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Karoon Gas fights 'disruptive' director nominations

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Angela Macdonald-Smith

Karoon Gas Australia has told shareholders the operation of their board could be “unduly disrupted” by the appointment of three directors nominated by dissatisfied shareholder Pegasus CP One, which it says owns less than 0.4 per cent of the company.

The views that the three nominees have on the future direction for Karoon are “unknown” as are their objectives or intentions should they be elected, Karoon cautioned shareholders in its notice for its annual general meeting on October 27. The existing board is unanimously recommending shareholders vote against their nomination.

The upcoming meeting is set to be a tense one for the oil and gas explorer, which is already sitting on “one strike” after more than 25 per cent of shareholders voted against its remuneration report last year. A similar vote this year could see the board spilled in any case under the two strikes rule that came into effect in 2011.

Pegasus CP One, part of the Swiss-based Pegasus Global Wealth, has been lobbying major investors in Karoon to back a board upheaval. It is particularly concerned with the concentration of family members related to executive chairman Robert Hosking in various senior roles in the company. Pegasus claims to hold 2.4 per cent of Karoon, although this is disputed by the company.

Pegasus is putting forward former senior BP executive Colin Goodall for chairman of Karoon, and Metgasco co-founder Glenda McLoughlin and Premier Oil non-executive director David Bamford as non-executive directors. It is not seeking to remove any existing directors.

Karoon said in the AGM notice that it wasn't in the best interests of the company to introduce additional directors at this time, especially as the board has only recently been rebuilt with the retirement of former director Stephen Power and the appointment of two new directors, Peter Turnbull and Bernard Wheelahan, which are being voted on at the meeting.

It noted it has also been adjusting its board in line with best corporate governance practice, creating a majority independent board and a new risk committee. Mr Hosking's role is also due to be split, with an independent chairman being sought.

Karoon said that as Pegasus only held one million shares as of September 2 and only first became a shareholder on August 29, nominating three directors was “disproportionate” to the size of its holding.

“No information has been received from the nominating shareholder as to why the nominees were nominated,” it said. “No information on the nominating shareholder was offered at the time the nominations were made or since then, as at date of this Notice of Meeting. As a result, the company does not know the objectives or intentions of the nominating shareholder or the nominees should they be elected.”

Karoon also urged shareholders to vote in favour of the pay report, noting that it had made several changes to remuneration structures and policies.

A resolution on spilling the board is to be put to the meeting if more than 25 per cent vote against the report. If passed, that would require a further general meeting to be held within 90 days where all of the directors other than the managing director would be subject to a vote at the meeting.

Karoon said that convening a spill meeting “would be extremely disruptive to the company” and it would be “inappropriate to remove all of the relevant directors in the circumstances.”

At last year's AGM, a huge 49.3 per cent of votes cast on the remuneration report voted against it.

The Australian Financial Review



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