



Karoon Energy - setting off in turbulent waters to get a piece of the action

Company/ASX Code	Karoon Energy (KAR)
AGM date	Friday 27 November, 2020
Time and location	10am AEDT Virtual AGM: https://web.lumiagm.com/359172452
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Duncan Seddon
Pre AGM Meeting?	Not at time of publishing

The individual involved in the preparation of this voting has a shareholding in this company.

Item 4	Consideration of accounts and reports (note this is the last item on the agenda)
ASA Vote	No vote required

Summary of ASA Position

This has been a turbulent year for oil and gas companies across the globe. The COVID19 pandemic has served to shut down the major economies of the world which has seriously depressed oil prices. This has affected Karoon with the continued depression of the share price. On a brighter note, the Company conducted a A\$284M capital raising to fund the acquisition of the Bauna oil field offshore Brazil (total cost \$US665M). Unusually, the Institutional portion of this was much smaller than the accelerated pro rata retail entitlement offer (\$67m vs \$216m) so this was fair for retail shareholders, though we would have preferred the trading of entitlements for those shareholders who did not wish to participate. The company is now the fifth largest oil producer on the ASX (16,000bbl/d) and generating some cash. The company's strategy is to focus on debottlenecking and expanding this field to a hoped for 30,000bbl/d. This successful acquisition has stabilized the share price in recent months as the company moves from an E&P company to a mid-cap oil producer.

Governance and culture

For an E&P operation the governance and culture is suitable and they have a diverse board.

Financial performance

The company has not paid a dividend and has had a TSR over the past financial year of -32%.

Key Board or senior management changes

The MD of Karoon, Mr Robert Hosking has announced his retirement from the company and with the departure of Mark Smith both company founders have now retired. Mr. Hosking's son (Scott) has left his position as company secretary.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	-127.80	-28.40	-181.80	-81.50	-105.10
Share price (\$)	0.60	0.88	1.04	1.18	1.18
Dividend (cents)	0	0	0	0	0
TSR (%)	-31.8	-15.5	-11.7	-0.4	-42.9
EPS (cents)	-0.29	-0.11	-0.68	-0.31	-0.39
CEO total remuneration, actual (\$m)	1.025	1.178			

For [insert year], the CEO's total actual remuneration was **11.5 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 1	Re-election of Peter Botten as a Director
ASA Vote	For

Summary of ASA Position

Peter Botten was formerly the prime mover behind Oil Search's rise from an E&P company to a significant oil and gas producer. He will be a considerable asset to the board and we will support his election. However, we do note that he is fully loaded with two chairmanships and another directorship. We would like to see his relinquishing some of these other activities over the next year.

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The structure of the remuneration policy is reflective of an E&P company with the aim to preserve cash at all costs. We have in the past criticised this approach to remuneration which is not transparent but the remuneration methodology has been agreed by the bulk of shareholders in the past. Now that the company is cash flow positive we will push for a more acceptable and transparent policy for remuneration.

The poor performance of the company in recent years has been subject to several adverse votes (first strikes or large against votes). Since the policy as such was not criticised, the conclusion is that the large against votes were reflective of major shareholders disgruntlement with the company performance. The ASA does not use the remuneration report as a means of judging the company performance and since the basic structure of the remuneration policy has been agreed, we have chosen not to vote against in past years. We will continue this approach this year but will push for a policy revision to a more transparent and conventional approach to remuneration.

CEO rem. Framework for FY2019-2020	Actual (Statutory)	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	652,974	63.7	na	na
STI - Cash	nil		na	
STI - Equity	372,046	36.3	na	na
LTI	nil		na	
Total	1,025,020	100	na	

Item 4	Spill motion (contingent resolution)
ASA Vote	Against

Summary of ASA Position

Since there has been a complete change of management and the introduction of new talent to the board we see no reason to spill the board.

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