

Chairman's Address to Shareholders

Good morning Ladies and Gentlemen,

My name is Peter Turnbull, and it is my pleasure, as Interim Chairman, to welcome you to the 14th Annual General Meeting of Karoon.

Firstly, let me acknowledge the passing of our Chairman, Dr. David Klingner, in August this year. David was a much valued and respected member of the Karoon team. Karoon's Board of Directors and management share their respect and admiration for David and are extremely grateful for his valued contribution as Chairman of Karoon and we will miss him.

2017/2018 Overview

The 2018 financial year saw a significant consolidation with industry sentiment and investor confidence improving and Brent Crude bouncing back following 3 consecutive financial years of lower prices. While confidence has improved, the divestment of non-core assets is likely to continue as the sector globally remains focussed on driving stronger cashflows over production volumes. From what we can see, future capital investment plans remain well below the long-term averages, which suggests off-shore exploration and development activity will likely remain quite measured over the medium term.

Strategy – Three Pillars (Acquisition, Development and Exploration)

Following Karoon's successful divestment of the Poseidon gas discovery in 2014 for up to US\$800 million (noting that US\$200 million is still an outstanding contingent payment), the Board and management saw an opportunity to capitalise on the global downturn and associated divestment cycle and acquire a production asset (or assets) that will deliver cash flow to facilitate long-term sustainable growth and reduce the reliance on external capital. Karoon has made no secret that we want to have a globally relevant business, building to scale in high quality assets in large, proven hydrocarbon basins. The opportunities considered to date have been of a large and transformational scale, and will, when completed, create a much larger and sustainable platform for long term shareholder value creation. The focus for our acquisition efforts is predominantly in geographies where Karoon has an existing strategic footprint in some of the most prolific oil and gas basins in the world. The purchase of a cash generating, world class, production asset is the first of three key pillars of Karoon's strategic focus and this has never been clearer.

Appraisal and Development

The second pillar of Karoon's strategy is its Santos Basin Strategy which is built on a geological databank and operational experience amassed from over a decade of operating in Brazil's Southern Santos Basin. Karoon first entered the Santos Basin during 2007, attracted by the geology, and we believe the outlook is very positive with recent industry reform successfully attracting significant investment back into the basin during 2017 and 2018. Karoon is well placed to capitalise on this inflow of capital and is in the process of finalising a development plan for the Neon discovery for submission to the Brazilian oil and gas regulator once the regulator has provided preliminary Annexation approvals. Many of you would know that Karoon has built a highly experienced development and production team in Brazil and we have gained additional exploration acreage through our Clorita permit in 2017 and we continue to identify and assess new exploration opportunities in the region.

Exploration

The third pillar of growth, and fundamental to Karoon's DNA, is high impact exploration. The 2017/2018 financial year was hugely significant for Peru, again with industry reform and a bounce in sentiment driving interest and investment back into Peru's off-shore acreage. In both Brazil and Peru, new mid and large sized oil companies have picked up new offshore exploration acreage. Karoon has been a direct beneficiary of this focused capital inflow through the farmout of the Tumbes Basin, Peru Block Z38, to Tullow Oil plc. during the year, one of the industry's most successful offshore frontier explorers. After a hiatus during the prolonged global industry downturn, we are excited to have high impact exploration back on the near-term agenda for Karoon with the resource target, "Marina", planned to be drilled in early 2020.

The Board and management team are of the universal view that these 3 strategic pillars are in the best interests of all shareholders and will pay significant dividends in the short, medium and long-term.

Costs Structure

While the 3 strategic pillars are focused on growth, during the year the Board and management team also carefully reviewed the Group's cost base resulting in a permanent reduction to overall recurring overheads. Outcomes to date have included reductions of office space in Brazil and Peru, and a reduction of headcount globally. While positive steps have been taken, the Board recognises that there is an ongoing need to remain cost conscious and vigilant to achieve a sustainable outcome and will continue to reduce our cost footprint wherever we can and further cost reductions are expected in the 2018/2019 year.

Name

Given Karoon's broad strategic and geographic focus, the Board considers it appropriate at this time for shareholders to consider a change to name for the company from Karoon Gas Australia Limited, and proposes **Karoon Energy Limited**. While this is administrative in nature, the Board feels this new name more closely aligns with the company's overall vision and strategy and is a necessary development given where our strategies are going to take us.

Chair Search

I would also like to take this opportunity to provide an update on efforts to date to identify and appoint a suitable permanent new Chair. Omera Partners, a well-known national executive search firm were engaged some 2 months ago. The process is quite well advanced with candidate reports now finalised and interviews and meetings taking place over the past weeks.

Finally, I would like to acknowledge that, despite some very positive developments during the year, the Karoon share price performance has been very disappointing. The Board and management are acutely aware of, and share, our shareholder's frustrations and we are doing all we can to improve the situation.

As you will see shortly, Karoon will receive a less than optimal vote on our Remuneration Report, this outcome is, we believe, directly related to the disappointing share price performance rather than the remuneration related issues per se. We continue to take a conservative approach to remuneration and a continuous improvement mind set to our systems and structures. and We do however welcome the continued confidence in the Board as a whole as judged by the level of proxy voting against the contingent Board spill motion going into today's meeting.

We believe our plan to transform into a substantial international producer and explorer with material long-term production capability to, in turn, fund high impact exploration and ultimately other capital management initiatives is the right vision, and we believe we have the right strategy to deliver this goal and drive long term value share price appreciation for our shareholders.

On behalf of the Board and the management team I would like to thank our shareholders for their loyalty and patience, and the entire Karoon team for all their efforts as they have worked hard to deliver on our three core strategic pillars during the 2017/2018 financial year.

We look forward to confirming to you a range of positive outcomes in relation to our core strategic pillars during 2019.

Ladies and Gentlemen, I will now hand over to Bob Hosking and Mark Smith to provide further detail on Karoon's progress.

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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