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## SHARE TRADING POLICY

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### 1 PURPOSE

#### 1.1 SCOPE

This policy summarises the law relating to insider trading and sets out the Company's trading policy on buying and selling securities of the Company including shares, options, rights to subscribe for shares in the Company, or debentures of the Company, derivatives and any other financial products of the Company which are able to be traded on a financial market ("**Securities**").

#### 1.2 WHO DOES THIS POLICY APPLY TO?

Except as otherwise set out in this policy, this policy applies to:

- a) all directors, officers (who have authority and responsibility for planning, directing and controlling Company activities) and other key management personnel (together "**Key Management Personnel**") of the Company;
- b) all employees of the Company; and
- c) any other person nominated by the Chairman or the Company Secretary;

(each a "**Designated Person**")

Without limiting the other terms of this policy, each Key Management Personnel must ensure that the following are aware of this policy and comply with it (including paragraph 5.4):

- a) their spouse (including de facto partner within the meaning of the Acts Interpretation Act 1901 (Cth));
- b) a child or dependent (in each case under the age of 18 years) of theirs or of their spouse;
- c) a company controlled by them or their spouse;
- d) a family trust of which they or their spouse are a trustee or under which they or their spouse or a child or dependent (in each case under the age of 18 years) are the primary beneficiaries.

For the avoidance of doubt this policy applies to any trade of Securities in which a Designated Person has induced, encouraged or played any part in the decision to purchase or sell the Securities, regardless of the legal or beneficial ownership of the relevant Securities.

However, the insider trading prohibitions in the Corporations Act 2001 (Cwlth) ("**Corporations Act**") which are summarised in part 2 below, apply to everyone.

### 1.3 FURTHER ADVICE

If you do not understand the summary of the law relating to insider trading set out below or this trading policy, or if you are confused as to whether the law applies to you, please contact the Company Secretary. You may wish to obtain your own legal advice before dealing in the Company's Securities.

## **2 INSIDER TRADING PROHIBITIONS UNDER THE CORPORATIONS ACT**

### 2.1 WHAT IS INSIDE INFORMATION?

"**Inside Information**" is information relating to the Company which is not generally available but, if the information were generally available, would be likely to have a material effect on the price or value of the Company's Securities. Inside Information can include matters of speculation or supposition and matters relating to intentions or likely intentions of a person.

Information is regarded as being likely to have a material effect if it would, or would be likely to, influence persons who commonly invest in securities or other traded financial products in deciding whether or not to deal in the Company's Securities.

### 2.2 WHAT ARE THE INSIDER TRADING PROHIBITIONS?

If you have Inside Information (as defined in paragraph 2.2 below) relating to the Company it is illegal for you to:

- a) deal in (that is, apply for, acquire or dispose of) the Company's Securities or enter into an agreement to do so; or
- b) procure another person to apply for, acquire or dispose of the Company's Securities or enter into an agreement to do so; or
- c) directly or indirectly communicate, or cause to be communicated, that information to any other person if you know, or ought reasonably to know, that the person would or would be likely to use the information to engage in the activities specified in paragraphs (a) or (b) above.

These prohibitions also apply to the application for, grant, exercise or transfer of an option over the Company's Securities and to the Securities of other entities if you possess Inside Information about those entities.

It does not matter how or in what capacity you become aware of the Inside Information. It does not have to be obtained from the Company to constitute Inside Information.

You cannot avoid the insider trading prohibition by arranging for a member of your family or a friend to deal in the Company's Securities nor may you give "tips" concerning Inside Information relating to the Company to others.

These prohibitions apply to everyone at all times.

For the avoidance of doubt these prohibitions apply even where:

- a) trading occurs outside the closed and prohibited periods described in paragraph 3.1 below;
- b) trading falls within the provisions contained in part 6 below; or

- c) a person has been given clearance to trade under paragraph 3.2 below.

Examples of Inside Information could be:

- a) the financial performance of the Company against its budget;
- b) changes in the Company's actual or anticipated financial condition or business performance;
- c) changes in the capital structure of the Company, including proposals to raise additional equity or borrowings;
- d) proposed changes in the nature of the business of the Company;
- e) changes to the Board of Directors or significant changes in key Management personnel;
- f) an undisclosed significant change in the Company's market share;
- g) likely or actual entry into, or loss of, a material contract;
- h) material acquisitions or sales of assets by the Company;
- i) a proposed dividend or other distribution or a change in dividend policy; or
- j) a material claim against the Company or other unexpected liability.

### 2.3 WHEN IS INFORMATION GENERALLY AVAILABLE?

Information is generally available if:

- a) it consists of readily observable matter or deductions;
- b) it has been brought to the attention of investors through an announcement to ASX Limited ("ASX") or otherwise similarly brought to the attention of investors who commonly invest in securities, and a reasonable period has elapsed since it was announced or brought to investors' attention; or
- c) it consists of deductions, conclusions or inferences made or drawn from information referred to in paragraphs (a) or (b) above.

Examples of possible readily observable matters are:

- d) a change in legislation which will affect the Company's ability to make certain types of investments; or
- e) a severe downturn in global securities markets

## 2.4 PENALTIES

Breach of the insider trading laws may subject you to:

- a) criminal liability - penalties include heavy fines and imprisonment;
- b) civil liability - you can be sued by another party or the Company for any loss suffered as a result of illegal trading activities; and
- c) civil penalty provisions - the Australian Securities and Investments Commission ("**ASIC**") may seek civil penalties against you and may even seek a court order that you be disqualified from managing a corporation.

Breach of the law, this policy, or both, will also be regarded by the Company as serious misconduct which may lead to disciplinary action or dismissal.

## **3 RESTRICTIONS ON TRADING IN COMPANY SECURITIES**

### 3.1 CLOSED AND PROHIBITED PERIODS

In addition to complying with insider trading prohibitions (see part 2 above), Designated Persons must not deal in the Company's Securities during the following "**closed periods**" (except in accordance with this policy):

- a) 14 days prior to the date upon which the Company's half yearly results announcement is released to the market (following its lodgement with ASX) until:
  - i. the commencement of trading the day the announcement is released (where the Company's half yearly results are released to the market outside of trading hours prior to the commencement of trading on that day) ; or
  - ii. the commencement of trading the day after the announcement is released to the market (where the Company's half yearly results are released to the market during trading).
- b) 14 days prior to the date upon which the Company's annual results announcement is released to the market (following its lodgement with ASX) until:
  - i. the commencement of trading the day the announcement is released (where the Company's annual results are released to the market outside of trading hours prior to the commencement of trading on that day); or
  - ii. the commencement of trading the day after the announcement is released to the market (where the Company's annual results are released to the market during trading).
- c) the period from the close of trading 10 days before the Company's annual general meeting until after the Company's annual general meeting
- d) 14 days prior to the date upon which the Company's quarterly exploration activity report and Appendix 5B of the Company "**quarterly report**" is released to the market (following its lodgement with ASX) until:

- i. the commencement of trading the day the announcement is released (where the Company's quarterly reports are released to the market outside of trading hours prior to the commencement of trading on that day); or
- ii. the commencement of trading the day after the announcement is released to the market (where the Company's quarterly reports are released to the market during trading).

The Chairman or the Company Secretary may specify additional periods when Designated Persons are prohibited from trading including during periods when the Company or its subsidiaries are involved in the drilling or testing of exploration wells. These additional periods together with the closed periods are the “**prohibited periods**”.

### 3.2 PRIOR WRITTEN CLEARANCE

If a Designated Person proposes to deal in the Company's Securities (which includes entering into an agreement to deal) at any time they must first:

- a) provide written notice of their intention to the relevant “**Notification Officer**” (see schedule 2); and
- b) if approved, receive confirmation in the form of Part B of Schedule 1, signed by a relevant Notification Officer, to allow them to deal in the Company's Securities (“**Confirmation Form**”)

together know as (“**Permission to Deal**”). The notification must state that the proposed dealing in the Company's Securities is not as a result of access to, nor the receipt of, Inside Information.

A Permission to Deal expires 7 days from the date of the Confirmation Form (inclusive of that date), unless it specifies a different expiry date.

The Notifications Officer's decision will be made in the Notification Officer's discretion and the Notification Officer is not required to give any reasons for the decision. The Notification Officer's decision to refuse to issue a Permission to Deal is final and binding.

A Notification Officer may withdraw a Permission to Deal by notice in writing where there is a change in circumstances or where new information arises before the Designated Person enters into a dealing in the Company's Securities.

Refusals of Permissions to Deal are confidential and must not be disclosed to anyone.

Notification of any dealing in the Company's Securities under this paragraph and the completion of Part B of the Notification Form to Deal in the Company's Securities does not constitute approval of the dealing by or on behalf of the Company.

### 3.3 CONFIRMATION

In addition to providing advance notice under paragraph 3.2, Designated Persons must confirm in writing to the relevant Notification Officer, within 3 business days from when the dealing in the Company's Securities has occurred, the number of Securities affected and the relevant parties to the dealing.

### 3.4 EXTENDING THIS POLICY

The Chairman or Company Secretary may extend this policy by specifying that Designated Persons are also restricted from dealing in the securities of other specified entities with which the Company may have a close relationship.

## **4 EXCEPTIONAL CIRCUMSTANCES**

### 4.1 PERMITTED TRADING IN EXCEPTIONAL CIRCUMSTANCES

The Notification Officer may give prior written clearance for a Designated Person to trade in Securities during a prohibited period in exceptional circumstances (except if this would breach the insider trading prohibitions - see part 2 above).

“Exceptional circumstances” may include:

- a) severe financial hardship, for example a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant Securities. To obtain a clearance based on severe financial hardship the Designated Person must provide the Notification Officer with a statutory declaration setting out all the relevant facts and financial information (with copies of all relevant supporting documents attached) to demonstrate their severe financial hardship. The Notification Officer will keep the statutory declaration confidential.
- b) requirements under a court order or court enforceable undertakings or other legal or regulatory requirements
- c) other exceptional circumstances as determined by the Chairman (or Chief Executive Officer where the Chairman is involved)

If the Notification Officer has any doubt in making a determination of exceptional circumstances, they should exercise the discretion with caution.

The process in paragraph 3.2 must be used to obtain prior clearance. Confirmation must be provided in accordance with paragraph 3.3.

## **5 OTHER PROHIBITIONS**

### 5.1 DEALING IN FINANCIAL PRODUCTS ISSUED OVER THE COMPANY’S SECURITIES BY THIRD PARTIES

Designated Persons are not permitted to deal at any time in financial products such as options, warrants, futures or other financial products issued over the Company’s Securities by third parties such as banks and other institutions. An exception may apply where the Company’s Securities form a component of a listed portfolio or index product.

### 5.2 LIMITING ECONOMIC RISK

Designated Persons are not permitted to enter into transactions in products associated with the Company’s Securities which operate to limit the economic risk of their security holding in the Company over invested entitlements (eg hedging arrangements).

### 5.3 SHORT TERM TRADING AND SHORT SELLING

Designated Persons are not permitted to enter into:

- a) short term trades;

- b) speculative trades; or
- c) trades which in any way amount to "short selling",

the Company's Securities (or an interest in the Company's Securities).

An investment with a maturity of 6 months or less will be considered to amount to a short term trade (eg sales of Company Securities within 6 months after their purchase).

This prohibition does not restrict:

- a) the vesting or exercising of options over or rights to Company Securities acquired under the Company's employee incentive scheme;
- b) the subsequent sale of the underlying Company Securities acquired as part of the Company's employee incentive scheme within a 6 month period; or
- c) the sale of Company Securities at the end of a restriction period applying under the Company's employee incentive scheme.

#### 5.4 MARGIN LENDING

This paragraph 5.4 applies only to:

- a) Key Management Personnel; and
- b) any other Designated Person nominated by the Chairman or the Company Secretary as being specifically covered by this paragraph 5.4.

Key Management Personnel are not permitted to enter into margin lending arrangements or any other secured financial arrangements that involve Company Securities (or an interests in Company Securities). Key Management Personnel should consult the Company Secretary if they are uncertain as to whether an arrangement should be classified as a margin lending arrangement.

## **6 EXCLUDED TRADING**

The following types of trading are excluded from the operation of this policy and may be undertaken at any time ("**excluded trading**") unless this would breach the insider trading prohibitions (see part 2 above):

- a) transfers of Securities which are already held in a superannuation fund or other saving scheme in which the Designated Person is a beneficiary;
- b) an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in Company Securities) where the assets of the fund or other scheme are invested at the discretion of a third party;
- c) where a Designated Person is a trustee, trading in Company Securities by the respective trust provided the Designated Person is not a beneficiary of the trust and any decision to trade during a prohibited period is taken by the other trustees or by the investment Managers independently of the Designated Person;
- d) undertakings to accept, or the acceptance of, a takeover offer;
- e) trading under an offer or invitation made to all or most of the security holders, such as a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Company's Board. This includes decisions relating to whether or not to take

- up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- f) a disposal of Company Securities that is the result of a secured lender exercising their rights, for example, under a margin lending agreement (provided that the party that has entered into the margin lending agreement is not prohibited from doing so under paragraph 5.4);
  - g) the exercise (but not the sale of Securities following exercise) of an option or right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a prohibited period and the Company has been in an exceptionally long prohibited period or the Company has had a number of consecutive prohibited periods and the Designated Person could not reasonably have been expected to exercise it at a time when free to do so; and
  - h) trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this policy and where:
    - (i) the Designated Person did not enter into the plan or amend the plan during a prohibited period
    - (ii) the trading plan does not permit the Designated Person to exercise any influence or discretion over how, when, or whether to trade; and
    - (iii) the entity's policy does not allow the Designated Person to cancel the trading plan or cancel or otherwise vary the terms of his or her participation in the trading plan during a prohibited period other than in exceptional circumstances.

## **7 DIRECTOR DISCLOSURE**

If a Director's notifiable interests change, the Company must inform ASX whether this occurred in a closed period, whether prior written clearance was required, whether it was provided and if so the date it was provided. The Director must provide the Company Secretary within 3 business days all relevant information regarding trading of their notifiable interests in the Company's Securities.

## **8 CONFIDENTIAL INFORMATION**

You must treat all sensitive, non-public information ("Confidential Information") about the Company as confidential and belonging to the Company. You must not disclose Confidential Information to others (including family members, relatives, business or social acquaintances) except as authorised or legally required. You must avoid inadvertent or indirect disclosure of Confidential Information. Even within the Company, Confidential Information should be distributed to or discussed with others only on a need-to-know basis, and those people must be told that the information is confidential. Be careful that your conversations are not overheard in elevators, aeroplanes or other public places. Do not leave Confidential Information on conference tables, desks or otherwise unguarded. Take whatever steps are reasonably necessary to keep Confidential Information from being disclosed, except as authorised or legally required.



## 9 REVIEW AND PUBLICATION OF THIS POLICY

The Company's Board of Directors will review this policy from time to time. This policy may be amended by resolution of the Board.

A copy of this policy will be provided to ASX and will be available on the Company's website. It will be distributed to employees and directors (present and future) and it is their responsibility to comply with this policy.



Robert Hosking  
**Managing Director**



David Klingner  
**Chairman**

Approved by the Board on 9<sup>th</sup> July 2015

## Schedule 1 - Notification Form to Deal in Company's Securities

Part A - For completion by Designated Person

Name of Designated Person	
Description of Securities (ie number and class of Securities)	
Nature of agreement/dealing (sale/purchase/subscription)	
Proposed date of transaction (ie completion date)	

**I confirm that:**

- I am not in possession of any unpublished information which, if generally available, might materially affect the price or value of the Company's Securities;
- the transaction in the Company's Securities described above (**Proposed Transaction**) does not contravene the trading policy of the Company dated [*insert*] (**Company's Trading Policy**); and
- if I come into possession of any unpublished information after receiving a Permission to Deal under the Company's Trading Policy but before entering into the Proposed Transaction which, if generally available, might materially affect the price or value of the Company's Securities, I will not enter the Proposed Transaction despite having received a Permission to Deal.

Signed: .....

Dated: .....

Part B - For completion by Notification Officer

I confirm that I am not aware of any circumstances pursuant to which the Designated Person named above is, or is likely to be, in possession of unpublished information which, if generally available, might materially affect the price or value of the Company's Securities. This confirmation does not constitute approval by the Company of the proposed dealing by the Designated Person noted above.

Name: .....

Title: .....

Signed: .....

Dated: .....

**After Part A of this form is completed, this form is to be sent to the Company Secretary or other applicable Notification Officer**

## Schedule 2 - Notification Officers

In this Policy the relevant Notification Officers for each of the Designated Persons is as set out in the table below:

<b>Designated Person</b>	<b>Notification Officer(s)</b>
Chairman	Chairman of the Audit Committee
Non-executive Directors	Chairman
Company Secretary	Chairman
All other Designated Persons	Company Secretary

### Schedule 3 - Acknowledgement by Employee/Director

I have read and understood the document entitled Karoon Gas Australia Ltd Trading Policy (“**Trading Policy**”) and agree to be bound by and to comply with the Trading Policy as amended or replaced from time to time.

Signature: .....

Name: .....

Position / Business Unit: .....

Dated: .....

**Please return completed form to the Company Secretary**