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KAROON ENERGY

25 August 2022

Company Announcements Office
ASX Limited

Dear Sir / Madam

2022 Annual Report

In accordance with the ASX Listing Rules, Karoon Energy Ltd releases its 2022 Annual Report to the market.

This announcement has been authorised by the Board of Directors.

Yours faithfully

Nick Kennedy
Company Secretary

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KAROON ENERGY

Building Momentum

Annual Report 2022

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MOMENTUM

The result of effort. Of action. Of rolling up your sleeves and getting things done. Momentum is gained through progress.

KAROON
ENERGY

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Respect

is actively listening to, harnessing and embracing different backgrounds, cultures, thoughts and ideas.

Safety

is our highest priority, a state of mind in respect of personnel, community and the environment.

Collaboration

is working together to achieve our goals and striving for better outcomes for all stakeholders.

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Progress through TRANSFORMATION

Our newly refreshed brand identity symbolises Karoon's nimble, entrepreneurial spirit and our focus on constantly refining our expertise across our values and disciplines.

Integrity

is honestly doing what is right and doing what we say we will do.

Commitment

is following through on our promises with focus, passion and dedication.

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Progress through EXPERTISE

Over FY2022, Karoon continued to build its reputation as a safe, reliable and responsible operator, achieving facilities uptime of 99%*, with no material safety or environmental incidents. The Baúna intervention program commenced in May 2022 and the Patola oil field development is on track to come onstream in early CY2023. Combined, these projects are targeted to more than double production, driving value for shareholders and providing a platform for further growth. With experienced teams in Brazil and Australia, Karoon has the technical, commercial and strategic skills required to deliver strong business performance.

* Excluding scheduled shutdowns for maintenance

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Progress through FOCUS

In October 2021, Karoon completed a Strategic Refresh, which confirmed three overarching strategic imperatives. These are the delivery of safe and reliable production from the Baúna field, the Baúna intervention campaign and the Patola oil field development; building near- and medium-term production through value-accretive, organic and inorganic growth opportunities; and designing and implementing a high-quality sustainability program. Material progress was achieved on all these key strategic objectives in FY2022, which are designed to create value for all stakeholders.

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Progress through FINANCIAL RESILIENCE

A major milestone was achieved in late 2021, when financial close was reached on a US$160 million reserve-based, non-recourse, syndicated debt facility with a high-quality lending group. The facility was expanded in April 2022 to US$210 million, through a US$50 million Accordion Facility. This debt package broadens the sources of capital available to support Karoon's growth ambitions. Together with strong cash flows from operations and a risk-appropriate oil hedging program, Karoon is financially resilient.

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Progress through COMMITMENT

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Karoon made material progress on its Five Pillar Sustainability Strategy over FY2022, encompassing Health and Safety, Climate, Our People, Community and the Environment. The Company purchased carbon offsets to achieve carbon neutrality* in FY2021 and is targeting to be Net Zero* by 2035. Karoon's first Modern Slavery Statement was submitted, and the Company agreed a new program of voluntary community, social and environmental investment in Brazil. These activities demonstrate the Company's commitment to operating sustainably in all areas of its business.

*Scope 1 and 2 GHG emissions

FY2022 OPERATING & FINANCIAL HIGHLIGHTS

4.64 MMBBL
PRODUCTION

US$84.74
AVERAGE REALISED OIL PRICE PER BARREL

US$385 MILLION
OIL SALES REVENUE

US$154 MILLION
OPERATING CASH FLOW

US$90 MILLION
UNDERLYING NET PROFIT AFTER TAX

0.77 PER 200,000 HOURS
LOST TIME INCIDENT RATE

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0.77 PER 200,000 HOURS

TOTAL RECORDABLE INCIDENT RATE

0 SPILLS TO SEA

PROCESS SAFETY

46% FEMALE GROUPWIDE

DIVERSITY

82,870 tCO_2e

SCOPE 1 & 2 EMISSIONS

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LETTER FROM OUR CHAIRMAN & OUR CEO

In November 2021, Karoon celebrated its first full year of oil production from the Baúna asset in the BM-S-40 Concession, offshore Brazil, completing its transformation from an explorer to an oil producer and operator, and delivering on the promises made at the time of the Baúna acquisition. The transformation took place against the backdrop of a world economy emerging from the COVID-19 pandemic, with a major rebound in the oil price also reflecting heightened global security tensions.

BRUCE PHILLIPS
CHAIRMAN

JULIAN FOWLES
CEO & MD

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Strategic Refresh

A Strategic Refresh, to update our corporate strategy and objectives for the next five years, was completed during FY2022. A deep dive into global energy fundamentals concluded that while the global transition to renewable energy sources is accelerating, there is likely to be demand for oil that is produced responsibly, sustainably and at a competitive cost for some time. This view has strengthened over the year, with security of energy supply during the transition increasingly important given growing world political instability.

The bottom-up Strategic Refresh supported many of our existing goals, including a focus on accelerating and extracting maximum value and resource from the Baúna asset though the Baúna intervention program and Patola oil field development.

The work also highlighted the desirability of Karoon having a second asset, to diversify risk, amortise corporate costs, and expand our production opportunities. Consequently, we are pursuing both organic development opportunities, such as the potential Neon development, and inorganic oil acquisition opportunities. A rigorous technical and disciplined financial approach is used when assessing these growth options, which will only be progressed if they are demonstrably value-accretive for shareholders when compared to capital returns. This approach was used during FY2022 when evaluating the potential acquisition of a 50% interest in the Atlanta field offshore Brazil from Enauta Energia SA, which we ultimately decided not to pursue.

"A deep dive into global energy fundamentals concluded that while the global transition to renewable energy sources is accelerating, there is likely to be demand for oil that is produced responsibly, sustainably and at a competitive cost for some time."

Given the global energy transition, our subsurface focus has moved away from greenfield exploration towards activities that maximise near-field exploitation and support new short- to medium-term production opportunities.

FY2022 financial performance and capital management

Underlying net profit after tax for FY2022 was US$89.6 million, compared to US$21.4 million in FY2021. The statutory net loss after tax of US$64.5 million in FY2022 was impacted by several significant items, but primarily a US$227 million increase in the assessed fair value of the Petrobras contingent consideration.

Karoon ended the financial year with a strong cash and cash equivalents position of US$157.7 million, despite our significant investment program over the year and the final firm payment for the Baúna purchase of US$43.6 million made in May 2022. Together with US$180 million of undrawn debt, the Company's liquidity at 30 June 2022 was US$337.7 million.

Capital management

Given the financial commitments related to our growth projects which are currently underway, the Board decided FY2022 was not an appropriate time to commence returns to shareholders. However, the Board is committed to making returns to shareholders when supported by sustainable free cashflows. We intend to provide more detail on capital management during FY2023.

FY2022 operating performance

Karoon delivered a strong first full financial year as an oil producer. One of the most pleasing achievements was the high level of reliability of our infrastructure, with facilities uptime, excluding planned maintenance shutdowns, of approximately 99%. This was a result of the comprehensive review of the facilities and operating practices in FY2021, and subsequent work on upgrades and proactive maintenance, to minimise downtime and shutdowns and to maximise backup system availability. Facilities uptime remains a key focus area for our operating teams, with a recognition that for a mature field, production outcomes are driven to a large extent by operating reliability.

The high uptime in FY2022 combined with a continued strong reservoir performance, led to oil production for the year of 4.64 MMbbl, slightly above the upper end of market guidance.

US$157.7
MILLION
FY2022 cash and cash equivalents position

4.64
MMBBL
FY2022 oil production

Nine oil cargoes were sold over the year, with the June 2022 cargo realising a record US$55.9 million, reflecting the sharp rise in oil prices over the year due to the tightening global supply/demand balance, in part resulting from the Russian invasion of Ukraine.

Development projects

After more than 18 months of detailed planning, the Baúna intervention campaign commenced in May 2022. The first of four planned well interventions, expected to add in total 5,000-10,000 bopd to production, came onstream in line with expectations in late June. This first well has continued to see improving production and as at mid-August was steadily producing at approximately 4,000 bopd, more than double its pre-workover rate. Preparations for the Patola development, which is targeted to commence immediately after the intervention campaign, are progressing on schedule. Patola is forecast to add a further 10,000 bopd, taking total expected production from BM-S-40 in early CY2023 to approximately 30,000 bopd, before natural decline resumes.

While many of the costs for these projects remain unchanged, diesel fuel costs are significantly higher than budgeted, due to strong crude prices. Due to this and some delays to the campaign, forecast costs for the Baúna intervention program have increased, to between US$135 - 145 million. Patola costs have also been impacted by higher diesel costs and are now estimated at US$180 - 205 million.

LETTER FROM OUR CHAIRMAN & CEO

CONTINUED

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During the year, we committed to drilling up to two control wells on the Neon discovery following the Patola wells, subject to the receipt of required regulatory approvals. A decision on whether to proceed into concept select and a detailed engineering evaluation of a potential Neon development is targeted to be taken following analysis of the drilling results. If the new wells demonstrate that sufficient recoverable volumes exist within Neon, there are several potential development scenarios being considered, including a tieback to the existing (or a new Neon-optimised) Baúna FPSO and a standalone FPSO concept at Neon.

Sustainability

Health & Safety

Karoon's highest priority is safe and reliable operations, with the Company's HSSE culture and practices led by the Board (on advice from the Sustainability and Operational Risk Committee) and the executive team. During FY2022, we continued to embed our values and expectations with our staff and contractors, with a focus on maintaining a safe and healthy work environment and protecting the natural habitats in which we work.

Managing COVID-19 remained one of the Company's biggest challenges during the year. Despite stringent testing and quarantine procedures, there was an outbreak of COVID offshore on the FPSO and the Maersk Developer rig in the first half of CY2022. Fortunately, none of the cases required hospitalisation and many were asymptomatic, with Karoon's COVID-19 management plans ensuring that production was not impacted. With a resurgence in COVID-19 occurring in Brazil, as in many parts of the world, COVID-19 prevention and control will continue to be a major focus for the Company in FY2023.

Disappointingly, four Lost Time Incidents were recorded during the year leading to a total recordable incident rate (TRIR) of 0.77. While we believe that all incidents are preventable and we take each very seriously, we were fortunate that none of the incidents has had a long-term effect on the individuals impacted. Each LTI was comprehensively investigated, and the lessons learned were thoroughly applied to our current and future operations.

There were no material environmental incidents during the year. We give our environmental responsibilities the highest attention, with an ongoing program of preventive maintenance and infrastructure upgrades combined with regular analysis and implementation of potential improvement projects helping to maintain our performance.

Environment & Climate Change

A major component of the Strategic Refresh was dedicated to reviewing our sustainability programs and our approach to the issue of climate change and the global energy transition.

During the year, we released short and long-term targets, to be carbon neutral from FY2021 onward on Baúna-Patola and Net Zero by 2035 for Scope 1 and 2 GHG emissions.

To achieve these objectives, we have developed a Carbon Management Action Plan. Our first priority is to avoid or reduce emissions within our operations. The installation of a new mooring buoy was completed and a project to reduce operational emissions by optimising scheduling of support vessels implemented during the year, leading to a total reduction of more than 2,850 tCO_2e. We have also been assessing investments in high quality projects to offset future residual emissions.

Given the rapidly evolving global carbon market and the long-dated nature of finding appropriate projects, the Company has agreed to purchase more than 480,000 high quality verified emission reduction credits between 2022 and 2030 from Shell Western Supply and Trading Limited, to offset an estimated 60% of total Baúna-Patola Scope 1 GHG emissions. We have since purchased additional carbon offsets to become carbon neutral for FY2021 on Baúna Scope 1 GHG emissions and, until we develop or acquire our own projects, intend to continue acquiring sufficient offsets to be carbon neutral.

Work took place on quantifying Scope 3 emissions, which are disclosed for the first time in our Sustainability Report, and external assurance on Scope 1 and 2 emissions was also completed in FY2022.

>2,850
tCO_2e
Reduction of operational emissions during the year

>480,000
CREDITS
high quality verified emission reduction credits purchased between 2022 and 2030

Social programs

In 2022, we submitted our first Modern Slavery Statement and sponsored four new voluntary social-environmental projects in Brazil. These projects seek to provide a range of positive social and environmental outcomes. This includes the provision of employment for vulnerable individuals, providing access to recycling facilities to reduce landfill waste, increasing awareness and knowledge of indigenous and traditional culture, protecting endangered species, and providing education opportunities for disadvantaged children centred on music and citizenship.

More details on these activities are contained in our FY2022 Sustainability Report, which is the first time the Company has produced a standalone report.

Governance

The Board recently conducted its first face-to-face meetings in Brazil since the COVID-19 pandemic restricted travel. Apart from conducting our normal Board and committee business, directors took the opportunity to meet with key regulators, political leaders, other E&P entities, and external auditors. In addition, directors inspected the FPSO and the Maersk Developer rig, and met key representatives from our major contractors, Maersk Drilling, TechnipFMC and Altera&Ocyan. Board members also visited and gained insights into our environmental and social programs.

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The key takeaways were the high-quality capabilities of our workforce, the opportunities for growth in Brazil, the ready availability of world class contractors, and the sophisticated, stable regulatory regime governing the Brazilian oil and gas operating environment.

“We expect to finalise the Baúna intervention program in CY2022 and the Patola development drilling, completion and tieback by early CY2023, to be followed by the Neon control well drilling.”

Outlook for FY2023

FY2023 will be a busy year operationally for Karoon. We expect to finalise the Baúna intervention program in CY2022 and the Patola development drilling, completion and tieback by early CY2023, to be followed by the Neon control well drilling. If the Baúna and Patola wells are successful, we anticipate that Baúna production in FY2023 could be between 7 and 9 MMbbl, which should drive materially higher cash flows for the Company than in FY2022, subject to oil prices and general economic conditions. The Company also plans to continue to seek value-accretive inorganic growth opportunities.

Scope 1 and 2 GHG emissions will increase in FY2023 due to higher activity levels as we undertake the interventions and Patola development but are expected to reduce once the Maersk Developer rig activities have been completed. We will continue to focus on reducing emissions within our operations and on acquiring offset projects in Brazil or Australia.

Conclusion

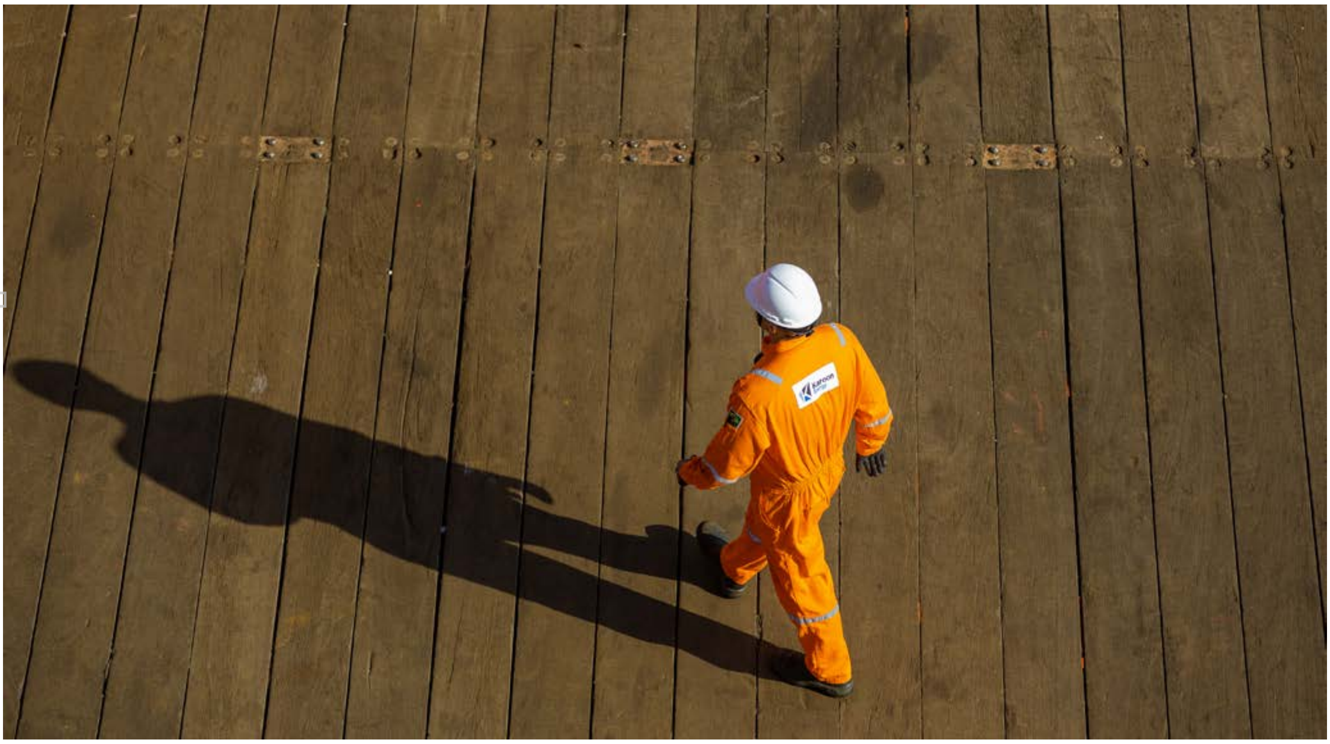
Finally, we wish to say thank you to our Board colleagues for their guidance and support during what was a very busy year.

We are sure you will also join us in thanking the management team, and indeed all of the talented and dedicated people across our business, for their hard work and dedication during difficult times. In particular, our new senior executives, EVP and CFO, Ray Church, and EVP and President Brazil, Antonio Guimarãe who joined in September and October 2021, respectively, have had a strong positive impact on the organisation, strengthening our operating and financial capability, regulatory relations and ensuring high levels of governance.

Most importantly we wish to thank you, our shareholders, for your continued loyalty and support.

Bruce Phillips
Chairman

Julian Fowles
CEO and MD



FINANCIAL OVERVIEW

Karoon's 2022 financial results benefited from the first full year of Baúna operations and strong realised oil prices. This resulted in underlying earnings before interest, tax, depreciation and amortisation (EBITDA) and an underlying net profit after tax (NPAT) of US$205.2 million and US$89.6 million, respectively. Despite the commencement of expenditure on the Baúna intervention and Patola development projects and the final firm payment for the Baúna asset, the Company finished the year with cash and cash equivalents, net of US$30 million of drawn debt, of US$127.7 million and liquidity of US$337.7 million.

Crude oil liftings

Nine oil cargoes were lifted from Baúna in FY2022, totalling 4.54 MMbbl, compared to six cargoes lifted (2.90 MMbbl) in FY2021. The increase reflected Karoon's first full year of operations since the acquisition of Baúna on 7 November 2020 and high levels of operations uptime. The Company realised a weighted average price, net of selling expenses, of US$84.74/bbl, compared to US$59.00/bbl in FY2021, due to stronger global crude oil prices and the expansion of buyer markets for Baúna crude, which now include Europe, Asia and North and South America.

Profitability

Crude oil sales revenue from the cargoes lifted was US$385.1 million, resulting in a statutory gross profit of US$193.4 million (FY2021: US$59.4 million). Adjusting production costs to reflect the FPSO charter lease, unit production costs for the period were US$25.36 per barrel (2021: US$25.11 per barrel). Consequently, underlying EBITDA grew to US$205.2 million (FY2021: US$61.1 million) and underlying NPAT for the financial year increased to US$89.6 million (2021: US$21.4 million).

The Company reported a statutory net loss after tax of US$64.5 million (2021: statutory net profit after tax US$4.4 million), which was impacted by several factors, including:

- An increase in the fair value of the contingent consideration payable to Petrobras of US$227.1 million (US$149.9 million net of deferred tax), due to an increase in Karoon's future oil price expectations. At 30 June 2022, the contingent consideration payable to Petrobras, which is dependent on future oil prices each calendar year from 2022 to 2026 inclusive, was estimated at US$298.3 million (reflecting the maximum payment of US$285 million plus accumulated interest, and discounted using an appropriate rate).
- Realised losses on cash flow hedges of US$11.8 million, required under the terms of our syndicated loan facility.

See FY2022 Financial Summary on page 19 for full details.

Cash flows

Over FY2022, cash receipts from oil sales were US$363.0 million and operating activities generated net cash inflows of US$154.2 million (2021: US$29.8 million).

Significant operating cash payments for the year included the following:

- Payments to suppliers and employees, including production costs, of US$117.0 million (2021: US$56.5 million).
- Income tax of US$39.4 million (2021: US$10.8 million).
- US$20.8 million (2021: nil) of out of the money oil hedges and upfront hedge premiums.
- Finance-related interest and other costs, predominantly relating to finance charges on the FPSO lease, of US$18.9 million (2021: US$13.2 million).

US$113.0 million (2021: US$169.2 million) was applied to the following investing activities during the year:

- Capital expenditure relating to the Baúna intervention campaign, Patola development and ongoing field maintenance of US$59.6 million (2021: US$16.0 million).
- Deferred consideration paid to Petrobras for the Baúna acquisition of US$43.6 million (2021: US$150 million for the Baúna completion payment).
- US$5.8 million (2021: US$0.2 million) of capitalised borrowing costs associated with the Company's loan facility.

Financial position

In preparation for the commencement of the Baúna intervention campaign and Patola development, in November 2021, Karoon closed its first debt facility, a US$160 million reserve-based, non-recourse facility, and made an initial drawdown of US$30 million. The facility, with a high-quality lender group comprising Deutsche Bank, ING, Macquarie and Shell, represents a cost-competitive funding source. In April 2022, the Company expanded the facility through a US$50 million accordion, increasing its total debt facilities to US$210 million.

US$363
MILLION
receipts from oil sales

US$117
MILLION
Payments to suppliers and employees, including production costs

US$39
MILLION
Income tax paid

US$60
MILLION
cash payments on Baúna and Patola developments

At 30 June 2022, US$180 million remained undrawn which, together with cash and cash equivalents of US$157.7 million, provided total liquidity of US$337.7 million.

To support the loan facility, the Company entered into Brent oil price cash flow hedges covering the period from December 2021 to March 2024. The hedging program is designed to protect operating cashflows against the risk of lower oil prices, allowing for debt repayments, while retaining upside price exposure on the unhedged volumes.

Refer to pages 43-45 of the Directors' Report for further discussion of the results, cash flows and changes to the Group's financial position.

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FY2022 Financial Summary

YEAR TO 30 JUNE	2022	2021^*
Production volume (MMbbl)	**4.64**	3.14
Oil sales volume (MMbbl)	**4.54**	2.90
Unit production costs[1] ($/bbl)	**25.36**	25.11
Weighted average net realised price ($/bbl)	**84.74**	59.00
	US$ MILLION	**US$ MILLION**
Sales revenue	**385.1**	170.8
Underlying EBITDA[2,3,5]	**205.2**	61.1
EBITDA[2,3]	**(28.4)**	11.4
Net interest and other finance costs	**5.7**	1.7
Depreciation and amortisation[4]	**55.7**	37.6
Underlying net profit before income tax[2,5]	**143.8**	21.8
Underlying net profit after income tax[2,5]	**89.6**	21.4
Net profit/(loss) after income tax	**(64.5)**	4.4
Operating cash flows	**154.2**	29.8
Net assets	**276.2**	380.3
Investment Expenditure:		
– Baúna intervention and Patola CAPEX[6]	**92.0**	18.6
– Exploration and evaluation expenditure and new ventures[7]	**6.5**	7.1
– Other plant and equipment[8]	**5.0**	6.0

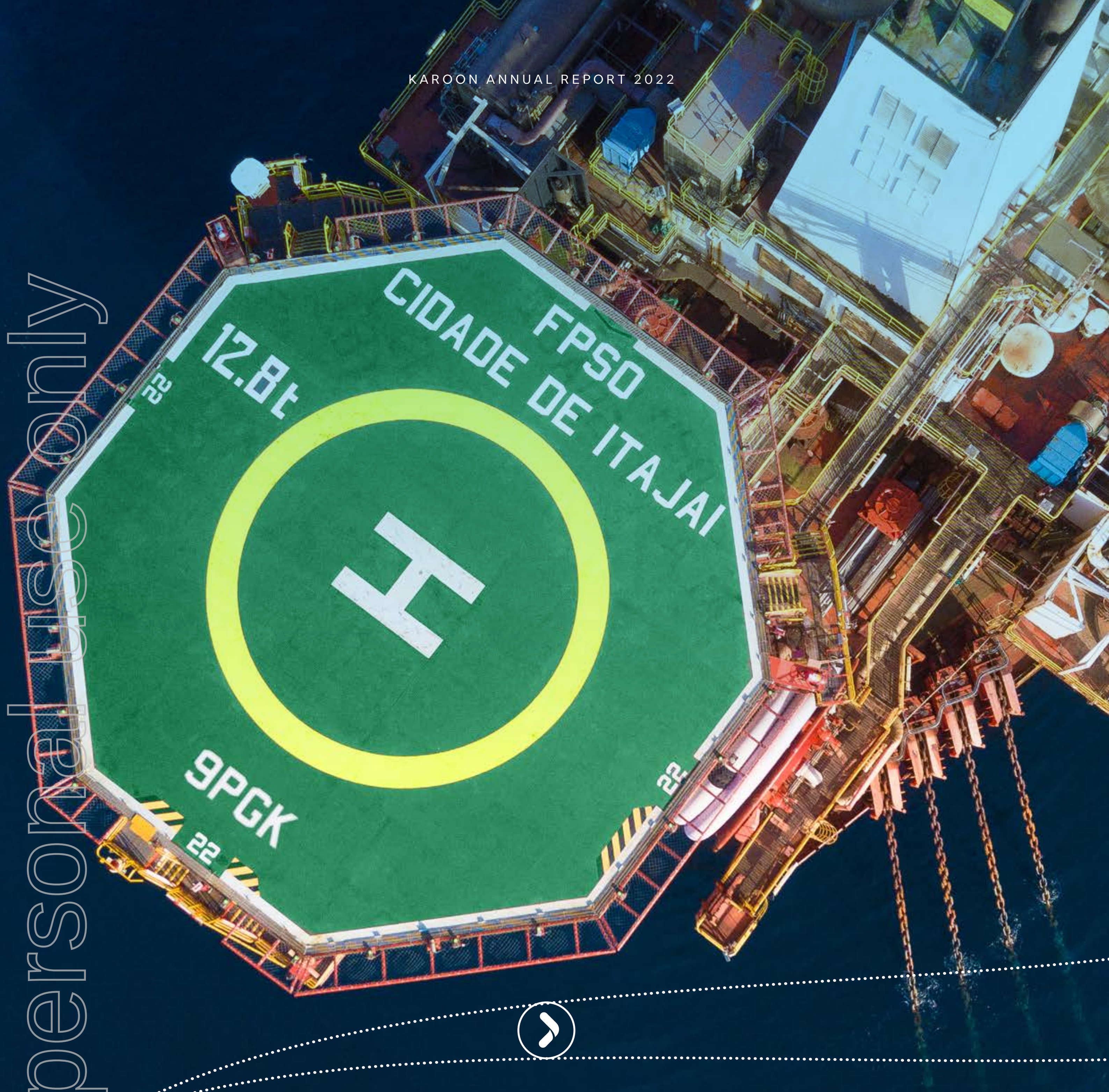
^ Reflects Baúna operations from 7 November to 30 June 2021 and is therefore not directly comparable.

* FY2021 underlying NPAT has been restated from US$33.4 million to US$21.4 million, to include the tax effect of underlying adjustments.

1. Unit production costs are based on operating costs as disclosed in Note 5(a) of the financial statements adjusted for depreciation on the FPSO right-of-use asset and related finance cost to reflect the accounting expense related to the FPSO charter lease.
2. EBITDA (earnings before interest, tax, depreciation, depletion, and amortisation), underlying EBITDA, underlying net profit before tax, and underlying net profit after tax are non-IFRS measures that are unaudited but are derived from figures within the audited financial statements. These measures are presented to provide further insight into Karoon's performance.
3. Includes depreciation on FPSO charter lease right-of-use asset and finance charges on the FPSO right-of-use lease refer Note 1 above.
4. Excludes depreciation on FPSO charter lease right-of-use asset refer Note 1 above.
5. Underlying EBITDA, underlying net profit before tax ('NPBT') and underlying net profit after tax ('NPAT') have been adjusted for the following items:

YEAR TO 30 JUNE	2022 US$ MILLION	2021 US$ MILLION
Change in fair value of contingent consideration	**227.1**	6.6
Realised losses on cash flow hedges	**11.8**	-
Foreign exchange losses/(gains)	**(6.2)**	17.1
Employee restructure cost	**0.9**	-
Baúna transition costs	-	15.7
Legal settlement	-	9.6
Impairment and inventory write-down	-	0.7
Total adjustments to EBITDA and NPBT	**233.6**	49.7
Initial recognition of historical Brazilian tax losses and temporary differences	-	(20.7)
Impact of tax on adjusting items	**(79.5)**	(12.0)
Total adjustments to NPAT	**154.1**	17.0

6. Excludes Baúna acquisition costs and capitalised borrowing costs associated with the Patola development.
7. Includes exploration and evaluation capitalised and exploration, evaluation and new venture expenses.
8. Excludes leased right-of-use asset additions.



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PRODUCTION AND DEVELOPMENT

Karoon produced 4.64 MMbbl of oil from Baúna in FY2022. Health, Safety, Security and Environment, and operational efficiency metrics were also sound, which, given the continued significant challenges from COVID-19 over the year, was a substantial achievement. In November 2021, Karoon celebrated its first full year as an oil operator, having produced oil safely, reliably and responsibly without any serious incidents over this period, with the solid operating performance continuing through the balance of FY2022.

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Production and sales

FY2022 production performance

FY2022 oil production from Baúna, comprising the Baúna and Piracaba fields in BM-S-40 located approximately 220 kilometres offshore Brazil in the southern Santos Basin, was 4.64 MMbbl.

Production benefited from facilities uptime of 97% including an 8-day shut-down for scheduled maintenance, or 99% excluding the shut-down. This excellent level of uptime reflected the success of the improved maintenance and pre-emptive facilities integrity programs, which were implemented by Karoon and the FPSO operator, Altera&Ocyan, in FY2021 and continued during FY2022.

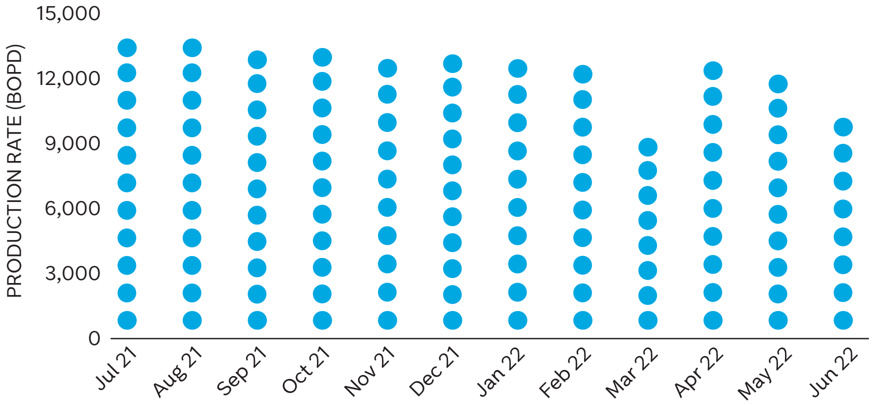
Báuna reservoir performance was also strong, consistently in line with or above expectations over the year, with the wells exhibiting lower than expected decline rates. A key focus for the Karoon production and operations teams is to continue to optimise the wells and topside configurations to maximise output.

During the year, several activities took place to ensure the ongoing integrity of the production facilities. These included undertaking mooring chain repairs, replacing the forward offloading hose and refurbishing three turbine generators on the FPSO. In addition, a new mooring buoy for Baúna support vessels was installed, which is also helping to reduce diesel consumption while the vessels are stationary.

Safety and environmental performance

Karoon is committed to delivering a safe work environment for its staff and contractors in both its onshore and offshore operations. Safety and safe outcomes continue to be emphasised as a priority in all the Company's operations, and education regarding the importance of following procedures and keeping training up to date is provided to staff and contractors on an ongoing basis.

Monthly production rate, BM-S-40 (Baúna and Piracaba fields)



Notes:
- Nine day scheduled shut-down took place in March 2022.
- Baúna intervention campaign commenced in May 2022.

Unfortunately, four Lost Time Incidents occurred during the year:

- A third-party contractor injured the tip of a finger while handling a pneumatic torque tool on the FPSO.
- A cook slipped in the galley onboard the FPSO, fracturing their elbow.
- A third-party contractor onboard a support vessel slipped and fractured a rib.
- An employee onboard the FPSO twisted their ankle which was subsequently identified as a fracture.

All incidents underwent a thorough investigation process and targeted safety campaigns were subsequently implemented.

The Company's stringent COVID-19 safety protocols continued to be implemented. These include encouraging all staff to be vaccinated and receive booster doses as they become available, as well as regular testing and isolation protocols for those that test positive.

Unfortunately, despite these precautions, there was an outbreak of COVID-19 during the year, including 69 cases detected onboard the FPSO, and 45 on the Maersk Developer rig. Fortunately, no cases required hospitalisation and production was unaffected.

In line with Karoon's commitment to minimise its environmental impact, protect biodiversity and seek continuous improvement in operations, the Company continued to implement careful planning and monitoring to seek to ensure compliance with environmental regulations and licence requirements.

FY2022 oil sales

Nine oil cargoes were lifted from Baúna over FY2022, totalling 4.54 MMbbl. The average realised price, net of selling expenses, was US$84.74/bbl, compared to US$59.00/bbl realised for FY2021, reflecting the strength in global oil prices due to the tightening supply and demand balance and the invasion of Ukraine by Russia.

The cargoes, marketed by Shell Western Supply and Trading Limited (a member of the Royal Dutch Shell Plc group), were sold to a range of customers in South America, North America, Europe and Asia, with each cargo well bid for, highlighting the attractiveness of the Baúna light sweet crude.

Period	September Quarter 2021	December Quarter 2021	March Quarter 2022	June Quarter 2022	FY2022
Production (MMbbl)	1.28	1.23	1.05	1.08	4.64
Number of cargoes	2	3	2	2	9
Sales volume (MMbbl)	1.04	1.53	0.99	0.98	4.54
Weighted average realised price (US$/bbl)	68.00	75.44	95.02	107.52	84.74

Note: Numbers may not add up due to rounding.

PRODUCTION AND DEVELOPMENT
CONTINUED

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Development

Baúna intervention campaign

The Baúna intervention program commenced in May 2022, representing the culmination of more than 18 months of detailed planning by Karoon teams and contractor partners in Australia and Brazil. The intervention campaign, which is aiming to add 5,000 – 10,000 bopd to Baúna production, presently comprises the installation of new electric submersible pumps (ESPs) in the PRA-2 and SPS-92 wells, installation of gas-lift equipment in SPS-56 and re-opening the lower zone of the BAN-1 well. The Company's key priority is to deliver this campaign safely, efficiently and on schedule.

In early May 2022, the Maersk Developer rig, operated by Maersk Drilling, arrived on location in the Baúna field following the receipt of all required permits and regulatory approvals. The first intervention, in PRA-2, was completed in late June, with the installation and commissioning of a new ESP. This new artificial lift system has increased production from 1,900 bopd prior to the intervention to approximately 4,000 bopd as at August 2022.

As at August 2022, the second workover, on SPS-56, was ready to be brought back online with the third intervention in SPS-92, underway.

Patola development

Immediately following the Baúna intervention program, the rig is planned to move to the Patola field, which is located adjacent to the Baúna and Piracaba accumulations, within BM-S-40. The development of Patola comprises drilling two subsea production wells, the installation of subsea infrastructure and tying back the wells to spare riser slots on the Baúna FPSO. First oil is targeted for the first quarter of CY2023.

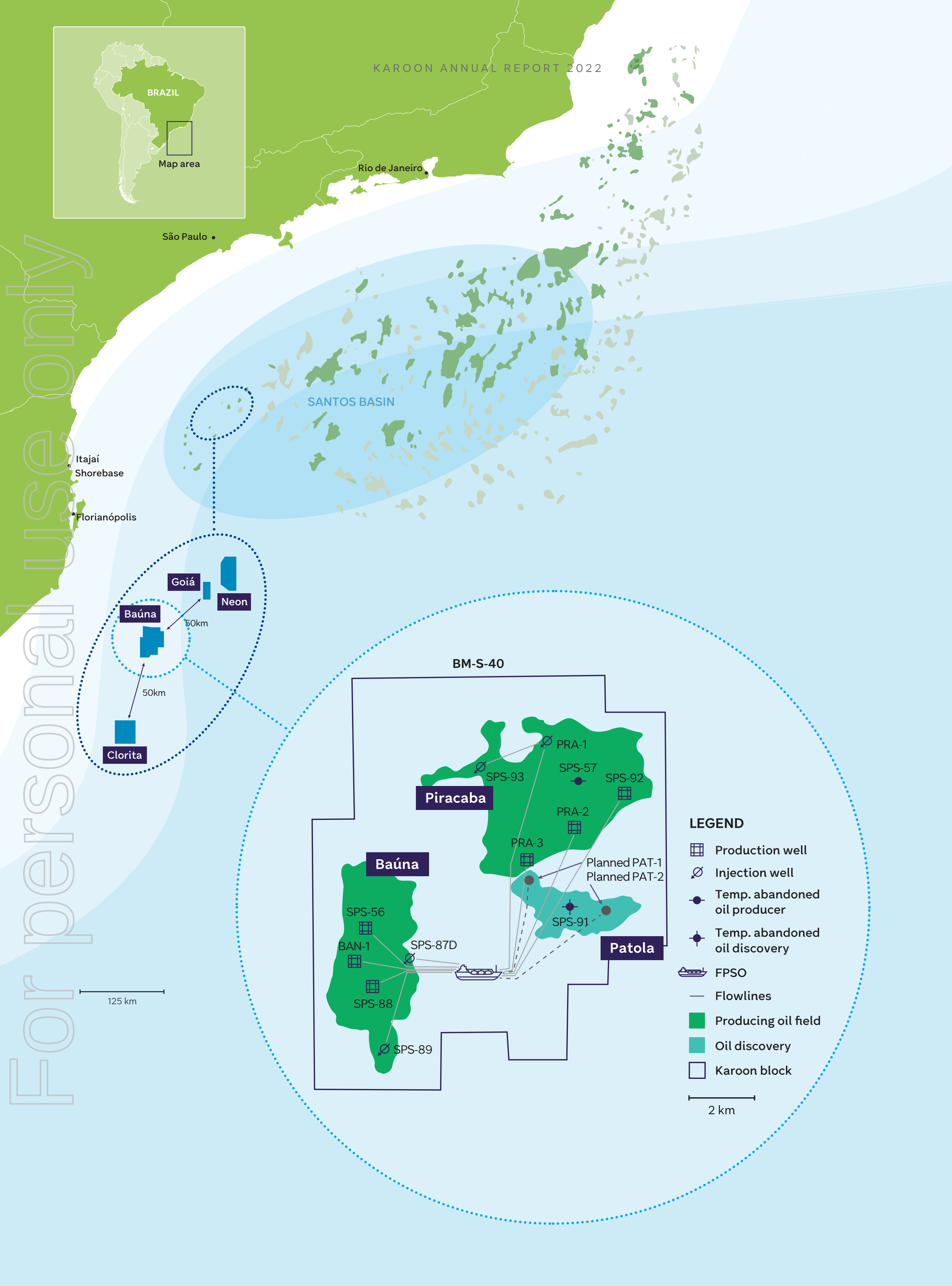
During FY2022, key contracts for the Patola development continued to be negotiated and locked in, and the design and manufacture of infrastructure and specialised tools progressed on schedule. In addition, the pipelaying vessel was nominated and approval was received from the Brazilian authorities for the connection of the two Patola wells to the FPSO.

The Patola development is expected to come onstream at an initial rate of more than 10,000 bopd, which would take total production in early 2023 to approximately 30,000 bopd, prior to natural decline resuming.

FY2023 Outlook

Planned activities in FY2023 include the following:

- Completion of the intervention campaign on Baúna and operational ramp-up to full production.
- Drill and complete two Patola wells, install Patola subsea infrastructure components and tie into the Baúna FPSO.
- Complete a Reserves and Resources reassessment.
- Replace the aft offloading hose.



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SUBSURFACE EVALUATION AND NEW VENTURES

Following the Strategic Refresh, Karoon has commenced implementing its corporate strategy to build near and medium-term production through value-accretive, organic and inorganic growth opportunities. The main focus for Karoon's Subsurface and New Ventures team during FY2022 was on re-evaluating the Neon discovery and actively assessing merger and acquisition opportunities. The Company also continued to study near-field exploitation targets, which have the potential to bring incremental production into the existing facilities, building on the Baúna production asset.

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Subsurface evaluation activities

Brazil

Santos Basin, Blocks S-M-1037, S-M-1101
100% Equity Interest, Operator

During FY2022, extensive work was undertaken by Karoon's technical teams on the 100% owned Neon oil discovery, aimed at improving the economics of a potential development. The re-evaluation of Neon, which is located 60 kilometres northeast of Baúna, considered updated subsurface geological and reservoir simulation modelling, drilling well design modelling and a range of alternative development concepts. The results of the studies, together with financial and economic analyses, confirmed that a Neon development presents a potentially attractive investment option for Karoon.

In April 2022, Karoon committed to drilling a control well and, subject to the results of that well, a second control well at Neon, with the following objectives:

- Establish reservoir continuity and calibrate predictive models.
- Narrow the range of oil:water contact and field limit uncertainty.
- Provide key data for the calibration of production performance expectations.
- Confirm the reservoir quality in crestal field areas.
- Determine fault characteristics.
- Test potential upside in deeper reservoirs.

Subject to the receipt of required environmental approvals, the control well(s) will be drilled by the Maersk Developer rig following the drilling and completion of the two Patola development wells.

Preliminary development options envisage Neon oil being produced through a number of subsea wells, tied back to either a standalone local FPSO, or to the existing (or potentially a new, Neon-optimised) FPSO at Karoon's producing Baúna oil field. Reservoir simulation modelling estimates that the Neon field could commence production at an initial oil plateau rate of potentially 30,000 to 50,000 bopd. If the control well drilling is successful and indicative development returns meet internal hurdle rates, the project is anticipated to proceed through Concept Select and into Front End Engineering and Design, before a potential Final Investment Decision.

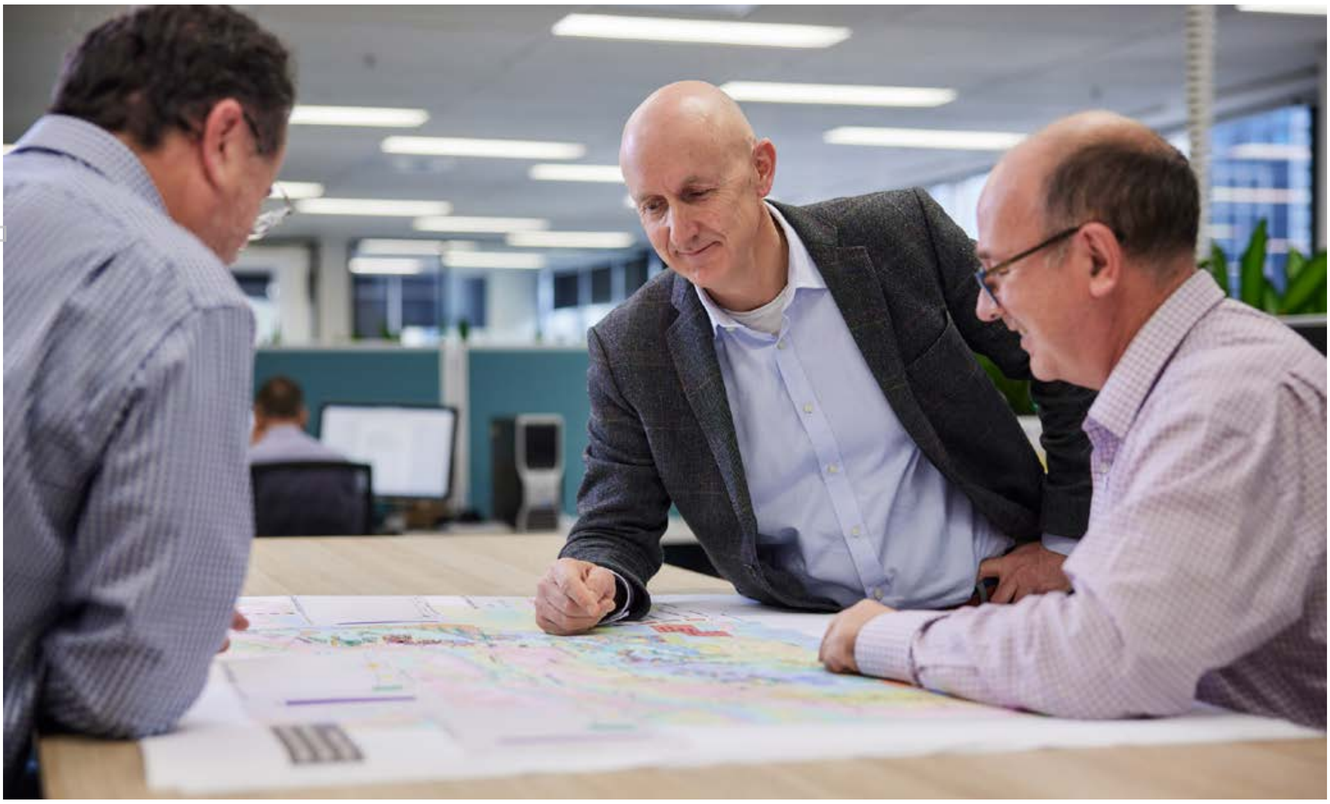
The re-evaluation of Neon also included a study of the nearby Goiá discovery and Neon West prospect, which potentially could provide incremental resource to a Neon development. These opportunities are both 100% owned by Karoon and would be partially de-risked if the control well drilling results at Neon are positive.

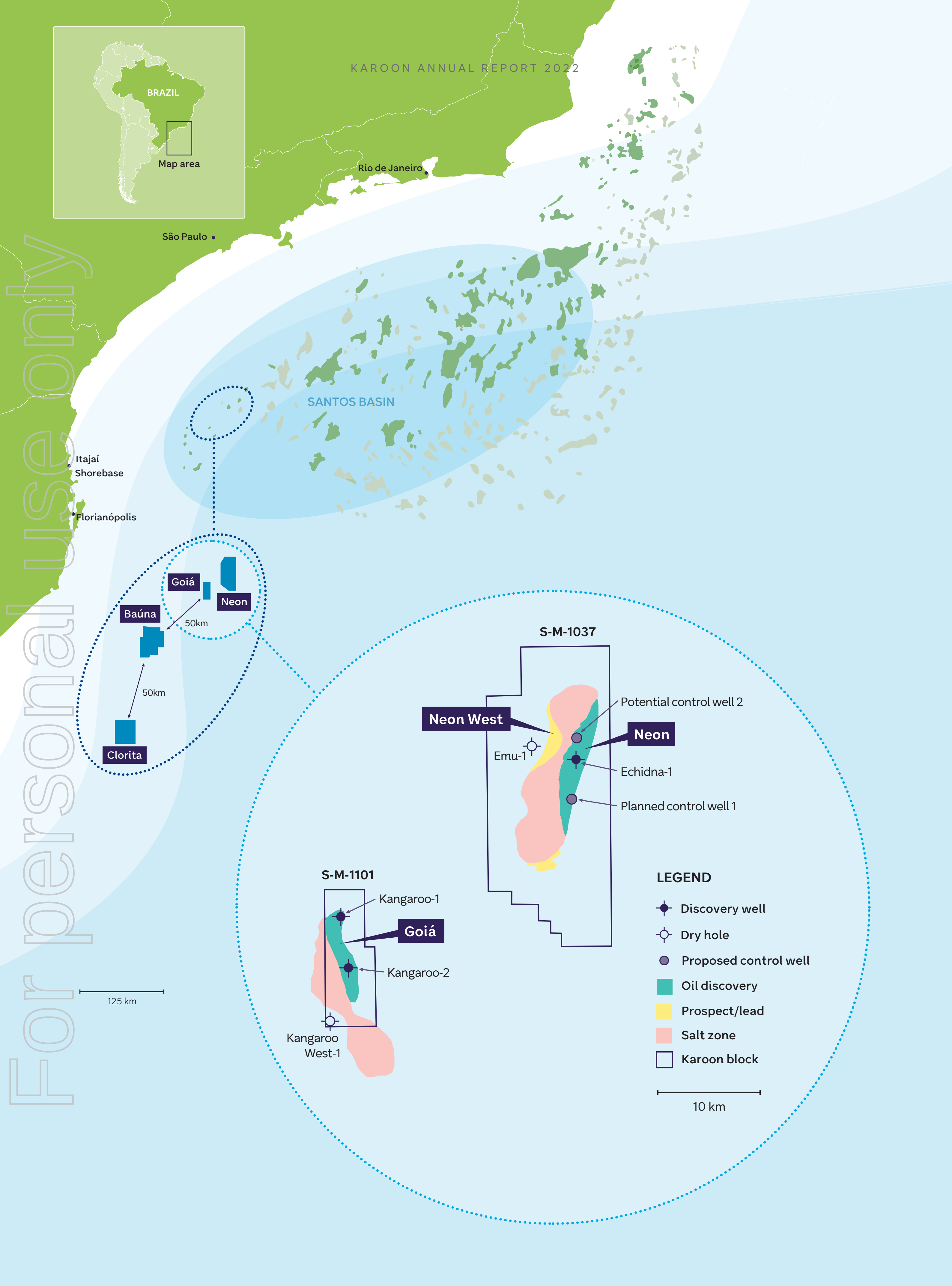
Santos Basin, Block S-M-1537
100% Equity Interest, Operator

Geological and geophysical studies continued over the year on Block S-M-1537, located 50 kilometres south of Baúna. Activities were focused on de-risking the Clorita prospect, which is targeting the same high quality Oligocene turbidite reservoirs seen in the Baúna field to the north.

Peru and Australia

During FY2022, Karoon advanced its withdrawal from exploration interests in Peru and Australia, in line with its strategy to exit greenfield exploration.





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SUBSURFACE EVALUATION AND NEW VENTURES

CONTINUED

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Peru

Karoon decided not to proceed into the Fourth Period for Block Z-38 in the Tumbes Basin, and the concession agreement was terminated in July 2021. The termination of the Area 73 Technical Evaluation Agreement was completed in September 2021, following Karoon's decision not to negotiate a licence contract.

Australia

After completing geological and geophysical studies and work programme commitments on reprocessed 3D seismic data on WA-482-P in the Northern Carnarvon Basin, the WA-482-P Joint Venture applied to the National Offshore Petroleum Titles Administration (NOPTA) to surrender the permit.

Karoon applied to surrender Permit EPP46 in the Ceduna Sub-basin, Great Australian Bight, in late 2019 and the permit was cancelled in September 2021.

WA-315-P and WA-398-P contingent payments

At the end of FY2022, deferred contingent milestone payments relating to Karoon's sale of a 40% interest in permits WA-315-P and WA-398-P in the Browse Basin, including the Poseidon gas discovery, to Origin Energy Browse Pty Ltd in June 2014, remained outstanding. These contingent payments comprise US$75 million due at FID, US$75 million due at first production and a resource step-up payment of up to US$50 million payable on first production.

New Ventures activity

Over the year, Karoon's New Ventures team actively screened a range of high-quality inorganic growth opportunities. The team uses a rigorous process with the following key asset selection priorities:

- Value accretive, exceeding Karoon's return threshold.
- Producing or at least at FID stage in the case of a pre-production asset.
- Fundable.
- Complementary to Karoon's footprint and/or capabilities.
- Compatible with Karoon's carbon targets.
- Any acquisition must be balanced against the return of capital to shareholders.

FY2023 OUTLOOK

Planned activities in FY2023 include the following:

- Detailed planning for, and implementation of, control well drilling at Neon.
- Integration of the well drilling results into the Neon commercial model, which will inform any future investment decision.
- Evaluation of strategic merger and acquisition opportunities.
- Assessment of organic growth opportunities.

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SUSTAINABILITY

Sustainability touches all areas of our business, playing a major role in our decision making as we build a future delivering energy through safe, reliable and responsible operations. As an oil producer, Karoon faces the challenge of continuing to participate in providing the world with a much-needed secure and reliable supply of oil while also being committed to reducing our carbon emissions and delivering value for our stakeholders.

PRO CREP Social Environmental Project

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Our Approach to Sustainability

Karoon considers a successful approach to sustainability to be a key enabler to the overall success of our Company strategy. This was particularly evident during our 2021 Strategic Refresh, the results of which are summarised in our investor presentation of 28 October 2021. Sustainability was a core element in decision-making throughout the Refresh process, culminating in the definition of Karoon's five core pillars of sustainability:

1. Health, Safety and Security
2. Climate
3. People and Culture
4. Community
5. Environment

Our five pillars of sustainability are closely tied to Karoon's Corporate Purpose, Vision and Mission, which focus on providing energy in a dynamic world through safe, reliable and responsible operations.

Managing Sustainability Risks and Opportunities

Karoon understands that the careful management of risks and opportunities is critical to achieving a successful and sustainable business. Karoon's risk management framework is well established and is regularly reviewed and updated as the business grows and we seek to respond to the expectations of our key stakeholders.

The Board ultimately has responsibility for risk management at Karoon, assisted by a number of committees:

- The Audit and Risk Committee (ARC) assists the Board in discharging its oversight responsibilities with respect to overall risk identification and management, including the Corporate Risk register and all aspects of Karoon's financial reporting.
- The Sustainability and Operational Risk Committee (SORC) assists the Board in fulfilling its responsibility for operational risk oversight and management and fostering a culture of sustainability and social responsibility. This includes Health, Safety, Security and Environment (HSSE), Climate Change Strategy, Social and Environmental projects, regulatory compliance and Karoon's operating management system (OMS). The committee also has oversight of Karoon's Operational Risk Register.
- The People, Culture and Governance Committee (PCGC) assists the Board in discharging its oversight responsibilities for Karoon's corporate governance framework to attract, retain and drive high performance in all employees.

Executive Remuneration is linked to financial, operating and sustainability outcomes, with all employees motivated to achieve success. Refer to our Remuneration Report on pages 48-68 for a comprehensive description of individual key management personnel (KMP) and corporate performance benchmarks and outcomes.

Health and Safety

People are the heart of our business and their safety is our priority.

We strive to ensure that our commitment to safe, reliable and responsible operations is evident throughout all our projects and activities. Karoon works closely with the Baúna FPSO operator, Altera&Ocyan, to deliver on Karoon's commitment to health, safety, security and environment and embed a safety-first culture throughout the Baúna operations.

No Medical Treatment Injuries or Restricted Work Cases were recorded during the reporting period and no fatality has ever been recorded in Karoon's operations. Unfortunately, we did record four Lost Time Incidents (LTIs) during the reporting period, resulting in a LTI rate (LTIR) equal to our Total Recordable Incident Rate (TRIR), of 0.77.

In 2021, Karoon contracted the Maersk Developer rig, owned and operated by Maersk Drilling, to undertake a series of activities in Baúna, Patola and Neon. These activities are the first for Maersk Drilling in Brazil and Karoon spent almost a year planning with Maersk to align the rig operations to Karoon's safety culture.

During its first full year of operations on Baúna, Karoon was able to successfully navigate operational challenges without any major incidents or injuries, due to our focus on health and safety, engagement with stakeholders and compliance with applicable laws and regulations.

No Medical Treatment Injuries (injuries requiring more than basic first aid but not resulting in any days away from work) or Restricted Work Cases were recorded during FY2022 and no fatality has ever been recorded in Karoon's operations to date. Unfortunately, we did record four Lost Time Incidents (LTIs) during FY2022, resulting in a LTI rate (LTIR) equal to our Total Recordable Incident Rate (TRIR), of 0.77.

While Karoon is proud of our strong safety record, we are always striving for continuous improvement. In FY2023, we intend to commence a new Safety Culture research and development project on the Maersk Developer rig to educate workers while also investigating ways to improve safety outcomes through better safety culture and behaviours.

Managing the impacts of COVID-19

While the COVID-19 pandemic continued to have a global impact during FY2022, Brazil experienced significantly less cases and deaths related to COVID-19 compared to the prior year. Despite a dramatic spike in cases due to the arrival of the Omicron variant in January 2022, which also resulted in a number of cases onboard the Baúna FPSO and the Maersk Developer rig, Karoon has yet to experience any interruption to production as a result of COVID-19.

All staff have received at least two doses of a vaccine and have been encouraged to receive booster doses as they become available. While strict COVID-19 protocols are in place across both operational sites and offices throughout the organisation, and despite the strong commitment to vaccinations, cases continue to be recorded in Karoon personnel in both Australia and Brazil. In respect of offshore operations, testing is undertaken of all suspected cases and isolation protocols enacted, with sanivac (evacuation to shore) services provided for symptomatic positive cases identified at offshore facilities.

Thankfully, Karoon has not recorded any COVID-19 fatalities throughout the pandemic and no Karoon personnel were hospitalised due to the disease during the reporting period.

SUSTAINABILITY
CONTINUED

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Cyber Security

The global rise in cyberattacks and the professional nature of hacks launched by cyber-criminal organisations are presenting enterprises with the challenge of developing, implementing and constantly reviewing security strategies. Operators of critical infrastructure need to implement a cybersecurity strategy that ensures comprehensive protection of their data, production facilities and critical IT systems. Protection against specific cyberattacks is therefore an important part of the overall IT architecture at Karoon Energy. No intrusions to Karoon's network were detected during FY2022.

Cybersecurity is sustainable when security resources are implemented, used, managed and maintained in a way that does not degrade the performance level of IT services or deplete over a period of time due to anything that affects overall security of networks, systems, business operations or organisational performance. Karoon addresses the cybersecurity challenge with a four principle approach, based on reliability, accuracy, architecture and resilience. (See the FY2022 Sustainability Report for further details).

Climate

Karoon recognises the global climate challenges facing the oil and gas industry and we acknowledge the expectation for oil and gas companies to play a key role in the pathway to net zero. We believe we should seek to reduce our GHG emissions where feasible and to mitigate what cannot be removed, thereby helping with the effort to reduce the impacts of climate change.

We are determined to deliver safe and reliable operations that reflect our deep commitment to acting responsibly in all aspects of our business. As a producer, Karoon's GHG emissions have become material, going from almost zero in FY2019 to more than 80,000 tCO_2e in FY2022. This presented us with both a challenge and an opportunity as we developed our plans to significantly grow our production, balanced with our climate-related and fiscal responsibilities, during our 2021 Strategic Refresh.

The Strategic Refresh marked a significant milestone in Karoon's climate journey. It resulted in a commitment to Scope 1 and 2 greenhouse gas (GHG) emissions targets and a Carbon Management Action Plan. The ambitious nature of our targets and action plan demonstrates the high priority Karoon places on climate action and our dedication to acting responsibly to deliver strategic growth. In addition, Karoon has committed to reporting on Scope 3 emissions from FY2022. Further details are available in our Sustainability Report.

Oversight of Climate-Related Issues

Karoon takes its climate responsibilities very seriously, with oversight of the impact of climate-related risks and opportunities on decision making occurring at the Board. The Board regularly reviews climate risks, which are included in our business risk registers. The SORC typically reviews climate-related physical risks while the ARC typically reviews climate-related transition risks. The SORC has the ongoing responsibility for monitoring and overseeing Karoon's climate-related goals and targets while the Board monitors progress against our climate-related strategy and investments and has ultimate oversight of Karoon's risk management.

Our Strategic Approach

Over FY2022, Karoon has defined and assessed climate-related impacts for our business. During our Strategic Refresh, the influence of climate impacts on all aspects of Karoon's business was evident and helped us identify specific climate-related risks and opportunities that will affect our success as we continue to grow. These will change over time as our business changes and as the world around us responds to global decarbonisation challenges.

Various scenarios and analyses were considered in the Strategic Refresh discussions that helped shape our climate targets, particularly regarding transition risks and the impact on future oil demand. The International Energy Agency's (IEA) World Energy Outlook scenarios[1] formed the basis of Karoon's own analysis, particularly with regard to projected oil demand. Further details can be found in our FY2022 Sustainability Report.

Carbon Neutral FY 2022
Scope 1 and 2 GHG Emissions

Carbon Neutral on Baúna-Patola* now	Carbon Neutral on new assets within five years of purchase*	Internal carbon pricing for new investment decisions

Net Zero 2035
Scope 1 and 2 GHG Emissions

*Scope 1 and 2 GHG emissions

Carbon neutral refers to having a balance between emitting and offsetting greenhouse gas (GHG) emissions. Achieved through acquiring carbon offsets in respect of Scope 1 and 2 GHG emissions.

Net zero refers to reducing GHG emissions as far as possible and balancing the residual GHG emissions produced with GHG emissions removed from the atmosphere. To be achieved through future transition planning in respect of Scope 1 and 2 emissions.

1. IEA, Oil demand by scenario, 2010-2030, IEA, Paris https://www.iea.org/data-and-statistics/charts/oil-demand-by-scenario-2010-2030

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Carbon Management Action Plan

Avoid and reduce
First priority is to avoid or reduce emissions within existing operations

Assess investments in high quality offsets
Assessing investment in high quality projects to offset residual emissions

Purchase additional if needed
Until generating own offsets, will purchase only high-quality carbon credits

Internal carbon pricing
Internal carbon pricing incorporated into future investment decisions

Our Strategy

During the Strategic Refresh, Karoon considered a range of climate-related issues. The Company has designed a climate strategy that is aimed at enabling growth in oil production while also achieving Scope 1 and 2 carbon neutral and Net Zero by 2035 climate targets.

A Carbon Management Action Plan was developed to seek to enable Karoon to achieve our climate-related targets. The Plan prioritises avoiding and reducing emissions, which Karoon believes is critical for successful climate action. However, recognising the limitations of Karoon's existing facilities with respect to commercially responsible changes for reducing emissions, the Plan also contemplates the ongoing requirement for carbon offsets. In keeping with our commitment to responsible action, the Plan contemplates investment in a long term supply of high quality offset projects, ensuring Karoon has a clear line of sight over the control of those projects. Karoon implemented action under each of the four elements of our carbon management action plan during FY2022.

The Baúna intervention activities, Patola development campaign and Neon control well(s) have a material impact on Karoon's absolute Scope 1 emissions due to the additional emissions from these operations. Planning began in 2021 to identify potential projects that could avoid or reduce emissions during these activities. Karoon's logistics team identified an opportunity to optimise the scheduling of support vessel movements to provide for more consistent movement and less wait time, resulting in less fuel use. This resulted in approximately 380m^3 of fuel saved over the period to end FY2022, reducing Karoon's emissions by more than 1,000 tCO_2e. In addition, Karoon's mooring buoy project was completed during FY2022. The mooring buoy enables vessels to anchor safely without burning fuel. So far, this project has resulted in fuel savings, of approximately 680m^3, and reduced emissions by approximately 1,850 tCO_2e, bringing the total emissions reduced or avoided in FY2022 to more than 2,850 tCO_2e.

Importantly, the increased production expected from the Baúna intervention and Patola development activities is aiming to decrease the emissions intensity of Karoon's operations so that the direct emissions generated to produce each barrel of oil drops from 15.3 kgCO_2e/bbl in FY2021 to reach levels below 12 kgCO_2e/bbl by the end of CY2023.

Karoon entered a non-binding Memorandum of Understanding with Shell to investigate equity and/or development opportunities for new Nature Based Solution offset projects. Karoon is continuing to seek opportunities for investment in high-quality offset projects in Australia and Brazil with other project developers.

Two offset purchase agreements were entered into during FY2022:

- A long term agreement was signed with Shell Western Supply and Trading Limited (SWST) to purchase more than 480,000 Verified Emission Reductions (VERs), or carbon credits, between 2022 and 2030, to offset an estimated 60% of total Baúna-Patola Scope 1 and 2 GHG emissions generated from FY2021 to FY2029. The VERs purchased under this agreement in 2022 were sourced from the 'Tambopata-Bahuaja Biodiversity Reserve' project in Peru (VCS ID 1067).
- The remainder of Karoon's FY2021 Scope 1 emissions were offset through the purchase of credits from the Enviro Amazonia project located in the Acre region of Brazil (VCS ID 1382) through Climate Impact Partners (formerly Natural Capital Partners).

>1,000m^3
FUEL SAVED
Over the period to end FY2022

100%
BAÚNA FY2021 GHG EMISSIONS REDUCED OR OFFSET

As Karoon seeks to grow our business through organic and inorganic growth opportunities, it is important that our investment decisions take into account our climate-related goals, particularly with regard to our carbon neutral and net zero targets.

SUSTAINABILITY
CONTINUED

Guarda do Embaú Beach – Palhoça – Santa Catarina

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Our Performance

FY2022 is the first that includes a full year of production activities, increasing Karoon's emissions compared to FY2021. In addition, the Baúna intervention campaign commenced during the FY2022 reporting period, which resulted in an increase in Karoon's Scope 1 emissions due to the operations of the Maersk Developer rig and associated support vessels.

Karoon's Scope 1 emissions are expected to rise again in FY2023 due to ongoing rig operations and related activities.

Karoon's emission intensity at Baúna was 15.3 kgCO_2e/bbl in FY2021. This gradually rose over FY2022 as production followed a natural decline. The intensity increased over the fourth quarter of FY2022 as intervention activities impacted production, bringing our average emissions intensity up to 18.3 kgCO_2e/bbl for FY2022. By completion of the workover activities and Patola development the emissions intensity of our operations is expected to reduce, with average monthly intensities below 12 kg CO_2e/bbl anticipated.

Scope 2 emissions

Karoon's Scope 2 emissions are indirect emissions resulting from the use of electricity in our offices and shorebases. These form less than 0.1% of our total Scope 1 and 2 emissions. Karoon's FY2021 and FY2022 Australian Scope 2 emissions were offset by Small Scale Technology Renewable Energy Certificates purchased through the Australian Government Clean Energy Regulator. Karoon's Australian office has committed to 100% GreenPower since the end of CY2021.

tCO_2e	Production (FPSO and Support)	Workover Activities (Rig and Support)	Offices and Shorebases	Total
Scope 1	72,445	10,344	16	82,805
Scope 2	NA	NA	65	65
Total	72,445	10,344	81	82,870

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Scope 3 emissions

Scope 3 emissions are indirect GHG emissions created either ahead of (Scope 3 categories 1 to 8) or following (Scope 3 categories 9 to 15) Karoon's operations, excluding those captured in Scope 2. During FY2022, Karoon examined each of the eight upstream and seven downstream Scope 3 categories to assess which were relevant and material to Karoon. The results showed that the two downstream categories related to the refining and eventual use of Karoon's produced oil account for the overwhelming majority of Karoon's Scope 3 emissions.

Karoon's total FY2022 Scope 3 emissions were estimated to be approximately 2 million tCO_2e, making up more than 95% of Karoon's total GHG emissions.

People and Culture

Karoon values and respects every employee and is committed to providing a safe, diverse and inclusive workplace that enables people to thrive. We strive to engage and motivate our staff to achieve the best they can and in doing so, deliver outstanding results for all our stakeholders.

We expect the same of our suppliers and engage with them in our efforts to prevent unethical behaviour in our supply chain.

Diversity

Karoon has a diverse team of dedicated professionals with deep experience, which is the key to our success. We value the diversity of thinking that comes not just from gender diversity but from our range of nationalities across our Brazilian and Australian offices and of experiences, from young interns to experts with more than 40 years' experience. The growth in our business has seen our workforce grow and change significantly over the past two years, especially in Brazil.

As of 30 June 2022, Karoon had 109 employees, 46% of whom are female. This is lower than the proportion at 30 June 2021, primarily due to the closure of our Peru office which had a high percentage of females, including in senior management positions.

Proportion of females	Board	Senior Executive	Group
Target by 2025	30%	30%	30%
As at 30 June 2022	17%	17%	46%

The percentage of female employees across the group is well above our target of 30% by 2025. Karoon is continuing to work toward reaching our gender diversity targets at Board and executive leadership level.

Our diversity objectives are reviewed annually by the Board through the PCGC and extend beyond gender diversity targets.

Staff Engagement

Karoon strives to be an employer of choice, attracting and retaining talented staff with different backgrounds, skills and experience. We do this by engaging with our staff, aiming to offer them a safe and respectful workplace where they can be challenged and motivated, knowing they are a valued member of the Karoon team.

In keeping with our philosophy of continuous improvement, Karoon receives and offers staff feedback regarding performance on an ongoing basis and through a more formal annual review process. This occurs throughout the Company, at all levels including the Board. This process provides a positive opportunity to find ways to improve individual and Company outcomes.

During FY2022, Karoon established a new Staff Development Protocol with the aim of building a high performing organisation populated with individuals that possess fit-for-purpose skills and are good leaders.

Operating with Integrity and Respect

Karoon strives to foster a culture that values operating safely and with integrity, collaboration, commitment and respect. Where any member of our team or any of our stakeholders have a concern that business is not being conducted in accordance with our Code of Conduct, grievance mechanisms are in place. Karoon encourages employees and stakeholders to speak up without fear of intimidation or reprisal and will protect those that do so. We offer an anonymous Whistleblower reporting service, available in both Portuguese and English, that enables reports to be made via telephone, email and internet.

Karoon's Code of Conduct and corporate policies, including our Whistleblower Protection Policy, are available on our website.

In 2022, Karoon submitted our inaugural Modern Slavery Statement to the government register under the Australian Modern Slavery Act 2018 (Cth). This was prepared following a questionnaire process with each of our major suppliers to identify potential risks in our supply chain.

During FY2022, Karoon carried out a review of our community engagement programs to assess engagement with indigenous communities impacted by our operations. This review found that there are no traditional owner communities specifically impacted by our operations in Brazil. We also engaged with our material suppliers to assess traditional owner risks in our supply chain.

Contributing to Local Economies

Karoon is pleased to support the local Brazilian economy. During FY2022, more than US$5 million was paid in local wages to our staff in Brazil. As a result of our success in operating safely and reliably in a period of high oil prices, Karoon increased our government spending on taxes and royalties from approximately US$21 million in FY2021 to more than US$80 million in FY2022.

SUSTAINABILITY
CONTINUED

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Community

Karoon believes that a successful project should contribute to an improved quality of life for our people and the communities impacted by our operations. Karoon recognises the importance of establishing transparent relationships with all our stakeholders. We understand that building these relationships from a foundation of respect and integrity, two of our core values, is critical to our goal of delivering safe, reliable and responsible operations.

Karoon's major social monitoring project, called Project RUMO, continued during FY2022. The acronym RUMO is the same in Portuguese and English and stands for 'Resilience and Union for Marine Organisation'. The project seeks to investigate the use of the maritime zone and the coastal space of the Itajaí-Açu River estuary, providing valuable information to help plan for the safe and economically efficient use of the river going forward.

During FY2022, Karoon began to develop our voluntary investment program with projects concentrating on at least one of three important areas: Education, Sustainable Economic Development and Biodiversity. These voluntary investments go beyond legal obligations and are in line with our commitment to generate positive impacts on society and the environment.

Four projects have been identified to date, three of which are located around the Serra do Tabuleiro State Park, one of the state parks protected through Karoon's governmental environmental compensation contributions. The Serra do Tabuleiro State Park sits within Mata Atlântica, the Atlantic Forest, and is the largest fully protected conservation unit in the state of Santa Catarina, where our Itajaí shorebase is located. The Serra do Tabuleiro State Park is considered an area of extreme biological importance for the conservation of the Atlantic Forest and each of Karoon's projects aims to empower people in local communities while also protecting this area of Mata Atlântica.

Creating Sustainable Economic Opportunities in Local Communities

Pró-CREP (Create, Recycle, Educate, Preserve) is a social environmental project that provides work with steady income to 64 families in socially vulnerable situations. In addition, Pró-CREP aims to protect the environment by raising awareness of the correct methods of recycling, by building and supplying recycling containers to be installed in the communities that are located around the border of the Serra do Tabuleiro State Park.

The Pró-CREP facilities include a Container Production Workshop and a waste recycling centre which provides equipment for waste to be repurposed and a small retail area where recycled goods are sold. Pró-CREP will reduce the amount of solid waste going to landfill in the local area by up to approximately 82 tonnes per month.

The income generated from the sale of containers will be used to increase production and ensure the project is sustainable, expanding to include at least 12 more families over the coming year.

Protecting Indigenous and Traditional Culture

The Atelie Tabuleiro project aims to raise awareness of local indigenous culture and traditions by providing educational tours of the Serra do Tabuleiro State Park, focussed on traditional practices associated with food and medicinal plants from the Atlantic Forest. Tours offer a range of art, culture, and science experiences to promote indigenous culture and practices associated with biodiversity. Importantly, the project contributes to the strengthening of social relations, community-based tourism, resilience, and food security. Karoon aims to make the program accessible to local communities through weekend and school holiday workshop programs focussing on the traditional uses, flavours and knowledge of local flora.

Protecting Biodiversity

Santa Catarina's Guinea Pig, Cavia Intermedia, also known as Preá de Moleques do Sul, is listed as Critically Endangered by the International Union for Conservation of Nature (IUCN).

The project will include controlling and monitoring access to, and impacts on, the Moleques do Sul islands to prevent further damage to Cavia Intermedia habitat. Importantly, the project plans to involve local communities in the conservation effort.

The education project will provide innovative training to public school biology teachers in the region so that they can pass this knowledge to their students. Karoon will provide certified training courses for 100 biology teachers at public schools, and focused learning materials to reach around 1,600 local students. A "Prea Centre" will be created at each school.

In addition to the projects associated with Mata Atlântica, Karoon provides sponsorship to a cultural program through a Music and Citizenship project in Rio de Janeiro and in Florianópolis, in the region of Karoon's area of influence. The project enables hundreds of children and young people who would otherwise not have access to a musical education the opportunity to learn to play musical instruments. The students also participate in citizenship classes, where they play, create, and reflect on themes of life in society.

Karoon is committed to delivering safe, reliable and responsible operations that respect our local environments by minimising impact, protecting biodiversity and seeking continuous improvement in operations.

Environment

Karoon aims to deliver safe, reliable and responsible operations that respect our local environments by minimising our impact, protecting biodiversity and seeking continuous improvement in our operations. This is achieved through careful planning and monitoring which seeks to ensure compliance with all environmental regulations and licence requirements and through implementation of our specifically designed environmental plans.

Karoon's environmental plans and processes cover a range of areas, including environmental monitoring in key areas and water and waste management.

Environmental Monitoring and Protection

A fundamental element of responsible operations is environmental monitoring to enable any potential impacts to be identified as soon as possible and action taken to protect local environments.

Karoon undertakes environmental monitoring in four main areas:

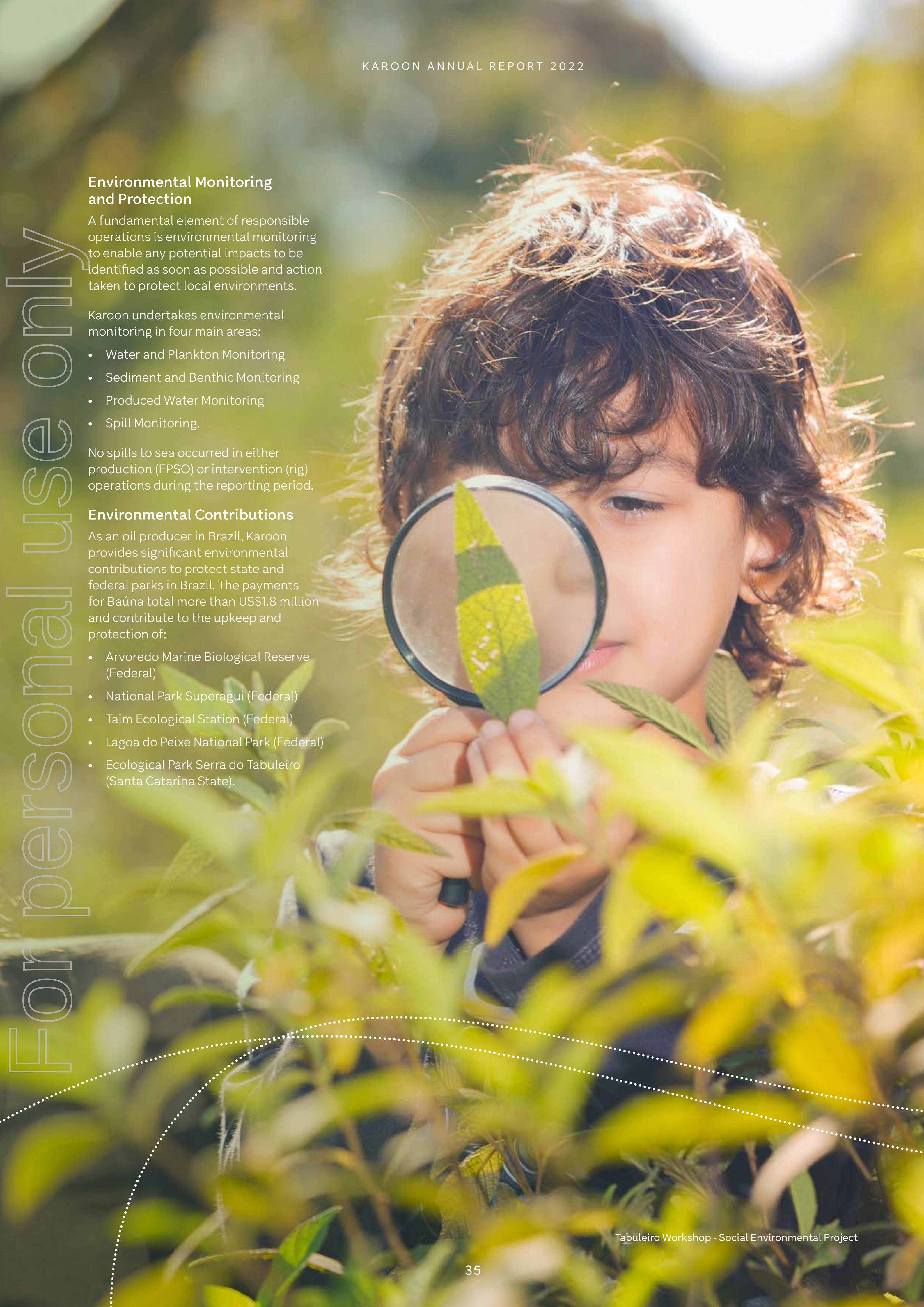
- Water and Plankton Monitoring
- Sediment and Benthic Monitoring
- Produced Water Monitoring
- Spill Monitoring.

No spills to sea occurred in either production (FPSO) or intervention (rig) operations during the reporting period.

Environmental Contributions

As an oil producer in Brazil, Karoon provides significant environmental contributions to protect state and federal parks in Brazil. The payments for Baúna total more than US$1.8 million and contribute to the upkeep and protection of:

- Arvoredo Marine Biological Reserve (Federal)
- National Park Superagui (Federal)
- Taim Ecological Station (Federal)
- Lagoa do Peixe National Park (Federal)
- Ecological Park Serra do Tabuleiro (Santa Catarina State).



Tabuleiro Workshop - Social Environmental Project

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RESERVES AND RESOURCES

Karoon's internal assessment of 2P Reserves at 30 June 2022 is 44.8 MMbbl, with the decline from the prior year's 2P Reserves estimate of 49.4 MMbbl reflecting production for the year of 4.6 MMbbl.

During FY2022, Karoon finalised reprocessing of seismic and carried out reservoir modelling and dynamic simulation work on Baúna. The resolution of the reprocessed seismic is significantly better than legacy datasets, decreasing the uncertainty on field volumes. The results of this work, together with recent production history and information from the Baúna intervention campaign currently underway, are being incorporated into a Reserves reassessment. Once this work is completed, a revised Reserves and Resources statement will be released at that time, if required.

Net Oil Reserves at 30 June 2022 (MMbbl)
BM-S-40 (Baúna)

	1P	2P	3P
Developed[1]	25.4	30.1	42.2
Undeveloped[2]	11.1	14.7	19.3
Total	**36.5**	**44.8**	**61.5**

1. Baúna Producing.
2. Patola under development.

Year-on-year movement in Net Oil Reserves (MMbbl)
BM-S-40 (Baúna)

	1P	2P	3P
Reserves at 30 June 2021[1]	41.1	49.4	66.1
FY2022 Production	-4.6	-4.6	-4.6
Reserves at 30 June 2022	**36.5**	**44.8**	**61.5**

1. Disclosed in Karoon 2021 Annual Report.

2C Contingent Resources at 30 June 2022 are assessed at 86.2 MMbbl oil. No changes have occurred to the Contingent Resource estimates during the year.

Net Contingent Oil Resources at 30 June 2022 (MMbbl)

	1C	2C	3C
BM-S-40 (Baúna)	1.9	4.2	8.3
S-M-1037 (Neon)	30.0	55.0	92.0
S-M-1101 (Goia)	16.0	27.0	46.0
Total	**47.9**	**86.2**	**146.3**

Year-on-year movement in Net Contingent Oil Resources (MMbbl)

	1C	2C	3C
Contingent Resources at 30 June 2021[1]	47.9	86.2	146.3
Contingent Resources at 30 June 2022	47.9	86.2	146.3

1. Disclosed in Karoon 2021 Annual Report.

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Notes on calculation of Reserves and Resources

Reserves and resources estimates are prepared in accordance with the guidelines of the Petroleum Resources Management System (SPE-PRMS) 2018 jointly published by the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), and American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

All statements are net to Karoon's interests as of 30 June 2022 and use a combination of deterministic and probabilistic methods.

The reference point for reserves calculation is at the fiscal meter situated on the FPSO Cidade de Itajaí.

Governance and Competent Persons Statement

Members of Karoon's Subsurface and Engineering teams have considered and assessed all proposed changes and additions to the Company's Reserves and Resources (as set out in this report), considering advice and contributions from subject matter experts and external consultants.

All reserves and resources statements in this report are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of Mr Lino Barro, Karoon Energy Ltd, Engineering Manager. Mr Barro holds a Bachelor of Engineering (Chemical – Hons) and a Master of Business Administration and is a member of the Society of Petroleum Engineers. Mr Barro has consented in writing to the inclusion of this information in the format and context in which it appears.

Forward Looking Statements

Petroleum exploration and production operations rely on the interpretation of complex and uncertain data and information which cannot be relied upon to lead to a successful outcome in any particular case. Petroleum exploration and production operations are inherently uncertain and involve significant risk of failure. All information regarding reserve and contingent resource estimates and other information in relation to Karoon's assets is given in light of this caution.

This Annual Report 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 Annual Report. Indications of, and guidance on, future earnings and financial position and performance, well drilling programs and drilling plans, estimates of reserves and contingent resources and information on future production 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 Annual Report necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise (including, without limitation, in respect of imprecise reserve and resource estimates, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling, demand for oil, commercial negotiations and other technical and economic factors) 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 Annual Report.

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.

STRENGTHS AND KEY RISKS

STRENGTHS

- 100% owner and operator of quality production asset producing 33-38 API crude oil with no impurities.
- Clear corporate strategy, including sustainability targets.
- Operates in Brazil, an attractive oil and gas jurisdiction.
- Production growth expected through sanctioned Baúna intervention campaign and Patola development.
- Additional organic growth potential at Neon and Goiá light oil discoveries.
- Robust financial position and balance sheet with now demonstrated ability to access debt financing.
- Hedge position significantly reduces exposure to downside oil price risk.
- Knowledgeable and experienced operations and development teams.
- One of the only companies with pure oil exposure listed on the ASX.

Federal Conservation Unit REBIO Arvoredo in Santa Catarina (SC) Ilha do Arvoredo ao fundo photo credit Joao Paulo Krajewski – Arquivos Projeto

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KEY RISKS

- Failure to deliver Baúna intervention campaign or Patola development and unplanned interruptions to production may result in inability to meet production forecasts and generate revenue to support delivery of base business and to fund growth.
- Geographic, geopolitical and social risks resulting from production located in a single jurisdiction (Brazil) and production concentration risk resulting from single asset production.
- Geological evaluation relies on interpretation of complex and often uncertain data, which may not lead to expected outcomes. Oil production and recovery volumes may differ from Karoon's assumptions and forecasts.
- Lower than expected demand for oil or low oil prices may negatively impact revenues, available liquidity or access to capital markets, resulting in funding shortfall and/or inability to service debt.
- Changes to the rate of taxes imposed on Karoon, changes in tax legislation or changing interpretations enforced by taxation authorities, whether in Australia, Brazil or other foreign jurisdictions in which Karoon operates.
- Changes in foreign exchange rates and interest rates may negatively impact the Company's liquidity.
- Supply or availability of required infrastructure (including drilling rigs), equipment, goods or services could be subject to interruptions, delays or increases in cost, which may impact production and the cost of running Karoon's operations and projects.
- Cyberattacks could result in interruptions to, or failure of, the Company's operations and business.
- Regulatory approvals or required licences may not be forthcoming or may be delayed.
- Insufficient cashflow could result in inability to meet contingent payment obligations to Petrobras that might arise under the Baúna acquisition oil-linked contingent consideration regime.
- Insurance coverage may be insufficient to cover all risks associated with oil and gas production, development, exploration and evaluation.
- Karoon may be required, but unable, to raise or attract debt or equity finance to fund ongoing operations.
- Policies related to climate change and the energy transition may adversely affect oil demand, oil prices and oil industry investment and funding behaviour.
- Weather events (including those related to climate change) may result in physical damage to assets or interruption to operations.
- Changes in regulations or investor sentiment regarding measures taken by Karoon to neutralise its carbon emissions.
- Ability to attract, motivate and retain talent.
- Development work has inherent risks and is subject to various hazards including unexpected geological conditions, equipment failures, environmental incidents and risks to the health and safety of personnel and other incidents.
- Oil and gas exploration, development and production activities may damage the environment. If Karoon is responsible, it will be required to remediate such damage which may involve substantial expenditure and adversely affect Karoon's reputation.
- Karoon has entered into a debt facility agreement. In certain circumstances, the facility may be terminated, funding unavailable or withdrawn and/or repayments accelerated.
- Liabilities relating to the Baúna concession (in respect of periods prior to Karoon's ownership) may arise which Karoon is not currently aware of but liable for.

Each of the key risks set out above, if they were to materialise, could have a material and adverse impact on (among other aspects) Karoon's business, reputation, growth, financial position and/or financial performance.

Karoon has an established risk management framework in place to identify, assess and mitigate risks in accordance with the materiality and risk tolerance parameters set by the Board of Directors. A corporate and operational risk register is maintained by senior management with oversight from the executive leadership team. The executive leadership team reports regularly to the Board through the Audit and Risk Committee (in respect of corporate risks) and the Sustainability and Operational Risk Committee (in respect of operational risks), including mitigation and monitoring plans for all key risks.

DIRECTORS' REPORT

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Board of Directors

Under the Company's Constitution, the minimum number of Directors that may comprise the Board of Directors is currently 3 and the maximum number of Directors is 10. Directors are elected and re-elected at annual general meetings of the Company.

The names of the Directors of the Company during the financial year and up to the date of this Directors' Report are set out below (from left to right in the image above):

1. Ms Luciana Bastos de Freitas Rachid

B Chem Eng. Post Grad Degree Corporate Finance

Independent Non-Executive Director *(Appointed 26 August 2016)*

Ms Rachid has over 40 years' experience in the oil and gas industry in both technical and senior leadership roles in Brazil, including 20 years in the Exploration and Production Division of Petrobras.

Ms Rachid's technical experience covers a variety of project evaluation, development and management roles, the design of the first offshore platforms in the Campos Basin, the production, handling and processing of natural gas onshore and offshore and the coordination of the Petrobras E&P Deepwater Strategic Project.

Ms Rachid has also held positions in the Petrobras financial team including Executive Manager of Investor Relations and Executive Manager of Financial Planning and Risk Management. She also served as Chief Executive Officer of Transportadora Brasileira Gasoduto Bolivia-Brasil SA (TBG) and Chief Executive Officer of Transportadora Associada de Gás SA (TAG), each of which is a subsidiary of Petrobras.

Ms Rachid also has a number of years' experience serving on Boards in Brazil. She has represented Petrobras as Chairperson of TBG and Gás Brasiliano Distribuidora SA as well as a Director of TAG, Companhia de Gás de Minas Gerais and Companhia Paranaense de Gás.

Chair of the Sustainability and Operational Risk Committee.

2. Mr Peter Botten AC, CBE

BSc ARSM, MICD

Independent Non-Executive Director *(Appointed 1 October 2020)*

Mr Botten is a highly experienced and successful former Chief Executive and internationally recognised business leader with over 40 years' experience in the international resources sector. His executive career was dominated by his 26-year tenure as CEO of Oil Search, where he was synonymous with its growth from a market capitalisation of A$200 million to a peak of A$15 billion.

Peter's executive experience spanned all aspects of the upstream petroleum sector, including deep experience in upstream oil and gas exploration, development and production operations through his involvement in projects in PNG, Australia, Africa, the Middle East and North America.

Peter also has considerable experience in governing and growing ASX-listed companies and other business entities. Apart from his previous involvement at Oil Search, he is currently the non-executive Chairman of AGL Energy Limited (2021-present), non-executive Chairman of Aurelia Metals Ltd (2021-present), Chairman of Hela Provincial Health Authority (2015-present) and Chairman of the Oil Search Foundation (2011-present).

Peter holds a Bachelor of Science (Geology) from the Imperial College of Science and Technology, London University and the Royal School of Mines. In recognition of building relations between Australia and PNG, along with services to business and communities in PNG, Peter was awarded Companion of the Order of Australia (AC) along with Commander of the British Empire (CBE).

Current directorships of other listed companies include: Chair, AGL Energy Limited and Chair, Aurelia Metals Ltd.

Member of the Audit and Risk and Sustainability and Operational Risk Committees.

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3. Mr Bruce Phillips

BSc. (Hons), (Geology)

Independent Non-Executive Chairman *(Appointed 1 January 2019)*

Mr Phillips has approximately 45 years of technical, financial and commercial experience in the global energy industry, encompassing a number of corporate entities. Bruce has extensive experience in upstream oil and gas exploration and production via involvement in projects in Australasia, Africa, Europe and the Americas. He also has considerable experience in governing publicly listed companies, including the chairmanship of four companies listed on the ASX.

Since founding AWE Limited in 1997, Mr Phillips has held positions as CEO, Chairman and Non-Executive Director. He is currently the Chairman of ALS Limited (ALQ: ASX), is the former Chairman of Platinum Capital and AWE Limited (now part of Mitsui Corporation), and a former Non-Executive Director of AGL Energy Limited (AGL: ASX) and Sunshine Gas Limited (formerly SHG: ASX: pre-merger with QGC). During Mr Phillips' executive career he held varied positions within the industry initially as a geophysicist for AMAX and Esso, graduating to a business development role at Command Petroleum Limited and General Manager of Petroleum Securities Australia Limited.

He is a member of the Petroleum Society of Australia and the Australian Society of Exploration Geophysicists. Current directorships of other listed companies include: Chair, ALS Limited.

Member of the People, Culture and Governance Committee.

Chairman of the Board of Directors.

4. Mr Peter Turnbull AM

B. Commerce, LLB, FGIA (Life), FAICD

Independent Non-Executive Director *(Appointed 6 June 2014)*

Mr Turnbull is an ASX experienced independent non-executive director and chair with significant exposure to the global mining, energy and technology sectors.

Peter brings to the board significant commercial, legal and governance experience gained from working with boards and management to conceive, structure, fund and complete corporate transactions and to prioritise and maximise the value of organic growth strategies for shareholders.

Peter also has significant regulatory and public policy experience from prior executive roles including as a Director of the Securities & Futures Commission of Hong Kong and roles with ASIC. Over time, Peter has held roles as a director or senior officer of several global organisations which promote best practice governance and is a regular contributor and speaker in Australia and overseas on corporate governance issues. Peter is a former President and current Life Member of the Governance Institute of Australia and the current president of the global Chartered Governance Institute.

Peter's senior executive roles over 30 years involved significant experience in very large publicly listed organisations with global operations, particularly South East Asia, Europe and the USA. This experience included over a decade in energy markets and the resources sector including as Company Secretary of Newcrest Mining Limited, Company Secretary and General Counsel of BTR Nylex Limited and General Manager, Legal and Corporate Affairs with Energex Limited.

In June 2020, Peter was made a member of the Order of Australia for services to business and corporate governance institutes.

Current directorships of other listed companies include: Chair, Calix Limited, since its ASX listing on 20 July 2018.

Chair of the People, Culture and Governance Committee.

Member of the Audit and Risk and the Sustainability and Operational Risk Committees.

5. Mr Clark Davey

B. Commerce, FTIA, MAICD

Independent Non-Executive Director *(Appointed 1 October 2010)*

Mr Davey is an independent Company Director with long experience in the natural resources industry as a taxation and strategy advisor. Clark was a partner at Price Waterhouse and PricewaterhouseCoopers for a number of years with an oil and gas and natural resources specialty holding industry leadership roles in both firms. Clark is a member of the Australian Institute of Company Directors.

The wealth of taxation and business advisory experience Clark brings to Karoon includes input on international company tax, Australian and overseas resource and indirect taxation and oversight of accounting, governance and capital management procedures. Clark has advised many companies with both tax and management of joint venture interests as well as merger and acquisition transactions. He has also assisted both listed and unlisted companies expand their resource industry interests internationally.

Chair of the Audit and Risk Committee. The Audit and Risk Committee has played an important role in supporting the Board in many reporting, budgeting and financial risk management areas following Karoon's transition to oil production.

Member of the People, Culture and Governance Committee.

6. Dr Julian Fowles

BSc (Hons), PhD, Grad Dip App Fin Inv, GAICD

Chief Executive Officer and Managing Director *(Appointed 27 November 2020)*

Dr Fowles started his career with Shell International where he spent 17 years working across the upstream sector in Europe, West Africa, Australasia, South Asia and Latin America, including 5 years as the Exploration and New Ventures Manager in Shell Brazil. Following Shell, he held senior executive positions with Cairn India, Petra Energia, and most recently Oil Search, where he firstly led exploration and new business and then the PNG operated and non-operated oil and LNG production and development businesses. Leaving Oil Search in late 2018, Dr Fowles joined the boards of Central Petroleum and FAR Limited in 2019 as an independent non-executive director, roles he relinquished prior to joining Karoon in November 2020.

Dr Fowles speaks Portuguese and is a Graduate of the Australian Institute of Company Directors. He holds a BSc (Hons) degree in Geology from the University of Edinburgh and a PhD from the University of Cambridge. Dr Fowles also holds a Graduate Diploma in Applied Finance and Investment from the Australian Securities Institute.

Company Secretary

Nick Kennedy

B.Com., LLB (Hons.), Grad Dip Applied Corporate Governance, FGIA

Appointed on 25 June 2020

Mr Kennedy is an experienced lawyer and company secretary with over 16 years' experience in corporate and commercial law, including particular expertise in public and private mergers and acquisitions, equity and debt capital markets, energy and resources and corporate governance.

Prior to joining the Company, Nick was a Head of Legal at ENGIE ANZ and before that worked in top tier law firms in Australia and London.

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Meetings

The number of Directors' meetings (including meetings of committees of Directors) and attendance by each Director of the Company during the financial year were:

DIRECTOR	BOARD MEETINGS		AUDIT AND RISK COMMITTEE MEETINGS		SUSTAINABILITY AND OPERATIONAL RISK COMMITTEE MEETINGS		PEOPLE, CULTURE AND GOVERNANCE COMMITTEE MEETINGS	
	A	B	A	B	A	B	A	B
Mr Bruce Phillips	11	11	–	–	–	–	5	5
Dr Julian Fowles	11	10	–	–	–	–	–	–
Ms Luciana Rachid	11	11	–	–	4	4	–	–
Mr Clark Davey	11	11	6	6	–	–	5	5
Mr Peter Turnbull	11	11	6	5	4	4	5	5
Mr Peter Botten	11	10	6	5	4	4	–	–

A. The number of meetings held during the time the Director held office during the financial year.
B. The number of meetings attended during the time the Director held office during the financial year.

Directors' Interests in the Company's Shares, Share Options and Performance Rights

As at the date of this Directors' Report, the Directors held the following number of ordinary shares and performance rights over unissued ordinary shares (and did not hold any share options over unissued ordinary shares) in the Company:

DIRECTOR	ORDINARY SHARES, FULLY PAID	UNLISTED PERFORMANCE RIGHTS
Dr Julian Fowles	107,659	1,080,041
Mr Bruce Phillips	1,750,000	–
Ms Luciana Rachid	52,960	–
Mr Clark Davey	147,214	–
Mr Peter Turnbull	173,000	–
Mr Peter Botten	–	–

Principal Activities

Karoon is an international oil and gas exploration and production company with projects in Australia and Brazil.

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the Company during the financial year.

Results

During the financial year, Karoon produced 4.64 MMbbl of oil at an average rate of 12,707 bopd, bringing total production to 7.78 MMbbl since taking operatorship of Baúna on 7 November 2020.

Nine cargoes were lifted during the financial year, which were ultimately sold to customers in Europe, Asia and North and South America. Strong bids were received for the cargoes, demonstrating recognition in the market of the high quality of Baúna crude. The Company realised an average oil price of $84.74/bbl, 44% higher than in the previous financial year due to stronger global oil prices, which resulted in revenue of $385.1 million for the financial year.

Unit production costs for the period were $25.4/bbl, similar to unit production costs of $25.1/bbl in the previous financial year. This resulted in cost of sales of $191.7 million (2021: $111.4 million) and a gross profit of $193.4 million (2021: $59.4 million). The cost of sales includes depreciation associated with the right-of-use asset (the FPSO lease) but does not include finance charges on the FPSO right-of-use lease of $16.8 million (2021: $12.4 million), which are disclosed as part of finance costs.

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Results Continued

The Company recognised an underlying net profit after income tax of $89.6 million (2021: $21.4 million) for the financial year with a net loss after income tax of $64.5 million (2021: profit of $4.4 million). Other key items impacting the result during the financial year were as follows:

- finance costs of $22.7 million (2021: $14.4 million) comprising finance charges on lease liabilities of $16.9 million (2021: $12.5 million) including the FPSO lease in relation to the Baúna operations of $16.8 million, discount unwinding on net present value of the provision for restoration of $2.4 million (2021: $0.9 million) and interest expense of $2.1 million (2021: $1.0m);
- corporate costs of $15.4 million (2021: $12.3 million) which include net employee benefits expense and employee restructure costs, insurance and director fees;
- realised losses on out of the money oil hedges and amortisation of hedge premiums of $11.8 million (2021: Nil); and
- share-based payments expenses of $5.7 million (2021: $4.9 million).

The net loss included an expense of $227.1 million ($149.9 million net of deferred tax) relating to the movement in the fair value of the contingent consideration payable to Petrobras. The contingent consideration is dependent on future oil prices each calendar year from 2022 to 2026 inclusive and reflects the additional amount the Company expects to pay as consideration for Baúna in accordance with the sale and purchase agreement with Petrobras.

The result included a significant income tax benefit of $25.4 million (2021: $32.3 million) including a deferred tax benefit of $77.2 million (2021: $2.3m) relating to the contingent consideration expense; offset partly by utilisation of Brazilian tax losses and temporary differences arising from foreign exchange movements in the US$/Brazilian Real exchange rate. The income tax benefit was further offset by current income tax expense incurred predominantly in Brazil totalling $39.3 million (2021: $15.3 million).

Cash Flows

Net cash inflows from operations for the financial year were $154.2 million, compared to $29.8 million in the previous financial year. The positive operating cash flows are attributable to oil sales proceeds of $362.9 million (2021: $137.0 million). Significant operating cash payments for the financial year included payments to suppliers and employees, including production costs, of $117.0 million (2021: $56.5 million), payment of income tax of $39.4 million (2021: $10.8 million), payment for out of the money oil hedges and upfront hedge premiums of $20.8 million (2021: nil) and interest and other costs of finance paid of $18.9 million (2021: $13.2 million), predominantly relating to finance charges on the FPSO lease.

Cash outflows from investing activities for the financial year were $113.0 million (2021: $169.2 million), which included CAPEX relating to the Baúna intervention campaign, Patola development and ongoing field maintenance of $59.6 million (2021: $16.0 million), deferred consideration paid to Petrobras for the Baúna acquisition of $43.6 million (2021: $150 million for the Baúna completion payment) and $5.8 million (2021: $0.2 million) of capitalised borrowing costs for qualifying assets associated with the loan facility.

Cash outflows from financing activities for the financial year were $15.5 million (2021: $23.4 million outflow) which resulted from payments for principal elements of lease payments of $44.6 million (2021: $23.4 million) and debt facility establishment costs of $3.3 million not able to be capitalised to oil and gas assets as part of qualifying assets. These outflows were offset by proceeds associated with the drawdown of the loan facility of $30.0 million (2021: Nil) and proceeds from the conversion of employee options of $2.4 million.

Financial Position

At the end of June 2022, the Group had a cash and cash equivalents balance of $157.7 million (30 June 2021: $133.2 million) and total liquidity (cash and undrawn debt facilities) of $337.7 million.

The Group's current assets increased by $61.7m to $245.5 million largely due to improved cash and cash equivalent balances, driven by strong operating cash flows and a drawdown of $30 million before costs from the loan facility. Investment in working capital balances driven by commodity increases and higher production for the year, resulting from the first full financial year of operations, also contributed to the increase. Current liabilities increased by $117.1 million to $247.4 million as at 30 June 2022, resulting predominantly from the reclassification of the contingent consideration payable to Petrobras of $84.6m within 12 months and the current component of hedge liabilities resulting from out of the money oil hedges at 30 June 2022.

During the financial year, total assets increased from $1,014 million to $1,164 million, total liabilities increased from $633.7 million to $887.9 million and total equity reduced by $104.0 million to $276.2 million. The major changes in the consolidated statement of financial position included:

- an increase in the contingent consideration payable to Petrobras of $227.1 million during the financial year, due to an upward revision of Karoon's current and forecast oil prices, resulting in a contingent consideration payable of $298.3 million at 30 June 2022;

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- working capital movements discussed above;
- recognition of borrowings in relation to the loan facility of $27.1 million;
- a reduction of oil and gas assets during the financial year resulting from depreciation of the Baúna asset, offset by CAPEX additions in relation to the Baúna intervention campaign and Patola development; in addition to a reduction of lease liabilities in relation to payments for the charter of the FPSO;
- an increase in deferred tax assets of $86.5 million resulting largely from temporary differences arising from the increase of the contingent consideration expense for the financial year, partly offset by utilisation of Brazilian tax losses and reduction of temporary differences arising from foreign exchange movements in the US$/Brazilian Real exchange rate; and
- recognition of the fair value of hedge instruments.

Review of Operations

Information on the operations of the Group is set out in the Operations Review on pages 20 to 27 of this Annual Report.

Business Strategies and Prospects, Likely Developments and Expected Results of Operations

The Operations Review sets out information on the business strategies and prospects for future financial years, refers to likely developments in operations and the expected results of those operations in future financial years. Information in the Operations Review is provided to enable shareholders to make an informed assessment of the business strategies and prospects for future financial years of the Group. Details that could give rise to likely material detriment to Karoon, for example, information that is confidential, commercially sensitive or could give a third party a commercial advantage has not been included. Other than the matters included in this Directors' Report or elsewhere in the Annual Report, information about other likely developments in the Group's operations and the expected results of those operations have not been included.

Dividends

No dividend has been paid or declared by the Company to shareholders since the end of the previous financial year. The Company will consider paying future dividends after the results of the Baúna intervention campaign and Patola development are known.

Share Options and Performance Rights

As at the date of this Directors' Report, there are no share options over unissued ordinary shares in the Company.

As at the date of this Directors' Report, the details of performance rights over unissued ordinary shares in the Company were as follows:

TYPE	GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE PER PERFORMANCE RIGHT	NUMBER OF PERFORMANCE RIGHTS
Performance rights	12 November 2019	30 June 2023	$–	685,621
Performance rights	18 October 2019	30 June 2023	$–	1,011,958
Performance rights	25 September 2020	30 June 2023	$–	1,773,277
Performance rights	25 September 2020	30 June 2024	$–	4,172,267
Performance rights	26 November 2021	30 June 2024	$–	502,989
Performance rights	23 March 2022	30 June 2025	$–	1,123,593
Performance rights	6 May 2022	30 June 2025	$–	1,246,439
Total performance rights				**10,516,144**

DIRECTORS' REPORT CONTINUED

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Share Options and Performance Rights Continued

For details of share options and performance rights issued to Directors and other key management personnel of the Group as remuneration, refer to the Remuneration Report in this Directors' Report.

3,129,151 fully paid ordinary shares have been issued since 1 July 2022 as a result of the vesting and conversion of performance rights under the 2016 Performance Rights Plan and the 2019 Performance Rights Plan (each being a 'PRP').

Information relating to the Company's PRP and share options, including details of performance rights and share options granted, exercised, vested and converted, cancelled, cash-settled, forfeited and expired during the financial year and performance rights and share options outstanding at the end of the financial year, is set out in Note 31 of the consolidated financial statements.

No share option or performance right holder has any right under the share options or performance rights to participate in any other share issue of the Company or any other entity.

Indemnification of Directors, Officers and External Auditor

An indemnity agreement has been entered into between the Company and the Directors of the Company named earlier in this Directors' Report and with the full-time executive officers, directors and secretaries of the Company and all Australian subsidiaries. Under this agreement, the Company has agreed to indemnify, to the extent permitted by law, these Directors, full-time executive officers, directors and secretaries against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. The Company has also entered into a contract of insurance in respect of any liability incurred by the Directors, full-time executive officers, directors and secretaries (referred to above) in such capacity. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium (which is paid by the Company).

As approved by shareholders at the 2009 Annual General Meeting, the Company will continue to pay those Director insurance premiums for a period of ten years following termination of their directorships of the Company and will provide each Director with access, upon ceasing for any reason to be a Director of the Company and for a period of ten years following cessation, to any Company records which are either prepared or provided to the Director during the time period they were a Director of the Company.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or external auditor of the Company or of any related body corporate against a liability incurred as such by an officer or external auditor.

Proceedings on Behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceeding during the financial year.

Corporate Governance

In recognising the need for the highest standards of corporate governance in order to drive performance and accountability, the Directors support the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's Corporate Governance Statement can be found under the Governance tab on the Company's website at **www.karoonenergy.com.au**.

Environmental Regulation

The Company and its subsidiaries are subject to a range of relevant Commonwealth, State and International environmental laws.

The Board of Directors believes the Company has adequate systems in place for managing its environmental obligations and is not aware of any material breach of those environmental obligations as they apply to the Company and/or Group.

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Greenhouse Gas Emissions and Reporting Requirements

Relevant entities are required to report greenhouse gas emissions, energy consumption and energy production under the National Greenhouse and Energy Reporting Scheme. The Group was not required to register and report greenhouse gas emissions, energy consumption, or energy production under the scheme for this financial year, as it did not meet the relevant Australian thresholds for the reporting period. Notwithstanding this, details of our greenhouse gas emissions are as follows. The Group's global carbon footprint during the financial year was higher than recent previous years, approximately 78,878 tonnes of carbon dioxide equivalent based on equity share and including scope 1 and scope 2 emissions (2021: 49,668 tonnes) predominantly due to fuel consumed in the Baúna operations over a full year rather than part year. The Company's Scope 2 emissions were approximately 65 tonnes of carbon dioxide equivalent based on equity share, which is significantly lower than past years (2021: 143 tonnes) due to the purchase of GreenPower in the Australian office.

The total Scope 1 and 2 emissions are higher than previous years due to the first full year of production and the beginning of the workover activities at Baúna. It is anticipated that the FY2023 emissions will rise further as the workover activities, Patola development and Neon drilling campaign are carried out. The Company is aware of the need to continue to seek cost-effective, reliable and environmentally efficient methods for addressing future greenhouse gas emissions and energy consumption and during the FY2022 strategic refresh developed a new sustainability strategy with Scope 1 and 2 emissions targets that has seen the Company become carbon neutral for FY2021 with a net zero 2035 target.

Further details of the Company's approach to Climate Change risks and opportunities can be found in the Sustainability section, contained within this Annual Report and in the separate 2022 Sustainability Report.

Non-Audit Services

The Company may decide to engage its external auditor, PricewaterhouseCoopers, on assignments additional to its statutory audit duties where the external auditor's expertise and experience with the Company and/or Group are important.

Details of the amounts paid or payable to the external auditor for audit and non-audit services provided during the financial year are set out in Note 7 of the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with written advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001*. The Board of Directors is satisfied that the provision of non-audit services by the external auditor did not compromise the external auditor independence requirements of the *Corporations Act 2001* for the following reasons:

(a) all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the external auditor; and

(b) none of the services undermine the general principles relating to external auditor independence as set out in APES 110 '*Code of Ethics for Professional Accountants*', including reviewing or auditing the external auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and reward.

External Auditor's Independence Declaration

A copy of the external Auditor's Independence Declaration for the financial year, as required under Section 307C of the *Corporations Act 2001*, is set out on page 70 of this Annual Report.

No officer of the Company has previously belonged to an audit practice auditing the Company during the financial year.

Matters Arising Subsequent to the End of the Financial Year

There have been no significant matters or circumstances that have arisen since 30 June 2022 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years;

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

DIRECTORS' REPORT CONTINUED

Remuneration Report (Audited)

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present to you the Karoon Energy Ltd Remuneration Report for the financial year ended 30 June 2022.

Overview

The 2021/2022 year has again been characterised by risks and uncertainties on many fronts globally. Notwithstanding global economic turbulence caused by the war in Ukraine, rising interest rates, inflation, recessionary fears and currently strong crude oil prices, it has been a year in which Karoon has continued to build its reputation as a safe and reliable operator.

Over the 2022 financial year, the following significant strategic and operational milestones have been achieved:

- Achieved production uptime of 99% (excluding scheduled outages) with no material safety or environmental incidents;
- Produced 4.64 million barrels of crude oil during the period for total revenue of $385 million;

COVID-19 was effectively managed across our facilities with no COVID-19 related production outages;

- Financial close was reached on a $160 million reserve based, non-recourse, syndicated debt facility, later expanded by over 30% through a $50 million accordion facility;
- The restructure of our senior management team was completed with the appointment of Antonio Guimarães (as EVP and President of Karoon Brazil) and Ray Church (as EVP and Chief Financial Officer);
- Completed a “strategic refresh” covering (among other things):
  - » Brazil strategy;
  - » operating and delivery excellence;
  - » growth, including organic (e.g. Neon project) and inorganic (e.g. Brazil & Australian M&A);
  - » sustainability; and
  - » funding and capital priorities;
- Developed a “five pillar” sustainability strategy and commenced implementing it by:
  - » becoming carbon neutral on Baúna-Patola emissions for FY2021;
  - » entering into an agreement with Shell Western Supply and Trading Limited to purchase sufficient verified emissions reductions, between 2022 and 2030, to offset an estimated 60% of Baúna-Patola scope 1 and scope 2 greenhouse gas emissions;
- Committed to drilling a control well and, subject to the results of that well, a second control well in the Neon oil discovery offshore Brazil to further advance the understanding of the discovery;
- Executed contracts for the Baúna intervention campaign and the operations commenced within the announced window; and
- Whilst seeking to advance Karoon's merger and acquisition strategy, a disciplined approach was adopted to end further consideration of a potential transaction with Enauta in respect of the Atlanta oil field in the Santos Basin, offshore Brazil. Karoon will continue to identify and evaluate appropriate merger and acquisition targets.

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2022 Financial Year Remuneration Outcomes

In respect of FY2022, Karoon's remuneration settings worked as they should to reward high performance outcomes in a responsible manner. In this regard, it is noted that:

- Short Term Incentive ("STI") – based on the significant progress detailed above and achieving Karoon's strategic targets set at the beginning of the 2022 financial year (associated with production, opex, capex, Neon strategy, the Baúna intervention campaign, the Patola development and ESG), 67.5% of the possible STI outcome was achieved. This STI is to be paid 50% in cash and 50% in performance rights with such performance rights to be issued after the release of the Company's FY2022 full year financial results and subject to the satisfaction of a 12-month employment retention period. For KMP other than the CEO and Managing Director, a component of their STI was granted based on the satisfaction of role-specific objectives.
- Long Term Incentive ("LTI") – a 100% LTI outcome was earned due to an absolute total shareholder return ('TSR') of 32.1% per annum (in excess of the required threshold of 14% per annum), and the Company's relative shareholder return positioning Karoon at the 100% percentile (as compared to a group of peer companies), over the prior 3-year period.
- Base Board and committee fees remained unchanged for FY2022.

Remuneration Strategy and Guiding Principles

Karoon's guiding principles for its remuneration framework are as follows:

- **Safety, culture and ethics:** ensuring that clear vesting gateways exist based on appropriate safety and ethical outcomes. If outcomes do not meet the relevant standards, these gateways will block "at-risk" remuneration payments.
- **Shareholder value is paramount:**
  - » remuneration outcomes (particularly incentive-based outcomes) are designed to take account of share price movements across the reporting period and therefore, the value delivered to shareholders;
  - » a close alignment is created between operational performance, reward and sustained growth in shareholder value; and
  - » as Karoon has now transitioned from explorer to producer, it is recognised that shorter term shareholder returns, such as dividend payments, will also now be considered.
- **People:**
  - » remuneration and people issues are considered by the People, Culture and Governance Committee of the Board and environmental and social issues by the Sustainability and Operational Risk Committee of the Board. Nonetheless, all relevant decision making and associated discussion remains the responsibility of the Board;
  - » our remuneration structures are designed to attract, motivate and retain the best people whilst remunerating them reasonably and competitively; and
  - » we encourage our people to hold equity in Karoon which builds a culture of viewing management decisions as an owner, thereby helping to further align executives' and shareholders' interests. In relation to this, during 2022, a new management shareholding policy has been introduced under which KMP are now required to maintain a shareholding in the Company equal to 50% of their first year, base salary (after-tax) within the later of three years after their initial appointment as an executive and 30 June 2024.
- **Environment, Social and Governance (ESG):** ESG considerations are integrated into our remuneration structures. In FY2022, this involved, as an STI hurdle, management developing and commencing the implementation of a Board endorsed sustainability strategy which covers HSE, climate (including carbon management), people and human rights, community (including social programs) and environment.
- **Transparency:** remuneration measures, outcomes and reporting are as simple and transparent as possible for shareholders and other stakeholders.

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Remuneration Report (Audited) continued

2023 Financial Year Remuneration Settings

Looking to the 2023 financial year, the remuneration structure for Australian and Brazilian staff members will be reviewed for reasonableness and competitiveness.

The base Board and Committee fees paid to the Non-Executive Chairman and Non-Executive Directors will be increased by 5%, while the fees paid to the Chairs of Board committees will be increased by A$5,000 per annum. The increase in respect of Non-Executive Directors base Board fees is the first increase in over 10 years and, in respect of the Non-Executive Chairman's base fee, is the first increase in 7 years.

Summary

Karoon's strategy and remuneration structure is designed to link remuneration outcomes to shareholder value which we believe it has done for FY2022 by rewarding the achievement of significant operational and strategic goals and through achieving relative share price out-performance compared to Karoon's peer group.

As always, we will continue to engage with our shareholders, proxy advisors and our wider group of stakeholders to seek feedback so we can continue to refine and improve our remuneration framework and the associated disclosures.

Yours sincerely

Mr Peter Turnbull AM
Chair, People, Culture and Governance Committee

25 August 2022

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Section 1. Introduction

The Board of Directors is pleased to provide Karoon's Remuneration Report, which details the remuneration for its KMP, defined as those persons having the authority and responsibility for planning, directing and controlling, directly or indirectly, the activities of the Group.

For the financial year ended 30 June 2022, KMP disclosed in the Remuneration Report are as follows:

NAME	POSITION	TERM AS KMP
Executive Directors		
Dr Julian Fowles	Chief Executive Officer and Managing Director	Full financial year
Non-Executive Chairman		
Mr Bruce Phillips	Independent Non-Executive Chairman	Full financial year
Non-Executive Directors		
Ms Luciana Rachid	Independent Non-Executive Director	Full financial year
Mr Clark Davey	Independent Non-Executive Director	Full financial year
Mr Peter Turnbull	Independent Non-Executive Director	Full financial year
Mr Peter Botten	Independent Non-Executive Director	Full financial year
Other KMP		
Mr Ray Church	Executive Vice President and Chief Financial Officer	Commenced as Executive Vice President (EVP) and Chief Financial Officer on 27 September 2021
Mr Antonio Guimarães	Executive Vice President and President Karoon Brazil	Commenced as EVP and President Karoon Brazil on 1 October 2021
Mr Edward Munks	Chief Operating Officer	Ceased as Chief Operating Officer on 30 September 2021
Mr Scott Hosking	Chief Financial Officer (Group)	Ceased as Chief Financial Officer on 30 September 2021
Mr Ricardo Abi Ramia	Senior VP Operations	Ceased as KMP on 1 October 2021

For the purposes of the Remuneration Report:

(i) 'base salary' means cash salary (exclusive of superannuation and before subtracting any salary sacrifice items);

(ii) 'executive' means the Chief Executive Officer and Managing Director and other KMP of the Group;

(iii) 'fixed remuneration' has the meaning given on page 53;

(iv) 'other KMP' means those KMP referred to above under the heading 'Other KMP';

(v) 'total remuneration' means fixed remuneration plus variable remuneration; and

(vi) 'variable remuneration' means STI and LTI.

The Remuneration Report for the financial year ended 30 June 2022 outlines the remuneration arrangements of KMP of the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. The information provided in this Remuneration Report has been audited by Karoon's external auditor, as required by Section 308(3C) of the *Corporations Act 2001*. The Remuneration Report forms part of this Directors' Report.

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Remuneration Report (Audited) Continued

Section 2. Board and People, Culture and Governance Committee Oversight

To assist in ensuring good remuneration governance at Karoon, the Board of Directors established a People, Culture and Governance Committee that provides oversight and recommendations to the Board on all aspects of the remuneration arrangements for sub-CEO executives.

The People, Culture and Governance Committee currently consists of a majority of independent Non-Executive Directors and is responsible for reviewing and making recommendations to the Board of Directors regarding (among other things):

- the quantum of sub-CEO executive remuneration;
- the sub-CEO executive remuneration framework, including the operation of, and performance-based outcomes under, Karoon's share-based incentive schemes;
- the recruitment, retention and termination policies and procedures for sub-CEO executives; and
- related party remuneration.

The Board of Directors, assisted by the People, Culture and Governance Committee, conducts annual remuneration reviews for its Non-Executive Chairman, Non-Executive Directors, executives and all employees to ensure that remuneration remains market competitive, fair and aligned with both market practice and the best interests of shareholders.

The Board is responsible for all aspects of the remuneration of the CEO and Managing Director.

Further information on the role and responsibilities of the People, Culture and Governance Committee is contained in the People, Culture and Governance Committee Charter, which can be found under the Governance tab on Karoon's website at **www.karoonenergy.com.au**.

2021 Remuneration Report Vote

At the Company's 2021 Annual General Meeting, Karoon's 2021 Remuneration Report received a 99.48% vote FOR on a poll.

At the Annual General Meeting, no questions were asked in relation to the remuneration report.

Share Trading Policy

The trading of ordinary shares by Non-Executive Directors and executives is subject to, and conditional upon, compliance with Karoon's Share Trading Policy.

Under Karoon's Share Trading Policy, an individual may not limit his or her exposure to risk in relation to securities (including unlisted share options and performance rights). Directors and executives are prohibited from entering into any hedging arrangements over unvested share options or performance rights under Karoon's share-based remuneration schemes. To gain approval to trade and ensure that trading restrictions are not in force any employee wishing to trade in Karoon securities must consult the Company Secretary, whilst the Executive Vice President and President Karoon Brazil, the Company Secretary or any Director wishing to trade in Karoon securities must consult the Chairman, whilst the Chairman must consult and seek approval of the Audit and Risk Committee Chair. All trades by Directors and executives during the financial year ended 30 June 2022 were conducted in compliance with Karoon's Share Trading Policy.

Karoon's Share Trading Policy can be found under the Governance tab on Karoon's website at **www.karoonenergy.com.au**.

Section 3. Executive Remuneration

The Board of Directors has developed a remuneration policy that ensures executive remuneration supports the current business strategy and needs of the business. In particular, the decision to use performance tested share-based remuneration (in addition to cash based incentive payments) for its incentive plans reflects the Board of Directors' belief that this best aligns executive and shareholder interests in the short and long-term. Karoon's success is measured by the delivery of its strategic objectives in the short-term and a clear demonstration of shareholder value creation in the long-term.

Broadly, the objectives of Karoon's executive remuneration framework are to ensure:

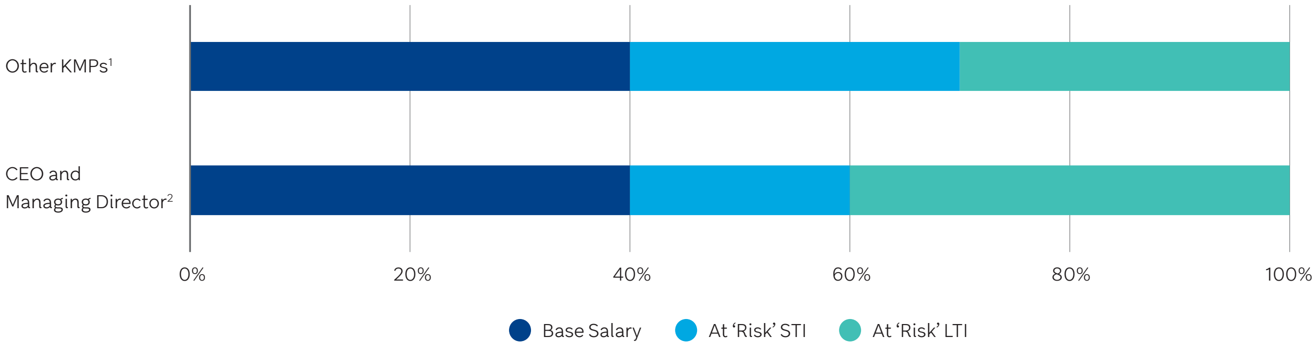
- remuneration is reasonable and competitive in order to attract, retain and motivate talented and high calibre executives capable of managing Karoon's diverse international operations;
- remuneration is set at a level acceptable to shareholders, having regard to Karoon's performance, and rewards individual achievements;
- remuneration structures create alignment between performance, reward and sustained growth in shareholder value;

- remuneration outcomes provide recognition of contribution to overall long-term growth in the value of Karoon's asset portfolio and are transparent to both participants and shareholders; and
- remuneration incentivises the best possible outcomes for the broader stakeholder community, including sustainability and safety, along with best practice in preventing bribery and/or corruption.

A. Executive Remuneration Framework for the Financial Year Ended 30 June 2022

The following table summarises the target remuneration mix for executives for the financial year ended 30 June 2022, based on maximum achievement of incentive plan outcomes:

Remuneration Mix – financial year ended 30 June 2022 (as a percentage of total remuneration)



1. "Other KMPs" excludes the remuneration mix of Mr Ricardo Abi-Ramia who ceased as a KMP on 1 October 2021. Mr Abi-Ramia's remuneration mix comprises 50% 'fixed', 25% at 'risk' STI and 25% at 'risk' LTI. "Other KMPs" also excludes the remuneration mix of Mr Scott Hosking and Mr Edward Munks who were not entitled to an 'at risk' STI or 'at risk' LTI but were paid a cash bonus for the period from 1 July 2021 to 30 September 2021 (being the date of the cessation of their employment). The percentage of the other KMPs' at 'risk' STI is based on fixed remuneration and at 'risk' LTI is based on base salary.
2. The percentage of the CEO and Managing Director's at 'risk' STI and at 'risk' LTI is based on base salary.

Set out below is a summary of the STI and LTI opportunity available to the CEO and Managing Director, EVP and Chief Financial Officer and EVP and President Karoon Brazil.

	CEO and Managing Director	EVP and Chief Financial Officer	EVP and President Karoon Brazil
STI opportunity	50% of Base Salary	75% of Fixed Remuneration	75% of Fixed Remuneration
LTI opportunity	100% of Base Salary	75% of Base Salary	75% of Base Salary

See pages 54-57 for additional information on the STI and LTI plans.

Fixed Remuneration

Fixed remuneration consists of base salary and superannuation contributions. It can also include any salary sacrifice items or non-monetary benefits including health insurance, motor vehicles, expatriate travel, certain membership and associated fringe benefits tax, depending on each individual's respective employment arrangements.

Fixed remuneration is reviewed annually by the Board. Broadly, fixed remuneration is positioned within a range that references the median of the relevant market for each role. Base salary of the former Chief Financial Officer, former Chief Operating Officer, the EVP and Chief Financial Officer and EVP and President Karoon Brazil did not increase during the financial year ended 30 June 2022. The Chief Executive Officer and Managing Director's base salary increased by 3.1% for the financial year ended 30 June 2022.

Superannuation

Other than the Chief Executive Officer and Managing Director who receives superannuation contributions equal to 9.5% of his base salary, the Australian executives of the Company received statutory superannuation contributions of 10% of base salary up to the maximum statutory contribution. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Social Security and Indemnity Fund Contributions

Karoon's Brazilian based executives are subject to specific Brazilian employment regulations, whereby the Group is required to contribute 27.3% of Brazilian cash compensation as social security to fund Government pensions paid in retirement. However, the executives upon retirement will only be entitled to a portion of this contribution. A further 8% of their base salary is required to be contributed to a Federal Severance Indemnity Fund ('FGTS'). In the situation of unfair dismissal without just cause, the Group would have to pay a fine equivalent to 50% of the accumulated balance of the individual's FGTS account.

In addition to the above, the Group pays an amount equal to 10% of the monthly salary paid to the EVP and President Karoon Brazil into a private pension fund for the benefit of the EVP and President Karoon Brazil.

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Remuneration Report (Audited) Continued

Section 3. Executive Remuneration Continued

'At Risk' Remuneration

Karoon aims to align the interests of executives with those of shareholders by having a significant proportion of executive remuneration 'At Risk'. 'At Risk' remuneration represents the proportion of remuneration that requires pre-determined performance conditions to be met before the remuneration is vested to the executive. Annually, the Board reviews the financial and operational goals and targets, looking broadly at where the building blocks for long-term value exist, then sets performance conditions that generate a link between operating performance, remuneration received and value created for shareholders.

All executives that received grants of performance rights during the financial year ended 30 June 2022 received performance rights that were issued under the 2019 Performance Rights Plan ('2019 PRP').

STI Plan

The key features of the STI plan for the financial year ended 30 June 2022 ('FY2022 award') are outlined in the table below:

Participation	All executives. Participation in the STI Plan is at the discretion of the Board of Directors on the recommendation of the People, Culture and Governance Committee.
STI Opportunity	The STI opportunity level of each executive is a pre-determined proportion of an executives' total remuneration payable 50% in cash and 50% via a grant of performance rights. The quantum of performance rights received is to be determined by dividing 50% of the STI opportunity (determined to be available based on the satisfaction of applicable performance conditions) for each employee by Karoon's weighted average share price in the 20-trading day period after the date of the release of the Company's 2022 full year financial results. The STI opportunity available to an executive is determined as a percentage of fixed remuneration or base salary. The Board calculates the incentive value and establishes a maximum number of performance rights 'At Risk'. In respect of the former Chief Financial Officer and Chief Operating Officer, it was decided, given their cessation occurred part way through the 2022 financial year, that an at risk cash bonus (as opposed to an STI payable 50% in cash and 50% via a grant of performance rights) would be available with no deferral period.
Form of Incentive	Executives receive cash (50%) and performance rights (50%). The cash component of the FY2022 STI opportunity is paid following the achievement of applicable performance conditions. The quantum of performance rights to be received is to be determined by dividing 50% of the STI opportunity (determined to be available based on the satisfaction of applicable performance conditions) for each executive by Karoon's weighted average share price in the 20-trading day period after the date of the release of the Company's 2022 full year financial results. Any performance rights issued will remain 'At Risk' until the satisfaction of retention conditions to be met on 1 July 2023. Performance rights do not have a strike price. Each performance right provides the participant with the right to receive one fully paid ordinary share in Karoon, or its equivalent value, for no consideration. Under the rules of the PRP, ordinary shares issued or provided as a result of the exercise of vested and converted performance rights may be issued as new ordinary shares or ordinary shares acquired on market.
Performance Period	1 year.

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Deferral Period	Performance rights which satisfy performance conditions are subject to a retention period of 12 months, being the continuation of employment, immediately following the satisfaction of performance conditions.
Performance Conditions	As part of the 2022 remuneration review, for the financial year ended 30 June 2022 the Board set out the FY2022 award for short-term incentives based on a mix of the following performance hurdles

	COMPANY-WIDE OBJECTIVES	ROLE-SPECIFIC OBJECTIVES
CEO and Managing Director	100%	Nil%
Other KMP	80%	20%

Company-wide Objectives

Company-wide Objectives were set by the Board at the beginning of the performance period.

The Company-wide Objectives included financial and operational objectives, project objectives and strategic targets.

Role-specific Objectives

Role-specific Objectives were set at the beginning of the performance period and related directly to individual/team specific responsibilities.

All short-term performance outcomes are tempered by both a gateway for safety outcomes and a clawback (negative discretion) provision in relation to any fatality and bribery and/or corruption issues.

Further details on the performance conditions, targets and outcomes for the FY2022 award are outlined below in the STI outcomes within Section 3B on page 57.

Grant Date	In respect of performance rights, the grant date occurs following the offer and acceptance of performance rights. However, any performance rights offered and accepted by the Chief Executive Officer and Managing Director are subject to shareholder approval at the next Annual General Meeting prior to issuance.
Termination of Employment	Unvested performance rights will lapse upon cessation of employment with Karoon, subject to the nature and circumstances of the termination and the discretion of the Board of Directors.
Change of Control	Upon a change of control, the Board of Directors may determine that a portion of the individual's unvested performance rights will vest based on pro-rata achievement of the performance conditions.
Link Between Performance and Reward	The STI framework is based on a set of challenging Company building goals, granted on a rolling short-term basis. Linking outcomes to operational performance develops an essential alignment between Karoon's year-to-year inherent value growth and rewards those who establish that value only when the goals are met. The Board assess the goals for the performance period annually in light of the long-term strategic building blocks and upcoming key value drivers within Karoon's operations, allowing for transparent measurement of performance against these objectives. The Board recognises the risks associated with offshore production and drilling and considers safety, anti-bribery and zero corruption paramount to its operations. Safety is used as a gateway for vesting conditions, while any fatality and bribery and corruption can be utilised to clawback incentives.

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Remuneration Report (Audited) Continued

Section 3. Executive Remuneration Continued

LTI Plan

The key features of the LTI grant for the financial year ended 30 June 2022 are outlined in the table below:

Participation	All executives. Participation in the LTI plan is at the discretion of the Board of Directors on the recommendation of the People, Culture and Governance Committee.
LTI Opportunity	The LTI opportunity available to an executive is determined as a percentage of base salary.
Form of Incentive	The quantum of performance rights received was determined by dividing the LTI opportunity for each executive by the value weighted average price of Karoon Energy ordinary shares for the 20 trading days post 20 September 2021 (being the date on which Karoon's 2021 full year financial results were released to the market). Performance rights do not have a strike price. Each performance right provides the participant with the right to receive one fully paid ordinary share in Karoon, or its equivalent value, for no consideration. Under the rules of the PRP, ordinary shares issued or provided as a result of the exercise of vested and converted performance rights may be issued as new ordinary shares or ordinary shares acquired on-market.
Performance Period	3 years.
Performance Conditions	The LTI performance hurdles for the period commencing 1 July 2021 and ending 30 June 2024 are split 50% relative to TSR performance as assessed against a list of closely comparable and representative industry peer group companies, whose business models and/or regions of operations are similar to those of Karoon; and 50% Absolute TSR (based on compound annual growth rate (CAGR)), which is set at a range of 10% to 18%. Vesting consideration details for the industry peer group companies is outlined below:

Performance Against Industry Peer Group	Proportion of Performance Rights Vesting
Less than 50th percentile	Nil%
At 50th percentile	50%
Between 50th and 75th percentile	50% plus 2% for each additional percentile ranking above the 50th percentile
At or above 75th percentile	100%
At 100% percentile	100%

Vesting consideration details for the Absolute TSR measure are set out below:

Absolute TSR (CAGR)	Proportion of Performance Rights Vesting
Less than 10%	Nil%
At 10%	50%
Between 10.01% and 17.99%	50% plus 6.25% for each additional percentage point above the 10% threshold
At or above 18.00%	100%

Grant Date	Grant date occurs following the offer and acceptance of performance rights. However, any performance rights offered and accepted by the Chief Executive Officer and Managing Director are subject to shareholder approval at the next Annual General Meeting prior to issue.
Exercise Period	Performance rights will remain exercisable for a period of 1 year following vesting.
Termination of Employment	Unvested (and unconverted) performance rights will lapse upon cessation of employment with Karoon, subject to the nature and circumstances of the termination and the discretion of the Board of Directors.
Change of Control	Upon a change of control, the Board of Directors may determine that a portion of the individual's unvested performance rights will vest, based on pro-rata achievement of the performance conditions.
Link Between Performance and Reward	The Board of Directors and People, Culture and Governance Committee consider it important to link remuneration to share price performance relative to Karoon's industry peer group companies and overall share price performance over the long-term. In the case where performance does not reach the 50th percentile, no incentive will be paid.

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B. Executive Remuneration Outcomes

Relationship between the Executive Remuneration Framework and Company Performance

Karoon has a transparent performance-based remuneration structure in place that provides a direct link between Company performance and remuneration in the short and long-term. As part of this structure, executive rewards are directly linked to operational, safety and financial performance metrics along with relative market and absolute performance. 'At Risk' remuneration is only awarded if pre-determined Company building milestones are achieved or the Company outperforms an industry peer group of companies or achieves a minimum level of absolute return in the long term.

The tables below set out summary information about the Company's earnings, net assets and movements in shareholder wealth from 1 July 2017 to 30 June 2022.

FINANCIAL YEAR ENDED	30 JUNE 2022 US$'000	30 JUNE 2021 US$'000	30 JUNE 2020 US$'000	30 JUNE 2019[A] US$'000	30 JUNE 2018[A,B] US$'000
Revenue	**385,074**	170,809	–	–	–
Profit (loss) before income tax	**(89,838)**	(27,873)	(86,772)	(11,351)	(142,699)
Profit (loss) for financial year	**(64,451)**	4,384	(86,138)	(13,316)	(140,932)
Net assets at end of financial year	**276,201**	380,250	359,482	298,831	410,367

FINANCIAL YEAR ENDED	30 JUNE 2022	30 JUNE 2021	30 JUNE 2020	30 JUNE 2019[A]	30 JUNE 2018[A,B]
Share price at beginning of financial year	**A$1.33**	A$0.61	A$0.96	A$1.13	A$1.28
Share price at end of financial year	**A$1.74**	A$1.33	A$0.61	A$0.96	A$1.13
Basic profit (loss) per ordinary share (US$)	**(0.1159)**	0.0079	(0.1936)	(0.0550)	(0.5740)
Diluted profit (loss) per ordinary share (US$)	**(0.1159)**	0.0077	(0.1936)	(0.0550)	(0.5740)

A. The comparative financial information for the financial years ended 30 June 2019 and 30 June 2018 have been restated for the voluntary change in presentation currency from A$ to US$ at the prevailing average exchange rates for the profit and loss and year-end rate for the balance sheet for each respective year.

B. The comparative financial information for the financial year ended 30 June 2018 has not been restated for the impact of the voluntary change to successful efforts method of accounting for exploration and evaluation expenditure.

Performance Hurdles and STI Outcomes for the Financial Year Ended 30 June 2022

The table below outlines the Company-wide Objectives for the financial year ended 30 June 2022:

CRITERIA	SUMMARY OF HURDLE
Safety (0% – gateway)	TRIR of < 2 required for any award to proceed.
FINANCIAL AND OPERATIONAL OBJECTIVES (40%)	
Operational Performance and Budgeting	Achieve the challenging Baúna approved cost budget and operational targets.
PROJECT OBJECTIVES (30%)	
Neon Strategy	Progress the Company's strategy in respect of the development of the Neon/Goia project.
Baúna interventions	Commence and progress the Baúna intervention campaign within approved budget and programme window.
Patola development	Commence and progress the Patola development within approved budget and programme window.
	Reach financial close under the US$160M Syndicated Facility Agreement.
STRATEGIC (30%)	
M&A Strategy	Progress M&A strategy.
ESG	Develop and implement ESG strategy.
Anti-bribery and Corruption/ No Fatality (0% – clawback)	Negative discretion will be applied, if necessary, by the Board of Directors should any fatality occur in the Company's workforce (including its Contractors) or any material event occurs which constitutes a breach of Karoon's Anti-bribery and Corruption Policy.

Based on actual results, in respect of the current Chief Executive Officer and Managing Director, a total of 67.5% of the available STI opportunity, payable 50% in cash and 50% via a grant of performance rights (with such performance rights subject to a one year employment retention), satisfied the requisite STI performance targets outlined above. For other KMP, between 74% and 77.3% of the available STI opportunity satisfied requisite performance targets (based on the results of role-specific performance targets).

Performance rights (associated with the STI) that have satisfied requisite performance hurdles have a 1-year retention period ending 30 June 2023 before they become exercisable and convertible into fully paid ordinary shares. These STI performance rights expire on 30 June 2024.

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Remuneration Report (Audited) Continued

Section 3. Executive Remuneration Continued

LTI Outcomes

Karoon's 2020 LTI performance conditions of achieving an absolute total shareholder return ('TSR') of 14% per annum and a minimum 50th percentile against the Company's Relative TSR when compared with a select group of peer companies over the period from 1 July 2019 to 30 June 2022 was met. Karoon was at the 100th percentile when compared against the relevant industry peer group and, accordingly, 100% of the 2020 LTI entitlement vested.

Voluntary Information: 2022 'Remuneration Received'

The amounts disclosed below reflect the actual benefits received by each executive during the financial year ended 30 June 2022 and have been translated into US$ from local currencies using the average exchange rate for the 2022 financial year. The average rate used for A$/US$ was 0.7259 and BRL/US$ was 0.1909. The amounts disclosed below include the actual value of any equity-settled and/or cash-settled award received from STI and/or LTI.

The amounts disclosed in the table below are not the same as the statutory remuneration expensed in relation to each executive in accordance with Australian Accounting Standards shown in the statutory table in Section 5 of the Remuneration Report. The remuneration values disclosed below have been determined as follows:

Fixed Remuneration

Fixed remuneration includes cash salary and fees, non-monetary benefits, superannuation contributions and paid long service leave.

Fixed remuneration excludes any accruals of annual or long service leave.

Cash Bonus

Includes one-off cash bonuses paid to executives who ceased employment and sign-on cash bonuses paid to executives who commenced during the period.

Short-term Incentives

Includes cash bonuses and the equity-settled and/or cash-settled award received from STI by executives, subject to achievement of performance conditions. The value of STI equity-settled and cash-settled awards received reflects the amounts disclosed to the relevant tax authorities during the financial year ended 30 June 2022.

Long-term Incentives

Includes the equity-settled and/or cash-settled award received from LTI by executives. The value of LTI equity-settled awards and cash-settled awards received reflects the amounts disclosed to the relevant tax authorities during the financial year ended 30 June 2022.

	FIXED REMUNERATION US$	CASH BONUS US$	SHORT-TERM INCENTIVES US$	LONG-TERM INCENTIVES US$	TERMINATION BENEFIT US$	TOTAL REMUNERATION RECEIVED US$
Executive Directors						
Dr Julian Fowles	614,626	–	–	–	–	614,626
Other KMP (Group)				–		
Mr Ray Church (commenced on 27 September 2021)	371,339	72,590	–	–	–	443,929
Mr Antonio Guimarães (commenced on 1 October 2021)	265,400	108,831	–	–	–	374,231
Mr Scott Hosking (ceased as Chief Financial Officer on 30 September 2021)	207,467	42,737	–	–	151,713	401,917
Mr Edward Munks (ceased as Chief Operating Officer on 30 September 2021)	305,939	90,061	–	–	284,462	680,462
Mr Ricardo Abi-Ramia (ceased as KMP on 1 October 2021)	66,110	–	–	–	–	66,110

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The Board of Directors believes that 'remuneration received' is more relevant to shareholders for the following reasons:

- the statutory remuneration expensed through as share-based payments (ESOP options and/or performance rights) is based on historic cost and does not reflect the value of equity-settled and/or cash-settled amounts when they are actually received;
- the statutory remuneration shows benefits before they are actually received by executives;
- where ESOP options or performance rights do not vest because a market-based performance condition is not satisfied (for example, an increase in Karoon's share price), Karoon must still recognise the full amount of the share-based payments expense even though the executives do not receive the benefit; and
- share-based payment awards are treated differently under Australian Accounting Standards depending on whether the performance conditions are market conditions (no reversal of share-based payments expense) or non-market conditions (reversal of share-based payments expense when ESOP options or performance rights fail to vest), even though the benefit received by the executive is the same ($Nil where the ESOP option or performance right fail to vest).

The information in this section has been audited together with the rest of the Remuneration Report.

C. Executive Agreements

Remuneration and other terms of employment for the executives are formalised in employment agreements. Each of these agreements provide for participation, when eligible, in the Company's PRP. Other major provisions of the agreements relating to remuneration are set out below.

Termination payments for executives, if any, are agreed by the Board and/or People, Culture and Governance Committee in advance of employment and stated in the relevant employment agreements. Upon retirement, executives are paid employee benefit entitlements accrued to the date of retirement.

Details of existing employment agreements between the Company and the Executive Director and other KMP are as follows:

NAME	TERM	EXPIRY	NOTICE/ TERMINATION PERIOD	TERMINATION PAYMENTS	PERFORMANCE RIGHT ELIGIBLE
Executive Directors					
Dr Julian Fowles	From 27 November 2020, ongoing	Ongoing	In writing six months	Not applicable.	Yes
Other KMP					
Mr Ray Church	From 27 September 2021, ongoing	Ongoing	In writing six months	Not applicable.	Yes
Mr Antonio Guimarães	From 1 October 2021, ongoing	Ongoing	In accordance with Brazilian labour legislation	Not applicable (statutory entitlements).	Yes
Mr Ricardo Abi-Ramia	Ongoing	Ongoing	In writing one month	Not applicable (statutory entitlements).	Yes

All termination payments for Australian employees are subject to the limits prescribed under Section 200B of the *Corporations Act 2001*.

The employment agreements of executives are on a continuing basis, the terms of which are not expected to change in the immediate future.

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Remuneration Report (Audited) Continued

Section 4. Independent Non-Executive Chairman and Non-Executive Directors

Fees and payments to the independent Non-Executive Chairman and other Non-Executive Directors reflect the demands, which are placed on, and the responsibilities of the Directors of Karoon. The Company reviews Independent Non-Executive Chairman and other Non-Executive Director remuneration annually and assesses the change to the Company's activities and overall responsibilities of each Non-Executive Director.

There have been no changes to Non-Executive Directors' base or individual committee fees during the course of the financial year ending 30 June 2022. The table at the end of this section provides a summary of Karoon's Non-Executive Director fee policy for the 2022 financial year.

Non-Executive Director fees are determined within an aggregate Directors' fee pool limit, which is periodically approved by shareholders. The maximum aggregate amount, including superannuation contribution, that may be paid to Non-Executive Directors of the Company as remuneration for their services per annum is A$1,200,000, as approved by shareholders at the Company's 2015 Annual General Meeting. For the financial year ended 30 June 2022, the total fees paid to Non-Executive Directors was A$835,000.

Superannuation contributions are paid, in accordance with Australian superannuation guarantee legislation, on Directors' fees paid to Australian resident Non-Executive Directors.

Share-based Remuneration

Non-Executive Directors do not ordinarily receive performance-related remuneration. The Company has determined that it will not grant bonus or incentive related share-based remuneration to Non-Executive Directors. Non-Executive Directors will continue to be encouraged to purchase ordinary shares in the Company on-market in accordance with the Director Minimum Shareholding Policy.

Retirement Allowance for Directors

Karoon does not provide any Non-Executive Director with a retirement allowance.

Non-Executive Director Fees for the Financial Year Ended 30 June 2022

Non-Executive Directors' fees for the financial year ended 30 June 2022 (excluding superannuation contribution) are outlined in the following table:

Base fee	
Non-Executive Chairman*	A$220,000
Non-Executive Directors	A$100,000
Committee member fees	
Audit and Risk Committee	
Chairman	A$25,000
Member	A$20,000
People, Culture and Governance Committee	
Chairman	A$20,000
Member	A$15,000
Sustainability and Operational Risk Committee	
Chairman	A$20,000
Member	A$15,000

* Non-Executive Chairman base fee includes compensation for the appointment to relevant Committees.

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Section 5. Statutory and Share-based Reporting

Details of the Remuneration of the Directors and Other Key Management Personnel

Details of the remuneration of the Directors and other KMP of the Group for the financial year and previous financial year are set out in the following tables. For all remuneration reporting stated in US$, exchange rates of AU$/US$ 0.7259 (2021: 0.7472) and BRL/US$ 0.1909 (2021: 0.1857) have been used.

FINANCIAL YEAR ENDED 30 JUNE 2022	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		LONG-TERM BENEFITS		SHARE-BASED PAYMENTS EXPENSE		
NAME	BASE SALARY AND FEES US$	NON-MONETARY BENEFITS US$	CASH STI/ BONUS US$	SUPER-ANNUATION CONTRIB-UTIONS US$	SOCIAL SECURITY & INDEMNITY FUND CONTRIB-UTIONS US$	LONG SERVICE LEAVE US$	TERMINATION PAYMENTS US$	SHARE OPTIONS/ PERFORM-ANCE RIGHTS US$	REMUNER-ATION CONSISTING OF SHARE OPTIONS/ PERFORM-ANCE RIGHTS* %	TOTAL REMUNER-ATION US$
Executive Directors										
Dr Julian Fowles	561,302	–	156,176	53,324	–	3,253	–	513,533	39.9	1,287,588
Non-Executive Directors										
Mr Bruce Phillips	159,698	–	–	15,970	–	–	–	–	–	175,668
Ms Luciana Rachid	87,108	–	–	–	–	–	–	–	–	87,108
Mr Clark Davey	101,626	–	–	10,163	–	–	–	–	–	111,789
Mr Peter Turnbull	112,515	–	–	11,251	–	–	–	–	–	123,766
Mr Peter Botten	97,997	–	–	9,800	–	–	–	–	–	107,797
Total Directors' remuneration	1,120,246	–	156,176	100,508	–	3,253	–	513,533		1,893,716
Other KMP (Group)										
Mr Ray Church (commenced as EVP and Chief Financial Officer on 27 September 2021)	327,493	29,590	193,164	14,257	–	508	–	162,454	22.3	727,466
Mr Antonio Guimarães (commenced as EVP and President Karoon Brazil on 1 October 2021)	187,518	13,879	180,428	–	64,003	–	–	92,229	17.1	538,057
Mr Scott Hosking (ceased as Chief Financial Officer on 30 September 2021)	136,305	5,564	42,737	12,831	–	(1,105)	151,713	1,063,712^	75.3	1,411,757
Mr Edward Munks (ceased as Chief Operating Officer on 30 September 2021)	228,299	–	90,061	12,831	–	1,408	284,462	410,829^	40.0	1,027,890
Mr Ricardo Abi-Ramia (ceased as KMP on 1 October 2021)	47,084	2,406	9,732	–	16,620	–	–	64,680	46.0	140,522
Total other KMP remuneration (Group)	926,699	51,439	516,122	39,919	80,623	811	436,175	1,793,904		3,845,692
Total KMP remuneration (Group)	2,046,945	51,439	672,298	140,427	80,623	4,064	436,175	2,307,437		5,739,408

* The percentage of total remuneration consisting of share options and performance rights, based on the value of share options and performance rights expensed in the consolidated statement of profit or loss and other comprehensive income during the financial year.

^ Scott Hosking and Edward Munks share-based payments expense includes accelerated vesting of STI and LTI for accounting purposes, which they retained on cessation of their employment with the Company.

Remuneration Report (Audited) Continued

Section 5. Statutory and Share-based Reporting Continued

FINANCIAL YEAR ENDED 30 JUNE 2021	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		LONG-TERM BENEFITS		SHARE-BASED PAYMENTS EXPENSE		
NAME	BASE SALARY AND FEES US$	NON-MONETARY BENEFITS US$	CASH STI/ BONUS US$	SUPER-ANNUATION CONTRIB-UTIONS US$	SOCIAL SECURITY & INDEMNITY FUND CONTRIB-UTIONS US$	LONG SERVICE LEAVE US$	TERMINATION PAYMENTS US$	SHARE OPTIONS/ PERFORM-ANCE RIGHTS US$	REMUNER-ATION CONSISTING OF SHARE OPTIONS PERFORM-ANCE RIGHTS* %	TOTAL REMUNER-ATION US$
Executive Directors										
Dr Julian Fowles (commenced as Director on 27 November 2020)	331,211	–	37,262	31,465	–	310	–	102,548	20.4	502,796
Mr Robert Hosking (retired as a Director on 27 November 2020)	277,343	23,818	112,080	16,210	–	7,735	–	455,034^	51.0	892,220
Non-Executive Directors										
Mr Bruce Phillips	153,425	–	–	15,616	–	–	–	–	–	169,041
Ms Luciana Rachid	83,686	–	–	–	–	–	–	–	–	83,686
Mr Geoff Atkins (retired as a Director on 27 November 2020)	35,305	–	–	3,993	–	–	–	–	–	39,298
Mr Clark Davey	97,634	–	–	9,938	–	–	–	–	–	107,572
Mr Peter Turnbull	108,095	–	–	11,003	–	–	–	–	–	119,098
Mr José Coutinho Barbosa (retired as a Director on 27 November 2020)	30,075	–	–	–	–	–	–	–	–	30,075
Mr Peter Botten (commenced as a Director on 1 October 2020)	71,295	–	–	6,773	–	–	–	–	–	78,068
Total Directors' remuneration	**1,188,069**	**23,818**	**149,342**	**94,998**	**–**	**8,045**	**–**	**557,582**		**2,021,854**
Other KMP (Group)										
Mr Scott Hosking	291,508	12,756	44,832	16,210	–	4,683	–	603,040	62.0	973,029
Mr Tim Hosking (ceased as South American General Manager and Chief Executive Officer Brazil on 31 March 2021)	201,442	15,207	23,643	–	29,798	–	469,609	1,161,031^	61.1	1,900,730
Mr Edward Munks	364,385	1,531	22,416	16,210	–	4,833	–	403,554	49.6	812,929
Mr Ricardo Abi-Ramia (commenced as Senior VP Operations from 31 March 2021)	49,522	1,778	–	–	17,481	–	–	39,735	36.6	108,516
Total other KMP remuneration (Group)	**906,857**	**31,272**	**90,891**	**32,420**	**47,279**	**9,516**	**469,609**	**2,207,360**		**3,795,204**
Total KMP remuneration (Group)	**2,094,926**	**55,090**	**240,233**	**127,418**	**47,279**	**17,561**	**469,609**	**2,764,942**		**5,817,058**

* The percentage of total remuneration consisting of share options and performance rights, based on the value of share options and performance rights expensed in the consolidated statement of profit or loss and other comprehensive income during the financial year.

^ Robert Hosking and Tim Hosking's share-based expense includes the accelerated vesting of STI and LTI for accounting purposes, which they retained on cessation of their employment with the Company.

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The amounts disclosed for the remuneration of Directors and other KMP include the assessed fair values of performance rights granted during the financial year, at the date they were granted, with the exception of cash-settled share-based payments which are revalued at year end and performance rights for the FY2022 award, where the fair value is equivalent to the STI opportunity achieved based on a percentage of fixed remuneration or base salary. Performance rights for the FY2022 award will be granted following the release of the Company's 2022 full year results. The value attributable to share options and performance rights is allocated to particular financial periods in accordance with AASB 2 *'Share-based Payment'*, which requires the value of a share option and performance right at grant date to be allocated equally over the period from grant date to vesting date, adjusted for not meeting the vesting condition. For share options and performance rights that vest immediately, the value is disclosed as remuneration immediately, in accordance with the accounting policy described in Note 1(s) of the consolidated financial statements. In addition, acceleration of vesting occurs for share options and performance rights up to the end of an employee's respective service period, where the options and rights are retained post cessation of employment.

Fair value of share options is assessed under the Black-Scholes option pricing model. The Black-Scholes option pricing model considers the exercise price, the term of the share option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share option. With the exception of long-term performance rights granted during the current financial year, the fair value of performance rights were based on the Company's closing share price at grant date. Long-term performance rights granted during the current financial year, which are subject to market-based performance conditions, have been valued using a Monte Carlo simulation approach.

Remuneration Report (Audited) Continued

Section 5. Statutory and Share-based Reporting Continued

The relative percentage proportions of remuneration that are linked to performance conditions, those that are not and those that are fixed are as follows:

					NOT RELATED TO PERFORMANCE CONDITIONS		RELATED TO PERFORMANCE CONDITIONS							
	FIXED REMUNERATION		TERMINATION PAYMENTS		CASH BONUS		CASH BONUS		STI (PERFORMANCE RIGHTS)		LTI (PERFORMANCE RIGHTS)		LTI (SHARE OPTIONS)	
NAME	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Executive Director														
Dr Julian Fowles	**48.0%**	72.2%	**–**	–	**–**	–	**12.1%**	7.4%	**3.7%**	–	**36.2%**	20.4%	**–**	–
Non-Executive Directors														
Mr Bruce Phillips	**100%**	100%	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Ms Luciana Rachid	**100%**	100%	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Mr Clark Davey	**100%**	100%	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Mr Peter Turnbull	**100%**	100%	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Mr Peter Botten	**100%**	100%	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Other KMP (Group)														
Mr Ray Church (commenced as EVP and Chief Financial Officer on 27 September 2021)	**51.1%**	–	**–**	–	**10.0%**	–	**16.6%**	–	**14.0%**	–	**8.3%**	–	**–**	–
Mr Antonio Guimarães (commenced as EVP and President Karoon Brazil on 1 October 2021)	**49.3%**	–	**–**	–	**20.2%**	–	**13.3%**	–	**10.5%**	–	**6.7%**	–	**–**	–
Mr Scott Hosking (ceased as Chief Financial Officer on 30 September 2021)	**10.9%**	33.4%	**10.7%**	–	**–**	–	**3.0%**	4.6%	**19.5%**	20.8%	**51.4%**	34.3%	**4.5%**	6.9%
Mr Edward Munks (ceased as Chief Operating Officer on 30 September 2021)	**23.6%**	47.6%	**27.6%**	–	**–**	–	**8.8%**	2.8%	**11.8%**	16.0%	**28.2%**	29.2%	**–**	4.4%
Mr Ricardo Abi-Ramia (ceased as KMP on 1 October 2021)	**47.1%**	63.4%	**–**	–	**–**	–	**6.9%**	–	**9.6%**	13.2%	**19.8%**	21.6%	**16.6%**	1.8%

Further information on share options and performance rights is set out in Note 31 of the consolidated financial statements.

Amounts disclosed for remuneration of Directors and other KMP exclude insurance premiums paid by the Company in respect of directors' and officers' liability insurance contracts, as the contracts do not specify premiums paid in respect of individual Directors and officers. Information relating to insurance contracts is set out in this Directors' Report.

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Share-based Remuneration

As at 30 June 2022, there were 13,645,295 performance rights issued under the 2016 PRP and 2019 PRP respectively, representing approximately 2.45% of the Company's total number of shares issued. Subsequent to year end, 3,129,151 performance rights have vested and converted to ordinary shares as outlined on page 46.

The terms and conditions of each grant of performance rights over unissued ordinary shares in the Company affecting remuneration in the current or a future financial year are as follows:

GRANT DATE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE PER SHARE OPTION OR PERFORMANCE RIGHT	FAIR VALUE PER SHARE OPTION OR PERFORMANCE RIGHT AT GRANT DATE	% VESTED	PERFORMANCE CONDITION ACHIEVED
Performance rights						
12 November 2019	1 July 2022	30 June 2023	$–	A$1.060	100	2022 Performance Condition
18 October 2019	1 July 2022	30 June 2023	$–	A$1.075	100	2022 Performance Condition
29 November 2019	1 July 2022	30 June 2023	$–	A$1.115	100	2022 Performance Condition
25 September 2020	1 July 2022	30 June 2023	$–	A$0.740	69	2021 Performance Condition
25 September 2020	1 July 2023	30 June 2024	$–	A$0.587	–	To be determined
27 November 2020	1 July 2023	30 June 2024	$–	A$1.572	–	To be determined
23 March 2022	1 July 2024	30 June 2025	$–	A$1.815	–	To be determined
6 May 2022	1 July 2024	30 June 2025	$–	A$1.525	–	To be determined

Performance rights are granted for no consideration. Performance rights granted carry no dividend or voting rights.

Number of Performance Rights Provided as Remuneration During the Financial Year

Details of performance rights over unissued ordinary shares in the Company provided as remuneration to each Director and each of the other KMP, including their personally related parties, are set out below:

NAME	NUMBER OF PERFORMANCE RIGHTS GRANTED DURING FINANCIAL YEAR	FAIR VALUE PER PERFORMANCE RIGHT AT GRANT DATE*	VALUE OF PERFORMANCE RIGHTS AT GRANT DATE*	NUMBER OF PERFORMANCE RIGHTS VESTED DURING FINANCIAL YEAR	NUMBER OF PERFORMANCE RIGHTS FORFEITED	VALUE OF PERFORMANCE RIGHTS FORFEITED**
Executive Directors						
Dr Julian Fowles						
– Performance rights (LTI)	577,052	A$1.525	A$880,004	–	–	–
Other key management personnel (Group)						
Mr Ray Church						
– Performance rights (LTI)	276,389	A$1.525	A$421,493	–	–	–
Mr Antonio Guimarães						
– Performance rights (LTI)	152,660	A$1.525	A$232,807	–	–	–
Mr Ricardo Abi-Ramia						
– Performance rights (STI)	–	–	–	84,060	51,395	A$70,411
– Performance rights (LTI)	79,674	A$1.815	A$144,608	–	–	–
Total key management personnel						
– Performance rights	1,085,775		A$1,678,912	84,060	51,395	A$70,411

* The value at grant date, calculated in accordance with AASB 2, of share options and performance rights granted during the financial year as part of their remuneration.

** The value of performance rights forfeited during the financial year because a vesting condition was not satisfied was determined at the time of forfeit (7 July 2021), but assuming the condition was satisfied, based on the underlying value of the share options or performance rights at that date.

No share options or performance rights over unissued ordinary shares in the Company, held by any Director or other KMP, lapsed during the financial year, except for 51,395 performance rights that were forfeited by Directors and other KMP.

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Remuneration Report (Audited) Continued

Section 5. Statutory and Share-based Reporting Continued

Shares Issued on the Exercise of Share Options Provided as Remuneration

No share options were exercised by any Director or other KMP, including their personally related parties, during the financial year.

Shares Issued on the Conversion of Performance Rights Provided as Remuneration

Details of fully paid ordinary shares in the Company issued, as a result of the exercise and conversion of remuneration performance rights to each Director and other KMP, during the financial year, including their personally related parties, are set out below:

NAME	DATE OF CONVERSION OF PERFORMANCE RIGHTS	NUMBER OF ORDINARY SHARES ISSUED	VALUE AT CONVERSION DATE*	AMOUNT PAID PER PERFORMANCE RIGHT
Other KMP (Group)				
Mr Ricardo Abi-Ramia	7 September 2021	84,060	A$100,872	$–
		84,060	**A$100,872**	

* The value at conversion date of performance rights that were granted as part of their remuneration and were converted during the financial year has been determined as the underlying value of the performance rights at that date.

No amounts are unpaid on any ordinary shares issued on the conversion of the above remuneration performance rights.

Details of Remuneration – Share Options and Performance Rights

For each grant of share options or performance rights in current or previous financial years which resulted in a share-based payment expense to Directors and other KMP, the percentage of the grant that vested and percentage that was forfeited because the individual did not meet the service and/or pre-determined performance conditions is set out below:

NAME	FINANCIAL YEAR END GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH SHARE OPTIONS OR PERFORMANCE RIGHTS MAY VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST US$
Executive Director					
Dr Julian Fowles					
– Performance rights (LTI)	30 June 2021	–	–	30 June 2024	221,513
– Performance rights (LTI)	30 June 2022	–	–	30 June 2025	425,447
– Performance rights (STI)*	30 June 2023	–	–	30 June 2024	47,360
Other KMP (Group)					
Mr Ray Church					
– Performance rights (LTI)	30 June 2022	–	–	30 June 2025	203,775
– Performance rights (STI)*	30 June 2023	–	–	30 June 2024	60,287
Mr Antonio Guimarães					
– Performance rights (LTI)	30 June 2022	–	–	30 June 2025	112,553
– Performance rights (STI)*	30 June 2023	–	–	30 June 2024	35,798
Mr Ricardo Abi-Ramia					
– Performance rights (LTI)	30 June 2020	100	–	30 June 2023	–
– Performance rights (STI)	30 June 2021	73.3	26.7	30 June 2023	–
– Performance rights (LTI)	30 June 2021	–	–	30 June 2024	30,188
– Performance rights (LTI)	30 June 2022	–	–	30 June 2025	69,928
– Performance rights (STI)*	30 June 2023	–	–	30 June 2024	19,517
Mr Edward Munks					
– Performance rights (LTI)	30 June 2020	100	–	30 June 2023	–
– Performance rights (STI)	30 June 2021	63.2	36.8	30 June 2023	–
– Performance rights (LTI)	30 June 2021	–	–	30 June 2024	–
Mr Scott Hosking					
– Performance rights (LTI)	30 June 2020	100	–	30 June 2023	–
– Performance rights (STI)	30 June 2021	63.2	36.8	30 June 2023	–
– Performance rights (LTI)	30 June 2021	–	–	30 June 2024	–

* Performance rights for the deferred portion of the FY2022 award will be granted following the release of the Company's 2022 full year results. The number of performance rights will depend on the Company's weighted average share price in the 20-trading day period after the release of the Company's 2022 full year financial results.

No share options or performance rights will vest if the service and/or pre-determined performance conditions are not met, therefore the minimum value of the share option or performance right yet to vest is $Nil.

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The maximum value of share options and performance rights yet to vest was determined as the amount of the grant date fair value of the share options or performance rights that is yet to be expensed in the consolidated statement of profit or loss and other comprehensive income. For the FY2022 award, the maximum value yet to vest is equivalent to the STI opportunity achieved, based on a percentage of fixed remuneration or base salary, to be expensed over the remaining vesting period.

Share Options and Performance Rights over Unissued Ordinary Shares in the Company as at 30 June 2022

During the financial year 1,085,775 performance rights over unissued ordinary shares in the Company were issued to Directors and other KMP, including their personally related parties.

The movement of share options and performance rights over unissued ordinary shares in the Company held by Directors and other KMP, including their personally related parties, during the financial year was as follows:

	BALANCE AS AT 1 JULY 2021	GRANTED AS REMUNER-ATION	EXERCISED SHARE OPTIONS/ VESTED AND CONVERTED PERFORM-ANCE RIGHTS	CASH-SETTLED	SHARE OPTIONS OR PERFORM-ANCE RIGHTS FORFEITED	OTHER	BALANCE AS AT 30 JUNE 2022	TOTAL VESTED AND EXERCISABLE AS AT 30 JUNE 2022	TOTAL UNVESTED AS AT 30 JUNE 2022
Executive Director									
Dr Julian Fowles									
– Performance rights	502,989	577,052	–	–	–	–	1,080,041	–	1,080,041
Non-Executive Directors									
Mr Bruce Phillips	–	–	–	–	–	–	–	–	–
Ms Luciana Rachid	–	–	–	–	–	–	–	–	–
Mr Clark Davey	–	–	–	–	–	–	–	–	–
Mr Peter Turnbull	–	–	–	–	–	–	–	–	–
Mr Peter Botten	–	–	–	–	–	–	–	–	–
Other KMP									
Mr Ray Church									
– Performance rights	–	276,389	–	–	–	–	276,389	–	276,389
Mr Antonio Guimarães									
– Performance rights	–	152,660	–	–	–	–	152,660	–	152,660
Mr Scott Hosking									
– ESOP options	369,258	–	–	–		(369,258)[1]	–		–
– Performance rights	1,447,130	–	–	–	(170,915)	(1,276,215)[1]	–		–
Mr Edward Munks									
– ESOP options	461,572	–	–	–	–	(461,572)[1]	–		–
– Performance rights	1,808,916	–	–	–	(213,645)	(1,595,271)[1]	–		–
Mr Ricardo Abi-Ramia									
– ESOP options	258,138	–	–	–	–	(258,138)[2]	–		–
– Performance rights	692,353	79,674	(84,060)	–	(51,395)	(636,572)[2]	–		–
Total key management personnel									
– Share options	1,088,968	–	–	–	–	(1,088,968)	–	–	–
– Performance rights	4,451,388	1,085,775	(84,060)	–	(435,955)	(3,508,058)	1,509,090	–	1,509,090

1. Reflects Scott Hosking's and Ed Munks' respective holdings, held both individual and by personally related parties, when they ceased to be employees on 30 September 2021.
2. Reflects Ricardo Abi-Ramia holdings when he ceased to be a KMP on 1 October 2021.

All performance rights granted during the financial year were issued under the 2019 PRP.

DIRECTORS' REPORT CONTINUED

Remuneration Report (Audited) Continued

Section 5. Statutory and Share-based Reporting Continued

The number of ordinary shares held by Directors and other KMP, including their personally related parties, as at 30 June 2022 was as follows:

	BALANCE AS AT 1 JULY 2021	RECEIVED AS REMUNERATION	EXERCISED (SHARE OPTIONS)/ VESTED AND CONVERTED (PERFORMANCE RIGHTS)	SHARES PURCHASED	ORDINARY SHARES SOLD	OTHER^	BALANCE AS AT 30 JUNE 2022
Executive Director							
Dr Julian Fowles	107,659	–	–	–	–	–	107,659
Non-Executive Directors							
Mr Bruce Phillips	1,750,000	–	–	–	–	–	1,750,000
Mr Clark Davey	147,214	–	–	–	–	–	147,214
Mr Peter Turnbull	146,269	–	–	–	–	–	146,269
Ms Luciana Rachid	52,960	–	–	–	–	–	52,960
Mr Peter Botten	–	–	–	–	–	–	–
Other KMP							
Mr Ray Church (commenced as EVP and Chief Financial Officer on 27 September 2021)	–	–	–	–	–	–	–
Mr Antonio Guimarães (commenced as EVP and President Karoon Brazil on 1 October 2021)	–	–	–	–	–	–	–
Mr Scott Hosking (ceased as Chief Financial Officer on 30 September 2021)	614,634	–	–	–	(19,204)	(595,430)	–
Mr Edward Munks (ceased as Chief Operating Officer on 30 September 2021)	1,114,932	–	–	–	–	(1,114,932)	–
Mr Ricardo Abi-Ramia (ceased as KMP on 1 October 2021)	173,402	–	84,060	–	–	(257,462)	–
Total KMP	**4,107,070**	**–**	**84,060**	**–**	**(19,204)**	**(1,967,824)**	**2,204,102**

^ Other reflects the respective other KMP shareholdings (held both individually and by personally related parties) when they either commenced or ceased their role as a KMP during the year.

None of the ordinary shares are held nominally by any Director or any of the other key management personnel. 'Held nominally' refers to the situation where the ordinary shares are in the name of the Director or other key management person, but he is not the beneficial owner.

Other Transactions with Directors and Other KMP

A formal Related Party Protocol requires the approval by the People, Culture and Governance Committee and, thereafter, the Board of Directors of all new related party transactions.

There were no related party transactions with Directors or other KMP during the financial year.

Loans to Directors and Other KMP

There were no loans to Directors or other KMP during the financial year.

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Rounding

The amounts in the financial report are rounded to the nearest thousand dollars (US$'000) unless otherwise indicated, under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

This Directors' Report, incorporating the Remuneration Report, is made in accordance with a resolution of the Directors.

On behalf of the Directors:

Mr Bruce Phillips
Independent Non-Executive Chairman

Dr Julian Fowles
Chief Executive Officer and Managing Director

25 August 2022

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AUDITOR'S INDEPENDENCE DECLARATION

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Auditor's Independence Declaration

As lead auditor for the audit of Karoon Energy Ltd for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Karoon Energy Ltd and the entities it controlled during the period.

Anthony Hodge
Partner
PricewaterhouseCoopers

Melbourne
25 August 2022

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CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2022

Karoon Energy Ltd (the 'Company') is a public company limited by shares and is listed on the ASX. It is incorporated and domiciled in Australia.

The registered office and principal place of business of Karoon Energy Ltd is Suite 3.02, Level 3, 6 Riverside Quay, Southbank VIC 3006.

The consolidated financial statements are for the consolidated entity consisting of the Company and its subsidiaries.

The consolidated financial statements are presented in United States dollars.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2022

		CONSOLIDATED	
	NOTE	2022 US$'000	2021 US$'000
Revenue	4(a)	**385,074**	170,809
Cost of Sales	5(a)	**(191,704)**	(111,375)
Gross Profit		**193,370**	59,434
Other income	4(b)	**789**	305
Business development and transition costs	5(b)	**(3,362)**	(17,564)
Exploration expenses	5(c)	**(3,196)**	(3,416)
Finance costs	5(d)	**(22,709)**	(14,401)
Net foreign currency gains/(losses)		**6,203**	(17,053)
Other expenses	5(e)	**(33,814)**	(28,546)
Change in fair value of contingent consideration	23(ii)	**(227,119)**	(6,632)
Loss before income tax		**(89,838)**	(27,873)
Income tax benefit	6	**25,387**	32,257
Profit (Loss) for financial year attributable to equity holders of the Company		**(64,451)**	4,384
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from the translation of financial statements into presentation currency		**(4,332)**	13,493
Net change in fair value of cash flow hedges and cost of hedging	24(d)	**(41,274)**	–
Other comprehensive income (loss) for financial year, net of income tax		**(45,606)**	13,493
Total comprehensive income (loss) for financial year attributable to equity holders of the Company, net of income tax		**(110,057)**	17,877
Profit (Loss) per share attributable to equity holders of the Company:			
Basic profit (loss) per ordinary share	9	**(0.1159)**	0.0079
Diluted profit (loss) per ordinary share	9	**(0.1159)**	0.0077

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTE	CONSOLIDATED 2022 US$'000	2021 US$'000
Current assets			
Cash and cash equivalents	10	**157,683**	133,209
Receivables	11	**56,336**	34,162
Inventories	12	**19,403**	10,952
Security deposits	13	**325**	209
Other assets	14	**11,792**	5,317
Total current assets		245,539	183,849
Non-current assets			
Deferred tax assets	6	**122,982**	36,528
Inventories	12	**5,828**	6,536
Oil and gas assets	15	**733,042**	736,422
Property, plant and equipment	16	**13,257**	8,260
Intangible assets	17	**40**	102
Exploration and evaluation expenditure carried forward	18	**40,837**	40,853
Security deposits	13	**1,337**	1,406
Other assets	14	**1,277**	–
Total non-current assets		918,600	830,107
Total assets		1,164,139	1,013,956
Current liabilities			
Trade and other payables	19	**68,302**	76,174
Current tax liabilities		**9,597**	8,253
Other financial liabilities	23	**125,398**	–
Lease liabilities	21	**43,741**	45,393
Provisions	20	**368**	457
Total current liabilities		247,406	130,277
Non-current liabilities			
Trade and other payables	19	**6,763**	4,261
Borrowings	22	**27,144**	–
Other financial liabilities	23	**221,994**	71,161
Deferred tax liabilities	6	**–**	1,775
Lease liabilities	21	**245,146**	267,447
Provisions	20	**139,485**	158,785
Total non-current liabilities		640,532	503,429
Total liabilities		887,938	633,706
Net assets		276,201	380,250
Equity			
Contributed equity	24	**907,514**	905,138
Accumulated losses		**(478,816)**	(414,365)
Reserves		**(152,497)**	(110,523)
Total equity		276,201	380,250

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2022

	NOTE	CONSOLIDATED CONTRIBUTED EQUITY US$'000	ACCUMULATED LOSSES US$'000	SHARE-BASED PAYMENTS RESERVE US$'000	FOREIGN CURRENCY TRANSLATION RESERVE US$'000	HEDGING RESERVES US$'000	TOTAL EQUITY US$'000
Balance as at 1 July 2020		905,281	(418,749)	47,156	(174,206)	–	359,482
Profit for financial year		–	4,384	–	–	–	4,384
Other comprehensive income (loss)		–	–	–	13,493	–	13,493
Total comprehensive profit for financial year		–	4,384	–	13,493	–	17,877
Transactions with owners in their capacity as owners:							
Deferred tax adjustment on transaction costs arising on ordinary shares issued in prior period	24(b)	(143)	–	–	–	–	(143)
Share-based payments expense	31(e)	–	–	3,034	–	–	3,034
		(143)	–	3,034	–	–	2,891
Balance as at 30 June 2021		905,138	(414,365)	50,190	(160,713)	–	380,250
Profit (loss) for financial year		**–**	**(64,451)**	**–**	**–**	**–**	**(64,451)**
Other comprehensive income (loss)		**–**	**–**	**–**	**(4,332)**	**(41,274)**	**(45,606)**
Total comprehensive loss for financial year		**–**	**(64,451)**	**–**	**(4,332)**	**(41,274)**	**(110,057)**
Transactions with owners in their capacity as owners:							
Exercise of options	24(b)	**2,376**	**–**	**–**	**–**	**–**	**2,376**
Share-based payments expense	31(e)	**–**	**–**	**3,632**	**–**	**–**	**3,632**
		2,376	**–**	**3,632**	**–**	**–**	**6,008**
Balance as at 30 June 2022		**907,514**	**(478,816)**	**53,822**	**(165,045)**	**(41,274)**	**276,201**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 30 June 2022

		CONSOLIDATED	
	NOTE	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Receipts from customers		**362,926**	136,978
Payments to suppliers and employees		**(116,988)**	(56,461)
Net refunds for Peruvian VAT		**519**	4,247
Payments for exploration and evaluation expenditure expensed		**(3,524)**	(15,231)
Payments for Baúna transition expenditure		**–**	(15,941)
Payments for legal settlement		**(9,600)**	–
Payments for cash flow hedges		**(20,827)**	–
Interest received		**25**	263
Borrowing and other costs of finance paid		**(18,860)**	(13,246)
Income taxes paid		**(39,425)**	(10,823)
Net cash flows from operating activities	30(a)	**154,246**	29,786
Cash flows from investing activities			
Purchase of plant and equipment and computer software		**(5,059)**	(4,717)
Acquisition of oil and gas assets		**(43,588)**	(150,000)
Payments for oil and gas assets		**(59,640)**	(16,031)
Borrowing costs paid for qualifying assets		**(5,807)**	(191)
Payments for exploration and evaluation expenditure capitalised		**–**	(1,915)
Release/refund (payment) of security deposits		**(260)**	3,621
Proceeds from disposal of non-current assets		**1,403**	20
Net cash flows used in investing activities		**(112,951)**	(169,213)
Cash flows from financing activities			
Principal elements of lease payments		**(44,553)**	(23,411)
Proceeds from issue of ordinary shares		**2,376**	–
Proceeds from borrowings		**30,000**	–
Debt facility establishment costs		**(3,320)**	–
Net cash flows used in financing activities		**(15,497)**	(23,411)
Net increase (decrease) in cash and cash equivalents		**25,798**	(162,838)
Cash and cash equivalents at beginning of financial year		**133,209**	296,420
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**(1,324)**	(373)
Cash and cash equivalents at end of financial year	10	**157,683**	133,209

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2022

Note 1. Significant Accounting Policies

The consolidated financial statements are for the consolidated entity consisting of the Company and its subsidiaries (the 'Group'). Information on the nature of the operations and principal activities of the Group are described in the Directors' Report.

The following is a summary of significant accounting policies adopted by the Group in the preparation of these consolidated financial statements. The accounting policies have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the 'AASB') and the *Corporations Act 2001* (Cth). The Company is a for-profit entity for the purpose of preparing financial statements.

Rounding

The amounts in the financial statements are rounded to the nearest thousand dollars (US$'000) unless otherwise indicated, under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Historical Cost Convention

The consolidated financial statements have been prepared on an accrual basis under the historical cost convention as modified, when relevant, by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Significant Accounting Estimates, Assumptions and Judgements

The preparation of financial statements requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying Group accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

Compliance with International Financial Reporting Standards

Compliance with Australian Accounting Standards ensures that the consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Climate Change

In preparing the financial statements, the impact of climate change and current climate-related legislation has been considered.

The impact of climate change is considered in the significant judgements in a number of areas in the financial statements not limited to:

- Impairment of oil and gas assets (refer Note 2(a)); and
- Provision for restoration (refer Note 2(c)).

The Group continues to monitor climate related policy and its impact on the financial statements.

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New, Revised or Amended Australian Accounting Standards and Interpretations that are First Effective in the Current Reporting Period

The Group has adopted all of the new, revised and/or amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the financial year ended 30 June 2022.

New and revised Australian Accounting Standards and amendments thereof and Interpretations effective for the financial year include:

(i) Amendments to AASB 4 *'Insurance Contracts'*, AASB 7 *'Financial Instruments Disclosures'*, AASB 9 *'Financial Instruments'*, AASB 16 *'Leases'* AASB 139 *'Financial Instruments: Recognition and Measurement': Interest rate benchmark reform* and *Costs necessary to sell inventories*, and

(ii) Amendments to AASB 16 *'Leases'*: COVID-19 Related Rent Concessions.

The initial adoption of all of these new, revised and/or amended Australian Accounting Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on either the amounts reported for the current or previous years.

Early Adoption of Australian Accounting Standards

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(b) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2022 and the results of all subsidiaries for the financial year then ended.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Interests in subsidiaries are set out in Note 25.

All subsidiaries have a financial year end of 30 June, with the exception of: Karoon Petróleo & Gas Ltda; Karoon Peru Pty Ltd, Sucursal del Peru; and KEI (Peru Z38) Pty Ltd, Sucursal del Peru which have a financial year end of 31 December in accordance with relevant Brazilian and Peruvian tax and accounting regulations respectively.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies applied by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred.

(c) Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for assessing performance and in determining the allocation of resources of the operating segments, has been identified as the Group's Executive Management Team.

(d) Revenue

Revenue from contracts with customers is recognised when the performance obligations are considered met, which is when control of the products or services provided are transferred to the customer. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to, net of goods and services tax or similar taxes.

Where part or all of the transaction is price variable, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur.

Oil sales

Performance obligations are satisfied when the control of oil is transferred to the customer at the despatch point to the offtake vessel. The transaction price for oil sales may not be finalised at the date the customer takes control of the product. In such cases, a provisional transaction price is used until a final transaction price can be determined. The difference between the provisional and the final transaction price is recognised at the point when the final price is determined.

Credit terms for crude cargoes are between 30 and 45 days.

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Note 1. Significant Accounting Policies Continued

Interest Income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of profit or loss and other comprehensive income as other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of the relevant financial asset, except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(e) Foreign Currency Transactions and Balances

Functional and Presentation Currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary or branch operates (the 'functional currency').

The functional currency of the Company is Australian dollars. The Group's Brazilian & Peruvian Branches have a functional currency of US$.

The presentation currency of the consolidated financial statements is US$.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income, except when they are attributable to part of the net investment in a foreign operation.

Non-monetary items measured at historical cost continue to be carried at the foreign exchange rate at the date of the transaction. Foreign exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise foreign exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other income or expenses.

Group Companies

The results and financial position of entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the foreign exchange rates prevailing at the end of each reporting period.
- income and expenses are translated at the average foreign exchange rates for the financial period (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting foreign exchange differences are recognised in other comprehensive income.

On consolidation, foreign exchange differences arising on translation of foreign currency financial statements are transferred directly to the foreign currency translation reserve in the consolidated statement of financial position. The relevant differences are recognised in the consolidated statement of profit or loss and other comprehensive income during the financial period when the investment in the entity is disposed.

(f) Income Taxes and Other Taxes

Current Tax

Current tax (expense) income is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the financial period. It is calculated using income tax rates and tax laws that have been enacted or are substantively enacted by the end of each reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Current tax for current and previous financial periods is recognised as a liability (or asset) to the extent that it is unpaid or refundable.

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Deferred Tax

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The tax base of an asset or liability is the amount attributed to that asset or liability for income taxation purposes.

No deferred tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted by the end of the financial period and are expected to apply to the financial period when the asset is realised, or liability is settled. Deferred tax is credited in the consolidated statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary tax differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and tax liabilities are offset when there is a legally enforceable right to offset current tax assets and tax liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

Tax Consolidation

The Company and its wholly owned Australian subsidiaries are part of an income tax-consolidated group under Australian taxation law. The Company is the head entity in the income tax-consolidated group. Tax income (expense), deferred tax liabilities and deferred tax assets arising from temporary tax differences of the members of the income tax-consolidated group are recognised in the separate financial statements of the members of the income tax-consolidated group using the 'stand-alone taxpayer' approach, by reference to the carrying amounts in the separate financial statements of each company and the tax values applying under tax consolidation. Current tax liabilities and tax assets and deferred tax assets arising from unused tax losses and tax credits of members of the income tax-consolidated group are recognised by the Parent Company (as head entity of the income tax-consolidated group).

Due to the existence of a tax funding agreement between the companies in the income tax-consolidated group, each company contributes to the income tax payable or receivable in proportion to their contribution to the income tax-consolidated group's taxable income. Differences between the amounts of net tax assets and tax liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to, the head entity.

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ('ATO'). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or equity or as part of an item of expense.

Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO, is included as current receivables or payables respectively in the consolidated statement of financial position.

Cash flows are included on a gross basis in the consolidated statement of cash flows. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Petroleum Resource Rent Tax ('PRRT')

PRRT is accounted for as income tax under AASB 112 *'Income Taxes'*.

(g) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position and for presentation in the consolidated statement of cash flows comprise cash at bank and on hand (including share of joint operation cash balances) and short-term bank deposits that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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Note 1. Significant Accounting Policies Continued

(h) Receivables

Receivables, which normally have 30-45 day terms, are generally non-interest-bearing amounts. They are recognised initially at the amount of the consideration that is unconditional unless they contain significant financing components, when they are recognised initially at fair value. The Group holds receivables with the objective to collect the contractual cash flows. They are presented as current assets unless collection is not expected for more than 12 months after reporting date. For receivables expected to be settled within 12 months, these are subsequently measured at amortised cost using the effective interest method, less any loss allowance. For receivables expected to be settled later than 12 months, these are subsequently measured at amortised cost based on discounted cash flows using an effective interest rate, less any loss allowance.

Cash flows relating to non-current receivables are not discounted if the effect of discounting would be immaterial. Refer Note 3(c) for a description of the Group's receivable impairment policies.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost for petroleum products, which comprise extracted crude oil stored in the FPSO, are valued using the absorption cost method.

Other inventories are represented by assets acquired from third parties, in the form of casing and other drilling inventory to be consumed or used in exploration and evaluation activities or production activities. They are presented as current assets unless inventories are not expected to be consumed or used in exploration and evaluation activities within 12 months. The cost of casing and other drilling inventory includes direct materials, direct labour and transportation costs.

(j) Security Deposits

Certain financial assets have been pledged as security for performance guarantees, bank guarantees and bonds related to exploration tenements and operating lease rental agreements. Their realisation may be restricted subject to terms and conditions attached to the relevant exploration tenement agreements or operating lease rental agreements.

Security deposits are non-derivative financial assets that are not quoted in an active market. Security deposits are initially recognised at fair value. Such assets are subsequently carried at amortised cost using the effective interest method, less any loss allowance. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Security deposits are derecognised when the terms and conditions attached to the relevant exploration tenement agreements or lease rental agreements have expired or been transferred.

Refer Note 3(c) for a description of the Group's security deposit impairment policies.

(k) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income as incurred.

Commencing from the time the plant and equipment is held ready for use, depreciation expense is calculated on a straight-line basis to allocate their cost amount, net of their residual values, over their estimated useful lives ranging from 2 to 10 years.

Plant and equipment residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the net carrying amount. These gains and losses are included in the consolidated statement of profit or loss and other comprehensive income.

Property, plant and equipment are tested for impairment in accordance with the accounting policy described in Note 1(p).

(l) Oil and Gas Assets

Production assets

Production assets are stated at cost less accumulated amortisation and impairment charges. Production assets include the costs to acquire, construct, install or complete production and infrastructure facilities, capitalised borrowing costs, transferred exploration and evaluation assets, development wells and the estimated cost of dismantling and restoration. Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

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Assets in development

When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated and approval of commercial development occurs, the field enters its development phase. The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When the committed development expenditure programs are completed and commercial production commences, these costs are subject to amortisation.

Amortisation of production assets

Amortisation is calculated using the units of production method for an asset or group of assets from the date of commencement of production. Depletion charges are calculated using the units of production method over the life of the estimated proved plus probable ('2P') reserves for an asset or group of assets.

(m) Intangibles

Computer Software

Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. Computer software costs have a finite life.

Commencing from the time the computer software is held ready for use, amortisation expense is calculated on a straight-line basis to allocate their cost amount, net of their residual values, over their estimated useful lives ranging from 2 to 2.5 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. Computer software is tested for impairment in accordance with the accounting policy described in Note 1(p).

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(o) Exploration and Evaluation Expenditure

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Expenditure in respect of each area of interest is accounted for using the 'successful efforts' method of accounting. The 'successful efforts' method requires all exploration and evaluation expenditure in relation to an area of interest to be expensed in the period it is incurred, except the cost of successful wells, the costs of acquiring interests in new exploration assets, and appraisal costs relating to determining development feasibility, which are capitalised as intangible exploration and evaluation assets.

Exploration and evaluation assets are recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

- it is expected to be recovered through sale or successful development and exploitation of the area of interest; or
- relates to an exploratory discovery for which at balance date a reasonable assessment of the existence or otherwise of economically recoverable reserves is not yet complete, or additional appraisal work is underway or planned.

All exploration expenditure in relation to directly attributable general administration costs, geological and geophysical costs, seismic and pre-tenure costs is expensed in the consolidated statement of profit or loss and other comprehensive income as incurred.

For exploration wells, costs directly associated with drilling the wells are initially capitalised on a well-by-well basis pending the evaluation of whether potentially economic reserves of hydrocarbons have been discovered. If no recoverable hydrocarbons are identified, or discoveries are deemed non-commercial, then the capitalised costs are expensed.

As capitalised exploration and evaluation expenditure is not available for use, it is not amortised.

Cash flows associated with exploration and evaluation expenditure expensed are classified as operating activities in the consolidated statement of cash flows. Whereas cash flows associated with capitalised exploration and evaluation expenditure are classified as investing activities.

When the technical feasibility and commercial viability of extracting economically recoverable reserves have been demonstrated, any related capitalised exploration and evaluation expenditure is reclassified as development expenditure in the consolidated statement of financial position. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Petroleum tenement acquisition costs capitalised, along with licence costs paid in connection with a right to explore in an existing exploration area.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 1. Significant Accounting Policies Continued

Farm-out

The Group does not record any exploration and evaluation expenditure made by a farmee, including any carries incurred by the farmee to earn an ownership interest.

Any cash consideration received on sale or farm-out of an area within an exploration area of interest is recognised as revenue in the consolidated statement of profit or loss and other comprehensive income, unless any of the consideration is attributable to capitalised exploration and evaluation expenditure. Cash consideration received in relation to capitalised exploration and evaluation expenditure is offset against the carrying value of the capitalised exploration and evaluation expenditure. Where the total carrying value has been recouped in this manner, the balance of the proceeds is brought to account as income as a gain on disposal.

Impairment of Capitalised Exploration and Evaluation Expenditure

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the asset level whenever facts and circumstances (as defined in AASB 6 *'Exploration for and Evaluation of Mineral Resources'*) suggest that the carrying amount of the asset may exceed its recoverable amount. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written-down to its recoverable amount. Impairment losses are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

(p) Impairment of Assets (Other than Capitalised Exploration and Evaluation Expenditure)

All other current and non-current assets (other than receivables, inventories, security deposits and deferred tax assets) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At the end of each reporting period, the Group conducts an internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment losses are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

Assets that suffered impairment are tested for possible reversal of the impairment loss whenever events or changes in circumstances indicate that the impairment may have reversed.

(q) Trade and Other Payables

Trade and other payables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. They are presented as current liabilities unless payment is not due within twelve months from the reporting date.

(r) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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For purposes of subsequent measurement, financial liabilities are classified in two categories: financial liabilities at fair value through profit or loss and financial liabilities at amortised cost (loans and borrowings).

The Group's financial liabilities include trade and other payables, borrowings, derivative financial instruments designated as cash flow hedges, and a derivative financial instrument relating to contingent consideration for the acquisition of an asset.

Derivatives designated as hedging instruments

The Group has entered into derivative financial instruments to hedge its exposure to cash flow risk from movements in oil price (commodity price risk) arising from highly probable forecasted future oil sales.

At the inception of a hedge relationship, the Group documents the risk management objective and strategy for undertaking the hedge transaction. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Derivative financial instruments are presented as current assets or liabilities to the extent they are expected to be realised or settled within twelve months after the end of the reporting period. Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income ('OCI') and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The Group designates only the change in fair value of the spot element of the derivative transaction contracts (the intrinsic value of the option) as the hedging instrument in cash flow hedging relationships. The change in fair value of the value of the option contract in time is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

For all financial hedged derivative transaction contracts, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flows is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss. Further details are disclosed in Note 23.

(s) Employee Benefits

Wages, Salaries, Annual Leave and Personal Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period. They are measured at the amounts expected to be paid when the liabilities are settled plus related on-costs. Expenses for non-vesting personal leave are recognised when the leave is taken and are measured at the rates paid or payable.

The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 1. Significant Accounting Policies Continued

Share-based Payments

Share-based remuneration benefits are provided to Executive Directors and employees via the Company's PRP and ESOP (refer Note 31). The Group issues equity-settled and cash-settled share-based payments to certain employees.

The fair value of share options and performance rights granted is recognised as a share-based payments expense in the consolidated statement of profit or loss and other comprehensive income. The total amount to be expensed is determined by reference to the fair value of the share options and performance rights granted, which includes any market performance conditions, but excludes the impact of any service and non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions about the number of share options or performance rights that are expected to vest.

The fair value is measured at grant date. For equity-settled share-based payments the corresponding credit is recognised directly in the share-based payments reserve in equity. For cash-settled share-based payments a liability is recognised based on fair value of the payable earned by the end of the reporting period. The liability is re-measured to fair value at each reporting date up to, and including the vesting date, with changes in fair value recognised in share-based payments expense. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share options and performance rights that are expected to vest based on the non-market performance vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income.

The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the share option, the impact of dilution, the non-tradeable nature of the share option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share option.

The fair value of performance rights, granted for $Nil consideration, at grant date is based on the Company's closing share price at that date, with the exception of long-term performance rights granted during the current financial year.

Long term performance rights granted during the current financial year, which are subject to market-based performance conditions, have been valued using a Monte Carlo simulation approach.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restoration costs

A provision for restoration is provided by the Group where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the estimated costs of decommissioning and removing an asset and restoring the site. These costs are capitalised within the cost of the associated assets and the provision is stated in the statement of financial position at total estimated present value and amortised on the same basis as the associated asset. These costs are based on judgements and assumptions regarding removal dates, technologies, industry practice and relevant legislation. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The costs of restoration are brought to account in the statement of comprehensive income through depletion of the associated assets over the economic life of the projects with which these costs are associated. The unwinding of the discount is included as an accretion charge within finance costs.

Long Service Leave

A provision has been recognised for employee entitlements relating to long service leave measured at the discounted value of estimated future cash outflows. In determining the provision, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. The cash outflows are discounted using market yields with terms of maturity that match the expect timing of cash outflows.

Employee entitlements relating to long service leave are presented as a current provision in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

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(u) Contributed Equity

Ordinary shares are classified as equity.

Transaction costs directly attributable to the issue of new ordinary shares, share options or performance rights are shown in equity as a deduction, net of any related income tax, from the proceeds. Transaction costs are the costs that are incurred directly in connection with the issue of new ordinary shares, and which would not have been incurred had those ordinary shares not been issued. These directly attributable transaction costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and marketing costs.

Where the Company acquires its own ordinary shares, as a result of a share buy-back, those ordinary shares are cancelled. No gain or loss is recognised, and the consideration paid to acquire the ordinary shares, including any transaction costs directly attributable, net of any related income tax, is recognised directly as a reduction from equity.

(v) Interests in Joint Operations

A joint operation is a joint arrangement whereby the participants that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises assets, liabilities, revenues and expenses according to its share in the assets, liabilities, revenues and expenses of a joint operation or similar as determined and specified in contractual arrangements (joint operating agreements). These have been incorporated in the consolidated financial statements under the appropriate headings.

The Group's share of assets, liabilities, revenues and expenses employed in joint operations is set out in Note 27.

(w) Leases

The Group has lease contracts for property, an FPSO vessel and other equipment used in its operations. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments expected to be paid over the lease term, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's estimated incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The lease liability is further remeasured if the estimated future lease payments change as a result of index or rate changes, residual value guarantees or likelihood of exercise of purchase, extension or termination options.

The Group has applied judgement to determine the lease term for lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the measurement of lease liabilities and right-of-use assets recognised.

Right-of-use assets

The right-of-use asset is initially measured at cost (present value of the lease liability plus deemed cost of acquiring the asset), and subsequently at cost less any accumulated depreciation, impairment losses and adjustment for remeasurement of the lease liability.

Property leases generally have terms between 2 and 5 years. The FPSO vessel lease has a fixed term to February 2026 with renewal options available.

(x) Earnings Per Share

Basic Earnings Per Share

Basic earnings per ordinary share is calculated by dividing the profit or loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year.

Diluted Earnings Per Share

Diluted earnings per ordinary share adjusts the figures used in the determination of basic earnings per ordinary share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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Note 1. Significant Accounting Policies Continued

(y) Parent Company Financial Information

The financial information for the Parent Company, Karoon Energy Ltd, disclosed in Note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in Subsidiaries

Investments in subsidiaries are accounted for at cost in the Parent Company's financial statements.

The Parent Company does not designate any investments in subsidiaries as being subject to the requirements of Australian Accounting Standards specifically applicable to financial instruments. They are held for strategic and not trading purposes.

Investments in subsidiaries and receivables from subsidiaries are tested for impairment in accordance with the accounting policy described in Note 1(p).

Share-based Payments

The grant by the Company of equity-settled share options and performance rights over its ordinary shares to the employees of subsidiary companies in the Group is treated as a capital contribution to that subsidiary company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity.

(z) New Australian Accounting Standards and Interpretations for Application in Future Financial Years

There are no relevant new Australian Accounting Standards or Interpretations that are not yet effective and that are expected to have a material impact on the Group in the current or future financial years and on foreseeable future transactions.

(aa) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current period.

Note 2. Significant Accounting Estimates, Assumptions and Judgements

Revenues and expenses and the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In applying the Group's significant accounting policies, the Board of Directors and management evaluate estimates and judgements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group.

Significant estimates, assumptions and/or judgements made by the Board of Directors and management in the preparation of the consolidated financial statements were:

(a) Impairment of oil and gas assets

The Group assesses whether oil and gas assets are impaired at least on a semi-annual basis. This requires review of the indicators of impairment and/or an estimation of the recoverable amount of the cash-generating unit to which the assets belong. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. Current climate change legislation is also considered in relation to oil price forecasts and the cash generating unit's useful life. Future uncertainty around climate change risks continue to be monitored.

(b) Capitalised Exploration and Evaluation Expenditure

Capitalised exploration and evaluation expenditure is carried forward on the basis that exploration and evaluation operations in the areas of interest have not at the end of the reporting period reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related exploration tenement itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could affect the future recoverability include the level of economically recoverable reserves, future technological changes which could impact the cost of development, future legal changes (including changes to environmental and restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, the relevant capitalised amount will be impaired in the consolidated statement of profit or loss and other comprehensive income and net assets will be reduced during the financial period in which this determination is made.

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Information on the reasonable existence or otherwise of economically recoverable reserves is progressively gained through geological analysis and interpretation, drilling activity and prospect evaluation during a normal exploration tenement term. A reasonable assessment of the existence or otherwise of economically recoverable reserves can generally only be made, therefore, at the conclusion of those exploration and evaluation activities.

(c) Provision for Restoration

Restoration costs are a normal consequence of operating in the oil and gas industry. A provision has been recognised for the Group's restoration obligations for the Baúna field.

In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs, the estimated future level of inflation and appropriate discount rate. The ultimate costs of restoration are uncertain and cost estimates could be subject to revisions in subsequent years due to many factors including changes to the relevant legal and legislative requirements, the emergence of new restoration techniques or experience at other fields. Risks associated with climate change also continue to be monitored. Likewise, the appropriate future discount rates used in the calculation are subject to change according to the risks inherent in the liability. The discount rate used to determine the restoration obligation at 30 June 2022 was based on applicable government bond rates with a tenure aligned to the tenure of the liability.

Changes to any of the estimates could result in a significant change to the level of provisioning required, which would in turn impact future financial results.

(d) Estimates of reserves quantities

The estimated quantities of Proved plus Probable ("2P") hydrocarbon reserves reported by the Group are integral to the calculation of depletion and depreciation expense and to the assessment of impairment or impairment reversals.

Estimated reserves quantities are based upon management's interpretations of geological and geophysical models, reservoir engineering and production engineering analyses and models, and assessments of the technical feasibility and commercial viability of producing the reserves, taking into consideration reviews by an independent third party. An external reserves assessment is planned to be undertaken at least every 3 years.

Assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The Group prepares its reserves estimates in accordance with the Petroleum Resources Management System (PRMS 2018) published by the Society of Petroleum Engineers and the Australian Securities Exchange Listing rules. All estimates of reserves reported by the Group are prepared by, or under the supervision of a qualified petroleum reserves and resources evaluator.

Estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. These changes may impact depreciation, amortisation, asset carrying values, restoration provisions and deferred tax balances. If proved and probable reserves estimates are revised downwards, earnings could be affected by a higher depreciation and/or amortisation charge or immediate write-down of the assets carrying value.

(e) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The fair value of the contingent consideration (refer to Note 23) is based on the Group's internal assessment of future oil prices, which considers industry consensus and observable prices, inflation and an appropriate risk-free rate. Changes in assumptions relating to these factors could affect the reported fair value of the financial instrument.

(f) Share-based Payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or performance right, volatility and dividend yield and making assumptions about them at grant date. The fair value of share options is ascertained using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. The fair value of long-term performance rights issued during the current financial year are valued using a Monte Carlo simulation approach taking into account the terms and conditions upon which the performance rights were granted. The cumulative share-based payments expense recognised reflects the extent, in the opinion of management, to which the vesting period has expired and the number of share options and performance rights granted that will ultimately vest or be settled in cash. At the end of each reporting period, the unvested share options, performance rights and cash-settled share-based payment liability are adjusted by the number forfeited during the reporting period to reflect the actual number of share options and performance rights outstanding and cash liability to be settled. In addition, the fair value of cash-settled share-based payments are remeasured, up to the date of settlement, to reflect the cash liability at the end of each reporting period with changes in the fair value recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 2. Significant Accounting Estimates, Assumptions and Judgements Continued

(g) Income Tax

The Group is subject to income taxes in Australia, Brazil and other jurisdictions where it has foreign operations. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax balances in the financial period in which such determination is made.

Assessing the future utilisation of tax losses and temporary tax differences requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future utilisation of these tax losses and temporary tax differences becomes probable, this could result in significant changes to deferred tax assets recognised, which would in turn impact future financial results.

(h) Joint Arrangements

Exploration and evaluation activities of the Group are conducted primarily through arrangements with other participants. Each arrangement has a contractual agreement (joint operating agreement) that provides the participants with rights to the assets and obligations for the liabilities of the arrangement. Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exist. Where the arrangement has the same legal form as a joint operation, but is not subject to joint control, the Group accounts for its interest in accordance with the contractual agreement by recognising its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

(i) Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include renewal options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Group included the renewal periods as part of the lease term for the FPSO right-of-use asset as there will be a significant negative effect on production if a replacement asset is not readily available.

Note 3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk); commodity price risk; credit risk; and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of financial risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, interest rates and commodity prices.

The overall financial risk management strategy of the Group is governed by the Board of Directors through the Audit and Risk Committee and is primarily focused on ensuring that the Group is able to finance its business plans, while minimising potential adverse effects on financial performance. The Board of Directors provides written principles for overall financial risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate, commodity price and credit risks, use of derivative financial instruments and investment of excess cash. Financial risk management is carried out by the Company's finance function under policies approved by the Board of Directors. The finance function identifies, evaluates and if necessary, hedges financial risks in close co-operation with the Chief Executive Officer and Managing Director.
Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group activities.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 1.

The Group's financial instruments consist of cash and cash equivalents, receivables, security deposits, trade and other payables, lease liabilities, borrowings, derivative financial instruments designated as cash flow hedges, and embedded derivatives.

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The totals for each category of financial instruments in the consolidated statement of financial position are as follows:

	NOTE	CONSOLIDATED 2022 US$'000	2021 US$'000
Financial assets			
Cash and cash equivalents	10	**157,683**	133,209
Receivables	11	**56,336**	34,162
Security deposits	13	**1,662**	1,615
Total financial assets		**215,681**	168,986
Financial liabilities			
Trade and other payables (refer note (i) below)		**73,614**	79,066
Borrowings (refer note (ii) below)	22	**30,000**	–
Other financial liabilities (refer note (iii) below)	23	**347,392**	71,161
Lease liabilities	21	**288,887**	312,840
Total financial liabilities		**739,893**	463,067

(i) Trade and other payables above exclude amounts relating to annual leave liabilities, which are not considered a financial instrument.

(ii) Borrowings exclude transaction costs which are not considered a financial instrument.

(iii) Other financial liabilities relate to the contingent consideration payable to Petrobras as part of the acquisition of Baúna and derivative financial liabilities designated as cash flow hedges (refer Note 23).

(a) Market Risk

(i) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Company's functional currency.

The Group's revenue, significant operating expenditure including the FPSO charter lease and a large component of capital obligations are predominantly denominated in US$.

The Group's remaining foreign exchange risk exposures relate to administrative and business development expenditures incurred at the corporate level in A$; and operating and capital expenditures incurred by the Group in relation to operating the Baúna production asset in Brazil in Brazilian REAL. These items are restated to US$ equivalents at each period end, and the associated gain or loss is taken to the Statement of Profit and Loss and Other Comprehensive Income.

The Group manages foreign exchange risk at the corporate level by monitoring forecast cash flows in currencies other than US$ and ensuring that adequate Brazilian REAL and A$ cash balances are maintained.

Foreign currencies are bought on the spot market in excess of immediate requirements. Where currencies are purchased in advance of requirements, these balances do not usually exceed 3 months' requirements. The appropriateness of A$ and Brazilian REAL holdings are reviewed regularly against future commitments and current $A and Brazil REAL market expectations.

Periodically, sensitivity analysis is conducted to evaluate the potential impact of unfavourable exchange rates on the Group's future financial position. The results of this evaluation are used to determine the most appropriate risk mitigation tool to be used. The Group will hedge when it is deemed the most appropriate risk mitigation tool to be used. Foreign currency hedging transactions were not entered into during the financial year or previous financial year.

The Group is not exposed to material translation exposures at the end of the current financial year as the majority of its financial assets and liabilities are denominated in US$ and as such, no foreign currency sensitivity analysis has been disclosed.

Note 3. Financial Risk Management Continued

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of financial assets and financial liabilities will fluctuate because of changes in market interest rates. Interest rate risk is managed on a Group basis at the corporate level. This risk is managed through the use of cash flow forecasts supplemented by sensitivity analysis.

As at 30 June 2022 and 30 June 2021, there was no interest rate hedging in place.

The Group's interest rate risk arises from long-term borrowings at floating rates and cash and cash equivalent and security deposits which earn interest at floating rates. As long-term borrowings and the majority of cash and cash equivalents are held in US$'s, the primary exposure is to US$ interest rates.

An analysis of the Group's exposure to interest rate risk for financial assets and financial liabilities at the end of the financial year is set out below:

	CONSOLIDATED					
2022	WEIGHTED AVERAGE INTEREST RATE % P.A.	FLOATING INTEREST RATE US$'000	FIXED INTEREST RATE US$'000	NON-INTEREST BEARING US$'000	FAIR VALUE US$'000	CARRYING AMOUNT US$'000
Financial assets						
Cash and cash equivalents	**0.00**	**47,028**	**–**	**110,655**	**157,683**	**157,683**
Receivables	**–**	**–**	**–**	**56,336**	**56,336**	**56,336**
Security deposits	**7.09**	**1,496**	**155**	**11**	**1,662**	**1,662**
Total financial assets		**48,524**	**155**	**167,002**	**215,681**	**215,681**
Financial liabilities						
Trade and other payables	**–**	**–**	**–**	**73,614**	**73,614**	**73,614**
Borrowings	**5.95**	**30,000**	**–**	**–**	**30,000**	**30,000**
Other financial liabilities	**2.00**	**–**	**298,280**	**49,112**	**347,392**	**347,392**
Lease liabilities	**–**	**–**	**–**	**288,887**	**288,887**	**288,887**
Total financial liabilities		**30,000**	**298,280**	**411,613**	**739,893**	**739,893**

	CONSOLIDATED					
2021	WEIGHTED AVERAGE INTEREST RATE % P.A.	FLOATING INTEREST RATE US$'000	FIXED INTEREST RATE US$'000	NON-INTEREST BEARING US$'000	FAIR VALUE US$'000	CARRYING AMOUNT US$'000
Financial assets						
Cash and cash equivalents	0.11	71,487	–	61,722	133,209	133,209
Receivables	–	–	–	34,162	34,162	34,162
Security deposits	3.27	1,372	169	73	1,615	1,615
Total financial assets		72,859	169	95,957	168,986	168,986
Financial liabilities						
Trade and other payables	3.10	42,422	–	36,643	79,066	79,066
Other financial liabilities	2.00	–	71,161	–	71,161	71,161
Lease liabilities	–	–	–	312,840	312,840	312,840
Total financial liabilities		42,422	71,161	349,483	463,067	463,067

Interest Rate Sensitivity Analysis

The following table details the Group's sensitivity to a 1% p.a. increase or decrease in interest rates, with all other variables held constant. The sensitivity analysis is based on the balance of floating interest rate amounts held at the end of the financial year.

The sensitivity analysis is not fully representative of the inherent interest rate risk, as the financial year end exposure does not necessarily reflect the exposure during the course of a financial year. These sensitivities should not be used to forecast the future effect of movements in interest rates on future cash flows.

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	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
Change in profit (loss) before income tax		
– Increase of interest rate by 1% p.a.	**365**	304
– Decrease of interest rate by 1% p.a.	**(95)**	(43)
Change in financial instruments		
– Increase of interest rate by 1% p.a.	**365**	304
– Decrease of interest rate by 1% p.a.	**(95)**	(43)

(b) Commodity Price Risk

The Group is exposed to commodity price fluctuations associated with the production and sale of oil. Commodity price risk is managed on a Group basis at the corporate level. To mitigate commodity price risk, during the period, the Group entered into Brent oil price cash flow hedges, via a collar structure consisting of bought put and sold call options covering the period from December 2021 to March 2024. From December 2021 until June 2022, approximately 39% of actual production volume was hedged. At reporting date, the Group held hedging financial instruments with a net liability carrying value of $49.1m (refer Note 23)

Commodity Price Sensitivity Analysis – Cash Flow Hedges

The following table details the Group's sensitivity to a 10% increase or decrease in the Brent oil price, with all other variables held constant.

	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
Change in cash flow hedge reserves (in accordance with hedge accounting application)		
– Increase of oil price by 10%	**(47,814)**	–
– Decrease of oil price by 10%	**47,814**	–
Change in financial liabilities		
– Increase of oil price by 10%	**(47,814)**	–
– Decrease of oil price by 10%	**47,814**	–

Commodity Price Sensitivity Analysis – Contingent Consideration

As part of the acquisition of Baúna, the Group agreed to pay Petrobras contingent consideration of up to $285 million plus interest of 2% per annum accruing from 1 January 2019. The fair value of the contingent consideration has been accounted for as an embedded derivative and estimated calculating the present value of the future expected cash out flows. The estimates are based on the Group's internal assessment of future oil prices. A discount rate of 2.38% and 2% inflation factor has also been applied. Refer to Note 23 for more details.

The following table details the Group's sensitivity to a 10% increase or decrease in its internal assessment of future oil prices on the contingent consideration payable to Petrobras. At 30 June 2022, with the US$70 per barrel threshold triggered over calendar years 2022-2026, the maximum contingent consideration payable has been recognised and as such a 10% increase in the oil price would have no impact on the financial statements.

	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
Change in profit (loss) before income tax		
– Increase of oil price by 10%	**–**	(77,791)
– Decrease of oil price by 10%	**43,081**	54,696
Change in financial liabilities		
– Increase of oil price by 10%	**–**	77,791
– Decrease of oil price by 10%	**(43,081)**	(54,696)

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Note 3. Financial Risk Management Continued

(c) Credit Risk

The maximum exposure to credit risk at the end of the financial year is the carrying amount of the financial assets as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents and security deposits held with banks, financial institutions and joint operators, as well as credit exposures to customers, including outstanding receivables and refundable tax credits.

Credit risk is managed on a Group basis at the corporate level. To minimise credit risk, the Group has adopted a policy of only dealing with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result being the Group's exposure to bad debts is minimised. The Group does not currently hold collateral, nor does it securitise its receivables.

The Group has policies in place to ensure that services are made to customers with an appropriate credit history.

Cash and cash equivalents and security deposit counterparties are limited to credit quality banks and financial institutions. For banks and financial institutions in Australia, only independently rated counterparties with a minimum rating of Aa3/A2 are accepted. For banks and financial institutions in Brazil, only independently rated counterparties with a minimum rating of Baa1 are accepted. For banks and financial institutions in Brazil, with independently rated counterparty ratings below Baa1, exposure cannot exceed the short-term country specific cash requirements unless they are associated banks of an International Bank with a higher credit rating. Cash and cash equivalents are held offshore by the Group's Brazilian subsidiary out of London with an International Bank with a rating of Aa3. The Group's credit exposure and external credit ratings of its counterparties are monitored on a periodic basis. Where commercially practical, the Group seeks to limit the amount of credit exposure to any one bank or financial institution.

(i) Impairment of Financial Assets

The Group has 2 types of financial assets that are subject to AASB 9's 'expected credit loss' model: receivables and security deposits. The Group has applied the AASB 9 general model approach to measuring expected credit losses for all receivables and security deposits.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was considered not significant given the counterparties and/or the short maturity.

Expected Credit Loss

When required, the carrying amount of the relevant financial asset is reduced through the use of a loss allowance account and the amount of any loss is recognised in the statement of profit or loss and other comprehensive income. When measuring expected credit losses, balances are reviewed based on available external credit ratings, historical loss rates and the days past due.

Security Deposits

The Group's security deposits held in Australia are considered to have low credit risk on the basis that there is a low risk of default with the relevant bank counterparty. Management considers 'low credit risk' for security deposits with banks and financial institutions to be an investment grade credit rating with at least 1 major rating agency.

The Group is exposed to credit risk in relation to a security deposit of $1,182k (30 June 2021: $1,237k) held with Itau Unibanco SA in Brazil. The Group provided the ANP (the Brazilian oil and gas regulator) a letter of credit to carry out the minimum work program in relation to exploration in Santos Basin Block S-M-1537. The letter of credit is fully funded by way of payment of a security deposit (refer Note 13(b)), which will be released once the work program is met. The credit rating of Itau Unibanco SA is Ba2 (30 June 2021: Ba2), which is a non-investment grade rating that carries substantial credit risk. The credit rating of Itau Unibanco SA in Brazil is monitored on a periodic basis for credit deterioration. In addition, Management continually monitors Brazilian macro-economic factors for any deterioration which directly impacts the credit ratings of Brazilian financial institutions. As there has not been a significant increase in credit risk since initial recognition of this security deposit, which is predominantly impacted by negative macro-economic factors in Brazil, any impairment test uses a 12-month expected credit loss model measure.

As at 30 June 2022, there were $Nil (30 June 2021: $Nil) security deposits past due. The loss allowance recognised during the financial year for security deposits was $Nil. Accordingly, interest income revenue has been calculated on the gross carrying amount during the financial year (30 June 2021: $Nil).

Receivables

The Group's receivables relating to Brazil and Australia are considered to have low credit risk on the basis that there is a low risk of default and the debtor has a strong (robust) capacity to meet its obligations in the short-term. Accordingly, for receivables any impairment test uses a 12-month expected credit loss model measure.

The Group is exposed to credit risk in relation to an interest receivable of $318k (30 June 2021: $121k) predominantly related to the security deposit held with Itau Unibanco SA in Brazil. As there has not been a significant increase in credit risk since initial recognition of the security deposit, which is predominantly impacted by negative macro-economic factors in Brazil, any impairment test uses a 12-month expected credit loss model measure.

As at 30 June 2022, there were $Nil (30 June 2021: $Nil) receivables past due. The loss allowance for receivables recognised during the financial year was considered to be $Nil (30 June 2021: $Nil).

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(d) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by ensuring that there are sufficient funds available to meet financial obligations on a day-to-day basis and to meet unexpected liquidity needs in the normal course of business. Emphasis is placed on ensuring there is sufficient funding in place to meet the ongoing operational requirements of the Group's production activities, exploration, evaluation and development expenditure, and other corporate initiatives.

The following mechanisms are utilised to manage liquidity risk:

- preparing and maintaining rolling forecast cash flows in relation to operational, investing and financing activities;
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets;
- managing credit risk related to financial assets;
- when necessary, utilising short-term and long-term loan facilities;
- investing surplus cash only in credit quality banks and financial institutions; and
- maintaining a reputable credit profile.

At the end of the financial year, the Group held cash and cash equivalents at call of $157,683k (30 June 2021: $133,209k) that are expected to readily generate cash inflows for managing liquidity risk. The Group had external borrowings of $30,000k (30 June 2021: $Nil).

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2022 US$'000	2021 US$'000
Floating rate		
– Expiring beyond one year (syndicated loan facility and accordion facility)	**180,000**	–

An analysis of the Group's financial liabilities contractual maturities at the end of the financial year is set out in the tables below. The amounts disclosed in the table are the contractual undiscounted cash flows comprising principal and interest repayments.

	CONSOLIDATED					
	LESS THAN 6 MONTHS US$'000	6-12 MONTHS US$'000	1-3 YEARS US$'000	3-5 YEARS US$'000	OVER 5 YEARS US$'000	TOTAL US$'000
2022						
Financial liabilities						
Non-derivative financial liabilities						
Trade and other payables	**69,295**	**3,306**	**7,985**	**–**	**–**	**80,586**
Borrowings	**–**	**–**	**30,000**	**–**	**–**	**30,000**
Lease liabilities	**29,774**	**29,396**	**119,044**	**118,395**	**43,113**	**339,722**
Derivative financial liabilities						
Derivative financial instruments – cash flow hedges	**20,585**	**20,182**	**8,345**	**–**	**–**	**49,112**
Contingent consideration – embedded derivative	**–**	**84,631**	**174,422**	**59,103**	**–**	**318,156**
Total financial liabilities	**119,654**	**137,515**	**339,796**	**177,498**	**43,113**	**817,576**
2021						
Financial liabilities						
Non-derivative financial liabilities						
Trade and other payables	32,382	42,422	4,262	–	–	79,066
Lease liabilities	32,596	29,513	110,269	109,518	94,563	376,459
Derivative financial liabilities						
Contingent consideration – embedded derivative	–	–	37,263	28,414	7,052	72,729
Total financial liabilities	64,978	71,935	151,794	137,932	101,615	528,254

Note 3. Financial Risk Management Continued

(e) Fair Value Estimation

For disclosure purposes only, the fair values of financial assets and financial liabilities as at 30 June 2022 and 30 June 2021 are presented in the table under Note 3(a)(ii) and can be compared to their carrying values as presented in the consolidated statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values estimated for disclosure purposes are based on information that is subject to judgement, where changes in assumptions may have a material impact on the amounts estimated.

The following summarises the significant methods and assumptions used in estimating fair values of financial assets and financial liabilities for disclosure purposes:

Cash and Cash Equivalents

The carrying amount is fair value due to the liquid nature of these assets.

Receivables

The carrying amounts of current receivables are assumed to approximate their fair values due to their short-term nature.

Security Deposits

The carrying amounts of security deposits are assumed to represent their fair values based on their likely realisability profile.

Trade and Other Payables

Due to the nature of these financial liabilities, their carrying amounts are a reasonable approximation of their fair values.

Lease Liabilities

Fair value is calculated based on the present value of the lease payments expected to be paid over the lease term, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's estimated incremental borrowing rate.

Derivative Financial Instruments – Cash Flow Hedges

The fair value of derivative financial instruments designated as cash flow hedges are obtained from third party valuations. The fair value is determined using valuation techniques which maximise the use of observable market data.

Other Financial Liabilities – Embedded Derivative

The fair value of the contingent consideration was estimated calculating the present value of the future expected cash outflows. The estimates are based on the Group's internal assessment of future oil prices, which considers industry consensus and observable oil price forecasts. A discount rate of 2.38% and 2% inflation factor has also been applied.

Fair value measurement

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and
- Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All of the Group's financial instruments were valued using the Level 2 valuation technique.

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Note 4. Revenue and Other Income

	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
(a) Revenue		
Crude oil sales	**385,074**	170,809
Total revenue from contracts with customers	**385,074**	170,809
(b) Other Income		
Interest income	**150**	286
Net gain on disposal of non-current assets	**639**	19
Total other income	**789**	305

Note 5. Expenses

	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
(a) Cost of sales		
Operating costs	**57,184**	38,393
Royalties	**41,521**	18,972
Depreciation and amortisation – oil and gas assets	**99,355**	64,962
Change in inventories	**(6,356)**	(10,952)
Total cost of sales	**191,704**	111,375
(b) Business development and transition costs		
Baúna transaction costs (refer (i) below)	**–**	15,748
Business development and other project costs	**3,362**	1,816
Total business development and transition costs	**3,362**	17,564

(i) Prior year represents costs incurred on transition, development initiatives and other project activities associated with Baúna prior to the acquisition.

	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
(c) Exploration expenses		
Exploration and evaluation expenditure expensed	**3,196**	3,326
Exploration and evaluation expenditure impaired	**–**	90
Total exploration and evaluation expenditure expensed or impaired	**3,196**	3,416
(d) Finance costs		
Finance charges on lease liabilities	**16,859**	12,501
Discount unwinding on net present value of provision for restoration	**2,366**	942
Interest expense	**2,138**	958
Other finance costs	**1,346**	–
Total finance costs	**22,709**	14,401
(e) Other Expenses		
Corporate	**15,352**	12,250
Realised losses on cash flow hedges	**11,819**	–
Legal settlement (refer (i) below)	**–**	9,600
Depreciation and amortisation – non-oil and gas assets	**728**	744
Share-based payments expense	**5,691**	4,906
Loss on disposal of non-current assets	**38**	9
Write-down of inventory to net realisable value	**–**	577
Other expenses	**186**	460
Total other expenses	**33,814**	28,546

(i) Relates to the Company's wholly owned branch, KEI (Peru Z-38) Pty Ltd, Sucursal del Peru, without any admission of liability, entering into a deed of settlement and release in respect of its dispute with Pitkin Petroleum Peru Z-38 SRL (Pitkin) relating to Block Z-38, offshore Peru. Under the deed of settlement and release, Pitkin has agreed to full and final settlement of all claims of Pitkin and its associates in connection with Block Z-38 with settlement paid in the year ended 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 6. Income Tax

	NOTE	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
(a) Income Tax Recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Tax income (expense) comprises:			
Current income tax		**(39,299)**	(15,321)
Current income tax under/(over)		**19**	(88)
Deferred income tax		**64,667**	47,666
Total income benefit		**25,387**	32,257
The prima facie tax on loss before income tax is reconciled to tax income as follows:			
Prima facie tax benefit on loss before income tax, calculated at the Australian tax rate of 30%		**26,951**	8,362
(Add)/subtract the tax effect of:			
Share-based payments expense (non-cash)		**(1,089)**	(910)
Non-deductible legal settlement		**–**	(2,880)
Other non-deductible items		**(2,756)**	(3,582)
Tax losses and temporary tax differences not recognised		**(184)**	(961)
Adjustment for current tax of previous financial years		**19**	(88)
Difference in overseas tax rates		**2,747**	(665)
Recognition of temporary differences and tax losses not previously brought to account		**–**	20,701
Foreign exchange differences		**(301)**	11,952
Non-assessable income		**–**	328
Total income tax benefit		**25,387**	32,257
(b) Amounts Recognised Directly in Equity			
Aggregate current and deferred tax arising during the financial year and not recognised in net profit or loss, but directly debited or credited in equity:			
Deferred tax – credited directly in contributed equity	24(b)	**–**	143
Deferred tax – credited directly in hedging reserves	24(d)(iii)	**21,217**	–

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	CONSOLIDATED				
	BALANCE AS AT 1 JULY 2021 US$'000	CHARGED (CREDITED) TO PROFIT OR LOSS US$'000	CHARGED (CREDITED) DIRECTLY TO EQUITY US$'000	NET FOREIGN CURRENCY DIFFERENCE ON TRANSLATION OF FINANCIAL STATEMENTS TO PRESENTATION CURRENCY US$'000	BALANCE AS AT 30 JUNE 2022 US$'000
(c) Deferred Tax Balances					
Temporary differences					
Provisions and accruals	8,317	11,374	–	(78)	**19,613**
Equity raising transaction costs	249	(80)	–	(17)	**152**
Unrealised foreign currency (gains)/losses/translation adjustment	5,870	(4,491)	–	253	**1,632**
Fair value movement of financial liabilities	2,255	77,220	–	–	**79,475**
Farm-out expenditures	97	–	–	(8)	**89**
Right-of-use assets	(105,172)	9,812	–	13	**(95,347)**
Lease liabilities	106,710	(8,518)	–	(20)	**98,172**
Hedge premium	–	(4,519)	–	–	**(4,519)**
Net changes of cash flow hedges	–	–	21,217	–	**21,217**
Other	3	275	–	–	**278**
Total temporary differences	18,329	81,073	21,217	143	**120,762**
Unused tax losses					
Tax losses	16,424	(14,085)	–	(119)	**2,220**
Total unused tax losses	16,424	(14,085)	–	(119)	**2,220**
Net deferred tax assets/ (liabilities)	34,753	66,988	21,217	24	**122,982**
Presented in the consolidated statement of financial position as follows:					
Deferred tax assets	36,528				**122,982**
Deferred tax liabilities	(1,775)				**–**

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
(d) Unrecognised Deferred Tax Assets		
A deferred tax asset has not been recognised in the consolidated statement of financial position as the benefits of which will only be realised if the conditions for deductibility set out in Note 1(f) occur:		
Unrecognised temporary tax differences relating to deferred tax assets at a tax rate of 34%	**18,031**	16,982
Tax losses: Peruvian operating losses at a tax rate of 32%	**6,335**	6,168
Potential tax income	**24,366**	23,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 6. Income Tax Continued

PRRT

PRRT applies to all the Group's Australian petroleum projects in offshore areas under the *Petroleum Resource Rent Tax Assessment Act 1987*, other than some specific production licences. PRRT is assessed on a project basis or production licence area and will be levied on the taxable profits of a relevant petroleum project at a rate of 40%. Certain specified undeducted expenditures are eligible for compounding. The expenditures can be compounded annually at set rates and the compounded amount can be deducted against assessable receipts in future financial years.

An application for consent to surrender petroleum exploration permit WA-482-P, the sole Australian permit held by the Group, was submitted to the National Offshore Petroleum Titles Administrator during the financial year. As a result of this, the Group estimates that it has incurred compounded carried forward undeducted PRRT expenditure in excess of accounting carrying values as at 30 June 2022 of $Nil (2021: $29,143k). The resulting deferred tax asset that has not been recognised in the consolidated statement of financial position was $Nil (2021: 8,160k).

Note 7. Remuneration of External Auditors

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Remuneration received or due and receivable by the external auditor of the Company for:		
(a) PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**181**	195
Other assurance services	**36**	–
Total remuneration for audit and other assurance services	**217**	195
(ii) Other services		
All other services	**–**	30
Total remuneration of PricewaterhouseCoopers Australia	**–**	225
(b) Related Practices of PricewaterhouseCoopers Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**130**	118
Total remuneration for audit and other assurance services of related practices of PricewaterhouseCoopers Australia	**130**	118
Total remuneration of external auditors	**347**	343

Note 8. Dividends

There were no ordinary dividends declared or paid during the financial year by the Group (2021: $Nil).

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Balance of franking account available for subsequent reporting periods	**12,436**	12,927

The above amount is calculated from the balance of the Company's franking account as at the end of the financial year. Franking credits are based on the Australian tax rate of 30%.

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Note 9. Earnings Per Share

	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
Profit (loss) for the financial year used to calculate basic and diluted earnings per ordinary share:	**(64,451)**	4,384
(a) Basic profit (loss) per ordinary share	**(0.1159)**	0.0079
(b) Diluted profit (loss) per ordinary share*	**(0.1159)**	0.0077
* Diluted loss per ordinary share equates to basic loss per ordinary share in the current financial year because a loss per ordinary share is not considered dilutive for the purposes of calculating earnings per share pursuant to AASB 133 *'Earnings per Share'*		
Weighted average number of ordinary shares on issue during the financial year used in calculating basic earnings per ordinary share:	**555,904,067**	553,552,881
Weighted average number of potential ordinary shares:	**12,154,223**	13,525,080
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per ordinary share (excluding anti-dilutive share options outstanding):	**568,058,290**	567,077,961
Weighted average number of anti-dilutive share options:	**–**	4,750,911

Potential ordinary shares

Share options and performance rights over unissued ordinary shares of the Company outstanding at the end of the financial year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per ordinary share to the extent to which they are dilutive. The potential ordinary shares have not been included in the determination of basic earnings per ordinary share.

Note 10. Cash and Cash Equivalents

	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
Cash at bank and on hand	**157,683**	133,209
Total cash and cash equivalents	**157,683**	133,209

Note 11. Receivables

	CONSOLIDATED 2022 US$'000	CONSOLIDATED 2021 US$'000
Trade debtors – crude oil sales	**55,979**	33,831
Other receivables	**357**	331
Total current receivables	**56,336**	34,162

(a) Financial Risk Management

Information concerning the Group's exposure to financial risks on receivables is set out in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 12. Inventories

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Current		
Petroleum inventories	**17,308**	10,952
Casing and other drilling inventory	**2,095**	–
Total current inventories	**19,403**	10,952
Non-current		
Casing and other drilling inventory	**5,828**	6,536
Total non-current inventories	**5,828**	6,536

Note 13. Security Deposits

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Current		
Karoon Peru Pty Ltd, Sucursal del Peru	**–**	62
Karoon Petróleo & Gas Ltda (refer note (a) below)	**325**	147
Total current security deposits	**325**	209
Non-current		
Karoon Petróleo & Gas Ltda (refer note (b) below)	**1,182**	1,237
Karoon Energy Ltd (refer note (c) below)	**155**	169
Total non-current security deposits	**1,337**	1,406

(a) Bonds

Cash deposits are held as bonds predominately for the Group's compliance with its obligations in respect of agreements for the guarantee (refer Note 28) of payment obligations for various accommodation in Brazil.

(b) Guarantee Bond

The Group has provided the ANP a letter of credit (refer Note 28) to carry out the minimum work program in relation to exploration in Santos Basin Block S-M-1537. The letter of credit is fully funded by way of payment of a security deposit, which will be released once the work program is met.

(c) Bank Guarantees

Cash deposits are held as security against bank guarantee facilities for bank guarantees (refer Note 28) given to lessors for the Group's compliance with its obligations in respect of lease rental agreements for office premises.

(d) Financial Risk Management

Information concerning the Group's exposure to financial risks on security deposits is set out in Note 3.

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Note 14. Other Assets

	CONSOLIDATED 2022 US$'000	2021 US$'000
Current		
Prepayments	**9,312**	2,890
Sundry assets	**2,480**	2,427
Total current other assets	**11,792**	5,317
Non-current		
Prepayments	**1,277**	–
Total non-current other assets	**1,277**	–

Note 15. Oil and Gas Assets

	NOTE	PRODUCTION ASSET US$'000	DEVELOPMENT ASSET US$'000	RIGHT-OF-USE ASSETS US$'000	CONSOLIDATED TOTAL US$'000
At 30 June 2021					
At cost		448,492	19,020	333,872	801,384
Accumulated depreciation		(36,827)	–	(28,135)	(64,962)
Carrying amount at end of financial year		411,665	19,020	305,737	736,422
Financial year ended 30 June 2022					
Balance at beginning of financial period		411,665	19,020	305,737	736,422
Additions	26(c)	69,277	22,739	20,799	112,815
Borrowing costs capitalised		–	4,755	–	4,755
Depreciation expense		(54,950)	–	(44,405)	(99,355)
Impact of increase in discount rate on provision for restoration at year-end	20(b)	(21,595)	–	–	(21,595)
Carrying amount at end of financial year		404,397	46,514	282,131	733,042
At 30 June 2022					
At cost		**496,174**	**46,514**	**354,671**	**897,359**
Accumulated depreciation		**(91,777)**	**–**	**(72,540)**	**(164,317)**
Carrying amount at end of financial year		**404,397**	**46,514**	**282,131**	**733,042**

(i) The capitalised borrowing costs relate to an apportionment of the fees incurred in connection with the syndicated loan facility (refer Note 22) relating to the Patola development, which meets the definition of a qualifying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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Note 16. Property, Plant and Equipment

	NOTE	PLANT AND EQUIPMENT US$'000	RIGHT-OF-USE ASSETS US$'000	CONSOLIDATED TOTAL US$'000
At 30 June 2021				
At cost		8,722	1,681	10,403
Accumulated depreciation		(1,549)	(594)	(2,143)
Carrying amount at end of financial year		7,173	1,087	8,260
Financial year ended 30 June 2022				
Balance at beginning of financial year		7,173	1,087	8,260
Additions	26(c)	5,005	943	5,948
Disposals		(52)	(127)	(179)
Depreciation expense		(234)	(447)	(681)
Net foreign currency differences		(37)	(54)	(91)
Carrying amount at end of financial year		11,855	1,402	13,257
At 30 June 2022				
At cost		**13,638**	**2,443**	**16,081**
Accumulated depreciation		**(1,783)**	**(1,041)**	**(2,824)**
Carrying amount at end of financial year		**11,855**	**1,402**	**13,257**

Note 17. Intangible Assets

		CONSOLIDATED	
	NOTE	2022 US$'000	2021 US$'000
The reconciliation of the carrying amounts for computer software is set out below:			
Balance at beginning of financial year		**102**	211
Additions	26(c)	**23**	34
Disposal		**(35)**	(39)
Amortisation expense		**(47)**	(106)
Net foreign currency differences		**(3)**	2
Carrying amount at end of financial year		**40**	102

Note 18. Exploration and Evaluation Expenditure Carried Forward

		CONSOLIDATED	
	NOTE	2022 US$'000	2021 US$'000
The reconciliation of exploration and evaluation expenditure carried forward is set out below:			
Balance at beginning of financial year		**40,853**	41,204
Additions	26(c)	**1,389**	1,932
Transfer to development assets (refer note (a) below)	26(c)	**(1,405)**	(1,553)
Exploration and evaluation expenditure impaired	5(c)	**–**	(90)
Net foreign currency differences		**–**	(640)
Total exploration and evaluation expenditure carried forward		**40,837**	40,853

(a) Exploration and evaluation expenditure relating to the Patola discovery, which has been transferred to development assets following declaring of a FID during the current financial year.

The expenditure is carried forward on the basis that exploration and evaluation activities in the areas of interest have not reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation, to the areas is continuing. The future recoverability of the carrying amount of capitalised exploration and evaluation expenditure is dependent on successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest.

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Note 19. Trade and Other Payables

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Trade payables	**60,879**	30,286
Petrobras deferred consideration	**–**	42,422
Sundry payables and accruals	**5,328**	2,933
Cash-settled share-based payments	**2,095**	533
Total current trade and other payables	**68,302**	76,174
Non-current (unsecured)		
Sundry payables and accruals	**5,690**	2,761
Cash-settled share-based payments	**1,073**	1,500
Total non-current trade and other payables	**6,763**	4,261

(a) Financial Risk Management

Information concerning the Group's exposure to financial risks on trade and other payables is set out in Note 3.

Note 20. Provisions

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Current		
Provision for long service leave (refer note (a) below)	**368**	457
Total current provision	**368**	457
Non-current		
Provision for long service leave (refer note (a) below)	**11**	82
Provision for restoration (refer note (b) below)	**139,474**	158,703
Total non-current provisions	**139,485**	158,785

(a) Provision for Long Service Leave

A provision was recognised for employee entitlements relating to long service leave. The measurement and recognition criteria relating to long service leave entitlements are as described in Note 1(t).

The current portion of this provision includes all the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

(b) Reconciliation of provision for restoration

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Balance at beginning of financial period	**158,703**	–
Additions (refer note (i) below)	**–**	169,384
Discount unwinding on provision for restoration	**2,366**	942
Impact of increase in discount rate at year-end	**(21,595)**	(11,623)
Total provision for restoration	**139,474**	158,703

(i) A provision was recognised in the prior period for a Brazilian restoration obligation relating to the acquisition of Baúna. The measurement and recognition criteria relating to restoration obligations are as described in Note 1(t).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 21. Leases

	CONSOLIDATED 2022 US$'000	2021 US$'000
Current	**43,741**	45,393
Non-current	**245,146**	267,447
Total lease liabilities	**288,887**	312,840
Reconciliation		
Balance at beginning of financial year	**312,840**	1,516
Acquisitions (refer note (i) below)	**–**	329,815
Remeasurements	**20,799**	4,109
Additions	**924**	–
Disposals	**(201)**	(45)
Adjustment to fixed lease payments	**(766)**	(1,107)
Accretion of interest	**16,859**	12,501
Payments	**(61,455)**	(34,090)
Net foreign currency differences	**(113)**	141
Total lease liabilities	**288,887**	312,840

(i) A right-of-use asset was recognised as part of the oil and gas assets acquired during the prior period in relation to an FPSO Charter agreement.

Note 22. Borrowings

	CONSOLIDATED 2022 US$'000	2021 US$'000
Non-Current		
Syndicated loan facility – secured	**30,000**	–
Less transaction costs (i)	**(2,856)**	–
Total non-current borrowings	**27,144**	–

(i) Includes remaining unamortised transaction costs associated with the syndicated loan facility and excludes costs that have been capitalised as part of Oil and Gas Assets in relation to qualifying assets.

During November 2021, Karoon Energy Ltd's wholly owned subsidiary, Karoon Petróleo & Gás Ltda, reached financial close on a new reserve-based, non-recourse, syndicated loan facility with Deutsche Bank AG, ING Belgium SA/NV, Macquarie Bank Limited and Shell Western Supply and Trading Limited. In April 2022, an additional accordion facility, contemplated by the syndicated loan facility, was established.

The facility is available to fund permitted expenditure in connection with the Patola field development and the Baúna intervention campaign, facility and treasury costs and deferred consideration payable to Petrobras of up to $44.5m.

The facility is secured over the shares in and assets of Karoon Petróleo & Gás Ltda, including its interest in the Baúna BM-S-40 concession.

The total available amount under the facility, including the accordion, is $210 million. At 30 June 2022, $30 million has been drawn down, with $180m remaining undrawn.

Interest is charged at a 4.25% margin over SOFR per annum and a commitment fee is charged on undrawn but committed and available amounts at 1.7% per annum and an additional 0.85% per annum on any committed but unavailable amounts. The facility has a final maturity date of the earlier of 31 March 2025 or the quarter where the remaining reserves are forecast to be ≤ 25% of the initial approved reserves. Semi-annual repayments of $40m under the facility (excluding the accordion) commence on 30 September 2023 to the final maturity date.

Karoon is also required to enter into oil hedging to ensure forecasted oil production is within a minimum and maximum hedge ratio.

The Group has complied with all loan covenants throughout the reporting period.

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Note 23. Other Financial Liabilities

	CONSOLIDATED 2022 US$'000	2021 US$'000
Current		
Derivative financial instruments – cash flow hedges (i)	**40,767**	–
Embedded derivative – contingent consideration payable (ii)	**84,631**	–
Total current other financial liabilities	**125,398**	–
Non-Current		
Derivative financial instruments – cash flow hedges (i)	**8,345**	–
Embedded derivative – contingent consideration payable (ii)	**213,649**	71,161
Total non-current other financial liabilities	**221,994**	71,161
Total other financial liabilities	**347,392**	71,161

(i) During the period, the Group entered into Brent oil price derivative hedges, via a collar structure consisting of bought put and sold call options covering the period from December 2021 to March 2024. The purpose of the hedges is to protect operating cash flows from a portion of crude oil sales against the risk of lower oil prices while retaining significant exposure to oil price upside. The hedges are also a requirement of the syndicated loan facility entered into during the period (refer Note 22).

The bought put and sold call options have been designated as cash flow hedges, and in the current period, changes in the fair value of the options and costs of hedging of $62,491k pre-tax ($41,274k net of tax) have been recognised in the hedging reserves within equity (refer Note 24), which includes $1,520k pre-tax that has been reclassified to profit and loss. No losses were recognised in profit and loss for hedge ineffectiveness during the period.

At 30 June 2022, the Group had the following outstanding hedges:

	BOUGHT PUT STRIKE (US$/BBL)	PUT VOLUME ('000 BBL)	SOLD CALL AVERAGE STRIKE (US$/BBL)	CALL VOLUME ('000 BBL)
2023	65	2,586	84.5	2,497
2024	65	2,040	91.8	1,578
		4,626		4,075

	CONSOLIDATED 2022 US$'000	2021 US$'000
(ii) Reconciliation of contingent consideration payable		
Balance at beginning of financial year	**71,161**	–
Additions (refer note (a) below)	**–**	64,529
Unrealised fair value changes recognised in profit or loss during the period	**227,119**	6,632
Total contingent consideration payable at fair value	**298,280**	71,161

(a) The contingent consideration arrangement for the acquisition of Baúna requires Karoon's wholly owned subsidiary, Karoon Petróleo & Gás Ltda., to pay Petrobras contingent consideration of up to US$285 million.

The contingent consideration accrues interest at 2% per annum from 1 January 2019 with any amounts payable by 31 January after the completion of the relevant testing period. The relevant testing periods are each calendar year from 2022 to 2026 inclusive and are based on the achievement of annual average Platts Dated Brent oil prices thresholds commencing at ≥US$50 and ending at ≥US$70 a barrel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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Note 23. Other Financial Liabilities Continued

After the testing of each year, any amount deemed not payable is cancelled and not carried forward. The amount payable each calendar year excluding interest depending on achievement of certain oil prices is disclosed below:

AVERAGE BRENT PRICE (IN US$ UNITS)	CY2022	CY2023	CY2024	CY2025	CY2026	TOTAL
B < 50	–	–	–	–	–	–
50 <= B < 55	3	3	3	2	2	13
55 <= B < 60	17	17	17	8	4	63
60 <= B < 65	34	34	34	15	6	123
65 <= B < 70	53	53	53	24	10	193
B >= 70	78	78	78	36	15	285

As at 30 June 2022, based on higher current oil prices and industry consensus, the internal Brent oil forecast was revised with the US$70 per barrel threshold triggered over calendar years 2022-2026 and the fair value of the contingent consideration payable to Petrobras revalued upwards by $227.1 million to $298.3 million (30 June 2021: $71 million). $84.6m, the amount payable in respect of the 2022 calendar year, and due for payment in January 2023, has been recognised as a current liability.

A discount rate of 2.38% and 2% interest per annum has been applied in the calculation of the present value at 30 June 2022. The fair value of the contingent consideration is estimated calculating the present value of the future expected cash outflows. The estimates are based on the Group's internal assessment of future oil prices, which considers industry consensus and observable oil price forecasts.

Note 24. Contributed Equity and Reserves Within Equity

(a) Contributed Equity

	CONSOLIDATED		CONSOLIDATED	
	2022 NUMBER	2021 NUMBER	2022 US$'000	2021 US$'000
Ordinary shares, fully paid	**558,085,352**	553,770,529	**907,514**	905,138
Total contributed equity	**558,085,352**	553,770,529	**907,514**	905,138

Ordinary shares have no par value, and the Company does not have a limited amount of authorised capital.

Voting rights of shareholders are governed by the Company's Constitution. In summary, on a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each such attending shareholder is entitled to one vote for every fully paid ordinary share held.

Ordinary shares participate in dividends as declared from time to time and the proceeds on winding up of the Company in proportion to the number of fully paid ordinary shares held.

(b) Movement in Ordinary Shares

DATE	DETAILS	NOTE	NUMBER OF ORDINARY SHARES	US$'000
1 July 2020	Opening balance in previous financial year		552,984,693	905,281
	Deferred tax credit recognised directly in equity		–	(143)
	Performance rights conversion	31(c)	785,836	–
30 June 2021	Balance at end of financial year		553,770,529	905,138
	Exercise of options		**2,383,899**	**2,376**
	Performance rights conversion	31(c)	**1,930,924**	**–**
30 June 2022	Balance at end of financial year		**558,085,352**	**907,514**

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(c) Capital Management

The Board of Directors controls the capital of the Company in order to ensure that the Group can fund its operations and continue as a going concern. The aim is to maintain a capital structure that ensures the lowest cost of capital to the Company.

The Chief Executive Officer and Managing Director manages the Company's capital by monitoring future rolling cash flows and adjusting its capital structure, as required, in consultation with the Board of Directors to meet Group business objectives. As required, the Group will balance its overall capital structure through the issue of new ordinary shares, share buy-backs and utilising short-term and long-term loan facilities when necessary.

There were no externally imposed capital management restrictions on the Group during the financial year.

(d) Reserves Within Equity

(i) Share-based Payments Reserve

The share-based payments reserve is used to recognise the grant date fair value of equity-settled share-based payments to Executive Directors, other key management personnel and employees as part of their remuneration, as described in Note 1(s).

(ii) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of financial statements into the presentation currency as described in Note 1(e). The relevant amounts included in the foreign currency translation reserve will be recognised in the consolidated statement of profit or loss and other comprehensive income when each relevant investment in the entity is disposed.

(iii) Hedging Reserves

During the period, the Group entered into Brent oil price derivative hedges. Refer to Note 23(i) for more details.

The Group designates only the change in fair value of the spot element of the derivative transaction contracts (the intrinsic value of the option) as the hedging instrument in cash flow hedging relationships. The change in fair value of the value of the option contract in time is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

The following is a reconciliation of the movement of the hedging reserves:

	COST OF HEDGING RESERVE US$'000	INTRINSIC VALUE OF OPTIONS US$'000	TOTAL HEDGING RESERVES US$'000
Balance at beginning of financial year	–	–	–
Change in fair value of cash flow hedges and cost of hedging recognised in OCI	58,313	(122,324)	(64,011)
Reclassified from OCI to profit or loss – included in other expenses	1,520	–	1,520
Deferred tax	(20,373)	41,590	21,217
Balance at end of financial year	39,460	(80,734)	(41,274)

Note 25. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

NAME	COUNTRY OF INCORPORATION OR REGISTRATION	BUSINESS ACTIVITIES CARRIED ON IN	PERCENTAGE OF EQUITY AND VOTING INTERESTS HELD BY THE GROUP 2022 %	2021 %
Parent Company:				
Karoon Energy Ltd	Australia	Australia		
Unlisted subsidiaries of Karoon Energy Ltd:				
Karoon Energy International Pty Ltd	Australia	Australia	**100**	100
Karoon Gas Browse Basin Pty Ltd	Australia	Australia	**100**	100
Karoon Gas (FPSO) Pty Ltd	Australia	Australia	**100**	100
Unlisted subsidiaries of Karoon Energy International Pty Ltd:				
KEI (Brazil Santos) Pty Ltd	Australia	Australia	**100**	100
Karoon Peru Pty Ltd	Australia	Australia	**100**	100
KEI (Peru Z 38) Pty Ltd	Australia	Australia	**100**	100
Unlisted subsidiary of KEI (Brazil Santos) Pty Ltd:				
Karoon Petróleo & Gás Ltda	Brazil	Brazil	**100**	100
Branch of KEI Peru Pty Ltd:				
Karoon Peru Pty Ltd, Sucursal del Peru (in liq)	Peru	Peru	**100**	100
Branch of KEI (Peru Z 38) Pty Ltd:				
KEI (Peru Z-38) Pty Ltd, Sucursal del Peru	Peru	Peru	**100**	100

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Note 26. Segment Information

(a) Description of Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Group's Executive Management Team (identified as the 'chief operating decision maker') in assessing performance and in determining the allocation of resources.

The operating segments are based on the Group's geographical location of its operations.

The Group has identified operating segments based on the following two geographic locations:

- Australia – in which the Group was involved in the exploration and evaluation of hydrocarbons in an offshore exploration permit area: WA-482-P; and
- Brazil – in which the Group is currently involved in the exploration, development and production of hydrocarbons in four offshore blocks: Block BM-S-40, Block S-M-1037, Block S-M-1101, and Block S-M-1537;

At 30 June 2021, the Group identified operating segments based on three geographical locations, Australia, Peru & Brazil. The Peru segment effectively ceased operations from 1 July 2021, when the Group decided to relinquish its explorations interests in Peru.

'All other segments' include amounts of a corporate nature not specifically attributable to an operating segment, including costs associated with closure of the Group's Peruvian Branches as noted above.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies.

Segment revenues and results do not include transfers between segments as intercompany balances are eliminated on consolidation.

Employee benefits expense and other expenses, which are associated with exploration and evaluation activities and specifically relate to an area of interest, are allocated to the area of interest and are either expensed or capitalised using the successful efforts method of accounting.

The amounts provided to the chief operating decision maker with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. Reportable segment assets and segment liabilities are equal to consolidated total assets and total liabilities respectively. These assets and liabilities are allocated in accordance with the operations of the segment.

(b) Operating Segments

SEGMENT PERFORMANCE	AUSTRALIA US$'000	BRAZIL US$'000	ALL OTHER SEGMENTS US$'000	CONSOLIDATED US$'000
Result for financial year ended 30 June 2022				
Revenue	–	385,074	–	385,074
Other income	62	222	505	789
Total segment revenue	62	385,296	505	385,863
Expenses				
Business development and transition costs	(348)	(3,013)	(1)	(3,362)
Cost of sales	–	(191,704)	–	(191,704)
Depreciation and amortisation expense – non-oil and gas assets	(303)	(411)	(14)	(728)
Exploration expenses	(304)	(2,789)	(103)	(3,196)
Finance costs	(52)	(22,657)	–	(22,709)
Realised losses on cash flow hedges	–	(11,819)	–	(11,819)
Corporate expenses	(10,862)	(3,607)	(883)	(15,352)
Net foreign currency gains (losses)	4,560	2,083	(440)	6,203
Change in fair value of contingent consideration	–	(227,119)	–	(227,119)
Share-based payments expense	(3,746)	(1,945)	–	(5,691)
Other	–	(109)	(115)	(224)
Profit/ (loss) before income tax	(10,993)	(77,794)	(1,051)	(89,838)
Income tax benefit	2,429	22,958	–	25,387
Profit/ (loss) for financial year	(8,564)	(54,836)	(1,051)	(64,451)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 26. Segment Information Continued

SEGMENT PERFORMANCE	AUSTRALIA US$'000	BRAZIL US$'000	PERU US$'000	ALL OTHER SEGMENTS US$'000	CONSOLIDATED US$'000
Result for financial year ended 30 June 2021					
Revenue	–	170,809	–	–	170,809
Other income	93	206	6	–	305
Total segment revenue	93	171,015	6	–	171,114
Expenses					
Business development and transition costs	(81)	(17,386)	(97)	–	(17,564)
Cost of sales	–	(111,375)	–	–	(111,375)
Depreciation and amortisation expense – non-oil and gas assets	(287)	(271)	(186)	–	(744)
Exploration expenses	254	(2,580)	(1,090)	–	(3,416)
Finance costs	(66)	(14,331)	(4)	–	(14,401)
Corporate expenses	(7,519)	(3,707)	(1,024)	–	(12,250)
Inventory write-down	–	(577)	–	–	(577)
Net foreign currency losses	(16,839)	154	(368)	–	(17,053)
Change in fair value of contingent consideration	–	(6,632)	–	–	(6,632)
Legal settlement	–	–	(9,600)	–	(9,600)
Share-based payments expense	(2,873)	(2,033)	–	–	(4,906)
Other	–	(158)	(311)	–	(469)
Profit/ (loss) before income tax	(27,318)	12,119	(12,674)	–	(27,873)
Income tax benefit	7,816	24,441	–	–	32,257
Profit/ (loss) for financial year	(19,502)	36,560	(12,674)	–	4,384

FINANCIAL YEAR ENDED 30 JUNE 2022	AUSTRALIA US$'000	BRAZIL US$'000	ALL OTHER SEGMENTS US$'000	CONSOLIDATED US$'000
Total segment assets	**49,293**	**1,114,675**	**171**	**1,164,139**
Total segment liabilities	**4,817**	**883,118**	**3**	**887,938**

FINANCIAL YEAR ENDED 30 JUNE 2021	AUSTRALIA US$'000	BRAZIL US$'000	PERU US$'000	ALL OTHER SEGMENTS US$'000	CONSOLIDATED US$'000
Total segment assets	64,560	947,806	1,590	–	1,013,956
Total segment liabilities	6,267	617,632	9,807	–	633,706

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(c) Other Segment Information

Additions to non-current assets, other than financial assets (refer Note 3), during the reporting periods were:

FINANCIAL YEAR ENDED 30 JUNE 2022	AUSTRALIA US$'000	BRAZIL US$'000	ALL OTHER SEGMENTS US$'000	CONSOLIDATED US$'000
Property, plant and equipment^	**231**	**5,717**	**–**	**5,948**
Oil and gas assets^	**–**	**112,815**	**–**	**112,815**
Intangible assets	**22**	**1**	**–**	**23**
Exploration and evaluation expenditure carried forward	**–**	**–**	**–**	**–**

^ Includes right-of-use assets.

FINANCIAL YEAR ENDED 30 JUNE 2021	AUSTRALIA US$'000	BRAZIL US$'000	PERU US$'000	ALL OTHER SEGMENTS US$'000	CONSOLIDATED US$'000
Property, plant and equipment^	43	6,039	–	–	6,082
Oil & gas assets^	–	813,006	–	–	813,006
Intangible assets	34	–	–	–	34
Exploration and evaluation expenditure carried forward	–	379	–	–	379

^ Includes right-of-use assets.

Note 27. Joint Operations

The Group has an equity interest in the following joint operations as at 30 June 2022 as follows:

PETROLEUM TENEMENT	BUSINESS ACTIVITIES CARRIED ON IN	UNINCORPORATED EQUITY INTEREST (%) 2022 %	2021 %	PRINCIPAL ACTIVITIES	OPERATOR OF JOINT OPERATION
WA-482-P	Northern Carnarvon Basin, Australia	**50**	50	Exploration and evaluation	Santos WA Energy Limited
Block Z-38	Tumbes Basin, Peru	**–**	75	Exploration and evaluation	KEI (Peru Z-38) Pty Ltd, Sucursal del Peru

An application for consent to surrender Petroleum Exploration Permit WA-482-P was submitted to the National Offshore Petroleum Titles Administrator (NOPTA) during the financial year. As at year end, the application had been screened, assessed and was with the Joint Authority for a decision.

The following amounts represented the Group's share of assets, liabilities, revenues and expenses employed in joint operations. The amounts are included in the consolidated financial statements, in accordance with the accounting policy described in Note 1(v), under the following classifications:

	CONSOLIDATED 2022 US$'000	2021 US$'000
Cash and cash equivalents	**–**	303
Inventory	**–**	135
Trade and other payables (current)	**(2)**	(233)
Share of net assets employed in joint operations	**(2)**	205
Other expenses	**–**	(1)
Exploration and evaluation expenditure expensed or impaired	**(302)**	(1,133)

There are no contingent liabilities in respect of joint operations as at year end.

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Note 28. Contingent Liabilities and Contingent Assets

(a) Contingent Liabilities

The Group has contingent liabilities as at 30 June 2022 that may become payable in respect of:

	CONSOLIDATED	
	2022 US$'000	**2021 US$'000**
(i) A Parent Company guarantee totalling BRL117.7 million provided to the ANP in respect of existing decommissioning obligations relating to the Baúna field.	**22,480**	20,866
(ii) Performance guarantee (via a letter of credit) provided to Perupetro SA for Area 73 by the Group (refer Note 13). The performance guarantee was returned and released during July 2021 having met all work commitments and submission of relevant reports to Perupetro SA.	**–**	62
(iii) The Group has provided the ANP a letter of credit (refer Note 13) to carry out the minimum work program in relation to exploration in Santos Basin Block S-M-1537. The Directors are of the opinion that the work program commitments will be satisfied. The letter of credit is fully funded by way of payment of a security deposit, which will be released once the work program is met.	**1,181**	1,237
(iv) Bank guarantees were provided in respect of rental agreements for office premises of the Group. These guarantees may give rise to liabilities in the Group if obligations are not met under these guarantees. The bank guarantees given to lessors are fully funded by way of payment of security deposits (refer Note 13).	**155**	304
(v) Cash deposits (refer Note 13) are held as bonds for the Group's compliance with its obligations in respect of agreements for the guarantee of payment obligations for various accommodation in Brazil and Peru.	**325**	–

(vi) Block Acquisition

As part of the acquisition of Pacific Exploration and Production Corp's equity interest of Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 during the 2017 financial year, the Group agreed to pay Pacific Exploration and Production Corp. a deferred contingent consideration of $5.0 million payable upon first production reaching a minimum of 1 million barrels of oil equivalent from the Blocks. The deferred contingent obligation has not been provided for as at 30 June 2022, as it is dependent upon uncertain future events.

(vii) Brazilian Local Content

The Concession Contracts for Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165, S-M-1537 and S-M-1166 require Karoon Petróleo & Gas Ltda to acquire a minimum proportion of goods and services from Brazilian suppliers, with the objective to stimulate industrial development, promote and diversify the Brazilian economy, encourage advanced technology and develop local capabilities. The minimum Brazilian local content requirement under the Concession Contracts during the exploration and appraisal phase is up to 55%. If Karoon Petróleo & Gas Ltda fails to comply with this minimum requirement, Karoon Petróleo & Gas Ltda may be subject to a fine by the ANP.

(viii) Joint Operations

In accordance with normal industry practice, the Group has entered into joint operations with other parties for the purpose of exploring and evaluating its exploration tenements. If a participant to a joint operation defaults and does not contribute its share of joint operation obligations, then the remaining joint operation participants are jointly and severally liable to meet the obligations of the defaulting participant. In this event, the equity interest in the exploration tenements held by the defaulting participant may be redistributed to the remaining joint operation participants.

In the event of a default, a contingent liability exists in respect of expenditure commitments due to be met by the Group in respect of the defaulting joint operation participant.

(ix) Other Matters

There are also legal claims and exposures, which arise from the Group's ordinary course of business. No material loss to the Group is expected to result.

(b) Contingent Assets

The Group has no contingent assets as at 30 June 2022 (30 June 2021: $Nil).

Note 29. Commitments

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
(a) Capital and Service Expenditure Commitments		
Contracts for capital and service expenditure in relation to assets not provided for in the consolidated financial statements and payable. Note the service commitments as at 30 June 2022 include the provision of services related to the charter of the FPSO acquired as part of the Baúna acquisition.		
Capital commitments for Baúna workovers and Patola Development		
Not later than one year	**75,945**	79,269
Later than one year but not later than five years	**–**	26,691
Total capital commitments	**75,945**	105,960
Service commitments		
Not later than one year	**11,509**	11,990
Later than one year but not later than five years	**31,883**	42,504
Total service commitments	**43,392**	54,494
Total capital and service expenditure commitments	**119,337**	160,454
(b) Exploration Expenditure Commitments		
The Group has guaranteed commitments for exploration expenditure arising from obligations to governments to perform minimum exploration and evaluation work and expend minimum amounts of money pursuant to the award of exploration tenements Block S-M-1537 (30 June 2021: WA-482-P and Block S-M-1537) not provided for in the consolidated financial statements and payable.		
Not later than one year	**–**	102
Later than one year but not later than five years	**3,500**	3,500
Total guaranteed exploration expenditure commitments	**3,500**	3,602
The Group does not have any non-guaranteed government work commitments in relation to these exploration tenements due later than one year but not later than five years (30 June 2021: $15,224k).		
Exploration expenditure commitments, including farm-in, obligations in respect of joint operations are set-out below:		
Not later than one year	**–**	102
Total joint operation guaranteed exploration expenditure commitments	**–**	102

Note, the figures above do not include any commitments in relation to Exploration Blocks S-M-1037 and S-M-1101 relating to the Neon and Goiá light oil discoveries. In accordance with Brazilian regulatory requirements, during January 2019 Karoon submitted both a Final Discovery Evaluation Report and Declaration of Commerciality for the discoveries. This transitioned the Blocks for Brazilian regulatory requirements, from the exploration phase to the development phase, akin to receiving a Retention Licence over the oil discoveries. However, it does not mean that Karoon has reached, nor is compelled to reach, a final investment decision ('FID') to proceed into a Development of the discoveries. Prior to an FID being reached, in April 2022 Karoon committed to drilling a 'control well(s)' to assist with delineating the Neon discovery, confirming reservoir quality and assisting with the planning and design of both development wells and infrastructure. These control well(s) are planned to be drilled in the first half of CY2023 (subject to receipt of relevant approvals), after completion of the Patola development.

Estimates for future exploration expenditure commitments to government are based on estimated well and seismic costs, which will change as actual drilling locations and seismic surveys are completed and are calculated in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties. The commitments may also be reduced by the Group entering into farm-out agreements, which are typical of the normal operating activities of the Group, or by relinquishing exploration tenements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 30. Reconciliation to the Consolidated Statement of Cash Flows

(a) Reconciliation of Loss for Financial Year to Net Cash Flows Used in Operating Activities

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Profit (loss) for financial year	(64,451)	4,384
Add (subtract)		
Non-cash items included in loss for financial year:		
Depreciation and amortisation	100,083	65,706
Amortisation of finance costs	464	–
Change in fair value of derivative financial instruments	(62,491)	–
Change in fair value of contingent consideration	227,119	6,632
Discount unwinding on provision for restoration and deferred consideration	2,366	1,797
Share-based payments expense	3,632	3,034
Gain on disposal of right-of-use asset	(75)	(1)
Net foreign currency losses (gains)	(3,019)	17,092
Items classified as investing/ financing activities:		
Interest paid on deferred consideration	1,166	–
Net (gain) loss on disposal of non-current assets	(526)	(10)
Net foreign currency gains (losses)	(466)	(151)
Exploration and evaluation expenditure impaired or written-off	–	90
Write-down of inventory to net realisable value	–	577
Change in operating assets and liabilities:		
(Increase) decrease in assets		
Receivables – current	(22,174)	(24,783)
Oil inventories	(6,356)	(10,952)
Deferred tax assets	(86,454)	(36,528)
Other assets	(6,863)	(3,673)
Increase (decrease) in liabilities		
Trade and other payables – current	51	7,003
Trade and other payables – non-current	2,502	4,078
Provisions – current	(89)	48
Provisions – non-current	(71)	(1)
Current tax liabilities	1,344	5,532
Deferred tax liabilities	19,442	(10,088)
Derivative financial instruments – cash flow hedges	49,112	–
Net cash flows provided by (used in) operating activities	154,246	29,786

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Note 31. Share-based Payments

The share-based payment plans are described below. There has been no cancellation to a plan during the financial year.

(a) Employee Share Option Plan ('ESOP')

The Company currently only has the 2016 ESOP in place. ESOP options expire up to 4 years after they are granted. The exercise price of ESOP options is based on the volume weighted average price at which the Company's ordinary shares are traded on the ASX during the 20 days of trading before the ESOP options were offered plus a premium to the market price.

Each ESOP option provides eligible employees with the right to acquire one fully paid ordinary share of the Company at the exercise price determined upon grant, or its equivalent value, subject to the achievement of the relevant performance conditions.

Share options granted under the ESOP carry no dividend or voting rights.

If there is a change of control of the Company, for all unexercised ESOP options, a percentage amount of unvested ESOP options may vest on the basis of the pro-rata achievement of pre-determined performance conditions.

During the financial year, the Group did not grant any ESOP options (2021: $Nil) over unissued ordinary shares in the Company to Executive Directors.

The following summary reconciles the outstanding ESOP options over unissued ordinary shares in the Company at the beginning and end of the financial year:

	CONSOLIDATED			
	2022		2021	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE A$	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE A$
Balance at beginning of financial year	**4,066,123**	**$1.40**	7,230,019	$1.54
Granted during financial year	**–**	**–**	–	–
Exercised during financial year	**(2,383,899)**	**$1.40**	–	–
Cancelled during financial year	**(906,031)**	**$1.40**	–	–
Cash-settled during financial year	**(776,193)**	**$1.40**	–	–
Expired during financial year	**–**	**–**	–	–
Forfeited during financial year	**–**	**–**	(3,163,896)	$1.73
Balance at end of financial year	**–**	**–**	4,066,123	$1.40
Exercisable at end of financial year	**–**	**–**	–	–

There were no ESOP options outstanding as at 30 June 2022 (30 June 2021: exercise price of A$1.40 with a weighted average remaining contractual life of 365 days).

(b) Fair Value of Share Options

The fair value of each share option issued during previous financial years was estimated on grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model takes into account the exercise price, the term of the share option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share option. The last grant of share options was during the year ended 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 31. Share-based Payments Continued

(c) Performance Rights Plan ('PRP')

The Company currently has two PRPs in place, the 2016 PRP and 2019 PRP. The 2019 PRP was approved by shareholders at the 2019 Annual General Meeting.

Under the PRP, eligible employees are given performance rights to be issued and allotted fully paid ordinary shares in the Company, or equivalent cash value, for no consideration provided certain conditions have been met. Vesting of STI performance rights is conditional on the achievement of performance measures, over a one-year performance period, and provided the employee remains employed by the Company for an additional year. Vesting of LTI performance rights is conditional on the achievement of performance measures over a three-year performance period. In each case, the Board, on advice from People, Culture and Governance Committee, will be responsible for assessing whether the performance measures have been achieved. When vested, each performance right is convertible into one ordinary share of the Company.

Performance rights granted carry no dividend or voting rights.

If there is a change of control of the Company, for all unexercised performance rights issued pursuant to the Company's PRP, a percentage amount of unvested performance rights may vest on the basis of the pro-rata achievement of pre-determined performance conditions.

During the financial year, the Group granted 577,052 performance rights (2021: 502,989) over unissued ordinary shares in the Company to Executive Directors. The performance rights were provided to the Chief Executive Officer and Managing Director and were subject to approval by shareholders at the 2021 Annual General Meeting. Performance rights issued to Directors are approved on a case-by-case basis by shareholders at relevant general meetings.

The following summary reconciles the outstanding performance rights over unissued ordinary shares in the Company at the beginning and end of the financial year:

	CONSOLIDATED	
	2022 NUMBER	**2021 NUMBER**
Balance at beginning of financial year	**14,861,486**	10,935,950
Granted during financial year	**2,370,032**	8,847,523
Vested and converted during financial year	**(1,930,924)**	(785,836)
Cancelled during financial year	**–**	–
Cash-settled during financial year	**(363,452)**	(96,741)
Forfeited during financial year	**(1,291,847)**	(4,039,410)
Balance at end of financial year	**13,645,295**	14,861,486

Performance rights issued during the financial year were issued under the 2019 PRP.

The weighted average fair value of performance rights granted during the financial year was A$1.66 (2021: A$0.69). Fair values of STI performance rights were based on the Company's closing share price at grant date whereas LTI performance rights were based on a Monte Carlo simulation valuation at grant date. Refer to details at Note 31(d) below.

Performance rights outstanding as at 30 June 2022 had a weighted average remaining contractual life of 617 days (30 June 2021: 789 days). Details of performance rights outstanding at the end of the financial year are:

GRANT DATE	DATE OF EXPIRY	NUMBER
12 November 2019	30 June 2023	**685,621**
18 October 2019	30 June 2023	**2,367,643**
29 November 2019	30 June 2023	**666,323**
25 September 2020	30 June 2023	**2,880,420**
25 September 2020	30 June 2024	**4,172,267**
26 November 2021	30 June 2024	**502,989**
23 March 2022	30 June 2025	**1,123,593**
6 May 2022	30 June 2025	**1,246,439**
Total performance rights		**13,645,295**

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(d) Fair Value of Performance Rights

The fair value of each LTI performance right issued during the financial year was estimated on grant date using the Monte Carlo valuation methodology. The Monte Carlo valuation methodology takes into account the exercise price, the term of the performance right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right. The fair value of STI performance rights issued during the current or previous financial years were based on the Company's closing share price at grant date. The fair value of all performance rights issued prior to 1 July 2020 were based on the Company's closing share price at grant date.

The Group applied the following assumptions and inputs in estimating the weighted average fair value for LTI performance rights:

	2022	2021
Weighted average exercise price	**$A Nil**	$A Nil
Weighted average life of performance rights	**1,172 days**	1,383 days
Weighted average share price	**A$2.12**	A$0.80
Expected share price volatility	**60.00%**	60.00%
Risk free interest rate	**2.17%**	0.17%
Weighted average performance rights value	**A$1.66**	A$0.65

Historical volatility was the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

(e) Share-based Payments Expense

Total expenses arising from share-based payment transactions recognised during the financial year, included as part of other expenses in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Share options issued under ESOP	**–**	190
Performance rights issued under PRP	**3,632**	2,844
Share-based payments expense (non-cash)	**3,632**	3,034
Share-based payments expense (cash-settled)	**2,059**	1,872
Total share-based payments expense	**5,691**	4,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Note 32. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

(a) Subsidiaries

Interests in subsidiaries are set out in Note 25.

During the financial year, the Parent Company provided accounting, administrative and technical services to subsidiaries at cost or at cost plus a mark-up where required under relevant tax transfer pricing legislation. This allocation was based on costs recharged on a relevant time allocation of employees and consultants and associated office charges.

Other transactions that occurred were provision of funding by the Parent Company to its overseas subsidiaries via an increase in contributed equity and intercompany loans to the Australian subsidiaries. The intercompany loans provided are at a Nil% interest rate (2021: Nil%) and no fixed term for repayment and therefore will not be repaid within 12 months. Loans are unsecured and are repayable in cash.

Where equity-settled share options and performance rights are issued to employees of subsidiaries within the Group, the transaction is recognised as an investment in the subsidiary by the Parent Company and in the subsidiary, a share-based payments expense and an equity contribution by the Parent Company.

The above transactions are eliminated on consolidation.

(b) Remuneration of Key Management Personnel

Directors and other key management personnel remuneration is summarised as follows:

	CONSOLIDATED	
	2022 US$'000	2021 US$'000
Short-term employee benefits	**2,771**	2,390
Post-employment benefits	**221**	175
Long-term employee benefits (non-cash)	**4**	18
Termination benefits	**436**	470
Share-based payments expense	**2,307**	2,764
Total key management personnel remuneration	**5,739**	5,817

Detailed remuneration disclosures for the Directors and other key management personnel are provided in Section 5 of the audited Remuneration Report on pages 61 to 68. Termination of the Executive Director's and other key management personnel's employment is subject to a minimum notice period as disclosed on page 59 of the audited Remuneration Report.

Apart from the details disclosed in this note, no Director or other key management personnel has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' or other key management personnel interests subsisting as at 30 June 2022.

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Note 33. Parent Company Financial Information

(a) Summary Financial Information

The individual financial statements for the Parent Company show the following aggregate amounts:

	COMPANY	
	2022 US$'000	2021 US$'000
Statement of financial position		
Current assets	**47,625**	63,387
Non-current assets	**169,761**	253,939
Total assets	**217,386**	317,326
Current liabilities	**3,925**	3,234
Non-current liabilities	**920**	3,111
Total liabilities	**4,845**	6,345
Net assets	**212,541**	310,981
Contributed equity	**907,514**	905,138
Accumulated losses	**(653,433)**	(574,852)
Share-based payments reserve	**53,822**	50,190
Foreign currency translation reserve	**(95,362)**	(69,495)
Total equity	**212,541**	310,981
Loss for financial year	**(78,581)**	(16,982)
Total comprehensive loss for financial year	**(104,449)**	11,244

(b) Contingent Liabilities of Parent Company

(i) Bank guarantees were provided in respect of operating lease rental agreements. These guarantees may give rise to liabilities in the Parent Company if obligations are not met under these guarantees. The bank guarantees given to lessors are fully funded by way of payment of security deposits (refer Note 13).	**155**	169
(ii) The Company's present intention is to provide the necessary financial support for all Australian incorporated subsidiaries, whilst they remain wholly owned subsidiaries, as is necessary for each company to pay all debts as and when they become due.		

(c) Guarantees Entered into by Parent Company

A Parent Company guarantee was provided to Petrobras for payment of all amounts that may become payable under the SPA.

A Parent Company guarantee totalling Brazilian REALS 117.7 million (US$22.5 million equivalent as at 30 June 2022) was provided to the ANP in respect of existing decommissioning obligations relating to the Baúna field. In addition, the Parent has provided deeds of guarantee to, respectively, OOG-TKP FPSO GMBH & CO KG (the FPSO operator) and OOG-TKP Produção de Petróleo Ltda (the FPSO service provider) in relation to satisfying Karoon Petróleo & Gás Ltda's payment obligations in respect of the charter of an FPSO for Baúna and the provision of related services.

Parent Company guarantees have been provided to the ANP guaranteeing a subsidiary's obligations under Concession Agreements covering Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102 and S-M-1537 in Brazil.

Note 34. Subsequent Events

This Annual Report was authorised for issue by the Board of Directors on 25 August 2022. The Board of Directors has the power to amend and reissue the consolidated financial statements and notes.

Since 30 June 2022, there have been no material events that have occurred.

DIRECTORS' DECLARATION

The Directors' declare that:

(a) in the Directors' opinion, the consolidated financial statements and notes, set out on pages 72 to 119, are in accordance with the *Corporations Act 2001*, including:

(i) complying with relevant Australian Accounting Standards and the Corporations Regulations 2001; and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

(b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Managing Director, and Executive Vice President and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

This Directors' Declaration is made in accordance with a resolution of the Directors.

On behalf of the Directors:

Mr Bruce Phillips
Independent Non-Executive Chairman

Dr Julian Fowles
Chief Executive Officer and Managing Director

25 August 2022

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Independent auditor's report

To the members of Karoon Energy Ltd

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Karoon Energy Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended, and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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INDEPENDENT AUDITOR'S REPORT CONTINUED

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of US$11.6 million, which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose the Group's total assets as it is an appropriate benchmark that reflects the Group's interests in oil and gas assets.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group has two operating segments in Australia and Brazil. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, and by component auditors under our instruction.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Assessing the carrying value of oil and gas assets *(Refer to note 15)* As at 30 June 2022 the Group's consolidated statement of financial position includes oil and gas assets of US$733 million. Group policy is to assess for indicators of impairment annually or more frequently if indicators of impairment exist. Assessing the carrying value of oil and gas assets was a key audit matter because of the judgement involved in the Group assessing impairment indicators and the financial significance of oil and gas assets.	To assess the carrying value of oil and gas assets we performed the following procedures, amongst others: • Evaluated the Group's assessment of whether there were any indicators of asset impairment, including consideration of movement in oil prices, reserves and resources and asset performance over the period. • Compared the value of the net assets of the Group at year end to the market capitalisation.
Assessing the valuation of the contingent consideration payable *(Refer to note 23)* As described within Note 23, as part of the Group's acquisition of the Bauna production asset in the prior year, a tiered contingent consideration is payable of up to US$285 million (plus interest at 2% per annum). This contingent consideration was initially recognised as an embedded derivative and it is measured at fair valued at each reporting date. The fair value of the contingent consideration is determined by the Group's estimate of the present value of future expected cash outflows. Estimates are based on the Group's internal assessment of future oil prices, which considers industry consensus and observable oil price forecasts. The valuation of this liability was increased to US$298 million at 30 June 2022, an increase of US$227 million since 30 June 2021.	To assess the valuation of the contingent consideration we performed the following procedures, amongst others: • Evaluated the Group's accounting policy against the requirements of Australian Accounting Standards. • Assessed the appropriateness of methods, assumptions and inputs to the calculation of the fair value of contingent consideration. • We utilised an auditor's expert to assess the reasonableness of the Group's forecast of future oil prices.

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Key audit matter	How our audit addressed the key audit matter
Assessing the valuation of the contingent consideration payable was a key audit matter because of the judgement involved in the Group's forecast of future oil prices and the financial significance of this estimate on the Group's financial performance and financial position.	

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 48 to 68 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Karoon Energy Ltd for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Anthony Hodge
Partner

Melbourne
25 August 2022

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in the Annual Report is set out below. The information was applicable for the Company as at 28 July 2022.

Distribution of Shareholding

The number of shareholders ranked by size of holding is set out below:

SIZE OF HOLDING	NUMBER OF HOLDERS	NUMBER OF ORDINARY SHARES ON ISSUE
Less than 1,000	2,828	1,307,764
1,001 to 5,000	3,310	9,233,710
5,001 to 10,000	1,484	11,386,009
10,001 to 100,000	2,029	58,621,109
More than 100,000	242	479,063,243
Total	9,893	559,611,835

There were 999 shareholders holding less than a marketable parcel of ordinary shares to the value of A$500.

Substantial Shareholders

The number of ordinary shares held by substantial shareholders and their associates (who held 5% or more of total fully paid ordinary shares on issue), as disclosed in substantial holder notices given to the Company, is set out below:

	FULLY PAID ORDINARY SHARES	
SHAREHOLDER	NUMBER HELD	% OF ISSUED ORDINARY SHARES
Mitsubishi UFJ Financial Group, Inc	29,778,588	5.32
Total	29,778,588	5.32

Twenty Largest Shareholders

The names of the twenty largest shareholders of the Company's ordinary shares are listed below:

		FULLY PAID ORDINARY SHARES	
	SHAREHOLDER	NUMBER HELD	% OF ISSUED ORDINARY SHARES
1	HSBC Custody Nominees (Australia) Limited	147,910,311	26.43
2	J P Morgan Nominees Australia Pty Limited	78,468,659	14.02
3	Citicorp Nominees Pty Limited	71,321,911	12.74
4	National Nominees Limited	45,092,370	8.06
5	HSBC Custody Nominees (Australia) Limited – A/C 2	25,357,635	4.53
6	BNP Paribas Noms Pty Ltd <DRP>	20,859,116	3.73
7	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	6,349,076	1.13
8	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	4,711,107	0.84
9	Ropat Nominees Pty Ltd	4,230,137	0.76
10	Sandhurst Trustees Ltd <JMFG Consol A/C>	2,328,504	0.42
11	BNP Paribas Noms Pty Ltd <Global Markets DRP>	2,318,685	0.41
12	Mr Kenneth Joseph Hall <Hall Park A/C>	2,050,000	0.37
13	Mr Leendert Hoeksema + Mrs Aaltje Hoeksema	1,720,000	0.31
14	UBS Nominees Pty Ltd	1,677,750	0.30
15	HSBC Custody Nominees (Australia) Limited	1,492,594	0.27
16	Merrill Lynch (Australia) Nominees Pty Limited	1,474,186	0.26
17	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,334,384	0.24
18	Netwealth Investments Limited <Wrap Services A/C>	1,177,738	0.21
19	Ms Emilie Kristiane Julie West	1,172,500	0.21
20	Mrs Mara Spong	1,127,888	0.20
Total		422,174,551	75.44

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Unlisted Equity Securities: Performance Rights

The following performance rights over unissued ordinary shares of the Company are not quoted:

SIZE OF HOLDING	NUMBER OF HOLDERS	NUMBER OF UNLISTED PERFORMANCE RIGHTS ON ISSUE
Performance rights issued pursuant to Company's Performance Rights Plans	45	12,118,812
Total	45	12,118,812

Voting Rights

(a) Ordinary Shares, Fully Paid

Voting rights of shareholders are governed by the Company's Constitution. In summary, on a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each such attending shareholder is entitled to one vote for every fully paid ordinary share held.

(b) Unlisted Performance Rights

No voting rights.

Other Information

The Company was incorporated as a public company on 11 November 2003.

On 30 November 2018 the Company changed its name from Karoon Gas Australia Ltd to Karoon Energy Ltd.

The Company was admitted to the ASX official list during June 2004 and quotation of its ordinary shares commenced on 8 June 2004.

The register of securities is held at Computershare Investor Services Pty Limited, GPO Box 2975 Melbourne VIC 3001 Australia. Investor enquiries can be made via telephone on 1300 850 505 (within Australia).

Schedule of Interests in Petroleum Tenements

EXPLORATION PERMIT/BLOCK	BASIN	OPERATOR	% EQUITY INTEREST HELD
WA-482-P	Northern Carnarvon, Australia	Santos	50^
Concession BM-S-40	Santos, Brazil	Karoon	100
Block S-M-1037	Santos, Brazil	Karoon	100
Block S-M-1101	Santos, Brazil	Karoon	100
Block S-M-1537	Santos, Brazil	Karoon	100

^ Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and an overriding royalty in the event of production. Phoenix Oil and Gas Limited is entitled to an overriding royalty in the event of production.

GLOSSARY OF TERMS

TERM	DEFINITION
3D seismic	Three-dimensional seismic.
A$ or AUD	Australian Dollars.
AASB	Australian Accounting Standards Board.
ANP	Agência Nacional do Petróleo, Gás Natural e Biocombustíveis.
API	The American Petroleum Institute gravity, or API gravity, is a measure of how heavy or light a petroleum liquid is compared to water.
ASX	ASX Limited (ACN 008 624 691), trading as Australian Securities Exchange.
ATO	Australian Taxation Office.
barrel or bbl	Barrel of oil, inclusive of condensate. A quantity of 42 United States gallons; equivalent to approximately 159 litres.
basin	A natural depression on the earth's surface in which sediments, eroded from higher surrounding ground levels, accumulated and were preserved.
Baúna	Concession BM-S-40 containing the producing Baúna and Piracaba light oil fields and the undeveloped Patola oil discovery, Brazil.
block	A licence or concession area. It may be almost any size or shape, although usually part of a grid pattern.
bopd	Barrels of oil per day.
Company or Parent Company	Karoon Energy Ltd.
contingent resources	Those quantities of hydrocarbons estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable (as evaluation of the accumulation is insufficient to clearly assess commerciality). • 1C – Denotes low estimate scenario of contingent resources. • 2C – Denotes best estimate scenario of contingent resources. • 3C – Denotes high estimate scenario of contingent resources.
CO_2e	Carbon dioxide equivalent.
Director	A Director of Karoon Energy Ltd.
discovery well	The first successful well on a new prospect.
E&P	Exploration and production.
ESP	Electric submersible pump (downhole equipment).
exploration	The process of identifying, discovering and testing prospective hydrocarbon regions and structures, mainly by interpreting regional and specific geochemical, geological, geophysical survey data and drilling.
FID	Final Investment Decision.
field	An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area although it may refer to both the surface and underground productive formation.
FY or financial year	Financial Year
FPSO	Floating production, storage and off-loading facility.
GHG	Greenhouse gas.
GST	Goods and Services Tax in Australia.
HSSE	Health, safety, security and environment.
Karoon or Group	Karoon Energy Ltd and its subsidiaries.
KMP	Key Management Personnel.
LTI	Lost time incident.

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TERM	DEFINITION
LTIR	Lost time incident rate.
LTI	Long-term incentive.
m	Million.
market capitalisation	The product of a company's share price multiplied by the total number of ordinary shares issued by the company.
MMbbl	Millions of barrels (1,000,000 barrels).
NPAT	Net Profit After Tax.
NOPTA	National Offshore Petroleum Titles Administrator.
OMS	Operating Management System.
Operator	One joint operation participant that has been appointed to carry out all operations on behalf of all the joint operation participants.
performance rights	Performance rights issued under the PRP.
permit	A hydrocarbon tenement, lease, licence, concession or block.
Petrobras	Petróleo Brasileiro SA.
play	A trend within a prospective basin that has common geologic elements containing one or more fields, prospects or leads with common characteristics.
previous financial year	Financial year ended 30 June 2021.
prospect	A geological or geophysical anomaly that has been surveyed and defined to the degree that its configuration is fairly well established, and on which further exploration such as drilling can be recommended.
REAL	Brazilian currency.
reserves	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. • 1P – Denotes low estimate of Reserves (Proved Reserves). • 2P – Denotes best estimate of Reserves (the sum of Proved plus Probable Reserves). • 3P – Denotes high estimate of Reserves (the sum of Proved plus Probable plus Possible Reserves).
reservoir	A porous and permeable rock formation to store and transmit fluids such as hydrocarbons and water.
rig	The equipment needed for drilling a well. It includes the onshore and offshore vehicles, mobile platforms or vessel on which the equipment is stored.
risk	Prospect risk or geologic risk is the assessed chance that the drilling of the prospect will be successful in finding significant volumes of hydrocarbons. The risk is calculated by multiplying the chance of success of each of the petroleum system elements involved in the prospect.
seismic survey	A type of geophysical survey where the travel times of artificially created seismic waves are measured as they are reflected in a near vertical plane back to the surface from subsurface boundaries. This data is typically used to determine the depths and form of stratigraphic units and in making subsurface structural contour maps and ultimately in delineating prospective structures.
SOFR	Secured Overnight Financing Rate.
STI	Short-term incentive.
TRIR	Total Recordable Incident Rate.
tCO_2e	Tonnes of carbon dioxide equivalent.
USD or US$	United States dollars.

CORPORATE DIRECTORY

Board of Directors

Mr Bruce Phillips – Independent Non-Executive Chairman

Dr Julian Fowles – Chief Executive Officer and Managing Director

Mr Peter Turnbull – Independent Non-Executive Director

Ms Luciana Rachid – Independent Non-Executive Director

Mr Clark Davey – Independent Non-Executive Director

Mr Peter Botten – Independent Non-Executive Director

Company Secretary

Mr Nick Kennedy

Audit and Risk Committee Members

Mr Clark Davey (Chairman of Committee)

Mr Peter Botten

Mr Peter Turnbull

People, Culture and Governance Committee Members

Mr Peter Turnbull (Chairman of Committee)

Mr Bruce Phillips

Mr Clark Davey

Sustainability and Operational Risk Committee Members

Ms Luciana Rachid (Chair of Committee)

Mr Peter Botten

Mr Peter Turnbull

Registered Office

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ABN 53 107 001 338

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External Auditor

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2 Riverside Quay
Southbank VIC 3006
Australia

Telephone + 61 3 8603 1000
Facsimile + 61 3 8603 1999

External Legal Adviser

Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne VIC 3000 Australia

Telephone + 61 3 9229 9999
Facsimile + 61 3 9229 9900

Share Registrar

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001 Australia

Telephone 1300 555 159 (within Australia)
+ 61 3 9415 4062 (outside Australia)

Website www.computershare.com.au

Securities Exchange Listing

The Company's ordinary shares are listed on the ASX.
The home exchange is Melbourne VIC.

ASX code KAR

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KAROON
ENERGY

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