



**KAROON ENERGY LTD  
(ACN 107 001 338)**

---

**NOTICE OF ANNUAL GENERAL MEETING  
and  
EXPLANATORY MEMORANDUM**

---

Date of Meeting: 23 November 2023

Time of Meeting: 10:00 am AEDT

Place of Meeting: Club Pavilion, Level 2, RACV Club, 501 Bourke Street, Melbourne, Victoria, 3000 and via <https://meetnow.global/MLJKXT2>

***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 the Company will be held at 10:00am (AEDT) on Thursday, 23 November 2023 as a hybrid meeting at Club Pavilion, Level 2, RACV Club, 501 Bourke Street, Melbourne Victoria or at <https://meetnow.global/MLJKXT2>.

The Explanatory Memorandum that accompanies and forms part of this Notice of Meeting describes in further detail the various matters to be considered at the Meeting. Shareholders should read the Explanatory Memorandum accompanying this Notice of Meeting before deciding how to vote.

## HOLDING A HYBRID ANNUAL GENERAL MEETING

Karoon Energy Ltd ACN 107 001 338 (**Company** or **Karoon**) will be holding its 2023 Annual General Meeting (**Meeting**) as a hybrid meeting. Shareholders can either attend the Meeting at the Club Pavilion, Level 2, RACV Club, 501 Bourke Street, Melbourne, Victoria 3000 in person or virtually using the Computershare online meeting platform at <https://meetnow.global/MLJKXT2>.

The Computershare online meeting platform 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](http://www.investorvote.com.au) by no later than **10am (AEDT) on Tuesday, 21 November 2023**.

## AGENDA

### 1. RESOLUTION 1 – RE-ELECTION OF MS LUCIANA BASTOS DE FREITAS RACHID AS A DIRECTOR

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

*“That Ms Luciana Bastos De Freitas Rachid, who retires for the purposes of Listing Rule 14.4 and paragraph 11.6 of the Constitution, and who, being eligible, offers herself for re-election, be re-elected as a Director of the Company with immediate effect.”*

Ms Rachid has served the Company as a Non-Executive Director since 26 August 2016. The Board (excluding Ms Rachid) unanimously supports the re-election of Ms Rachid as a Director.

### 2. RESOLUTION 2 – RE-ELECTION OF MR PETER BOTTEN AC, CBE AS A DIRECTOR

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

*“That Mr Peter Botten, who retires for the purposes of Listing Rule 14.4 and paragraph 11.6 of the Constitution, and who, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.”*

Mr Peter Botten AC, CBE has served the Company as a Non-Executive Director since 1 October 2020. The Board (excluding Mr Botten) unanimously supports the re-election of Mr Botten as a Director.

### 3. RESOLUTION 3 – 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 2023, as contained within the Directors’ Report, be adopted.”*

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

### 4. RESOLUTION 4 - APPROVAL TO ISSUE PERFORMANCE RIGHTS TO DR JULIAN FOWLES

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

*“That Shareholders approve for all purposes, including Listing Rule 10.14, the issue to Dr Julian Fowles of:*

- *85,176 Short-term Incentive (Deferred FY23) Performance Rights, which will only vest subject to completion of a one-year employment retention period ending 30 June 2024;*
- *198,809 Long-term Incentive (TY23 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 2023 to 30 June 2026 be satisfied, under and in accordance with the Performance Rights Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum; and*
- *12,649 Long-term Incentive (FY23 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 2022 to 30 June 2025 be satisfied, under and in accordance with the Performance Rights Plan 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.

### 5. 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 2023, in accordance with the Corporations Act.

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

DATED: 20 October 2023

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read "Daniel Murnane". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Daniel Murnane  
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 Tuesday 21 November 2023 will be entitled to attend and vote at the Meeting.

Accordingly, share sale and purchase 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 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 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).

The Meeting will be held as a hybrid meeting with Shareholders being able to attend the Meeting in person at Club Pavilion, Level 2, RACV Club, 501 Bourke Street, Melbourne, Victoria 3000 or online via the Computershare platform. You may also 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](http://www.investorvote.com.au).

Shareholders should register the appointment of proxies online at [www.investorvote.com.au](http://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**) with Computershare Investor Services (lodgement details are found below).

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 (subject to any applicable voting exclusions).

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](http://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 by no later than 10am (AEDT) on Tuesday, 21 November 2023.

## 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 10am (AEDT) on Tuesday 21 November 2023.
2. Proxy Forms executed by a corporation must be executed 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 how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit (subject to any applicable voting exclusions) 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 the Proxy Form or attendance at the 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 resolution 3 (Adoption of Remuneration Report), or resolution 4 (Approval to Issue Performance Rights to Dr Julian Fowles) unless you have directed them how to vote. The Chairman of the Meeting intends to vote undirected proxies able to be voted in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### *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/her to vote any undirected proxy votes able to be voted on resolutions 3 and 4 even though they are connected to remuneration of the KMP.

### *Participating at the Meeting*

You will be able to participate in the Meeting by attending physically or online using your computer or mobile device. You can participate in the Meeting virtually by entering this link in your browser: <https://meetnow.global/MLJKXT2> or, by following the link that will be made available on the Company's website at: [www.karoonenergy.com.au/investors/#annual-meetings](http://www.karoonenergy.com.au/investors/#annual-meetings).

Appointed proxies can contact Computershare Investor Services on +61 3 9415 4024 to request your unique email invitation link prior to the meeting day.

Further information about how to log in to the Computershare online platform, to register for the Meeting, and to participate in the Meeting virtually as a Shareholder is available in the Virtual AGM Online Guide, which you can access online at: [www.computershare.com.au/virtualmeetingguide](http://www.computershare.com.au/virtualmeetingguide).

### *Asking Questions – Before and at the Meeting*

You can submit a question or comment prior to the Meeting at [www.investorvote.com.au](http://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](http://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, 17 November 2023. 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 and ask questions in real time online during the Meeting via the Computershare platform. Further details can be found in the Virtual AGM Online Guide, which you can access online at: [www.computershare.com.au/virtualmeetingguide](http://www.computershare.com.au/virtualmeetingguide).

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. If so, we will endeavour to post the remaining questions and answers on the Company's website.

The Auditor will also be in attendance at the Meeting.

### *Voting at the Meeting*

Voting on all items of business will be conducted on a poll. You may vote at the Meeting in one of the following ways:

- physically at the Meeting;
- live and online during the Meeting using the Computershare platform (if you are participating on your computer); or
- in advance of the Meeting, by appointing a proxy (preferably the Chairman of the Meeting) online at [www.investorvote.com.au](http://www.investorvote.com.au) by no later than 10am (AEDT) on Tuesday, 21 November 2023.

The Chairman of the Meeting will open the poll shortly after the beginning of the Meeting and the poll will remain open until voting is declared closed by the Chairman at the end 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 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 as a hybrid meeting on 23 November 2023 at 10:00 am AEDT (**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 – APPROVAL OF RE-ELECTION OF MS LUCIANA BASTOS DE FREITAS RACHID AS A DIRECTOR

In accordance with Listing Rule 14.4, and paragraph 11.6 of the Constitution of the Company, a Director must not hold office (without re-election) past the third Annual General Meeting following the Director's appointment or 3 years, whichever is longer. In addition, in accordance with paragraph 11.3 of the Company's Constitution, 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, a retiring Director is eligible for re-election.

Ms Rachid has over 40 years' experience in the oil and gas industry in both technical and senior leadership roles in Brazil, including 20 years in the Exploration and Production Division of Petrobras. Ms Rachid's technical experience covers a variety of project evaluation, development and management roles, the design of the first offshore platforms in the Campos Basin, the production, handling and processing of natural gas onshore and offshore and the coordination of the Petrobras E&P Deepwater Strategic Project.

Ms Rachid has also held positions in the Petrobras financial team including Executive Manager of Investor Relations and Executive Manager of Financial Planning and Risk Management. In addition, she served as Chief Executive Officer of Transportadora Brasileira Gasoduto Bolivia-Brasil SA (TBG) and Chief Executive Officer of Transportadora Associada de Gás SA (TAG), each of which is a subsidiary of Petrobras.

Ms Rachid has also served on several boards in Brazil. She has represented Petrobras as Chairperson of TBG and Gás Brasileiro Distribuidora SA as well as a Director of TAG, Companhia de Gás de Minas Gerais and Companhia Paranaense de Gás. She is Chair of the Sustainability and Operational Risk Committee of the Company. Ms Rachid was last re-elected to the Board on 26 November 2021.

Current directorships of other listed companies: Nil.

The Board considers that, if re-elected, Ms Rachid will continue to make a significant contribution to the Board and the Company.

**Board recommendation:** The Board (excluding Ms Rachid) unanimously supports the re-election of Ms Rachid.



### 3. RESOLUTION 2 – APPROVAL OF RE-ELECTION OF MR PETER BOTTEN AC, CBE AS A DIRECTOR

In accordance with Listing Rule 14.4, and paragraph 11.6 of the Constitution of the Company, a Director must not hold office (without re-election) past the third Annual General Meeting following the Director's appointment or 3 years, whichever is longer. In addition, in accordance with paragraph 11.3 of the Company's Constitution, 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, a retiring Director is eligible for re-election.

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 instrumental in driving its growth from a market capitalisation of A\$200 million to a peak of A\$15 billion.

Peter's executive experience spanned all aspects of the upstream petroleum sector, including 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.

Peter also has considerable experience in governing and growing ASX listed companies and other business entities.

Peter holds a Bachelor of Science (Geology) from the Imperial College of Science and Technology, London University and the 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).

Previous directorships in the last three years include: Chair, AGL Energy Limited (ASX: AGL), ceased September 2022 and Managing Director of Oil Search (ASX: OSH), ceased February 2020.

Current directorships of other listed companies include: Chair, Aurelia Metals Ltd (ASX: AMI) and Chair, Conrad Asia Energy (ASX: CRD).

In March 2023 Mr Botten was appointed Deputy Chairman of Karoon following Bruce Phillips' decision to retire from the Karoon Board at the conclusion of the 2023 AGM. It is intended that Mr Botten will succeed Mr Phillips as the Chair of the Company Board at the conclusion of the 2023 AGM.

The Board considers that, if re-elected, Mr Botten will continue to make a significant contribution to the Board and the Company.

**Board recommendation:** The Board (excluding Mr Botten) unanimously supports the re-election of Mr Botten.

#### 4. RESOLUTION 3 - 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 47-66 in the Company's 2023 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.

The Company's overriding aim is to ensure that executive performance outcomes are aligned with building the Company's enterprise value and securing long-term cash flow in order to support share price growth for Shareholders and to ensure sustainability in the long term.

Karoon's guiding principles for its remuneration framework remain as follows:

- **Safety, culture and ethics:** ensuring that clear vesting gateways exist based on appropriate safety and ethical outcomes. If outcomes do not meet the relevant standards, these gateways will block "at-risk" remuneration payments,
- **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;
  - » a close alignment is created between operational performance, reward and sustained growth in Shareholder value; and
  - » as Karoon has now transitioned from explorer to producer, it is recognised that shorter term Shareholder returns, such as dividend payments, will also now be considered.
- **People:**
  - » remuneration and people issues are considered by the People and Culture Committee of the Board and environmental and social issues by the Sustainability and Operational Risk Committee of the Board. Nonetheless, all relevant decisions and associated discussion remains the responsibility of the Board;
  - » 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 Shareholders' interests. In relation to this, during 2023, the management shareholding policy was reviewed and reconfirmed. Under the policy, KMP are required to maintain a shareholding in the Company equal to 50% of their first year, fixed remuneration (after-tax) within three years of their initial appointment.
- **Environmental, Social and Governance (ESG):** ESG considerations are integrated into Karoon's remuneration structures. In FY23, several STI hurdles were included as part of the Corporate Scorecard. These goals related to our people, emissions reduction activities in our operations and pursuing carbon sequestration projects of scale as part of Karoon's overall business strategy.
- **Transparency:** remuneration measures, outcomes and reporting are as simple and transparent as possible for Shareholders and other stakeholders.

In respect of FY23, Karoon's remuneration settings aim to reward high performance outcomes in a responsible manner. In this regard, it is noted that:

- Short Term Incentive ("STI") – 60% of the Corporate Scorecard of the STI was achieved. Individual STI outcomes for KMPs were as follows: 60% CEO/MD and 58% and 65% for the EVP Brazil and CFO respectively. In respect of executives, the STI is to be paid 50% in cash and 50% in the form of a grant of Performance Rights with such rights to be (a) issued after the release of the Company's FY23 full year financial results and (b) subject to a retention period.
- Long Term Incentive ("LTI") – 100% of the 2021 LTI was awarded in respect of the three-year performance period from 1 July 2020 to 30 June 2023. In respect of the performance period, Karoon was at the 80<sup>th</sup> percentile, relative to its industry peers and achieved an absolute TSR of 49.1%.

- Board and Committee fees paid to the Non-Executive Chair and Non-Executive Directors were increased by 5%, while the fees paid to the Chairs of Board committees were increased by A\$5,000 per annum. This was exclusive of the 0.5% superannuation guarantee increase.

Notwithstanding the increase in base fees, the maximum fees payable to Directors in aggregate, as approved by Shareholders at the 2016 AGM, will not be exceeded.

Looking ahead to the transitional financial year for the six months to 31 December 2023 (as set out in the ASX release as of 10 July 2023), the underlying remuneration structure and approach to setting incentives for Australian and Brazilian staff members will remain consistent, with the Board, aided by the People and Culture Committee, determining the appropriateness of the remuneration outcomes for TY23.

### **Summary**

Karoon's strategy and remuneration structure is designed to link remuneration outcomes to Shareholder value which the Karoon Board believes it has done for the financial year ending 30 June 2023 by rewarding the achievement of significant operational and strategic goals while also accounting for the underperformance on production arising from the un-scheduled FPSO shutdown in March-May 2023.

In determining the remuneration outcomes for employees and executives, the Karoon Board has considered the overall performance of Karoon and individual executives having regard to the specific goals and objectives set at the beginning of FY23. A key aspect of the overall remuneration approach has been assessment against the measurable objectives set out in the Corporate Scorecard, which is disclosed within the Remuneration Report.

### **Voting exclusion statement with regards to resolution 3**

Votes may not be cast, and the Company will disregard any votes cast, on resolution 3:

- 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
- as a proxy by any person who is a member of the KMP as at the time the resolution is voted on at the Meeting or any Closely Related Parties of those persons,

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.

## 5. RESOLUTION 4 – APPROVAL TO ISSUE PERFORMANCE RIGHTS TO DR JULIAN FOWLES

Resolution 4 seeks Shareholder approval for the Company to grant to Dr Julian Fowles:

- a) 85,176 Short Term Incentive (STI) Performance Rights (**FY23 Deferred STI Performance Rights**), based on the extent to which the relevant performance hurdles in FY23 were satisfied, which will only vest upon completion of a one-year employment retention period ending 30 June 2024;
  - b) 12,649 Long-term Incentive (LTI) Performance Rights (**FY23 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 2022 to 30 June 2025 be satisfied; and
  - c) 198,809 Long-term Incentive (LTI) Performance Rights (**TY23 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 2023 to 30 June 2026 be satisfied,
- on the terms and conditions set out in this Explanatory Memorandum and otherwise pursuant to the Performance Rights Plan.

### ***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, subject to certain exceptions. Dr Julian Fowles is the Managing Director of the Company.

As announced on 8 March 2023, due to amendments made to Dr Fowles' employment contract following an external benchmarking review, the Board is seeking Shareholder approval to grant Dr Fowles the FY23 LTI Performance Rights. The Board is also seeking Shareholder approval to grant Dr Fowles the FY23 STI Performance Rights and the TY23 LTI Performance Rights, on the terms and conditions set out below.

### ***Rationale for the granting of LTI Performance Rights***

The Company uses a LTI plan to align the interests of its Managing Director with Shareholders' interests. The vesting of the LTI Performance Rights that will be granted, if resolution 4 is approved, is linked to the performance of the Company, as described below.

The FY23 LTI Performance Rights are additional rights in respect of the FY23 performance period and relate to the increase in Dr Fowles' total fixed remuneration during the period. As set out in the ASX Release of 8 March 2023, the Board's intention, subject to Shareholder approval would be that Dr Fowles participates on a pro-rated basis having regard to his amended remuneration. The number of Performance Rights to be granted has been calculated on the same basis as the Performance Rights previously granted.

The FY23 LTI Performance Rights will only vest if the pre-agreed performance hurdles are achieved over the three year period commencing on 1 July 2022.

The TY23 LTI Performance Rights will only vest if the pre-agreed performance hurdles are achieved over the three year period commencing on 1 July 2023.

### ***Vesting conditions***

Specifically, vesting conditions are split as follows, noting that each hurdle is assessed independently of the other:

- 50% Relative TSR performance (based on compound annual growth rate) 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 (based on compound annual growth rate), with Absolute TSR being in excess of 10% resulting in a vesting of performance rights between 10% and 18% (as set out below).

The vesting conditions above apply to both the FY23 LTI Performance Rights and the TY23 LTI Performance Rights.

Table 1 (FY23-24 Relative TSR Peers)

<b><i>Australian Market Peers</i></b>	<b><i>Global Peers</i></b>
<ul style="list-style-type: none"> <li>• Australis Oil &amp; Gas Limited</li> <li>• Beach Energy Limited</li> <li>• Carnarvon Petroleum Limited</li> <li>• Horizon Oil Limited</li> <li>• Santos Limited</li> <li>• Woodside Petroleum Limited</li> <li>• Strike Energy Limited</li> <li>• Central Petroleum Limited</li> <li>• Cooper Energy Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Capricorn Energy plc</li> <li>• GeoPark Limited</li> <li>• Gran Tierra Energy Inc</li> <li>• Kosmos Energy Ltd</li> <li>• New Zealand Oil &amp; Gas Ltd</li> <li>• Enauta Participações S.A.</li> <li>• Pharos Energy plc</li> <li>• Tullow Oil plc</li> <li>• Prio S.A.</li> <li>• Jadestone Energy Inc.</li> </ul>

This group has been carefully selected by the Board 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 relative TSR performance LTI Performance Rights will occur in accordance with

Table 2:

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

In the event of delisting, merger or acquisition of any of the above peer companies, the Board 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.

Vesting of the absolute TSR performance LTI performance rights will occur in accordance with

Table 3:

<b>Absolute TSR</b>	<b>Proportion of Performance Rights Vesting</b>
Less than 10%	Nil %

At 10%	50%
Between 10.01% and 17.99%	50% plus 6.25% for each additional percentage point above the 10% threshold
At or above 18.00%	100%

The terms of the Performance Rights to be issued to Dr Fowles are summarised in Annexure "B" of this Explanatory Memorandum. A summary of the PRP is included in Annexure "A" of this Explanatory Memorandum.

The number of LTI Performance Rights to be issued to Dr Fowles is considered reasonable by the Board 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.

Dr Fowles total current maximum remuneration package is comprised of A\$950,000 as total fixed remuneration (TFR) and variable remuneration comprising both a short-term incentive (equal to a maximum amount of 100% of TFR) and a long term incentive (equal to a maximum amount of 100% of TFR). Further details of Dr Fowles remuneration package are set out in the Remuneration Report on pages 47 - 66 of the 2023 Annual Report.

Dr Fowles remuneration is similar in structure to other employees and senior management and is comprised of base salary and a combination of short and long-term "at risk" incentives.

#### ***Calculation of LTI Performance Right fair value***

The fair value of FY23 LTI Performance Rights to be issued to Dr Fowles is equivalent to the VWAP of the Company's Shares traded on the ASX in the 20 trading days following the release of the Company's 2022 full year financial results.

Over the 12 months prior to 30 September 2022, the lowest recorded price of Shares traded on the ASX was A\$1.43 on 7 July 2022 and the highest was A\$2.335 on 9 April 2022.

The fair value of TY23 LTI Performance Rights to be issued to Dr Fowles is equivalent to the VWAP of the Company's Shares traded on the ASX in the 20 trading days following the release of the Company's 2023 full year financial results.

Over the 12 months prior to 30 September 2023, the lowest recorded price of Shares traded on ASX was A\$1.7550 on 30 September 2022 and the highest was A\$2.6900 on 28 September 2023.

#### ***Grant and vesting of FY23 Deferred STI Performance Rights***

The FY23 Deferred STI Performance Rights are to be granted to Dr Fowles given the satisfaction of 60.0% of performance hurdles set at the beginning of the financial year ending 30 June 2023. The FY23 STI Performance Rights will be subject to a retention period and become exercisable from 1 July 2024.

In respect of the financial year ending 30 June 2023, the STI component of remuneration relating to the issue of performance rights for Dr Fowles was A\$209,813.35 which equates to 50% of the total STI component of total remuneration.

The number of Performance Rights to be issued to Dr Fowles was calculated by dividing that amount by the volume weighted average price of Karoon ordinary fully paid Shares in the 20 trading days after the release of the Company's full year financial results on 25 August 2023.

Page 54 of the 2023 Annual Report sets out the full schedule of performance conditions and outlines the achievement against performance hurdles, which was used to determine that cumulatively 60.0% of such performance hurdles had been satisfied.

Linking STI outcomes to financial and operational performance, achievement of project objectives and strategic objectives develops an essential alignment between the Company's year-to-year inherent value growth and the reward provided to those who establish that value.

The Board annually agrees performance metrics that, taking into account safety and Antibribery and Corruption Policy compliance, demonstrate a clear pathway toward value creation. In setting objectives for the performance period, the Board assesses the operational, financial, project and strategic goals for the performance period and upcoming key value drivers within the Company's business, allowing for transparent measurement of performance against these objectives. The Board recognises the risks associated with offshore operations and projects and considers safety paramount. Safety will continue to be used as a gateway for vesting conditions. The FY23 Deferred STI Performance Rights will have a retention period ending 30 June 2024 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 PRP and are summarized in Annexure "A" in this Explanatory Memorandum.

#### ***Other details***

Listing Rule 10.15 requires the following further information to be disclosed in relation to Performance Rights to be granted to Dr Fowles under the PRP :

- approval is being sought for the grant of the following number of Performance Rights to Dr Fowles:
  - 85,176 FY23 Deferred STI Performance Rights, which will only vest upon completion of a one-year employment retention period ending 30 June 2024;
  - 12,649 FY23 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 2022 to 30 June 2025 be satisfied; and
  - 198,809 TY23 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 2023 to 30 June 2026 be satisfied.
- Dr Fowles, as Managing Director, is an eligible employee for the purposes of the PRP and therefore is eligible to participate in the PRP;
- Dr Fowles falls under Listing Rule 10.14.1 as the Managing Director of the Company;
- Dr Fowles' FY23 remuneration package is set out on page 14 above;
- Performance Rights previously granted to Dr Fowles under various previous performance rights plans are set out in table 4 below. Dr Fowles has not paid any consideration for the grant of such Performance Rights;
- the terms of the Performance Rights to be issued to Dr Fowles are summarised in Annexure "B" in this Explanatory Memorandum;
- the Performance Rights will be granted to Dr Fowles following the Meeting and in any case within 12 months of the Meeting;
- the Performance Rights will be issued for nil consideration;
- there is no loan applicable in relation to the acquisition of Performance Rights or the Shares underlying them because Dr Fowles is not required to make any payment for the Performance Rights or the Shares underlying them;
- details of any securities issued under the PRP will be published in the annual report for the Company relating to the period in which the securities were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14; and

- any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Performance Rights under the PRP after this resolution is approved and who were not named in the Notice of Meeting will not participate in the PRP until approval is obtained under that Listing Rule.

***Dr Fowles' interest in Shares***

Dr Fowles has previously been granted awards of Performance Rights under various Performance Rights plans in relation to the Long-Term Incentive and in respect of the deferred component of STI awards. The grants have been at no cost as part of his remuneration. The grant of 198,809 Performance Rights in respect of TY23 is subject to Shareholder approval of Resolution 4, and represents a pro-rated issuance in line with the 6-month transition year period.

Table 4 – Rights allocation under performance rights plans

Year	Rights granted under deferred STI	Rights vested under deferred STI
FY23	85,176 <sup>1</sup>	Service period to June 2024
FY22	62,891	62,891

Year	Rights granted under LTI	Rights vested under LTI
TY23	198,809 <sup>1</sup>	Performance period to June 2026
FY23	445,226 <sup>2</sup>	Performance period to June 2025
FY22	577,052	Performance period to June 2024
FY21	502,989	502,989

As at the date of this Notice of Meeting, Dr Fowles had an interest in 673,539 Shares and 1,009,629 Performance Rights. That represents 0.30% of the total Shares in the Company (as of 12 October 2023). If Shareholders approve resolution 4, and all the Performance Rights are granted as contemplated by this Notice of Meeting, Dr Fowles will have an interest in 673,539 Shares and 1,306,263 Performance Rights.

If all of the Performance Rights proposed to be granted under resolution 4 vest and are satisfied in Shares, Dr Fowles would acquire an additional 296,634 Shares. If these were newly issued Shares, Dr Fowles would have an interest in 0.35% of the total issued Shares in the Company (based on the total number of issued Shares in the Company as of 12 October 2023).

**Voting exclusion statement with regards to resolution 4**

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

- in favour of resolution 4 by or on behalf of Dr Fowles in respect of which the approval is sought, or any of his associates; or
- in favour of or against resolution 4 by a member of the KMP as at the time the resolution is voted on at the 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;

<sup>1</sup> Subject to Shareholder approval of Resolution 4

<sup>2</sup> The grant of 432,577 Performance Rights was approved at the 2022 Annual General Meeting. Resolution 4 seeks Shareholder approval to grant a further 12,649 Performance Rights.



- by the Chairman of the 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 4; and
  - the holder votes on resolution 4 in accordance with directions given by the beneficiary to the holder to vote in that way.

#### **Board recommendation**

The Non-Executive Directors of the Company unanimously support the resolution. The Managing Director of the Company makes no recommendation in relation to resolution 4 on the basis that the resolution relates to the Managing Director's remuneration.

#### **6. AGENDA ITEM 5 - 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 2023 to be laid before the Meeting. The Financial Report, the Directors' Report and the Independent Auditor's Report are contained in the Company's 2023 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.

## 7. GLOSSARY

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

<b>AEDT:</b>	Australian Eastern Daylight Time, being the time in Melbourne, Victoria.
<b>Annual General Meeting or Meeting:</b>	means the annual general meeting of the Company's Shareholders to be held virtually at 10am (AEDT) on Thursday, 23 November 2023.
<b>Audit and Risk Committee:</b>	The Audit and Risk Committee of the Company.
<b>ASX:</b>	ASX Limited (ACN 008 624 691).
<b>Board:</b>	The Board of Directors of the Company.
<b>Closely Related Party:</b>	Includes a KMP's spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.
<b>Company or Karoon:</b>	Karoon Energy Ltd ACN 107 001 338).
<b>Constitution:</b>	The constitution of the Company.
<b>Corporations Act:</b>	<i>Corporations Act 2001</i> (Cth).
<b>Director:</b>	A director of the Company.
<b>FY23 Deferred STI Performance Rights:</b>	The 85,176 STI Performance Rights proposed to be issued to Dr Fowles under the PRP, subject to Shareholders approving resolution 4 and on the terms and conditions set out in the Explanatory Memorandum.
<b>FY23 LTI Performance Rights:</b>	The 12,649 LTI Performance Rights proposed to be issued to Dr Fowles under the PRP, subject to Shareholders approving resolution 4 and on the terms and conditions set out in the Explanatory Memorandum.
<b>TY23 LTI Performance Rights:</b>	The 198,809 LTI Performance Rights proposed to be issued to Dr Fowles under the PRP, subject to Shareholders approving resolution 4 and on the terms and conditions set out in the Explanatory Memorandum.
<b>Key Management Personnel or KMP:</b>	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.
<b>Computershare online meeting platform:</b>	The online facility Shareholders can use to participate in the Meeting using their computer.
<b>Listing Rules:</b>	The official listing rules of the ASX, as amended from time to time.
<b>LTI:</b>	Long-term Incentive.

<b>Notice of Meeting:</b>	The notice convening the Meeting which accompanies this Explanatory Memorandum.
<b>People and Culture Committee:</b>	The People and Culture Committee of the Company.
<b>Performance Rights:</b>	Performance rights issued under the Performance Rights Plan 2019 or the Performance Rights Plan , including LTIs and STIs.
<b>Performance Rights Plan 2019 or 2019 PRP:</b>	The Performance Rights Plan initiated in 2019 which ceased on 29 November 2022.
<b>Performance Rights Plan or PRP:</b>	The Performance Rights Plan as approved by Shareholders at the 2022 Annual General Meeting on 24 November 2022, and as amended from time to time.
<b>Remuneration Report:</b>	The Remuneration Report for the financial year ended 30 June 2023 as contained within the Directors' Report and forming part of the Company's 2023 Annual Report.
<b>Shareholders:</b>	Holders of Shares.
<b>Shares:</b>	Fully paid ordinary shares in the capital of the Company.
<b>STI:</b>	Short-term Incentive.
<b>Sustainability and Operational Risk Committee:</b>	The Sustainability and Operational Risk Committee of the Company.
<b>TSR:</b>	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.
<b>TY23 LTI Performance Rights</b>	The 198,809 LTI Performance Rights proposed to be issued to Dr Fowles under the PRP, subject to Shareholders approving resolution 4 and on the terms and conditions set out in the Explanatory Memorandum.
<b>VWAP:</b>	Volume weighted average share price.

## ANNEXURE "A"

### SUMMARY OF THE TERMS OF THE PRP

#### Offers

- A. The Company may from time to time during the operation of the 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. Subject to the Board's discretion to require payment of nominal consideration for the grant of a Performance Right, 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 PRP will vest on any date after 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 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 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, then the number of Performance Rights which each Participant is entitled will be adjusted in a manner determined by the Board (in accordance with the Listing Rules), in order to minimise or eliminate any material advantage or disadvantage to a participant.

### **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 PRP may be amended at any time by a resolution of the Board.

## ANNEXURE B

### THE PERFORMANCE RIGHTS PROPOSED TO BE GRANTED UNDER RESOLUTION 4

The Board may from time to time make offers to 'eligible employees' subject to any performance conditions and any additional conditions the Board determines.

Each Performance Right entitles the holder to subscribe for or acquire and be issued or transferred one fully paid ordinary share (**Share**) in the Company.

There is no amount payable for the grant of the Performance Rights.

The Performance Rights cannot be exercised until 1 July 2024 (in the case of FY23 Deferred STI Performance Rights), 1 July 2025 (in the case of FY23 LTI Performance Rights) and 1 July 2026 (in the case of TY23 LTI Performance Rights) respectively (**Exercise Date**) except in the circumstances set out below.

There is no exercise price to be paid on exercise of the Performance Rights.

A Performance Right (which has not otherwise lapsed) will vest in a holder on any date after the first anniversary of the grant date provided that the performance conditions notified to the holder by the Board are satisfied or waived by the Board.

The Performance Rights will lapse at 5.00 pm (AEDT) 12 months after 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.

The Performance Rights are not transferable and the Company will not seek official quotation of any Performance Rights. Once the Performance Rights are exercised, the Company will apply for official quotation of the Shares issued on exercise of those Performance Rights (except quotation of Shares is not guaranteed).

In the event of a takeover of the Company or a change of control, the Board may notify the holder that a percentage of his Performance Rights have vested.

Performance Rights may only be exercised after meeting the performance conditions and any other conditions 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.

A holder of Performance Rights has no entitlement to participate in a new issue of Shares or other securities in the Company unless those Performance Rights have vested and have been exercised in accordance with the PRP prior to the record date for the relevant new issue.

If the Company makes (whether before or after the Performance Rights have vested) a pro-rata or bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been acquired in respect of a Performance Right before the record date for determining entitlements to the bonus issue, then the number of Shares the subject of the Performance Right shall be:

- increased by the number of Shares which the holder would have received if the holder had exercised the Performance Right prior to such record date; or
- adjusted in a manner determined by the Board and in accordance with the Listing Rules, in order to minimise or eliminate any material advantage or disadvantage to a holder.

In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, then the number of Performance Rights to which a holder is entitled will be adjusted in a manner determined by the Board and in accordance with the Listing Rules to minimise or eliminate any material advantage or disadvantage to the holder. Any further Performance Rights issued on such an adjustment will be subject to the same terms and conditions as the original Performance Rights.



