered into;
- (b) the nature and content of the negotiations of the transaction, including whether any protocols adopted by Karoon to ensure that conflicts of interest were appropriately managed;
- (c) the impact of the proposed transaction on Karoon and its shareholders;
- (d) any other options that may be available; and
- (e) any expert advice received in relation to the proposed transaction.

6.2 *Other exceptions*

Other exceptions to the requirement in the Corporations Act to obtain shareholder approval for the giving of a financial benefit to a related party include:

- (a) where the financial benefit represents reasonable remuneration payable to the related party as an officer or employee, or the reimbursement of expenses;
- (b) the giving of an indemnity, exemption or insurance policy in respect of a liability incurred as an officer or employee;
- (c) where the value of the financial benefit (together with all other financial benefits given to the related party in the relevant financial year without shareholder approval) is less than \$5,000;
- (d) benefits given to a shareholder of Karoon that do not discriminate unfairly against other shareholders of Karoon;
- (e) benefits given by Karoon to a wholly-owned subsidiary (or vice versa); and
- (f) benefits given under a court order.

Where the Board is satisfied that one of the above exceptions applies, shareholder approval will not be required. The Board will exercise care and judgment in deciding whether an exception applies. Board approval will nevertheless be required unless the transaction is designated by the Board as "routine".

7. ASX Listing Rules Requirements

In addition to the Corporations Act requirements, Karoon, as a listed entity, must also comply with the ASX Listing Rules relating to transactions with persons in a position of influence.

7.1 *Substantial assets*

Under Listing Rule 10.1, Karoon must ensure that neither it nor any member of the Karoon Group nor any other companies which it otherwise controls, acquires a substantial asset from, or disposes of a substantial asset to, any of the following persons without shareholder approval or the grant of a waiver from ASX:

- (a) a related party of Karoon (as defined in section 4);
- (b) any entity that is a subsidiary (other than a wholly-owned subsidiary) of Karoon or that Karoon otherwise controls;
- (c) a person who is, or was at any time in the six months before the transaction or agreement, a substantial (10%+) holder in the entity;
- (d) an associate of a person referred to in paragraphs (a) to (c) above; or
- (e) a person whose relationship to the entity or a person referred to in paragraphs (a) to (d) above is such that in ASX's opinion, the transaction should be approved by shareholders.

An asset is 'substantial' if its value or the value of the consideration being paid or received, or in ASX's opinion is, 5% or more of the equity interests of Karoon as set out in the latest accounts given to ASX. In calculating the value, each of the following rules applies:

- (f) intangibles must be included;
- (g) provisions for depreciation and amortisation must be deducted;
- (h) liabilities as part of an acquisition will not be deducted;
- (i) if the ASX believes that separate transactions Karoon enters into, are all really one transaction, the value of each transaction may be aggregated.

7.2 *Exceptions in the Listing Rules*

ASX Listing Rule 10.1 does not apply to a transaction between:

- (a) members of the Karoon Group;
- (b) Karoon and a person who is a related party by reason only of the proposed transaction and because Karoon believes, or has reasonable grounds to believe, that the person is likely to become a related party because of the transaction; or
- (c) an issue of securities by Karoon for cash.

8. Protocols for negotiations with related parties

In respect of negotiations with related parties, the Board will consider putting in place protocols to ensure that the related party does not influence Karoon's decisions. For example, it may be appropriate to put

in place information barriers in relation to the proposed transaction, form a Board sub-committee to consider the proposed transaction and seek independent advice.

9. All related party transactions to be referred to the Board

Where a member of the Karoon Group proposes to enter into a transaction with a related party the following procedure **must** be followed.

- (a) Full and appropriate disclosure about the proposed transaction is to be made to the People, Culture and Governance Committee **prior** to any transactions being entered into. Such disclosure should include the following information:
 - (i) full details of the proposed transaction, including the parties and the nature of their relationship (that is, why they are or might be considered to be related parties);
 - (ii) whether an exception to the requirement to obtain shareholder approval applies or may apply;
 - (iii) why the exception (if any) applies to the proposed transaction; and
 - (iv) any other information appropriate or necessary in the circumstances for the Board to determine whether the arm's length or any other exception applies.
- (b) The People, Culture and Governance Committee and the Company Secretary will compile the information provided and include an item in the agenda for the Board to consider the proposed transaction at the next Board meeting.
- (c) The Board must consider the information provided by the People, Culture and Governance Committee in light of the matters outlined in this policy and determine whether the proposed transaction requires:
 - (i) shareholder approval under the Corporations Act or the ASX Listing Rules; and/or
 - (ii) any disclosure under the ASX Listing Rules and/or in Karoon's Annual Report.
- (d) Where appropriate, the Board may refer to any internal or external advice or recommendations on the proposed transaction.
- (e) Where the Board determines that the proposed transaction is on arm's length terms or subject to any other exception such that shareholder approval is not required, it may resolve to proceed with the proposed transaction on terms it considers appropriate.
- (f) Where the Board determines, based on the information available to it, that the proposed transaction is:
 - (i) not on arm's length terms;
 - (ii) not subject to any other exception; or
 - (iii) such that shareholder approval should nevertheless be obtained,and resolves that the proposed transaction should nevertheless proceed (subject to the required shareholder approval), the Board must call a meeting of shareholders to be held to consider and, if thought fit, approve the proposed transaction.

Note: The procedures set out in this policy must be complied with in relation to all related party transactions.

However, the Board may determine that routine transactions entered into by a member of the Karoon Group in the ordinary course of business and on arm's length terms are not required to be referred to the Board in accordance with this policy.

10. Persons with material interest not to participate

Any officer or employee who has a material personal interest in the outcome of a proposed related party transaction or who becomes aware that a proposed transaction is a related party transaction as described in this policy must disclose that interest or transaction to the People, Culture and Governance Committee and the Company Secretary, who will notify the Board.

An officer or employee who has a material personal interest in a proposed related party transaction must not participate or be in any way involved in the decision-making process of the Board in relation to that proposed related party transaction, unless permitted by relevant laws and with the approval of the non-interested directors on the Board.

Where the interested person is a director of Karoon, he or she must not:

- (a) be present while the proposed transaction is being considered by the Board; or
- (b) vote on the proposed transaction,

unless permitted by relevant laws.

11. All related party transactions to be appropriately documented

All related party transactions (including those that are determined by the Board to be on arm's length terms or otherwise subject to an exception) must be appropriately recorded and documented.

12. Annual Report Disclosure of related party transactions

Australian accounting standard AASB 124 shall be applied by Karoon and its auditor to:

- (a) identify:
 - (i) related party relationships and transactions that may require disclosure; and
 - (ii) outstanding balances between Karoon and its related parties; and
- (b) determine:
 - (iii) whether disclosure of the matters identified require disclosure; and
 - (iv) what disclosures about the matters identified should be made.

Where a matter is identified by Karoon and its auditor as requiring disclosure under AASB 124, in a given financial year, details of that transaction must be disclosed in the Annual Report issued by Karoon.

13. Related Party Transaction Register

The Company Secretary will keep and maintain a register of all related party transactions involving members of the Karoon Group regardless of whether or not the transaction requires shareholder approval, including details of the transaction, the parties and whether shareholder approval was obtained or one of the exceptions applied.

14. Policy Review

This policy will be reviewed by the Board at least every two years to ensure that it remains relevant and appropriate to the Karoon Group, to determine the effectiveness of the policy, and to make any changes necessary.

15. Endorsement

Karoon is committed to this policy and its implementation and to ensuring that Karoon and the Karoon Group comply with their obligations in relation to related party transactions.



Bruce Phillips
Chairman



Robert Hosking
Managing Director

Approved by the Board. Effective 5 May 2020