



PERFORMANCE REVIEW POLICY

Evaluation Process

The Board of Karoon (“**Board**”) considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability.

Board Evaluation

The Board considers the ongoing development and improvement of its own performance as critical input to effective governance. The Board undertakes an annual evaluation of its effectiveness as a whole. The Chairman reviews the individual performance of each Board member annually.

The Chairman’s performance is evaluated by the Board annually with the facilitation by an external party.

The basis of the review is on goals that have been set for Karoon based on corporate requirements and any areas for improvement identified in previous reviews. The Board does not endorse the reappointment of a director who is not satisfactorily performing the role.

Senior Executives Evaluations

All senior executives of Karoon are subject to an annual performance evaluation. Each year, senior executives establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and Karoon’s requirements of the position. In the case of the Managing Director, these targets are established between the Managing Director and the Board.

An informal assessment of progress is carried out each half year. A full evaluation of the executive’s performance against the agreed targets takes place once a year. This will normally occur in conjunction with goal setting for the coming year. Since Karoon is committed to continuous improvement and the development of its people, the results of the evaluation form the basis of the executive’s development plan. Performance pay components of executives’ packages are dependent on the outcome of the evaluation.

Karoon is committed to continuing development of its directors and executives. Any director wishing to undertake either specific directional training or personal development courses is expected to approach the Chairman for approval of the proposed course. Development may be in both governance and governance processes or in Karoon’s industry.



Robert Hosking
Executive Chairman
24 March 2008