

9<sup>th</sup> November 2017



## ASX Announcement

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### Chairman's Address to Shareholders:

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Ladies and Gentlemen

It is my pleasure to welcome you to the 13<sup>th</sup> Annual General Meeting of Karoon.

Today I am going to briefly outline the progress Karoon has made in the course of financial year 2017. Our Managing Director, Robert Hosking, will then address you on our exploration and operational activities and he will be followed by Mark Smith, our Exploration Director, who will take you through our projects individually. There will be an opportunity after these addresses for shareholders to ask questions.

The challenging conditions for the oil and gas industry continued for all of financial year 2017. Although the oil price bounced back from the very low prices of early 2015 the recovery ran out of steam and prices have largely been tracking sideways for nearly all of 2017. The industry specialists and analysts now tend to refer to oil prices remaining lower for longer and long-term forecasts for prices have largely been lowered.

Faced with this outlook, participants in the industry, including the oil majors, have been deferring expansions and developments and in particular, significantly winding back their exploration programmes. This has had a major effect on Karoon and its well formulated exploration led growth strategy. It has made the introduction of partners into our drill ready prospects quite difficult. At the same time, rig costs have been reduced substantially and FPSO charter rates, well heads and all the ancillary equipment charges dramatically reduced. Oil services companies are also very keen for work.

In light of this new industry environment Karoon has significantly modified its strategy. We are essentially pursuing a three-pronged approach.

Firstly, we are using the downturn to look for producing assets for acquisition. Even in the present environment finding the right asset at a value creating price has proven difficult. In fact, when you look over the history of the industry most acquisitions take place at the top of the cycle when prices are high, not at the bottom when the attitude of participants has been to bunker down and try to ride out the depressed times. Nevertheless, the Managing Director and his team have been working very diligently in the course of the year at acquisitions and at present have a number of projects in the final stages of evaluation and negotiation. This initiative has resulted in Karoon developing the people and skills to efficiently and effectively evaluate opportunities.

The second approach Karoon has been following is to look at innovative ways to get our now 100% owned Brazilian discoveries into production by taking advantage of the significantly lower development cost regime, the willingness of service providers to share development risk and through the adoption of innovative engineering solutions. We have concentrated this work initially on our Echidna discovery in the Santos Basin and are aiming to reach a Final Investment Decision (FID) this financial year.

The third approach has been to use the downturn to upgrade our exploration portfolio. Success can never be guaranteed in exploration, but projects can be evaluated against each other and those with the better chances pursued preferentially. Karoon was successful in being awarded a new area in the Santos Basin of Brazil in bid round 14 conducted by the Brazilian Government. Mark Smith shall elaborate on this exciting acquisition shortly.

The company is also looking at every way it can to reduce its cost base, save funds during what may be a prolonged downturn. In fact, in the previous 12-month period, Karoon has reduced staff numbers by 20% and is currently reviewing its overhead structure.

Our aim over the next year or so is to become an oil producer with a robust stable income stream so as to be able to support our ongoing exploration led growth strategy and associated development activities.

Ladies and Gentlemen, I will now hand over to Bob Hosking and Mark Smith to further update you on Karoon's initiatives.

### **About Karoon Gas Australia Ltd**

Karoon Gas Australia Ltd is an international oil and gas exploration company with projects in Australia, Brazil and Peru and a member of the S&P/ASX 200 Index.

Karoon looks for high equity interests in early stage exploration opportunities containing large potential targets in basins with proven Petroleum Systems. Karoon strives to create shareholder value through the geotechnical work-up of the acreage, leveraging its high equity interests to explore and appraise these opportunities to achieve commercialisation.

While the company's core strategy is identifying off-shore early stage exploration opportunities, Karoon's longer-term strategy is to retain residual equity interests in the assets as they go into production.

**For further information please see the Karoon website or contact:**

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## **Forward looking statements**

This announcement may contain certain “forward-looking statements” with respect to the financial condition, results of operations and business of Karoon and certain plans and objectives of the management of Karoon. Forward looking statements can generally be identified by words such as ‘may’, ‘could’, ‘believes’, ‘plan’, ‘will’, ‘likely’, ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties, which may include, but are not limited to, the outcome and effects of the subject matter of this announcement. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward looking statements as actual outcomes may differ materially from forward looking statements. Any forward-looking statements, opinions and estimates provided in this announcement necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of Karoon. Such statements may cause the actual results or performance of Karoon to be materially different from any future results or performance expressed or implied by such forward looking statements. Forward-looking statements including, without limitation, guidance on future plans, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward looking statements speak only as of the date of this announcement.

Karoon disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.