



06 June 2024

Company Announcements Office
ASX Limited

Dear Sir / Madam

Chairman's Letter to Shareholders

Karoon Energy Ltd (Karoon) (ASX:KAR) attaches a letter from Karoon Chairman, Peter Botten, to be sent to shareholders which provides a general update on the items discussed at the Annual General Meeting held on Thursday, 23 May 2024.

The release of this announcement was authorised by the Board.

Yours faithfully

Daniel Murnane
Company Secretary

6 June 2024

SHAREHOLDER LETTER

Dear Fellow Shareholders

Thank you to all shareholders who attended our annual general meeting on Thursday 23 May 2024 (**AGM**), either in person or online through the webcast. I confirm that all of the resolutions that were considered at the meeting were passed, noting that Karoon Energy Limited (**Company** or **Karooon**) received a "first strike" on its remuneration report which was considered at that AGM. I want to touch on a few themes which were discussed at length at the AGM, executive remuneration, capital management and Board renewal, and reiterate the Board's position and plans in respect of these matters.

Executive Remuneration

The Company's Directors acknowledge that a number of shareholders did not agree with all the Board's voting recommendations on the resolutions considered at the AGM. As noted above, the Company experienced a "first strike" on the Company's remuneration report considered at the AGM. A "strike" occurs under the *Corporations Act 2001 Cwlth* when 25% or more of the valid votes cast are cast against the remuneration report resolution. The actual percentage of votes cast at the AGM that were against the remuneration report was 26.4%. Taken as a proportion of total issued capital, this equates to approximately 16% of overall shares being voted against this resolution. The Board will consider this outcome and feedback received from our stakeholders.

The Board firmly believes its approach to remuneration and incentives in the 2023 Transitional Year (being 1 July to 31 December 2023) (**TY2023**), was appropriate. The acquisition of a value-accretive producing asset, with development and exploration upside, was vital to diversifying the Company's asset base and reducing risk. It took Karoon nearly two years to find an asset that satisfied all the Board's value, operating and strategic objectives, with more than 20 opportunities evaluated. As mentioned at the AGM, the Who Dat acquisition has fundamentally changed the risk profile and maturity of Karoon and, together with the Baúna Project, we now have an excellent, low-cost production and cash flow platform.

With the Who Dat acquisition completed in late TY2023, the Board, when setting the CY2024 scorecard at the beginning of 2024, shifted the scorecard focus to integrating Who Dat and optimising production from both the Baúna and Who Dat assets. Consequently, management's CY2024 Short Term Incentives are materially different to those which applied in TY2023, with 77.5% of their potential reward attributable to various measures of operational excellence. This is comprised of:

- 30% of the potential award attributed to achieving production targets as well as enhancing relationships with partners that impact production;
- 30% of the potential award attributed to keeping capital expenditure and cost spend below budget; and
- 17.5% of the potential award attributed to safety which includes minimising total recordable injury rates and reinforcing Karoon's safety first culture in its business.

The balance (22.5% of the potential award) is attributed to project execution, debt and capital management, with only 5% of the potential award to screening and progressing value accretive growth opportunities, which must meet stringent investment criteria.

The Board believes this approach to CY2024 incentives will help strengthen market confidence in Karoon, which should help unlock the potential value in all our assets. Management will be assessed in its delivery against these more operationally focused targets in Q1, 2025, with the results being reported in our 2024 Remuneration Report and discussed at the 2025 Annual General Meeting.

Capital Management

It is clear that many shareholders place great importance on the payment of dividends and capital returns. The Board is fully supportive of this and it has always been our intention to commence a suitable form of capital returns when we had a stable production base. We are well advanced in developing a robust, sustainable shareholder returns framework.

I would like to reiterate that we intend to announce our framework for shareholder returns in July 2024, when we release our 2024 Second Quarter Report, currently scheduled for 25 July 2024. This framework will include what measures we intend to use going forward in determining capital returns and the options available, including dividends and any other initiatives that are appropriate. We intend to apply this shareholder returns framework from the 2024 half year results onwards, to be announced on 28 August 2024.

Finally turning to Karoon's entry into the bond market earlier this year, in which Karoon, for the first time accessed this market with an inaugural issue of US\$350 million. We consider this a highly strategic step in the Company's evolution and a key element in our long-term value accretive growth strategy being to ensure that we have access to a competitive long-term source of debt capital. The timing of the issue was driven by the strategic imperative to broaden and deepen our sources of funding at the optimal time. The bond gives Karoon greater flexibility to free up latent capital on the balance sheet, provide shareholder returns and pursue growth, where it meets our investment criteria.

Board Renewal

Board renewal continues to be a key focus area for me since assuming the role of Chair. Since November 2023, Karoon has successfully recruited two new directors, Ms Holzberger and Ms Palmer, who were elected to the Board by shareholders at the AGM. Board renewal is continuing with Mr Davey indicating he will stand down from our Board in October 2024. In addition, Mr Turnbull has indicated that he will not seek a further term as a director and will support the company through an appropriate transition period. Given the above, we will also look to appoint an additional Director in the future, who will bring further experience and knowledge of the US oil and gas sector to the Board.

We will continue to engage with shareholders throughout the year to further understand specific remuneration concerns so we can ensure that our remuneration structure remains aligned to our shareholders' financial interest, motivates management to deliver long term growth and has the strong support of our shareholders.

If you have any queries about this letter, please do not hesitate to contact our Investor Relations team, at info@karooneenergy.com.

Yours sincerely,



Peter Botten AC CBE
Chairman