



## Robert Hosking defiant after fending off board overhaul at Karoon AGM

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Published: October 28, 2014 - 12:15AM

Karoon Gas Australia executive chairman Robert Hosking has defiantly rejected any need for rapid change at the oil and gas explorer after successfully fending off a proposed board overhaul and narrowly escaping a "second strike" over remuneration.

Speaking after Monday's annual general meeting, Mr Hosking said major investors on the Karoon register had "grown up with the company" and did not share the concerns of dissident shareholder Pegasus CP One, which failed in its attempt to get three new directors onto the Karoon board.

But Pegasus co-founder Erwin Weinzinger, made it clear the fund would not give up its efforts to drive change at Karoon, which he has described as having a "casino mentality" under Mr Hosking.

"Pegasus will not go away, until Karoon has a clean, independent and experienced board," Mr Weinzinger said after the voting. The three Pegasus nominees were rejected by margins of 79-90 per cent.

"There is clearly a high level of dissatisfaction among Karoon's shareholders and we would hope the board heard that message loud and clear from the votes at the AGM."

Karoon has already resolved to split Mr Hosking's role and has said that an independent chairman would be in place by the end of the year. Mr Hosking will then take the role of managing director.

Karoon shares ended the day 2.3 per cent higher at \$3.08.

Loud applause broke out among the circa 150 attendees of the meeting earlier on the news that 75.49 per cent had voted in favour of the remuneration report, just above the level that would have resulted in a resolution being put to spill the board.

But in a clear sign of shareholder frustration with the leadership of the oil and gas junior, opposition was strong to resolutions for options to be granted to Mr Hosking and director Mark Smith, with 27-30 per cent of votes cast going against.

"I fail to understand how options have been proposed, when the company share price is down 75 per cent on 2009," Mr Weinzinger told the meeting.

Geoff Atkins, one of four existing directors up for re-election and head of the remuneration committee, had the strongest opposition from shareholders, with a 42.51 per cent vote against.

In his formal address earlier to the meeting, Mr Hosking spent some time pointing to various steps taken by Karoon over the past 18 months to improve corporate governance in line with its development from an exploration start-up to a \$800 million international oil and gas player.

Weak corporate governance standards have been cited by Pegasus, and by several proxy advisers as a concern for Karoon, where several family members of Mr Hosking hold key senior positions at the company, both in Australia and in South America.

But Mr Hosking was adamant after the meeting that the concentration of family members in the company was "above board".

"There is no law against having family members here, it just has to be treated properly in audits. But some people jump on it," he said.

"A large percentage of publicly listed companies in the US are family companies – 30 per cent when we last had a look at it."

Mr Hosking also used his address at the meeting to defend the board's decision to proceed with a drilling campaign in Brazil without bringing in another partner, one of the key objections cited by Pegasus.

Mr Hosking said that the risk-reward profile from the proposed appraisal drilling at the Kangaroo oil field in Brazil was "acceptable" for Karoon.

But he pledged not to proceed with earlier-stage, riskier drilling at exploration prospects, including at Karoon's Peruvian acreage, without completing deals to bring in partners and reduce risks and costs.

Karoon is due to start drilling an appraisal well at its Kangaroo oil field in Brazil, in which it has a 65 per cent stake, in the second week of November.

"There are obviously issues around corporate governance but if they have some success in Brazil it all becomes an bit of an esoteric argument," said RBC Capital Markets analyst Andrew Williams.

"Finding the right independent chairman will also go a long way."

Pegasus's move last month to nominate three new directors for Karoon's board has been criticised by Mr Hosking, who has questioned who was really behind the shareholder, which says it holds about 2.4 per cent of the register.

Speaking before the votes on the Pegasus nominees, Mr Weinzinger said he was very disappointed at Mr Hosking's inference, and said Pegasus had "lost trust and hope" in Mr Hosking's leadership.

"The only reason we are here is to restore shareholder value," he said. "Pegasus does not have any strategic assets, no hidden agenda."

Proxy adviser ISS earlier this month pointed to a "compelling case for change" on Karoon's board, though stopped short of recommending investors elect Pegasus' nominee Colin Goodall as chairman.

Other advisers and the Australian Shareholders' Association recommended against all of the Pegasus nominees.

BBY analyst Scott Young said the defeat of Pegasus' efforts "might temper Pegasus' desire to potentially requisition an extraordinary general meeting".

*This story was found at: <http://www.smh.com.au/business/mining-and-resources/robert-hosking-defiant-after-fending-off-board-overhaul-at-karoon-agm-20141027-11ci53.html>*