



POLICY AND PROCEDURES MANUAL

1.9 SENIOR EXECUTIVES REMUNERATION POLICY

*Karoon Gas Australia Ltd (**Karoon** or **Company**) is committed to remunerating its senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. Karoon aims to align the interests of senior executives with those of shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.*

Consequently, senior executives' remuneration consists of the following elements:

- (a) fixed salary;*
- (b) short-term incentive bonus based on performance;*
- (c) long-term incentive equity scheme; and*
- (d) other benefits including superannuation.*

1. FIXED REMUNERATION

The salary of senior executives is determined from a review of the market and reflects core performance requirements and expectations. In addition, Karoon considers the following:

- (a) the scope of the individual's role;
- (b) the length of service of the individual with Karoon;
- (c) the individual's level of skill and experience;
- (d) Karoon's legal and industrial obligations;
- (e) labour market conditions; and
- (f) the size and complexity of Karoon's business.

2. PERFORMANCE-BASED REMUNERATION

The purpose of the performance-based remuneration is to reward actual achievement by the individual of performance objectives and for materially



improved company performance. Consequently, performance-based remuneration is paid where a clear contribution to successful outcomes for Karoon is demonstrated and the individual attains and excels against pre-agreed key performance indicators during a performance cycle.

3. EQUITY-BASED REMUNERATION

Karoon has an Employee Incentive Option Scheme (**Scheme**) which has been operating since Karoon was listed on the Australian Stock Exchange (**ASX**) in which senior executives may participate.

4. OTHER BENEFITS

Senior executives are entitled to statutory superannuation, car allowances and mobile telephone allowances. Executive Directors are entitled to have their indemnity insurance paid by Karoon.

5. EXPENSES

All reasonable out of pocket expenses incurred in connection with the performance of duties on behalf of Karoon will be reimbursed.

6. TERMINATION

Termination payments, if any, for Senior Executives, will be agreed by the Remuneration Committee in advance of employment and will be stated in the relevant employment contracts.]

Robert Hosking
Executive Chairman
25 August 2008