



KAROON ENERGY LTD

(ACN 107 001 338)

Dear Shareholder

Karoon Energy Ltd – 2020 Annual General Meeting

I am pleased to invite you to attend the 2020 Annual General Meeting of Karoon Energy Ltd (**Karoon**) which will be held at **10:00am (AEDT) on Friday, 27 November 2020 (Meeting)**. In accordance with the COVID-19 guidelines provided by Commonwealth and State governments, the Federal Treasurer has issued a determination that permits companies to hold fully virtual annual general meetings (**Determination**). To protect the health and safety of our shareholders and staff, the Meeting will be held as a fully virtual Meeting, which means there will not be a physical venue for you to attend.

In addition, the Determination issued by the Federal Treasurer permits a Notice of Meeting, and other information regarding a meeting to be provided online where it can be viewed and downloaded. Accordingly, this year the Notice of Meeting will not be mailed to Shareholders. Instead, it is available for you to view and download on the Karoon website at: www.karoonenergy.com.au/investors/#annual-meetings.

Your participation in the Meeting is important to us. The Meeting will be webcast live via the Lumi online platform. You will be able to listen to the proceedings, view the presentations, ask questions of the Board and vote in real-time. You may attend the Meeting online using your computer, your mobile phone or device.

If you use your computer to attend the Meeting, you should use the Lumi platform (by entering this link in your browser: <https://web.lumiagm.com/359172452>). If you use your mobile phone or device to attend the Meeting, you should use the Lumi AGM app (**which you can download from the Apple App or Google Play stores by searching Lumi AGM**). To participate in the Meeting using the app, you will be required to enter the unique 9 digit Meeting ID provided below.

Meeting ID: 359-172-452

Further information on how to participate in the Meeting is provided in the Notice of Meeting, and in the Virtual AGM Online Guide, which you can access online on the Karoon website on the link provided above.

If you will not be able to attend the Meeting online at the scheduled time, you can participate in the Meeting by appointing a proxy to attend and vote live at the Meeting. If you intend to appoint a proxy, please lodge a directed proxy vote online at www.investorvote.com.au by **10 am (AEDT) on Wednesday, 25 November 2020**. Alternatively, you can lodge your signed and directed proxy by mail or fax in accordance with the instructions contained in the Notice of Meeting. If you are planning to attend the Meeting online, you are still encouraged to cast your vote by proxy and lodge questions prior to the meeting at www.investorvote.com.au. To use this facility, you will need your six-digit Control Number and Securityholder Reference Number (SRN) or Holder Identification Number (HIN), which are located on the front of your shareholder letter.

The Chairman's and the Managing Director's speeches will be uploaded to the Karoon website at www.karoonenergy.com.au/investors/#annual-meetings and the ASX platform at <https://www.asx.com.au/> prior to the Meeting. For a detailed overview of Karoon's performance and operations for the year ended 30 June 2020, I encourage you to read the 2020 Annual Report prior to the Meeting. The 2020 Annual Report can be found on the Karoon website at <https://www.karoonenergy.com.au/investors/#annual-reports>.

Yours sincerely

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

Bruce Phillips
Chairman



KAROON ENERGY LTD

(ACN 107 001 338)

NOTICE OF ANNUAL GENERAL MEETING
and
EXPLANATORY MEMORANDUM

Date of Meeting: 27 November 2020

Time of Meeting: 10:00 am AEDT

Place of Meeting: The Annual General Meeting will be held virtually

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.

IMPORTANT INFORMATION REGARDING COVID-19: Due to the COVID-19 pandemic, the Annual General Meeting will be held as a virtual meeting.

HOLDING A VIRTUAL ANNUAL GENERAL MEETING

The health and wellbeing of our shareholders and employees is of paramount importance. The Corporations (Coronavirus Economic Response) Determination (No.1) 2020 (**Determination**) modifies the operation of the Corporations Act to permit companies to hold their annual general meetings using one or more technologies to enable Shareholders to participate legally in these meetings online without having to be physically present. Given the evolving coronavirus (COVID-19) situation and public health concerns, Karoon Energy Ltd ACN 107 001 338 (**Company** or **Karoon**) will be holding its 2020 Annual General Meeting (**Meeting**) as a virtual meeting. There will not be a physical venue for Shareholders to attend.

To give Shareholders a reasonable opportunity to participate, Shareholders may attend the Meeting virtually using either the Lumi online platform or the Lumi AGM app.

Lumi enables Shareholders to:

- see the Meeting presentation materials and listen to the Meeting live;
- vote online during the Meeting; and
- ask questions and make comments online during the Meeting.

Voting on all resolutions will be conducted by a poll.

Shareholders may also cast their votes at the Meeting by appointing a proxy (preferably the Chairman of the Meeting) online at www.investorvote.com.au at least 48 hours before the time notified for the Annual General Meeting.

In the event of a technological failure that prevents Shareholders from having a reasonable opportunity to participate in the Meeting, the Company will provide an update on its website and the ASX platform to communicate the details of the postponed or adjourned Meeting to Shareholders.

FUTURE ALTERNATIVE ARRANGEMENTS

If it becomes necessary to make further alternative arrangements for holding the Meeting, we will give Shareholders as much notice as practicable. Further information will be made available on the Karoon website: www.karoonenergy.com.au/investors/#annual-meetings

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 27 November 2020 at 10:00 am AEDT.

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 – ELECTION OF MR PETER BOTTEN AS A DIRECTOR

Please note that, through its People, Culture and Governance Committee, the Company conducted a comprehensive selection process and appointed Mr Peter Botten as an Independent Non-Executive Director on 1 October 2020. The Board unanimously supports the election of Mr Botten as a Director.

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

“That Mr Peter Botten, who was appointed by the Board as a Director of the Company on 1 October 2020 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.”

2. RESOLUTION 2 – 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 2020, as contained within the Directors' Report, be adopted."

This resolution is subject to voting exclusions as set out at section 3 in the Explanatory Memorandum to this Notice of Meeting.

3. RESOLUTION 3 – SPILL RESOLUTION (CONTINGENT ITEM)

Please note that the following resolution is a contingent item, and will only be put to the meeting if at least 25% of the votes cast on Resolution 2 (Adoption of Remuneration Report) are against the adoption of the Remuneration Report for the year ended 30 June 2020.

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

"That, subject to and conditional on at least 25% of the votes cast on Resolution 2 (Adoption of Remuneration Report) in this Notice of Meeting being against the adoption of the Remuneration Report, as required by section 250V(1) of the Corporations Act:

- (a) an extraordinary general meeting of the Company (Spill Meeting) be held within 90 days after the passing of this resolution;*
- (b) all of the Directors of the Company in office at the time when the resolution to make the Directors' Report for the financial year ended 30 June 2020 was passed, other than the Managing Director, and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and*
- (c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting."*

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

4. 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 2020, in accordance with the Corporations Act.

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

DATED: 26 October 2020

BY ORDER OF THE BOARD



Nick Kennedy

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 AEDT on Wednesday 25 November 2020 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;
- 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); and
- Due to COVID-19, we strongly recommend you appoint the Chairman of the Meeting as your proxy.

In the interests of public health and safety as a result of COVID-19 and the Determination, the Meeting will be held entirely virtually and there will be no physical venue for Shareholders to attend. Shareholders may participate in the Meeting online via the Lumi platform (if using a computer to participate), or via the Lumi AGM app (if using a mobile phone or device to participate). Even though the Meeting is being held entirely online, you may still participate by lodging a proxy vote prior to the Meeting. Instructions on how to appoint a proxy are on the online voting website, **www.investorvote.com.au**.

Shareholders should register the appointment of proxies online at **www.investorvote.com.au**. To use this facility, you will need your six-digit Control Number and your Securityholder Reference Number (SRN) or Holder Identification Number (HIN). This information is located on the front of your Shareholder letter, which is your Personal Identification Number (PIN) to verify the transmission. You will be deemed to have signed your proxy form if you lodge it in accordance with the instructions on the website.

Alternatively, you can lodge your completed and signed proxy form (**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**.

Your proxy must be lodged online or the completed Proxy Form must be received by the Company at the address specified above 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 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 or (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 2 (Adoption of Remuneration Report); and
- Resolution 3 (Spill Resolution – Contingent Item).

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 and 2 and **against** Resolution 3. By appointing the Chairman as proxy, you authorise him to vote any undirected proxy votes on Resolution 2 and Resolution 3 even though they are connected to remuneration of the KMP.

Participating at the Meeting

You will be able to participate in the Meeting online using your computer, your mobile phone or device. If you are using your computer, you can participate in the Meeting by entering this link in your browser: <https://web.lumiagm.com/359172452> or, by following the link that will be made available on the Company's website at: www.karoonenergy.com.au/investors/#annual-meetings

You can also participate in the Meeting using your mobile phone or device by downloading the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM. To participate in the Meeting using the app, you will be required to enter the unique 9 digit Meeting ID provided below.

Meeting ID: 359-172-452

Appointed proxies will need to contact Computershare on +61 3 9415 4024 not earlier than one hour before the Meeting to obtain a username and password to vote online.

Further information about how to log in to the Lumi platform or the Lumi AGM app, to register for the Meeting, and to participate in the Meeting as a Shareholder is available in the Virtual AGM Online Guide, which you can access online on the Company's website at: www.karoonenergy.com.au/investors/#annual-meetings

Asking Questions – Before and at the Meeting

You can submit a question or comment prior to the Meeting at www.investorvote.com.au, or by completing the shareholder question form and returning it with your proxy form. The shareholder question form can be downloaded from: www.karoonenergy.com.au/investors/#annual-meetings. Written questions (including questions to the Auditor) should be submitted no later than the fifth business day before the Meeting, being Friday, 20 November 2020. Written questions to the Auditor should relate to the content of the Auditor’s Report and the conduct of the Audit.

You may also submit your questions and comments online during the Meeting via the Lumi platform (if you are participating on your computer), or the Lumi AGM app (if you are participating on your mobile phone or device).

The Chairman of the Meeting will endeavour to address as many of the more frequently raised relevant questions and comments as possible during the course of the Meeting. However, there may not be sufficient time available at the Meeting to address all of the questions and comments raised. Please note that individual responses will not be sent to Shareholders.

The Auditor will also be in attendance at the Meeting.

Voting at the Meeting

In accordance with the Determination, voting on all items of business will be conducted on a poll. You may vote at the Meeting in one of the following two ways:

- live and online during the Meeting using the Lumi platform (if you are participating on your computer), or the Lumi AGM app (if you are participating on your mobile phone or device); or
- in advance of the Meeting, by appointing a proxy (preferably the Chairman of the Meeting) online at www.investorvote.com.au by 10am (AEDT) on Wednesday, 25 November 2020.

The Chairman of the Meeting will open the poll at the beginning of the Meeting and the poll will remain open until the close of the Meeting.

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 or Karoon**) in connection with the business to be transacted at the Annual General Meeting of the Company to be held virtually on 27 November 2020 at 10:00 am AEDT (**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 - ELECTION OF MR PETER BOTTEN

Resolution 1 relates to the election of Mr Peter Botten as a Director of the Company.

The Company, through its People, Culture and Governance Committee conducted a comprehensive search and selection process and, as a result of that process, Mr Botten was appointed by the Company as an Independent Non-Executive Director of the Company on 1 October 2020.

Mr Botten is a highly experienced and successful former Chief Executive and internationally recognised business leader with over 40 years' experience in the international resources sector. His executive career was dominated by his 26-year tenure as CEO of Oil Search, where he was synonymous with its growth from a market capitalisation of \$200 million to a peak of \$15 billion.

Mr Botten's executive experience spanned all aspects of the upstream petroleum sector, including deep experience in upstream oil and gas exploration, development and production operations through his involvement in projects in PNG, Australia, Africa, the Middle East and North America.

Mr Botten also has considerable experience in governing and growing ASX-listed companies and other business entities. Apart from his previous involvement at Oil Search, he is currently a non-executive director of AGL Energy Limited (2016-present), Chairman of NiuPower (2019-present), Chairman of Hela Provincial Health Authority (2015-present) and Chairman of the Oil Search Foundation (2011-present).

Mr. Botten holds a Bachelor of Science (Geology) from Imperial College of Science and Technology, London University, Royal School of Mines. In recognition of building relations between Australia and PNG, along with services to business and communities in PNG, Peter was awarded Companion of the Order of Australia (AC) along with Commander of the British Empire (CBE).

Current directorships of other listed companies include: AGL Energy 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 (excluding Mr Botten) unanimously supports the re-election of Mr Botten.

3. RESOLUTION 2 - 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 35 to 59 in the Company's 2020 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.

Our overriding aim continues to be to ensure that executive performance outcomes are aligned with building asset value and securing long-term cash flow in order to support share price growth for all shareholders over the longer term. In other words, remuneration outcomes need to align with shareholder value accretion through achieving strategic and operational milestones.

Karoon's guiding principles for its remuneration framework have not significantly changed and are as follows:

- **Safety, culture and ethics** – ensuring that clear vesting gateways exist based on appropriate safety and ethical outcomes;
- **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 the value delivered to shareholders; 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 Short Term Incentive (“STI”) Plan and through aiming to outperform a select group of 18 industry peer companies and seeking to achieve a minimum level of absolute return in the longer term via the Long Term Incentive (“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 to hold equity in Karoon 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; and
- **Longer term focus** – we aim to ensure that key decision making is always appropriately longer term in its nature and focus.

Remuneration Outcomes (2019/2020) including STI and LTI outcomes:

- STI – a minimal STI outcome was awarded for the 2019/2020 year being 7.5% of the STI category allocated to “Company-wide Operational Objectives”.

In recognition of the achievement of the “Corporate Operating Model” objectives set out for the 2020 financial year, 7.5% of the 10% total available was awarded. This small award was earned due to significant and permanent improvements having been made to Karoon's operating model achieved through certain staff reductions, office space reductions and other recurrent operating efficiencies having been achieved for the longer term.

For KMP 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, which was assessed over the prior 3-year period as against a group of peer companies.

Summary

During the financial year, Karoon made positive progress on its strategic ambitions including in relation to the acquisition of the Baúna oilfield, development plans in the southern Santos Basin, offshore Brazil, as well as

conducting pre-development facility planning studies on Neon and drilling Karoon's first exploration well in Peru. Further to this, Karoon also reduced the total cost of operating the business while redirecting its business model towards that of an operating oil producer.

In summary, our corporate strategy and all remuneration related targets are designed and managed to improve shareholder value into the future. In these circumstances, the Board and People, Culture and Governance Committee have exercised restraint by holding KMP base salaries and Non-Executive Director's fees steady, implementing temporary COVID-19 salary and Board fee reductions and by providing a very limited STI outcome and no LTI award for the 2020 financial year.

Looking forward, the 2021 financial year STI milestones are designed to reward our people for achieving operational and strategic hurdles, while completing and operating the Baúna acquisition, which aim to create share price appreciation for our shareholders.

Voting exclusion statement with regards to resolution 2

Votes may not be cast, and the Company will disregard any votes cast, on resolution 2:

- 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;
- 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; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate or a person excluded from voting on resolution 2; and
 - the holder votes on resolution 2 in accordance with directions given by the beneficiary to the holder to vote in that way.

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.

4. RESOLUTION 3 – SPILL RESOLUTION (CONTINGENT ITEM)

The Corporations Act includes a "two strikes" rule in relation to Remuneration Reports. The two strikes rule provides that, if at least 25% of the votes cast on the resolution to adopt the Remuneration Report at two consecutive Annual General Meetings are cast against adopting the Remuneration Report, a "spill resolution" (described below) must be put to Shareholders at the second Annual General Meeting.

At last year's Annual General Meeting, 69.96% of the votes cast on the resolution to adopt the Remuneration Report were FOR adopting the report. This created the "first strike".

This Resolution will be put to the meeting if at least 25% of the votes cast on Resolution 2 are against adopting the Remuneration Report and the Company receives a "second strike" as explained above.

If at least 25% of the votes cast on Resolution 2 are against adopting the Remuneration Report, then the Company will receive a second strike and accordingly the Spill Resolution will be put to the meeting.

If the Spill Resolution is put to the meeting, it will be considered as an ordinary resolution, which means that, to be passed, the resolution requires the approval of a simple majority of the votes cast by or on behalf of the Shareholders entitled to vote on the matter.

If the Spill Resolution is passed, a further general meeting (**Spill Meeting**) must be held within 90 days after the date of the Spill Resolution. Immediately before the end of the Spill Meeting, each of the Directors who were in office when the Board approved the last Directors' Report, other than the Managing Director (the **Relevant Directors**), will automatically cease to hold office, but may stand for re-election at the Spill Meeting (and subject to the Company maintaining the minimum number of Directors required by the Corporations Act). Given the retirement of Mr Geoff Atkins and Mr Jose Coutinho Barbosa, the Relevant Directors are:

- Mr Bruce Phillips
- Mr Clark Davey
- Ms Luciana Rachid
- Mr Peter Turnbull

Each of the Relevant Directors would be eligible to seek re-election at the Spill Meeting, however, there is no assurance that any of them would do so.

The Board believes that the current Board has made significant progress in resolving the issues which Shareholders had raised in respect of the Company's market performance.

The Board considers that convening a Spill Meeting would be extremely disruptive to the Company and that it would be inappropriate to remove all of the Relevant Directors in the circumstances. However, the Board recognises that Shareholders can remove a Director by a majority Shareholder vote at any general meeting and for any reason.

Shareholders should note that there are no voting exclusions applicable to resolutions appointing Directors at any subsequent meeting of Shareholders. This would mean there is no barrier to any of the KMP who are Shareholders of the Company exercising their voting rights on resolutions at the Spill Meeting.

Board recommendation: Noting that each Relevant Director would have a personal interest in any such resolution, the Board unanimously and strongly recommends that Shareholders **vote against** Resolution 3, if it is put to the meeting.

Voting exclusion statement with regard to resolution 3

A vote must not be cast on resolution 3, and 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.

However, a person described above may cast a vote on resolution 3 as a proxy if:

- it is cast as a proxy for a person who is entitled to vote, and the person is appointed as a proxy by writing that specifies the way the proxy is to vote on resolution 3;
- it is cast by the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution, but only if the proxy expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP; or
- it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate or a person excluded from voting on resolution 3; and
- the holder votes on resolution 3 in accordance with directions given by the beneficiary to the holder to vote in that way.

5. AGENDA ITEM 4 - 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 2020 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 2020 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.

6. GLOSSARY

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

AEDT:	Eastern Daylight Time, being the time in Melbourne, Victoria.
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:	<i>Corporations Act 2001</i> (Cth).
Lumi AGM app	The application Shareholders can use to participate in the Meeting using their mobile phone or device.
Lumi platform	The online facility Shareholders can use to participate in the Meeting using their computer.
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.
People, Culture and Governance Committee:	The People, Culture and Governance Committee of the Company.

Remuneration Report:

The Remuneration Report for the financial year ended 30 June 2020 as contained within the Directors' Report and forming part of the Company's 2020 Annual Report.

Shareholders:

Holders of Shares.

Shares:

Fully paid ordinary shares in the capital of the Company.

STI:

Short-term Incentive.