

29 February 2024

Company Announcements Office
ASX Limited

Dear Sir / Madam

TY23 Annual Report

In accordance with the ASX Listing Rules, Karoon Energy Ltd releases its TY23 Annual Report to the market.

This announcement has been authorised by the Board of Directors.

Yours faithfully



Daniel Murnane
Company Secretary

TRANSFORMING
OUR FUTURE

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THROUGH A FOCUSED STRATEGY

Karoon produced 5.5 MMboe in the six month transition year to 31 December 2023 (TY23), the highest half year production in the Company's history. This reflected the successful delivery in FY23 of the Baúna intervention campaign and the Patola development offshore Brazil, which has established a safe, reliable and profitable platform for growth. Underlying net profit after tax was US\$144.7 million, a six month record for Karoon.

In addition, one of Karoon's key strategic objectives, to acquire a second major producing asset, was satisfied with the purchase of the Who Dat assets in the US Gulf of Mexico in December 2023. Who Dat provides a low risk entry into a prolific hydrocarbon basin, diversifies Karoon's asset base and delivers cash flow and earnings accretion, adding significant value to shareholders.

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BUILDING
ON SUCCESS



EXPANDING
HORIZONS



5.5 MMboe
Production
in TY23



0
Lost Time or
Recordable
Incidents¹



US\$81.51/boe
Weighted average
realised oil and
gas price



US\$144.7m
Underlying net
profit after tax



US\$284.2m
Cashflow
generated²



10%
Gearing¹ at
31 Dec 2023



59,347 tCO₂e
Absolute emissions
(Scope 1 & 2)
in TY23¹



10.9 kgCO₂e
per bbl
Emissions
intensity
(Scope 1 & 2)¹



2
Community projects
approved in FY23
commenced
in TY23

1. See Glossary for definitions.
2. Cashflow generated reflects net cashflow from operations and includes principal elements of lease payments.

LETTER FROM OUR CHAIR & CEO/MD



Peter Botten
Chairman



Julian Fowles
CEO and MD

DELIVERING SCALE AND DIVERSIFICATION

Karoon has continued to deliver on its strategy to build scale and diversify the Company's operations over the six months to 31 December 2023 (TY23), the transition year period as we move our year end from June to December.

A key achievement in TY23 was the acquisition of interests in the producing Who Dat oil and gas fields, associated infrastructure and adjacent exploration acreage in the deepwater offshore US Gulf of Mexico (GoM). The transaction aligns with Karoon's strategic objectives to diversify its asset base by acquiring a material, value accretive producing asset with expansion opportunities. It significantly increases Karoon's scale and provides other strategic benefits, including an entry into the GoM, one of the world's most prolific hydrocarbon basins, a stable fiscal jurisdiction and a joint venture with a highly experienced operator, LLOG Exploration Offshore, LLC and LLOG Omega Holdings (collectively LLOG). It also serves as a platform for further growth (both organic and inorganic) in the region.

DYNAMIC OPERATING ENVIRONMENT

Crude oil prices were volatile over TY23. The Brent oil price rose from approximately US\$75/bbl in early July 2023 to more than US\$90/bbl in late September, before closing the year at just under US\$80/bbl. We expect this volatility to continue through CY24. Potential upward pressures include ongoing hostilities in the Middle East and Europe, an extension of OPEC production cuts and a reduction in Saudi Arabia's oil expansion plans, offset by strong onshore US production and the mixed global economic growth

outlook. Another key dynamic facing the oil and gas industry is the continued high inflationary cost environment for equipment and supplies, as well as a sharp rise in global freight rates due to the Red Sea crisis.

With these uncertainties, it is vital to maintain strong financial discipline, which remains a key focus for Karoon. Following the acquisition of the low operating cost Who Dat assets, Karoon's unit production costs are expected to be US\$10.50-15/bbl in CY24, placing the Company in a good position to maximise the benefit of oil price strength or manage potential downside risk.

TY23 OPERATIONAL AND FINANCIAL HIGHLIGHTS

Maintaining safe and reliable operations is Karoon's highest priority and pleasingly, no recordable personal safety, Lost Time Injury or Tier 1 and 2 Process Safety incidents were reported during TY23.

The Baúna Project in Brazil produced 5.38 million barrels of oil during TY23. This was 47% higher than in the prior six months (1 January 2023 to 30 June 2023), which was impacted by a six week shut down. Total production, including 11 days' contribution from the Who Dat assets, was 5.47 million barrels of oil equivalent (MMboe), a six month record for Karoon.

The strong operational performance led to underlying net profit after tax for TY23 of US\$144.7 million, compared to US\$63.1 million in the prior six month period. The lift in earnings, together with modest capital expenditure in TY23 following the completion of our major capital programs, resulted in a significant increase in Karoon's operating cash flows. This, together with a

successful US\$312 million equity issue and US\$274 million drawn down from a new US\$340 million debt facility, helped fund the US\$720 million Who Dat acquisition.

The new five year revolving reserve-based lending facility, with a syndicate of banks comprising Macquarie, Deutsche Bank, ING and Shell Western Supply and Trading Limited, will also enable Karoon to support ongoing operations and fund future growth opportunities. Karoon ended the period with gearing of 10%.

CAPITAL MANAGEMENT

The Board decided not to pay a dividend to shareholders in respect of TY23. This decision took into account the recent Who Dat acquisition and committed/anticipated near term capital requirements. The Board will continue to regularly consider capital management in the context of Karoon's capital allocation framework. Our priorities for allocating capital are aimed at maintaining liquidity and balance sheet health, while supporting growth that can generate strong long term free cash flows as well as capital returns to shareholders.

KEY GROWTH OPPORTUNITIES

Progressing the potential Neon development

Good progress was made over TY23 on maturing the potential Neon oil field development. With feasibility studies for the 'Identify' phase nearing completion, in March 2024 Karoon expects to decide whether to enter the 'Concept Select' phase, where potential concepts will be studied in more detail and the optimal development plan selected.

If commercial hurdles are met, we would aim to enter Front End Engineering and Design in early CY25, with a potential Final Investment Decision in late CY25.

Further work also took place on derisking the Neon West prospect, located adjacent to the Neon field, and evaluating the potential to incorporate it into the Neon Foundation Project.

Who Dat exploration, appraisal and development

There is substantial growth potential in and around the Who Dat producing assets, which was one of the key attractions of the acquisition. Shortly after completing the transaction, a development well discovered a new, shallower reservoir zone in addition to the successful penetration of its deeper primary target. In addition to infill development opportunities such as this, the acreage around the Who Dat fields includes both existing discovered and prospective resources, with up to three wells to be drilled in CY24, subject to JV approval which is expected in the first half of 2024. If drilling is successful, there is substantial spare capacity within the existing infrastructure to accommodate potential future production.

We look forward to working closely with our new joint venture partners to optimise the life and value of the Who Dat production assets.

COMMITMENT TO NET ZERO¹ BY 2035

When assessing the Who Dat acquisition, the impact this transaction would have on our greenhouse gas emissions was considered. While Karoon's absolute emissions will rise, our emissions intensity is expected to decline due to the addition of lower carbon gas into our portfolio. Our aim is to be carbon neutral for the Baúna Project from FY21 onward and for new assets, such as Who Dat, within five years of purchase, and Net Zero for Scope 1 and 2 greenhouse gas emissions by 2035.



Outgoing Chair, Bruce Phillips with incoming Chair, Peter Botten.

During TY23, Karoon executed a binding agreement to purchase verified carbon units from the Hiwi REDD+ forest conservation project located in the state of Acre in the Amazon biome in north-western Brazil. Together with existing carbon credits, this should allow us to fully offset Scope 1 and 2 emissions for FY23.

Karoon is currently investigating investments in additional high quality offsets, including several Afforestation, Reforestation and Revegetation projects, to support the Company's goal to be Net Zero for Scope 1 and 2 emissions by 2035.

More details of Karoon's emission targets, including Karoon's Climate Strategy, are in the FY23 Sustainability Report on the Karoon Website, www.karoonenergy.com.au

ONEKAROON CULTURE

As Karoon grows and diversifies its asset base, its culture is evolving with the needs of the business. During TY23, the Company consulted extensively with its workforce to further develop its 'OneKaroon' culture. OneKaroon is a set of shared values, beliefs and practices that shapes how the people within Karoon interact, make decisions, and work together and with external stakeholders to achieve common goals to operate safely, reliably, and responsibly while maximising the value of our assets. We intend to develop this further over the coming year.

THANKS

Bruce Phillips retired as Karoon's Chair at the conclusion of the 2023 Annual General Meeting in November 2023. During his tenure, Bruce oversaw the Baúna oil field acquisition as well as the successful Baúna intervention program and Patola development. On behalf of Karoon, we would like to thank Bruce for his commitment, outstanding service and wisdom over his almost five years as Chair and a Board Director. We are grateful for his legacy of excellence and wish Bruce continued success in all his future endeavours.

We would also like to thank our highly experienced Board and Management team, dedicated staff and contractors, suppliers, joint venture partners and shareholders for your support over the past six months. We are excited by the progress that has been made on delivering our strategic objectives in TY23 and look forward to further opportunities during 2024 and beyond.

A handwritten signature in black ink, appearing to read 'P. Botten'.

Peter Botten
Chairman

A handwritten signature in black ink, appearing to read 'Julian Fowles'.

Julian Fowles
CEO and MD

1. Net Zero refers to reducing Scope 1 and 2 GHG emissions as far as practical and balancing the residual GHG emissions produced with GHG emissions removed from the atmosphere.

FINANCIAL OVERVIEW

CHANGE IN FINANCIAL YEAR END

In July 2023, Karoon resolved to change its financial year from 1 July – 30 June to 1 January – 31 December. The change streamlines the preparation of annual statutory financial statements and annual tax returns with both Brazil's and the US's tax year, which commence on 1 January and end on 31 December. In addition, a December year end will facilitate comparisons with Karoon's key Australian and global oil and gas industry peers which report on a calendar year basis.

As a result:

- This report is for the six month Transitional Financial Year, beginning on 1 July 2023 and ending on 31 December 2023 (TY23).
- In future, Karoon will adopt a 12 month financial year, with the first year commencing on 1 January 2024 and ending on 31 December 2024.
- For comparison purposes, the most relevant period is the preceding six months, from 1 January to 30 June 2023.

TY23 HYDROCARBON SALES

Karoon benefited in TY23 from a full period of production from the Baúna interventions and Patola development, as well as higher realised oil prices than in the prior six month period to 30 June 2023.

Ten oil cargoes were sold from Baúna in TY23, as well as one cargo lifted on 31 December 2023, which was in transit at the end of the period and held as inventory. This compared to eight cargoes sold in the prior six months. Total Baúna oil sales were 5.0 MMbbl, up from 3.7 MMbbl in the prior six months. In addition to Baúna, the Who Dat acquisition contributed 0.1 MMboe (for the period from 21 – 31 December 2023), taking total oil and gas sales for the period to 5.1 MMboe.

The Company realised a weighted average oil price for Baúna crude net of selling expenses, of US\$82.22/bbl, up from US\$73.06/bbl in the prior six month period. Demand for Baúna light sweet crude remained strong, with cargoes sold to various refineries in North and South America, Europe and Asia during TY23. Including Who Dat sales on a Net Revenue Interest basis (after government and third party royalties), the weighted average realised oil and gas price for the period was US\$81.51/boe.

PROFITABILITY

Revenue for TY23 was US\$412.9 million, 55% higher than in the prior six months (US\$267.1 million), reflecting increased Baúna crude oil sales and a higher realised average oil price. With the majority of operating costs fixed, TY23 unit production costs (comprising operating costs plus the FPSO charter lease costs) were US\$11.09/boe, 23% lower than in the six months to June 2023 (US\$14.37/boe).

Underlying EBITDA for TY23 was US\$283.0 million (prior six months: US\$145.9 million), and underlying NPAT was US\$144.7 million (prior six months: US\$63.1 million). On a statutory basis, NPAT for the period was US\$122.5 million (prior six months: US\$85.4 million). Refer to TY23 Financial Summary on page 26 for full details on the reconciliation between statutory and underlying NPAT.

FUNDING OF WHO DAT ACQUISITION

During TY23, Karoon completed the acquisition of the Who Dat production, development and exploration interests in the US GoM from LLOG for US\$720 million. The total costs for the Who Dat acquisition were US\$29.4 million, including US\$18.6 million related to the new debt facility and equity issue and US\$10.8 million for other advisory and transaction costs.

The purchase was funded by a US\$274 million drawdown from a new US\$340 million debt facility, US\$312 million raised from a fully underwritten equity issue and the balance from existing cash reserves. Cash flow net to Karoon from Who Dat between the effective date of the transaction of 1 October 2023 and the completion date of 21 December 2023 was US\$0.1 million, with funds generated from operations used to finance Karoon's share of an infill development program. The effective date adjustment will be finalised in CY24.

CASH FLOWS

Over TY23, operating activities generated gross cash inflows of US\$443.3 million. Significant operating cash payments for the year included the following:

- Payments to suppliers and employees, including production costs and government take, of US\$106.2 million.
- Income tax of US\$19.5 million.
- Payments for cash flow hedges of US\$2.7 million
- Finance-related interest and other costs, primarily related to finance charges on the FPSO lease of US\$9.2 million.

Net cash outflows from investing activities in TY23 were US\$728.1 million, of which US\$719.7 million related to the Who Dat acquisition. Excluding the impact of the acquisition, the net cash outflows from investing was US\$8.4 million, materially lower than the prior six months (US\$129.3 million), reflecting the completion of the Baúna intervention campaign, Patola development and Neon control well drilling.

US\$568.9 million was raised (net of fees and other associated costs) through the equity issue and debt drawn down from the new debt facility.

FINANCIAL POSITION AND NEW DEBT FACILITY

At 31 December 2023, Karoon had US\$170.4 million in cash and cash equivalents and US\$274.0 million drawn down from a US\$340 million five-year revolving reserve-based lending (RBL) facility with a syndicate

of banks comprising Macquarie, Deutsche Bank, ING and Shell Western Supply and Trading Limited. Gearing (net debt divided by net debt plus equity) was 10%.

The new RBL facility includes minimum hedge volume obligations to support the debt service requirements for the lenders. The hedge structure is based on a laddering approach where the minimum required hedge volume is linked to the borrowing base of the assets and the amount of debt drawn, or level of collateral coverage.

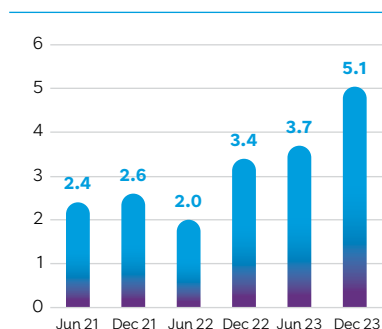
Karoon entered into additional hedges in early CY24, with total hedged CY24 put volumes equating to approximately 25–30% of CY24 production guidance.

In addition to helping fund the Who Dat purchase, the new facility will support Karoon's future organic and inorganic growth strategy.

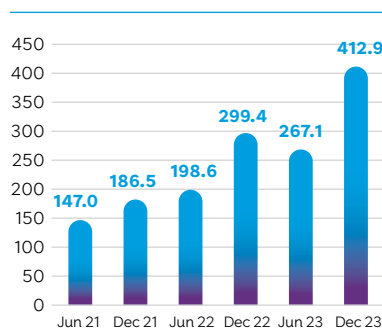
Refer to the Directors' Report on page 26 for further discussion of the results, cash flows and changes to the Group's financial position.

SIX MONTH PERIOD ENDING¹:

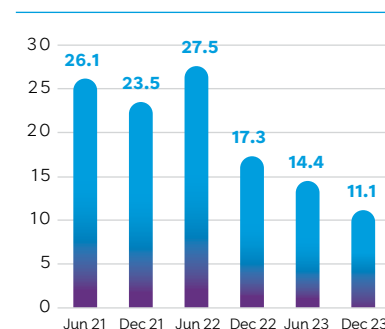
Sales volumes (MMboe)



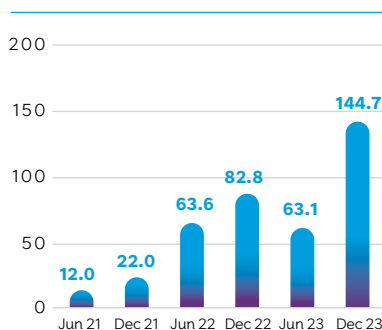
Sales revenue (US\$m)



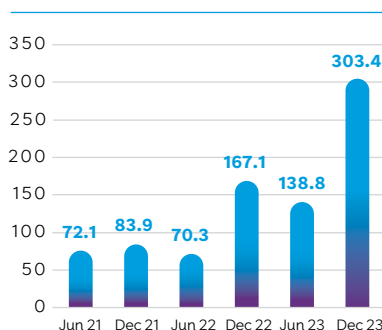
Unit production costs (US\$/boe)



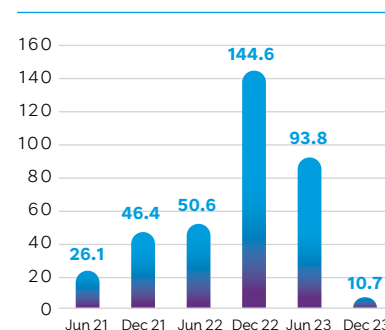
Underlying net profit after tax² (US\$m)



Operating cashflows (US\$m)



Capital expenditure³ (US\$m)



1. The financial information for the six month periods ending 31 December are auditor reviewed. The financial information for the six month periods ending 30 June are not audited but derived from audited and reviewed financial information.
2. Underlying net profit is a non IFRS measure which is unaudited but is derived from figures within the audited financial statements.
3. Excludes US GoM acquisition in TY23.

PRODUCTION AND DEVELOPMENT

DIVERSIFYING PRODUCTION BASE

On 16 November 2023, Karoon entered into binding arrangements to acquire interests in the Who Dat, Dome Patrol and Abilene producing fields, associated infrastructure and adjacent exploration permits offshore in the US Gulf of Mexico (GoM). The transaction closed on 21 December 2023, with an effective date of 1 October 2023.

This transaction achieves Karoon's key strategic objectives for an acquisition:

- It diversifies the asset base, reducing the Company's geographic and one-asset risk, while complementing Karoon's existing Brazilian exposure.
- It provides an entry into one of the world's most prolific hydrocarbon basins and a platform for further growth in this region, where there is an active asset trade market.
- The acquisition increases Karoon's size substantially, with approximately a 50–55% increase in forecast CY24 production, and a material increase in Reserves and Resources.
- In addition to the existing producing assets, there is upside from low risk, near term infill drilling, and near-field appraisal and exploration opportunities.
- The operator of the assets, LLOG, is highly experienced in the GoM, and has a similar objective to Karoon, to maximise the value of the Who Dat assets.
- The transaction is cash flow and earnings accretive, with low operating costs driving strong margins and cash flow, adding value for all stakeholders.
- The Who Dat assets are lower carbon intensity than Karoon's Brazilian assets and add lower carbon gas to the Company's product stream.

PRODUCTION AND SALES

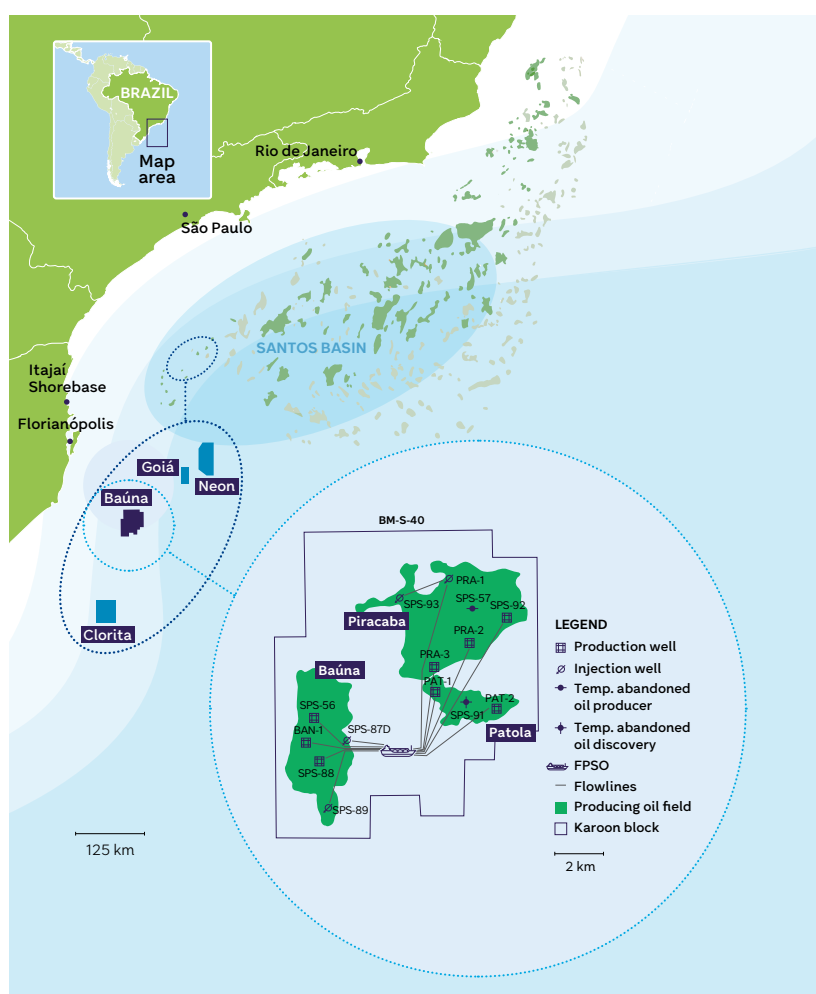
Baúna Project, Santos Basin, offshore Brazil

Production: Oil production from the Baúna Project (comprising the Baúna, Piracaba and Patola fields) for the six months to 31 December was 5.38 MMbbl, compared to 3.67 MMbbl in the first half of CY23. Production benefited from the completion of the Baúna intervention campaign and Patola oil development in FY23.

FPSO efficiency was 92.8%, which was within the Company's anticipated efficiency guidance range of 90–95%. This compares to 67.0% in the prior six months, which was impacted by a six week unscheduled shut down.

An enhanced maintenance program, which has been taking place since the shut down, has led to improved reliability of the FPSO.

Production in late CY23 was impacted by the formation of hydrates in two wells because of operational issues in the gas lift dehydration unit on the FPSO. Remediation of the gas dehydration system and hydrate issues was completed in January 2024. A two week full shut down for maintenance is planned for April 2024, with activities to include inspection of tanks, valves and the hull of the FPSO.



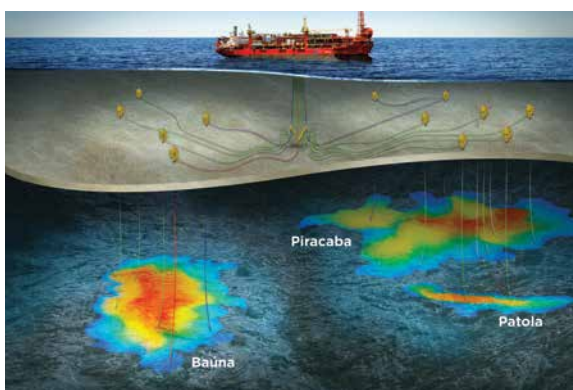
Early in CY24, a mechanical blockage in the Gas Lift Valve was identified in the SPS-88 well, which will require a well intervention. This is expected to take place in the fourth quarter of CY24, subject to contracting a suitable vessel and receiving regulatory approvals.

Sales: 10 cargoes were lifted during TY23, totalling 4.97 MMbbl. An 11th cargo was lifted on 31 December 2023, which was in transit at year end. The average realised oil price, net of selling expenses, was US\$82.22/bbl. This was 12% higher than in the first half of CY23.

Baúna Life Extension Project: Evaluation of the opportunity to extend the Baúna field from 2032 to 2038 is ongoing. In TY23, this was primarily focused on identifying potential works required on the sub-surface infrastructure and wells.

BAÚNA OIL PRODUCTION AND SALES DATA

		MARCH QUARTER CY23	JUNE QUARTER CY23	SEPTEMBER QUARTER CY23	DECEMBER QUARTER CY23	TY23
Production	MMbbl	1.98	1.68	2.85	2.53	5.38
Number of cargoes	#	4	4	5	5	10
Sales volumes	MMbbl	1.98	1.68	2.47	2.5	4.97
Weighted average realised oil price	US\$/boe	72.93	73.10	81.44	83.02	82.22



Schematic of the Baúna FPSO and producing reservoirs.

SAFETY AND ENVIRONMENTAL PERFORMANCE

During TY23, there were no Baúna Project recordable personal safety or Lost Time Injury incidents and no Tier 1 and 2 Process Safety incidents. This was a positive outcome, a result of the Company's continued focus on maintaining a safe work environment for staff and contractors.

In addition, during the reporting period there were no material environmental incidents. However, gas flaring was higher than in the prior period, impacted by operational maintenance activities and replacement of equipment. Refer to Karoon's TY23 Sustainability Report for more details on health, safety and environment statistics.

SAFETY AND ENVIRONMENTAL PERFORMANCE ^{1, 2, 3}	CY21		CY22		CY23	
Health, Safety and Security	1HCY21	2HCY21	1HCY22	2HCY22	1HCY23	2HCY23
Fatalities	-	-	-	-	-	-
High Potential Incidents	1	2	-	-	1	-
Lost Time Injuries (LTI)	-	1	3	1	-	-
Medical Treatment cases	-	-	-	2	-	-
Restricted Work Cases	-	-	-	1	-	-
Work Exposure Hours	386,000	414,000	614,000	1,026,000	922,000	468,664
Total Recordable Injury Rate (per 200,000 hours)	0.25		0.85		0	
Lost Time Injury Rate (per 200,000 hours)	0.25		0.48		0	
Environment						
Number of minor spills (to sea)	2	-	-	1	1	-
Number of incidents in offloading operations	-	-	-	-	-	-

1. A recordable incident is any incident that is required to be reported to parties external to Karoon, including Medical Treatment Injuries, Alternative Duties Injuries, Lost Time Injuries and Fatalities.
2. Does not include data in respect of the Who Dat, Dome Patrol and Abilene fields in the US GoM.
3. Lost time injuries, Medical treatment cases and Restricted work cases per 200,000 hours.

Who Dat, Gulf of Mexico, offshore US

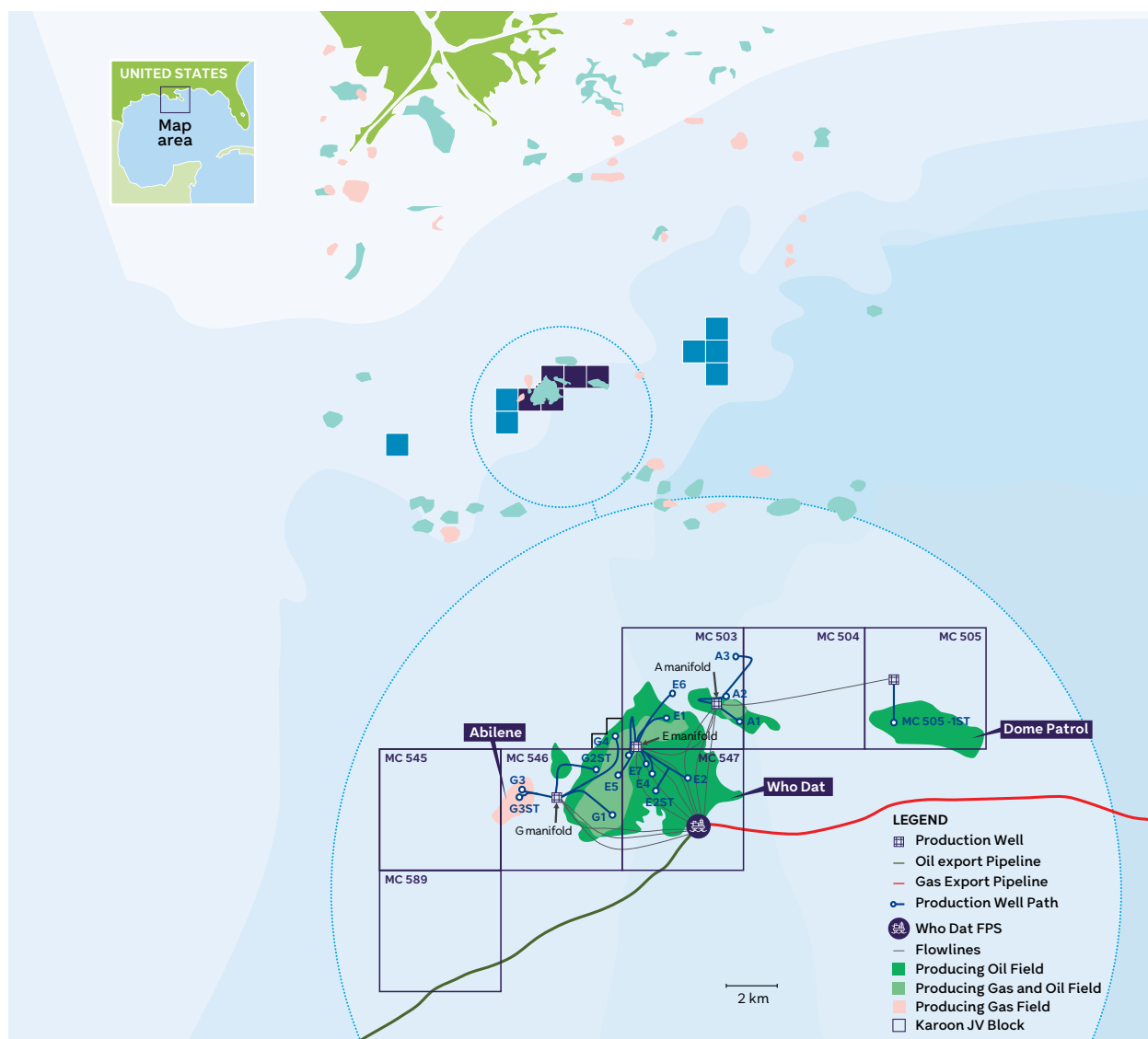
Who Dat production system: The Who Dat producing assets comprise the Who Dat (Karoo: 30%), Dome Patrol (Karoo: 30%) and Abilene (Karoo: 16%) oil and gas fields and associated infrastructure. The fields are located in the Mississippi Canyon, offshore Louisiana in approximately 800 metres water depth. The subsea infrastructure comprises 13 production wells with associated flow lines, which are connected to a Floating Production System (FPS) with a nameplate capacity of 40,000 bopd and 150 MMscf/d gas. Lateral export pipelines connect the FPS to third party-operated oil (Mars) and gas (Canyon Chief) pipelines, providing access to the US Gulf Coast and other markets. Who Dat has been in production since 2011.

Production: TY23 production on a Net Revenue Interest (NRI) basis, which is after government and overriding royalties (currently approximately 21%) was 0.1 MMboe, of which 64% was oil and the balance gas. This represented 11 days of output, from the date of closing the transaction to the end of 2023. During the second half of CY23, the operator, LLOG, undertook a range of development activities. These comprised the installation of a subsea pump, an intervention in the E7 well to access additional zones, sidetracks of the G2 and E2 wells, and drilling a new well, G4.

The E2 and E7 wells were brought onstream in the September 2023 quarter and the subsea pump commenced production during the December 2023 quarter.

The G2 sidetrack encountered a shallower reservoir as well as the original deeper target. Following negotiations to acquire rights to the shallower reservoir zone, completion plans were amended to enable production from either zone into the Who Dat facilities. Subject to successful testing and determining optimal reservoir management strategies, the shallow zone is expected to provide incremental production and reserves over the asset life.

Sales: Sales volumes of oil and gas on an NRI basis were 0.1 MMboe, generating revenue of US\$3.8 million.



GROWTH OPPORTUNITIES

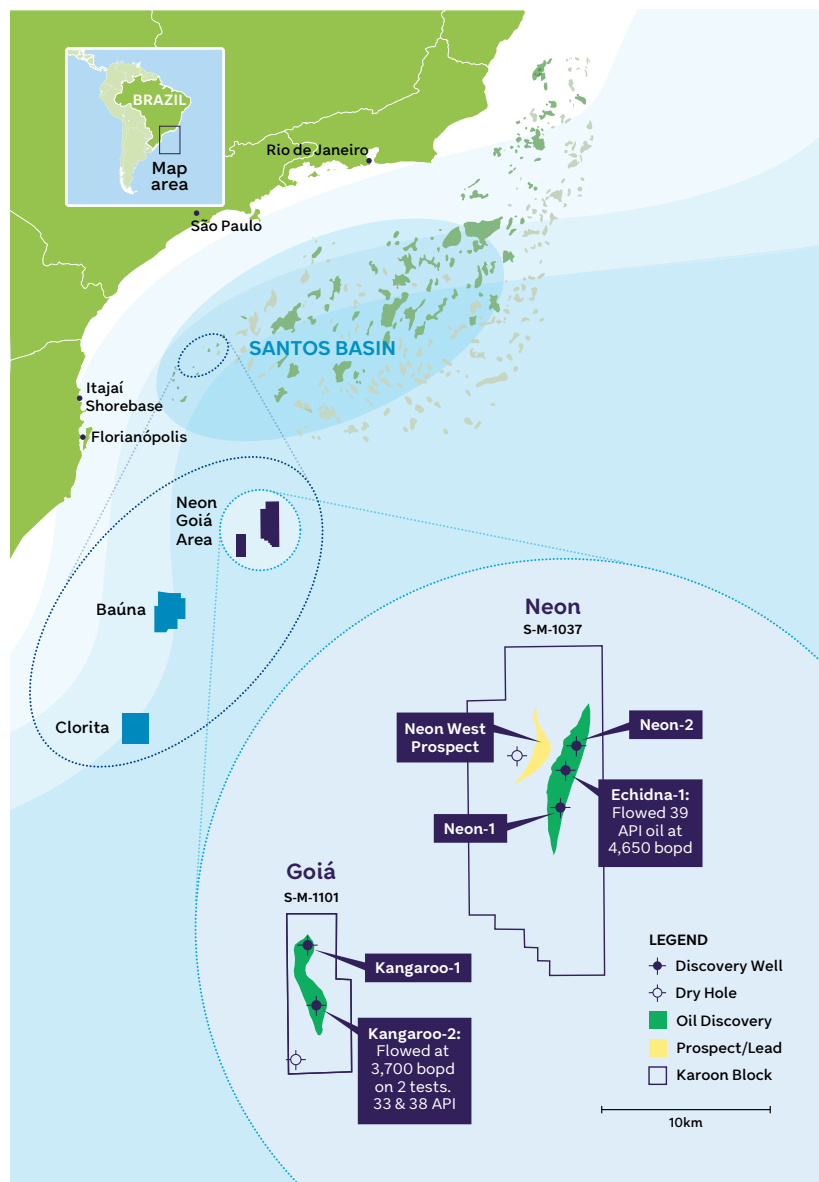
BRAZIL

Blocks S-M-1037 and S-M-1101, Santos Basin (100% equity interest, operator)

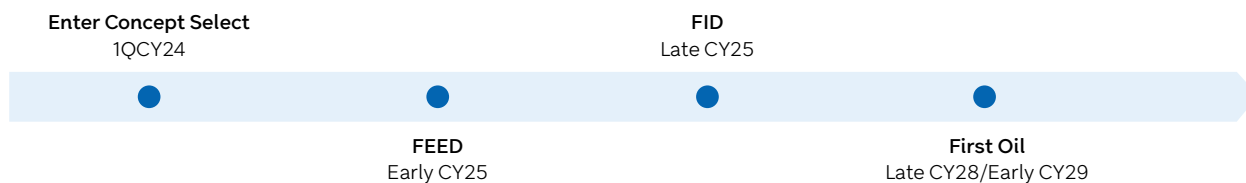
Good progress was made during TY23 on the potential Neon Foundation Project (which comprises the proposed development of the Neon field). With feasibility studies nearing completion, a decision whether to move into the next phase, Concept Select, is expected to be made in early CY24.

Over TY23, data from the two control wells drilled in early CY23, together with extensive core analysis and information from seismic reprocessing, was integrated into Karoon's subsurface geological models. In addition, work took place on potential subsurface facilities and well design, including the number of wells required to maximise oil recovery from the Neon field and the optimal processing capacity of the potential FPSO. These workstreams have been integrated into the larger technical and commercial feasibility studies, to evaluate the advantages and disadvantages of various potential Neon development concepts and establish which, if any, are feasible.

Subject to the potential development continuing to meet internal commercial and technical hurdles and market conditions remaining supportive, the next decision gates and potential timing of these decisions are as highlighted below:



POTENTIAL NEON FOUNDATION PROJECT DECISION GATE TIMELINE



Note: Timeline subject to successive positive stage gate decisions.

GROWTH OPPORTUNITIES CONTINUED

If the Neon Foundation Project is developed, a hub style project could be considered, to unlock several existing and potential accumulations near Neon, such as the Goiás field, located 10 kilometres south-west of Neon, and the undrilled Neon West prospect, 2 kilometres west of Neon. Due to its proximity to Neon, further work took place over the period on de-risking the Neon West prospect and evaluating the potential to incorporate it into the Neon Foundation Project.

Block S-M-1537, Santos Basin (100% equity interest, operator)

Geological and geophysical studies continued on the S-M-1537 block, located 50 kilometres south of Baúna. This included petroleum system modelling aimed at better defining the Clorita Prospect, which is targeting the same high quality Oligocene oil prone turbidite reservoirs of the Baúna field. In addition, Karoon is evaluating the potential value of resistivity based CSEM (Controlled Source Electromagnetics) methods to help identify possible reservoir intervals within the Oligocene.

Blocks S-M-1536 and S-M-1482, Santos Basin (100% equity interest, operator)

In December 2023, Karoon secured 100% interests in two deepwater blocks (S-M-1536 and S-M-1482) through the ANP 4th Permanent bid round for Concession Contracts.

	CONTINGENT RESOURCES		
	1C (MMBBL)	2C (MMBBL)	3C (MMBBL)
Neon	37.7	60.1	89.5
Goiás	16.0	27.0	46.0

	PROSPECTIVE RESOURCES		
	1U (MMBBL)	2U (MMBBL)	3U (MMBBL)
Neon West ¹	6.1	14.8	32.9

1. Geological probability of success is estimated to be 41%.

These blocks are located 80 kilometres south-east of the Baúna Project. Formal granting of the blocks is expected in the second quarter of 2024, subject to Karoon meeting certain conditions. In January 2024, the regulatory agency confirmed Karoon as Operator A status, meeting the requirements to operate the deepwater blocks.

Karoon has identified a lower Tertiary play in these blocks, with a potential extension of the Baúna-Neon hydrocarbon source and reservoir system.

exploration opportunities in the acreage adjacent to Who Dat. There is ample ullage at the Who Dat FPS, facilitating a potential development in the event of drilling success and any potential development achieving the JV's technical and commercial hurdles.

Subject to Joint Venture approval, the operator, LLOG, plans to drill up to three exploration/appraisal wells during 2024, to support production growth, offset natural decline and replace reserves. The total cost for the three wells net to Karoon is expected to be approximately US\$100-120 million, including a carry of US\$39.2 million on a 2 for 1 basis, agreed as part of the acquisition.

US GULF OF MEXICO

Blocks MC 509 & 421, MC 464, MC 465 (various equity interests, non-operator)

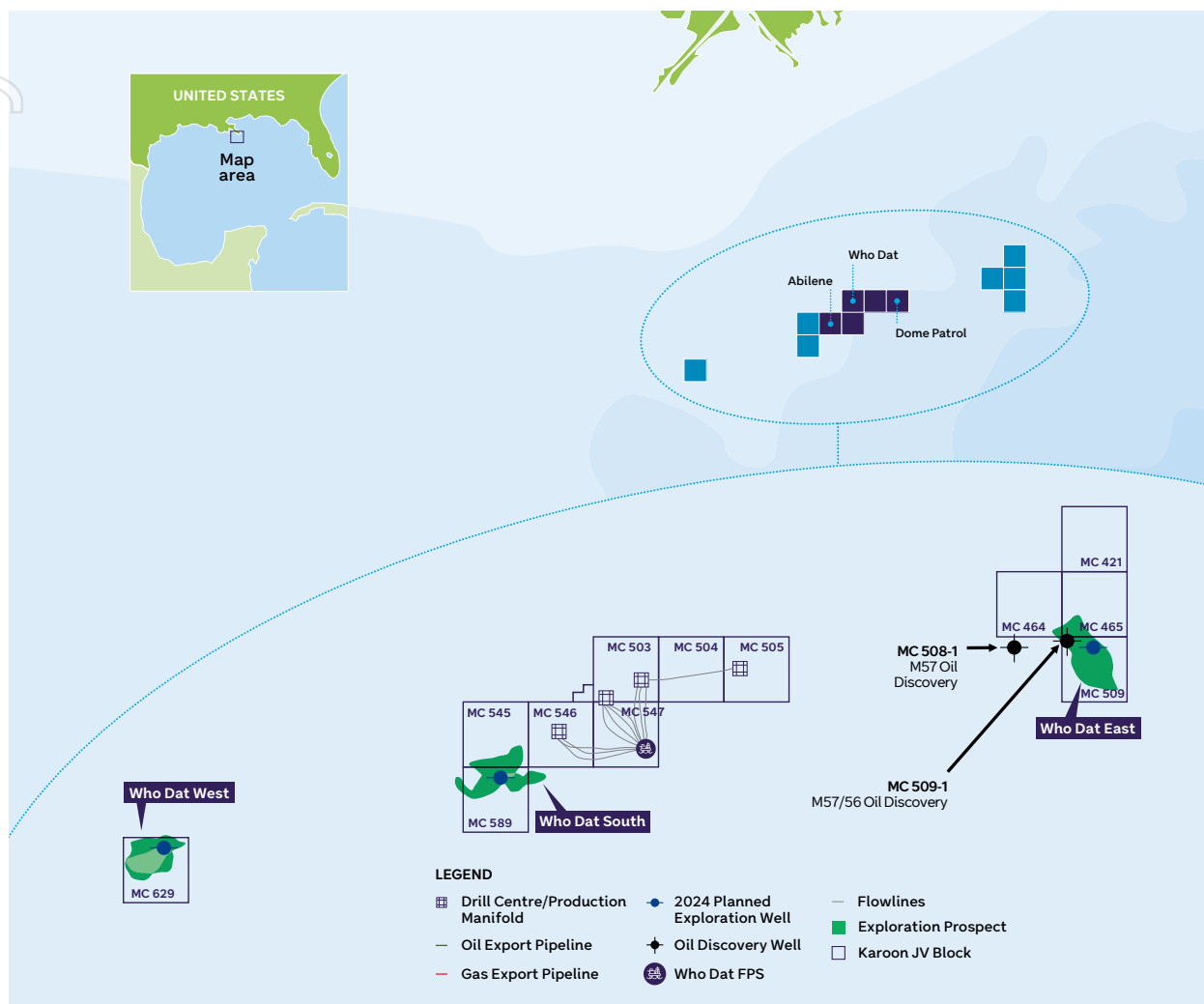
In addition to providing Karoon high margin, long term production, there are several identified appraisal and

WHO DAT EXPLORATION AND APPRAISAL OPPORTUNITIES¹

PROSPECT	NET WORKING INTEREST	PROPOSED TIMING	GROSS UNRISKED		PROBABILITY OF SUCCESS ²	TARGET
			2C CONTINGENT RESOURCES (MMBOE)	2U PROSPECTIVE RESOURCES (MMBOE)		
Who Dat East	40%	2Q24	17	35	62%	Mid Miocene
Who Dat West	35%	2Q24	–	77	36%	Upper Miocene
Who Dat South	30%	3Q24	–	31	52%	Miocene
Who Dat East	40%	TBC	–	168	7%	Cretaceous
Total			17	311		

1. Drilling plans remain subject to JV approval.

2. As assessed by independent expert Netherland Sewell and Associates, Inc (NSAI).



Who Dat East: Who Dat East is located 17 miles (27 kilometres) east of Who Dat. The prospect was drilled in 2001 and discovered oil and gas. Gross 2C Contingent Resources are estimated at 17 MMboe and gross 2U Prospective Resources at 35 MMboe. If approved by the JV, the Who Dat East appraisal well is planned to be drilled in the second quarter of 2024. The well will target multiple Middle Miocene stacked reservoirs and will be drilled as a potential future producer. If successful, subject to technical and commercial feasibility, a development linking the well through new subsea flow lines to the existing FPS is envisaged.

A deeper Cretaceous gas target, which is estimated to have 168 MMboe of gross 2U Prospective Resources, exists within the same permit. Seismic studies are ongoing to mature and de-risk the structure ahead of a decision whether to drill this target at a later stage.

Who Dat South: If approved, an exploration well at Who Dat South, located 7 miles (11 kilometres) south west of Who Dat, is scheduled to take place in the second quarter of 2024. The Who Dat South exploration well will test amplitude-supported Miocene turbidite reservoir targets which are strongly analogous to known productive zones in the Who Dat development area. Seismic imaging and analogues suggest 31 MMboe (gross) of 2U Prospective Resources.

Who Dat West: The Who Dat West prospect is located 19 miles (31 kilometres) west of Who Dat. Seismic imaging and analogues suggest 77 MMboe (gross) of 2U Prospective Resources in the two Upper Miocene amplitude anomalies. Subject to approval, an exploration well is scheduled to be drilled in the third quarter of 2024.

AUSTRALIA

WA-315-P and WA-398-P

At the end of TY23, outstanding deferred 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 on foot. 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.

SUSTAINABILITY

SUSTAINABILITY HIGHLIGHTS



TRIR 0.00
per 200,000 hours¹



0
Tier 1 or 2 Process
Safety Events¹



59,347 tCO₂e
Absolute emissions
(Scope 1 and 2)
for TY23
See Glossary



**10.9 kgCO₂e
per boe**
Emissions
intensity
(Scope 1 and 2)
See Glossary



2
Community
projects approved
in FY23 and
commenced
in TY23



4
New voluntary
community
projects approved
for 2024



6.2 ppm
Produced water OIW
See Glossary



1.94%
Produced Gas Flaring



US\$82.4 million
Contributions to the Brazilian,
Australian and US economies
in wages, royalties, levies and taxes,
as well as social/community and
environmental projects

More details about Karoon's safety and environmental performance, including the Company's emissions, are in Karoon's TY23 Sustainability Report.

EXTERNAL ASSURANCE

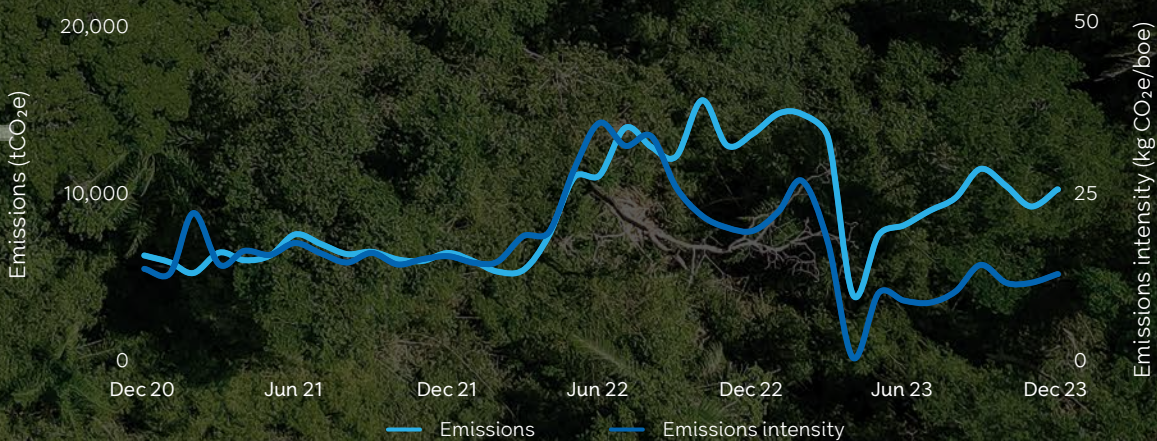
PricewaterhouseCoopers (PwC) provides limited assurance on Karoon's total Scope 1 and Scope 2 Emissions, Total Emissions Intensity and selected Health and Safety indicators (Work Exposure Hours, Total Recordable Injury Rate (per 200,000 hours), Lost Time Injury Rate (per 200,000 hours) and Tier 1 or 2 Process Safety Events). The assurance letter from PwC is in the TY23 Sustainability Report.

1. Does not include data in respect of the Who Dat, Dome Patrol and Abilene fields in the US GoM.

CLIMATE	CY21		CY22		CY23	
	1HCY21	2HCY21	1HCY22	2HCY22	1HCY23	2HCY23
Scope 1 emissions (tCO ₂ e)	36,508	37,434	45,370	80,324	61,701	59,319
Operational Control	36,508	37,434	45,370	80,324	61,701	58,866
Equity Share ¹	-	-	-	-	-	453
Scope 2 emissions (tCO ₂ e)	80	49	16	22	27	28
Operational Control	80	49	16	22	27	28
Equity Share ¹	-	-	-	-	-	-
Scope 1 + 2 (tCO ₂ e)	36,588	37,483	45,386	80,346	61,728	59,347
Operational Control	36,588	37,483	45,386	80,346	61,728	58,894
Equity Share ¹	-	-	-	-	-	453
Scope 3 emissions (tCO ₂ e)	n/a	1,000,886	1,054,343	1,624,855	1,477,476	2,464,382
Emissions Intensity (kgCO ₂ e/boe)	15.7	14.9	21.3	23.8	16.8	10.9

1. Equity share refers to emissions arising from Karoon's percentage interests in the Who Dat, Dome Patrol and Abilene fields in the US GoM, in which Karoon has an economic interest, but no management or operational control.

Emissions and intensity²



2. The data for December 2023 includes 11 days of emissions related to Karoon's percentage interests in the Who Dat, Dome Patrol and Abilene fields in the US GoM.

HYDROCARBON RESERVES AND RESOURCES STATEMENT

DELIVERING RESERVES AND RESOURCES GROWTH

Karoon has reviewed its hydrocarbon Reserves and Resources estimates as at 31 December 2023, based on production performance, new data and field studies completed during the second half of CY23. The Baúna Project Reserves and Resources have been reviewed by independent expert, AGR, while the US Gulf of Mexico (GoM) Reserves and Resources are based on Netherland Sewell and Associates, Inc's independent evaluation.

After adjusting for production of 5.5 MMboe, the acquisition of assets in the US GoM and other revisions, 2P Reserves have increased by 50% to 77.5 MMboe compared to 30 June 2023.

Based on these revisions, Karoon has achieved a total Reserves replacement ratio (organic plus inorganic) of 563% at the 2P level for the six months to 31 December 2023, primarily via the acquisition of working interests in the producing Who Dat assets in the GoM.

Karoon's 2P Reserves as at 31 December 2023 comprised 85% oil and condensate and 15% natural gas and natural gas liquids (NGLs). The 2P Reserves life (Reserves divided by annual production) is 8.5 years.

2C Contingent Resources also increased, by 5% to 103.4 MMboe, primarily due to the acquisition of the new licenses in the GoM.

RESERVES

Baúna Project

At 31 December 2023, Karoon's 1P reserves were 37.1 MMboe and 2P Reserves were 46.5 MMboe. The revised Reserves assessment considers a range of technical and commercial parameters, including the following:

- Production between 1 July 2023 and 31 December 2023 of 5.4 MMboe.
- Updated forward modelling accounting for individual well and field level performance data.
- No material changes in the end of field life assumptions (2031 for 1P Reserves and 2032 for 2P) and Contingent Resource limiting assumptions (2038).

Who Dat

During the reporting period, Karoon became a titleholder of various leases in the GoM. The Reserves associated with the leases are presented on a net revenue interest (NRI) basis as at 31 December 2023.

1P Reserves were assessed to be 20.9 MMboe and 2P Reserves 31.0 MMboe at 31 December 2023 on an NRI basis. The Reserves assessment considers a range of technical and commercial parameters, including the following:

- The results from the newly drilled E2-ST, G4 and G2-ST2 infill wells.
- Initial production results from other infield development program activities, including a subsea pump installation and E7 well recompletion.
- Acquisition of rights to an additional 4200 reservoir zone interval which can now be accessed via the existing G2-ST2 well.
- Updated field performance data forward modelling at well, reservoir and field level.
- Updated field drainage plans including additional infill wells targeting known reservoirs.

CONTINGENT RESOURCES

Karoon's total 2C Contingent Resources at 31 December 2023 were assessed to be 103.4 MMboe, which represents an increase of 5.2 MMboe, or 5% on 30 June 2023. Most of this increase is attributable to the acquisition of licenses in the GoM.

Baúna Project

During the first half of CY23, studies took place on the possible extension of the Baúna field life from 2032 to 2038. As a result, 1C, 2C and 3C Contingent Resources of 9.9 MMboe, 10.9 MMboe and 15.5 MMboe, respectively, were booked at 30 June 2023. These have remained unchanged as at 31 December 2023. Studies to better define the life extension scopes of work are planned to continue during CY24.

Neon Discovery

The Neon discovery Contingent Resources remain unchanged from those as at 30 June 2023. The estimates consider the following:

- The estimates reflect Karoon's 100% operated interest in S-M-1037 (as at 31 December 2023).

- Probabilistic methods benchmarked against deterministic scenarios have been used to estimate the Contingent Resources.
- The Contingent Resources figures reflect recoverable resources for the whole field. However, any finalised development plan may not recover all these resources.
- Contingent Resources are assessed within the Development Unclarified subclass and have not been subject to commerciality determination.

No changes have been made to the Goiás contingent resources assessment from the previous Karoon Annual Report statement.

Who Dat

As a result of the acquisition of the Who Dat assets and associated licenses, Karoon booked 5.4 MMboe of 2C Contingent Resources located in the GoM, representing 5% of Karoon's total 2C Contingent Resources. The Contingent Resources associated with the leases are presented on an NRI basis as at 31 December 2023.

PROSPECTIVE RESOURCES

Karoon holds a number of interests/licenses with undrilled exploration prospects and leads of varying maturity levels, which are classified as Prospective Resources.

Brazil

Unrisked Prospective Resources for the Neon West prospect have been estimated and reported due to the prospect's proximity to the Neon discovery and its higher probability of technical and commercial viability in the event of resource confirmation.

The Neon West Prospective Resource has been estimated primarily using probabilistic methods and is unchanged from 30 June 2023 as technical studies are ongoing and reprocessed seismic data has yet to be assessed.

USA

As a result of the acquisition of the Who Dat assets and associated exploration leases, Karoon booked 92.0 MMboe of unrisked 2U Prospective Resources located in the GoM, associated with the Who Dat East, Who Dat South and Who Dat West targets. The Prospective Resources associated with the leases are presented on an NRI basis as at 31 December 2023.

DEVELOPED AND UNDEVELOPED RESERVES (NET TO KAROON, AS AT 31 DECEMBER 2023)¹

COUNTRY	ASSET	OIL & CONDENSATE (MMBBL)			NATURAL GAS (BCF)			NGL (MMBBL)			TOTAL (MMBOE)		
		1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Brazil	Baúna Project												
	Developed	37.1	46.5	55.8	-	-	-	-	-	-	37.1	46.5	55.8
	Undeveloped	-	-	-	-	-	-	-	-	-	-	-	-
	Total	37.1	46.5	55.8	-	-	-	-	-	-	37.1	46.5	55.8
USA	Who Dat												
	Developed	9.7	13.6	18.5	14.1	20.5	30.9	0.3	0.4	0.6	12.3	17.4	24.2
	Undeveloped	4.2	5.9	10.6	23.6	41.0	48.9	0.4	0.8	0.9	8.6	13.6	19.7
	Total	13.9	19.5	29.1	37.7	61.5	79.8	0.7	1.2	1.5	20.9	31.0	43.9
Total	Developed	46.8	60.1	74.3	14.1	20.5	30.9	0.3	0.4	0.6	49.4	63.9	80.0
	Undeveloped	4.2	5.9	10.6	23.6	41.0	48.9	0.4	0.8	0.9	8.6	13.6	19.7
	Total	51.0	66.0	84.9	37.7	61.5	79.8	0.7	1.2	1.5	58.0	77.5	99.7

RESERVES RECONCILIATION (NET TO KAROON, 30 JUNE 2023 TO 31 DECEMBER 2023)¹

	OIL & CONDENSATE (MMBBL)			NATURAL GAS (BCF)			NGL (MMBBL)			TOTAL (MMBOE)		
	1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Reserves as at 30 June 2023	39.8	51.8	61.3	-	-	-	-	-	-	39.8	51.8	61.3
Acquisitions and Divestments	14.0	19.6	29.2	37.9	61.7	80.0	0.7	1.2	1.5	21.0	31.1	44.0
Revision of Previous Estimates	2.6	0.1	(0.1)	-	-	-	-	-	-	2.7	0.1	(0.1)
Transfer to/from Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Extensions and Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Production	(5.5)	(5.5)	(5.5)	(0.2)	(0.2)	(0.2)	0.0	0.0	0.0	(5.5)	(5.5)	(5.5)
Reserves as at 31 December 2023	50.9	66.0	84.9	37.7	61.5	79.8	0.7	1.2	1.5	58.0	77.5	99.7

CONTINGENT RESOURCES (NET TO KAROON, AS AT 31 DECEMBER 2023)¹

COUNTRY	ASSET	OIL & CONDENSATE (MMBBL)			NATURAL GAS (BCF)			NGL (MMBBL)			TOTAL (MMBOE)		
		1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Brazil	Baúna	9.9	10.9	15.5	-	-	-	-	-	-	9.9	10.9	15.5
	Neon	37.7	60.1	89.5	-	-	-	-	-	-	37.7	60.1	89.5
	Goiá	16.0	27.0	46.0	-	-	-	-	-	-	16.0	27.0	46.0
USA	Who Dat	0.6	1.9	6.6	8.8	20.5	47.1	0.0	0.0	0.0	2.1	5.4	14.4
Total		64.2	99.9	157.6	8.8	20.5	47.1	0.0	0.0	0.0	65.7	103.4	165.4

CONTINGENT RESOURCES RECONCILIATION (NET TO KAROON, 30 JUNE 2023 TO 31 DECEMBER 2023)¹

	OIL & CONDENSATE (MMBBL)			NATURAL GAS (BCF)			NGL (MMBBL)			TOTAL (MMBOE)		
	1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Contingent Resources as at 30 June 2023	64.2	98.2	150.4	-	-	-	-	-	-	64.2	98.2	150.4
Acquisitions and Divestments	0.6	1.9	6.6	8.8	20.5	47.1	0.0	0.0	0.0	2.1	5.4	14.4
Revision of Previous Estimates	(0.6)	(0.2)	0.6	-	-	-	-	-	-	(0.6)	(0.2)	0.6
Transfer to/from Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Extensions and Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Contingent Resources as at 31 December 2023	64.2	99.9	157.6	8.8	20.5	47.1	0.0	0.0	0.0	65.7	103.4	165.4

PROSPECTIVE RESOURCES (NET TO KAROON, AS AT 31 DECEMBER 2023)¹

COUNTRY	ASSET	POS ²	OIL & CONDENSATE (MMBBL)			NATURAL GAS (BCF)			NGL (MMBBL)			TOTAL (MMBOE)		
			1U	2U	3U	1U	2U	3U	1U	2U	3U	1U	2U	3U
Brazil	Neon West	41%	6.1	14.8	32.9	-	-	-	-	-	-	6.1	14.8	32.9
	Who Dat East	62%	2.7	4.0	5.8	28.6	40.0	54.8	-	-	-	7.5	10.7	14.9
	Who Dat West	36%	10.6	18.0	34.4	12.6	21.2	34.3	-	-	-	12.7	21.6	40.2
USA	Who Dat South	52%	3.7	6.3	10.0	4.5	7.9	12.9	-	-	-	4.4	7.6	12.2
	Who Dat East Deep	7%	1.8	6.0	14.4	104.1	277.0	529.8	-	-	-	19.1	52.1	102.7
Total			24.9	49.1	97.5	149.8	346.1	631.8	-	-	-	49.8	106.8	202.9

1. Numbers may not add due to rounding.

2. Probability of success.

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), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

All statements are net to Karoon's interests as of 31 December 2023 and use a combination of deterministic and probabilistic methods. For Reserves and Resources associated with assets in Brazil, Karoon's reported net share is based on the Working Interest for each license. For Reserves and Resources associated with assets in the USA, Karoon's reported net share is based on the Net Revenue Interest for each license, well or reservoir.

Resource volumetric estimates in MMboe have been rounded to one decimal place. Gas volumes are converted to barrels of oil equivalent (boe) on the basis of 6,000 scf = 1 boe.

The reference point for Reserves calculation is at the fiscal meter situated on the respective production facility.

Undeveloped Reserves are expected to be recovered: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different reservoir, or (3) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

GOVERNANCE AND COMPETENT PERSONS STATEMENT

Members of the Karoon Reserves Committee 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 statements in this report are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of, Martin Austgulen, VP New Business, Karoon Energy Limited. Mr Austgulen is qualified in accordance with ASX listing rule 5.41, being a member of the Society of Petroleum Engineers (SPE) and, with over 15 years' experience, has consented in writing to the inclusion of Reserves and Resources in the format and context in which they appear.

FORWARD LOOKING STATEMENTS

Petroleum exploration and production operations rely on the interpretation of complex and uncertain data and information which cannot be relied on 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.



for personal use only

STRENGTHS AND RISKS

STRENGTHS



Operations in Brazil and US Gulf of Mexico, both attractive oil and gas jurisdictions.



Clear corporate strategy, including sustainability targets.



Organic growth potential in both the US Gulf of Mexico and Brazil (refer to Growth Opportunities section).



Robust financial position and balance sheet with demonstrated ability to access debt financing.

MATERIAL BUSINESS RISKS

- **Oil and gas price:** Oil and gas prices are volatile and affected by numerous factors beyond Karoon's control, including consumer demand, industry supply trends, international financial market conditions, uncertainty in commodity markets, OPEC actions, global economic conditions, government pricing regulations, and competing fuel sources. Karoon's financial performance is significantly influenced by oil prices. Lower oil prices can negatively impact revenues, available liquidity, or access to capital markets, resulting in funding shortfall and/or inability to service debt. This may in turn lead to revisions in medium and longer-term price assumptions for oil from future production, which, in turn, may lead to a revision of the value of the Company's assets.
- **Operational interruptions:** Oil and gas production and recovery volumes may differ from Karoon's assumptions and forecasts. This can be due to, but not limited to, unplanned interruptions to production arising various factors. These events may have a material effect on Karoon's financial performance. Standard risks associated with offshore marine operations and workforce matters are also relevant. The occurrence of any event associated with these risks could result in production interruptions and/or substantial losses to Karoon.
- **Farm-out and Joint Venture Partners /Counterpart:** Karoon may enter into farm-out or joint venture agreements in relation to particular assets. Farm-out or joint venture partners may be unable to pay for their share of applicable costs.
- **Counterparty risks:** A dispute, or a breakdown in relationship between Karoon and its Joint Venture Partners, suppliers or customers, or a failure to reach a suitable arrangement with Joint Venture Partners, suppliers or customers could have an adverse effect on the reputation and/or financial performance of the Company.
- **Estimated quantities of Reserves and Contingent Resources** are based on interpretations of geological, geophysical and engineering models and assessment of the technical feasibility and commercial viability of producing the reserves. Estimates that are valid at a certain point in time may alter significantly or become uncertain when new reservoir information becomes available through additional drilling or subsurface technical analysis over the life of the field. As Reserves and Contingent Resource estimates change, development and production plans may be altered in a way that may adversely affect the Company's financial results.
- **Laws, regulations and government policies:** Karoon's business is subject to extensive laws, regulations and government policies in the jurisdictions where Karoon operates its assets and carries out its business. Failures to comply, including passing regular inspection and certification obligations may result in reputational harm, operations being suspended or delayed, permits, licenses and concessions being cancelled, and fines and penalties being imposed. Changes to laws, regulations and government policies including tax legislation imposed on Karoon could result in immediate impacts on the Company's forecast revenues and financial position.
- **Climate policies:** Policies related to climate and the energy transition may adversely affect oil demand, oil prices and oil industry investment and funding behaviour.
- **Regulatory approvals:** Regulatory approvals or required licences, including the Company's social licence to operate may not be forthcoming or may be delayed.
- **Weather conditions:** Weather events (including those related to climate change) may result in physical damage to assets or interruption to operations.
- **Decommissioning:** Karoon may not have accurately anticipated required decommissioning costs and obligations, which may vary due to higher standards potentially being imposed in the future. Higher decommissioning obligations may negatively impact the Company's financial position.
- **Key Personnel:** The ability of Karoon to achieve its objectives depends on the engagement of key employees, Directors and contractors with appropriate experience and expertise. If Karoon cannot to attract, motivate and retain required personnel there is risk of additional costs and delays which may adversely affect Karoon's financial performance.
- **Availability of parts, labour and logistics:** Supply or availability of required infrastructure (including drilling rigs when required), equipment, goods or services could be subject to interruptions, delays or increases in cost, which may impact production, the cost of running Karoon's operations and the economics of future development projects, including Neon.



Offtake certainty via leading counterparts and market connectivity.



Hedge position significantly reduces exposure to downside oil price risk.



Knowledgeable and experienced staff in all functions of the business.



One of the few companies with near pure oil exposure listed on the ASX.

- **Cybersecurity:** Cyber incidents could result in interruptions to, or failure of, the Company's operations and business.
- **Cashflow:** Insufficient cashflow could result in inability to meet contingent payment obligations to Petrobras, debt servicing and/or hedging obligations and/or day to day operational commitments may result in either a default or review event under the Debt Facility.
- **Insurance coverage:** Insurance coverage may be insufficient to cover all risks associated with oil and gas production, development, exploration and evaluation.
- **Health and Safety:** Exploration and production of oil and gas has inherent risks and may expose Karoon's staff and contractors to potentially dangerous working environments. These hazards include marine, road and air transport, construction, maintenance and operational activities, and process safety events.
- **Currency risk:** Changes in foreign exchange rates and interest rates may negatively impact the Company's liquidity.
- **Litigation risk:** There is a risk that Karoon may have claims made against it and be the subject of litigation or be required to commence litigation, including with respect to its other contracting parties. The impact of such actions may have a material adverse impact on Karoon.

- **Access to capital:** Karoon's activities may require Karoon to obtain additional funding from domestic and international equity and debt capital providers. Any material restriction on the ability of Karoon to source capital may restrict its operations preventing Karoon from acquiring new assets and taking advantage of new development opportunities, or delaying the commencement or completion of projects in which Karoon is involved.
- **Taxation risk:** Changes to the rate of taxes imposed on Karoon or changes in tax legislation or changing interpretations enforced by taxation authorities, whether in Australia or such other foreign jurisdictions in which Karoon may operate, may lead to an increase in Karoon's taxation obligations and a reduction in potential shareholder returns.
- **Australian Accounting Standards risk:** Australian Accounting Standards are set by the AASB and are outside the Directors' and Karoon's control. Changes to accounting standards issued by the AASB may have a material adverse impact on the financial performance and position of Karoon as reported in its financial statements.
- **Environment:** 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.
- **Access to committed debt facility:** Karoon has entered into a debt facility agreement. In certain circumstances, the facility may be terminated, funding unavailable or withdrawn and/or repayments accelerated.

- **Baúna liabilities:** 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.
- **Unforeseen risk:** There may be other unforeseeable circumstances beyond the control of the Company which may impact Karoon, its operations and/or the valuation and performance of its shares. The above list of key risks ought not to be taken as exhaustive of the risks faced by Karoon or by investors in Karoon. The above risks and others not specifically referred to above may in the future materially affect Karoon, its financial performance or the value of its shares.

Each of the key risks 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. Corporate, Country and operational asset risk registers are maintained by senior management with oversight from the executive leadership team. The executive leadership team reports regularly to the Board through the Audit, Risk and Governance 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

BOARD OF DIRECTORS

Under the Company's Constitution, the minimum number of Directors that may comprise the Board of Directors is currently three 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 period and up to the date of this Directors' Report are set out below:



**MR PETER BOTTEN
AC, CBE**

BSc. (Hons), (Geology)

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 more than 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 instrumental in driving its growth from a market capitalisation of A\$200 million to a peak of A\$15 billion.

Mr Botten's executive experience spanned all aspects of the upstream petroleum sector, including 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.

Mr Botten also has considerable experience in governing and growing ASX listed companies and other business entities.

Current directorships of other listed companies include: Chair, Aurelia Metals Ltd (ASX: AML) and Chair, Conrad Asia Energy (ASX: CRD) and Chair, Vast Renewables (Nasdaq: VTSE).

Previous directorships in the last three years include: Chair, AGL Energy Limited (ASX: AGL), ceased September 2022.

Mr Botten 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, he was awarded Companion of the Order of Australia (AC) along with Commander of the British Empire (CBE).

In November 2023, Mr Botten was appointed Chairman of Karoon following Bruce Phillips' retirement at the conclusion of the 2023 AGM.

Member of the Audit, Risk and Governance, Sustainability and Operational Risk and People and Culture Committees.

Chairman of the Board of Directors. Mr Botten was last re-elected to the Board on 23 November 2023.



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 five 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.



**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 more than 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. In addition, she 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 served on several boards in Brazil. She has represented Petrobras as Chairperson of TBG and Gás Brasileiro 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. Ms Rachid was last re-elected to the Board on 23 November 2023.



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. Mr Davey was a partner at Price Waterhouse and PricewaterhouseCoopers for several years with an oil and gas and natural resources specialty holding industry leadership roles in both firms. Mr Davey is a member of the Australian Institute of Company Directors.

The wealth of taxation and business advisory experience Mr Davey 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, Risk and Governance Committee and member of the People and Culture Committee. Mr Davey was last re-elected to the Board on 24 November 2022.



MR TADEU FRAGA

B. Eng

Independent Non-Executive Director
(Appointed 26 August 2022)

Mr Fraga has more than 40 years of experience in the oil and gas sector, including 23 years as an executive at Petrobras. Mr Fraga held various positions at Petrobras over his career, including as Campos Basin Production General Manager, Gulf of Mexico E&P Operations Manager, Board Member Petrobras Argentina SA, General Manager – Domestic Oil and Gas Production, Executive Manager – E&P Brazil – South and Southeast Regions, Executive Manager – Research and Development and E&P Executive Manager – Pre-Salt Developments. During his career at Petrobras, Mr Fraga led the team involved in the development of various technologies applied on pre-salt fields and played a vital role in the development of pre-salt discoveries, being responsible for the implementation of several projects, from conceptual design to first oil.

Mr Fraga is a former CEO of Prumo Logistic and of the Porto do Açú, a former Chief Technology Officer at Gran Energia, as well as a former Board member of Gran Bio, GranIHC, Ultrapar, MRO Logistics, Ferroport, Gás Natural do Açú and Porto do Açú (being the Chairman in the last three). Mr Fraga has also served as a board member of several technology institutions in Brazil, where he made substantial contributions to technological development at universities and research institutes.

Mr Fraga currently serves as a board member of Radix Engenharia e Software, Vast Infraestrutura (formerly Açú Petróleo) and the Brazilian Institute for Petroleum, Natural Gas and Biofuels (IBP). Mr Fraga is also an advisor to both Serviços de Petróleo Constellation and Prumo Logística.

During his career, Mr Fraga has received recognition from various institutions, including “Brazilian Oil Industry Personality of the Year” (2008) from the Society of Petroleum Engineers (SPE), “Commander Degree” (2010) from the Brazilian National Order of Scientific Merit, “Industry Achievement Award” (2012) from the American Society of Mechanical Engineers (ASME), “Personality of the Year for Innovation” (2017) from the Brazilian National Agency of Oil, Gas and Biofuels and “Distinguished Individual Award” (2019) from the Offshore Technology Conference (OTC).

Mr Fraga holds a Bachelor of Engineering from the Universidade Federal do Rio de Janeiro and is a post graduate in Petroleum Engineering from Universidade Petrobras. He has also attended executive education programs at University of Alberta (Management and Regulation in the Petroleum Industry), Columbia University (Executive Education in Business Administration), INSEAD (Technology Management), London School of Economics (Strategic Leadership), and Brazilian Institute for Corporate Governance – IBGC (Board Member).

Member of the Sustainability and Operational Risk Committee.

**MR PETER TURNBULL AM****B. Commerce, LLB, FGIA (Life), FAICD**

Independent Non-Executive Director (Appointed 6 June 2014)

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

Mr Turnbull brings to the board significant commercial, legal and governance experience gained from working with boards and management to build company value for shareholders both organically and through mergers, acquisitions and other corporate routes. Mr Turnbull also has expertise in the commercialisation and scaling of new technologies.

In addition, Mr Turnbull 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 is the Immediate Past President of the global Chartered Governance Institute.

Mr Turnbull'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, Mr Turnbull 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 (ASX: CXL), since its ASX listing on 20 July 2018.

Chair of the People and Culture Committee.

Member of the Audit, Risk and Governance and the Sustainability and Operational Risk Committees. Mr Turnbull was last re-elected to the Board on 24 November 2022.

COMPANY SECRETARY**MR DANIEL MURNANE****BA.LLB**

Appointed on 8 December 2022

Mr Murnane has more than 16 years' experience gained in Australia and internationally, including over 12 years advising resources companies. He has worked as a senior associate in private legal practice predominantly for energy companies on mergers and acquisitions, major projects, capital raisings and commercial disputes.

In addition, Mr Murnane has held various in house roles spanning legal and corporate governance environments, including with ASX and NYSE listed oil and gas companies.

Mr Murnane is qualified as a solicitor in New South Wales and Papua New Guinea and holds a Bachelor of Arts and a Bachelor of Laws.

The following Director of Karoon held office during the financial period and is no longer on the Board:

**MR BRUCE PHILLIPS****BSc. (Hons), (Geology)**

Former Independent Non-Executive Chairman (Appointed 1 January 2019 and retired on 23 November 2023).

Mr Phillips has approximately 45 years of technical, financial and commercial experience in the global energy industry, encompassing a number of corporate entities. Mr Phillips 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.

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. In 1997, Mr Phillips founded AWE Limited and held positions as CEO, Chairman and Non-Executive Director.

He is currently the Chairman of ALS Limited (ASX: ALQ), 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 (ASX: AGL) and Sunshine Gas Limited (ASX: formerly SHG premerger with QGC).

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.

He was a member of the People and Culture Committee and Chairman of the Board of Directors until he retired on 23 November 2023.

MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and attendance by each Director of the Company during TY23 were as follows:

DIRECTOR	BOARD MEETINGS		AUDIT, RISK AND GOVERNANCE COMMITTEE MEETINGS		SUSTAINABILITY AND OPERATIONAL RISK COMMITTEE MEETINGS		PEOPLE AND CULTURE COMMITTEE MEETINGS ¹	
	A	B	A	B	A	B	A	B
MR P BOTTEN	9	9	2	2	2	2	–	–
DR J FOWLES	9	9	2	2	2	2	2	2
MR C DAVEY	9	9	2	2	–	–	2	2
MS L RACHID	9	9	–	–	2	2	–	–
MR T FRAGA	9	8	–	–	2	2	–	–
MR P TURNBULL	9	8	2	2	2	2	2	2
MR B PHILLIPS	9	9	–	–	–	–	2	2

A. The number of meetings held during the time the Director held office during TY23.

B. The number of meetings attended during the time the Director held office during TY23.

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
Mr P Botten	50,000	–
Dr J Fowles	853,150	1,306,263
Ms L Rachid	52,960	–
Mr C Davey	186,473	–
Mr P Turnbull	183,000	–
Mr T Fraga	21,100	–

PRINCIPAL ACTIVITIES

Karoon is an international oil and gas exploration and production company with operations in offshore Brazil, the United States of America and Australia.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 7 July 2023, the Company's board resolved to change the financial year end for the Company and all its controlled entities incorporated in Australia (refer to Note 22 on Subsidiaries) from 30 June to 31 December in accordance with the requirements of section 323D(2A) of the *Corporations Act 2001* (Cth). The change in year end was made in order to streamline the preparation of annual statutory financial statements with the Company's Brazilian subsidiaries' annual financial and tax year, which ends on 31 December, and align with relevant oil and gas industry peers.

On 21 December 2023, Karoon completed the acquisition of interests in the Who Dat, Dome Patrol and Abilene oil and gas fields, associated infrastructure and adjacent exploration acreage, offshore Louisiana in the Gulf of Mexico, USA. The Company acquired these interests for a consideration of US\$720 million with an effective date of 1 October 2023. The acquisition was funded by a US\$274.0 million drawdown of debt facilities, proceeds from a US\$312.3 million equity issuance and cash reserves.

Placement and entitlement offer

Karoon raised US\$312.3 million from a fully underwritten equity issue at an offer price of A\$2.05 per share. The equity issue consisted of two components: a fully underwritten institutional placement to new and existing investors and a 1-for-3.75 accelerated non-renounceable entitlement offer. On 17 November 2023, Karoon announced the institutional placement and institutional entitlement offer was completed with a take up rate of approximately 95%. On 11 December 2023, Karoon announced the retail entitlement offer had been completed. 234,343,405 new fully paid ordinary shares were issued in relation to the placement and accelerated non-renounceable entitlement offer.

1. P Botten became a member of the People and Culture Committee on 23 November 2023. No meetings of the committee have occurred after this date.

RESULTS

Financial results for TY23 are summarised below:

TY23 FINANCIAL SUMMARY

	TY23 6 MONTHS TO 31 DEC 23	2HFY23 6 MONTHS TO 30 JUN 23	1HFY23 6 MONTHS TO 31 DEC 22 ⁵	FY23 12 MONTHS TO 30 JUN 23
Production volume (MMboe)	5.47	3.67	3.37	7.04
Sales volume (MMboe)	5.07	3.65	3.41	7.06
Unit production costs ¹ (US\$/boe)	11.09	14.37	17.25	15.75
Weighted average net realised price (US\$/boe)	81.51	73.06	87.86	80.20
US\$ MILLION				
Sales revenue	412.9	267.1	299.4	566.5
Underlying EBITDA ^{2,3,6}	283.0	145.9	175.9	321.8
EBITDA ^{2,3}	249.9	141.7	166.8	308.5
Net interest and other finance costs ⁴	(6.6)	(3.4)	(2.6)	6.0
Depreciation and amortisation ⁴	(61.2)	(38.4)	(48.0)	86.4
Underlying net profit before income tax ²	215.2	104.1	125.4	229.5
Underlying net profit after income tax ^{2,6}	144.7	63.1	82.8 ⁵	145.9
Net profit/(loss) after income tax	122.5	85.4	77.6	163.0
Operating cash flows	303.4	138.8	167.1	305.9
Net assets	914.0	473.6	379.1	473.6
Investment expenditure:				
– Oil and gas assets ⁷	3.4	52.3	138.6	190.9
– Exploration and evaluation capital expenditure ⁸	6.6	41.2	3.6	44.8
– Other plant and equipment ⁹	0.7	0.3	2.4	2.7

- Unit production costs are presented on a pre-AASB 16 basis and include operating costs and the FPSO Charter lease costs associated with Baúna production.
- 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.
- Includes depreciation on FPSO charter lease right-of-use asset and finance charges on the FPSO right-of-use lease.
- Excludes impact of depreciation and finance charges related to FPSO charter lease right-of-use asset.
- 1HFY23 underlying NPAT has been restated from US\$82.4 million to US\$82.8 million, to include the cumulative translation adjustment impact on deferred tax.
- Underlying EBITDA and underlying net profit after tax ("NPAT") have been adjusted for the following items:

	TY23 6 MONTHS TO 31 DEC 23		2HFY23 6 MONTHS TO 30 JUN 23		1HFY23 6 MONTHS TO 31 DEC 22		FY23 12 MONTHS TO 30 JUN 23	
US\$ MILLION	NPAT	EBITDA	NPAT	EBITDA	NPAT	EBITDA	NPAT	EBITDA
Statutory results	122.5	249.9	85.4	141.7	77.6	166.8	163.0	308.5
Change in fair value of contingent consideration	2.3	3.5	3.1	4.8	0.3	0.4	3.4	5.2
Realised losses on cash flow hedges	5.6	8.5	0.0	(0.1)	4.8	7.2	4.8	7.1
Foreign exchange losses/(gains)	5.8	8.1	0.6	1.1	(0.2)	(0.3)	0.4	0.8
Social investments/sponsorships	–	2.2	–	–	–	–	–	1.9
Write-back of inventory impairment	–	–	–	0.1	–	1.8	(1.1)	(1.6)
Advisory and transaction costs	10.8	10.8	(1.1)	(1.6)	–	–	–	–
Intra-group funding impact on current tax expense	(8.0)	–	–	–	–	–	–	–
Cumulative translation adjustment impact on deferred tax	5.7	–	(25.0)	–	0.4	–	(24.6)	–
Total adjustments	22.2	33.1	(22.3)	4.3	5.2	9.1	(17.1)	13.4
Underlying results	144.7	283.0	63.1	145.9	82.8	175.9	145.9	321.8

- Excludes capitalised borrowing costs.
- Includes exploration and evaluation capitalised.
- Excludes leased right-of-use asset additions.

The TY23 results reflect the six months from 1 July 2023 to 31 December 2023, while the FY23 results are for the 12 months from 1 July 2022 to 30 June 2023. Therefore, it is not useful to provide a comparative discussion of the overall Group performance between reporting periods. It is more useful to compare TY23 results against the prior six months covering 1 January 2023 to 30 June 2023 ('prior six months').

Karoon's total production in TY23 was 5.47 MMboe, up 49% on the prior six months (3.67 MMboe). The Baúna Project in BM-S-40 in Brazil produced at an average rate of 29,213 bopd in TY23 compared to 20,251 bopd in the prior six months, which was impacted by a two month shut down in operations due to a leak in the gas flare system. The Who Dat acquisition contributed 0.1 MMboe to production (for the period 21 – 31 December 2023).

Ten cargoes of Baúna Project crude were sold during TY23. This was up from eight cargoes in the prior six months. The cargoes were sold to end customers in Europe, Asia and North and South America. Higher production and realised prices (US\$81.51/boe, up 12% from US\$73.06/boe in the prior six months) resulted in TY23 revenue of US\$412.9 million, which was 55% higher than the prior six months.

Karoon's TY23 underlying EBITDA of US\$283.0 million was 94% higher than the prior six months (US\$145.9 million). This included an increase in inventory of US\$12.7 million (US\$5.5 million decrease in inventory in the prior six months) relating to a cargo that was lifted on 31 December 2023 but not recognised as revenue in TY23. Unit production costs (comprising operating costs plus the FPSO charter lease costs) for TY23 were US\$11.09/boe, a 23% decrease from the prior six months (US\$14.37/boe).

The Group recognised an underlying net profit after income tax of US\$144.7 million and a statutory net profit after tax of US\$122.5 million for TY23. In the prior six months, underlying net profit after income tax was US\$63.1 million and statutory net profit after tax was US\$85.4 million. Higher net profit in TY23 (both on a statutory and underlying basis) was primarily due to higher revenues from increased production and increased realised prices. This was partially offset by:

- Depreciation and amortisation (excluding depreciation associated with the FPSO lease) of US\$61.2 million, compared to US\$38.4 million in the prior six months. The increase in depreciation and amortisation was due to higher production as amortisation is calculated using the unit of production method for production assets (see Note 12 on page 77 for more detail).
- Transportation costs of US\$7.8 million (nil transportation costs were reported in the prior six months). This is related to seven ship-to-ship oil cargo transfers in the Port of Santos, Brazil, undertaken by Karoon.
- Statutory tax expense of US\$59.6 million in TY23, compared to US\$14.4 million in the prior six months, due to higher earnings as well as movements in deferred tax relating to temporary differences between the carrying amount of non monetary assets and liabilities and their tax base. The calculation of underlying net profit after income tax has been adjusted for this non cash adjustment.

CASH FLOWS

Operating cashflows for TY23 were US\$303.4 million, compared to US\$138.8 million in the prior six months. The increase reflected the higher proceeds from hydrocarbon sales of US\$443.3 million, compared to US\$276.3 million in the prior six months. Operating cash payments for TY23 included:

- Payments to suppliers and employees, including production costs, royalties and other government take, of US\$106.2 million.
- Payment of income tax of US\$19.5 million, including social investments/ sponsorships in lieu of tax of US\$2.2 million.
- Payments for interest and other costs of finance paid of US\$9.2 million, predominantly relating to finance charges on the FPSO lease.

Cash outflows from investing activities for TY23 were US\$728.1 million, compared to US\$213.8 million in the prior six months. The increase in cash outflow was primarily due to the acquisition of interests in the Who Dat, Dome Patrol and Abilene oil and gas fields, associated infrastructure and adjacent exploration acreage, offshore Louisiana in the Gulf of Mexico, USA, offset by reduced capital expenditure in Brazil following the completion of Karoon's development programs at Baúna.

Net cash inflow from financing activities for TY23 of US\$519.8 million, compared to a US\$14.5 million cash outflow from financing activities in the prior six months, was primarily due to the US\$312.3 million equity issuance and a US\$274.0 million drawdown of debt facilities to fund the Who Dat acquisition.

FINANCIAL POSITION

At the end of December 2023, the Group had a cash and cash equivalents balance of US\$170.4 million (30 June 2023: US\$74.8 million) and total borrowings net of transaction costs of US\$264.5 million (30 June 2023: US\$28.1 million).

During TY23, total assets increased from US\$1,190.4 million to US\$1,932.5 million, total liabilities increased from US\$716.8 million to US\$1,018.5 million and total equity increased from US\$473.6 million to US\$914.0 million. These movements were largely a result of the acquisition of interests in the Who Dat, Dome Patrol and Abilene oil and gas fields, associated infrastructure and adjacent exploration acreage, offshore Louisiana in the Gulf of Mexico, USA. The US\$720 million acquisition, which was completed on 21 December (Houston time), was funded by a US\$312.3 million equity issue, a US\$274.0 million drawdown of borrowings and existing cash reserves. The other major changes in the consolidated statement of financial position included:

- Increase in exploration and evaluation assets related to the acquisition of interests in the US Gulf of Mexico of US\$83.0 million (see Note 24 on page 101).
- Increase in current tax liabilities to US\$16.8 million (30 June 2023: US\$5.6 million) due to timing when Brazilian income tax is paid. A final payment of Brazilian income tax for the 2023 tax year is expected to be made in the quarter ending 31 March 2024.
- Increase in provisions to US\$214.8 million (30 June 2023: US\$153.5 million), largely due to the recognition of US restoration obligations (see Note 24).

REVIEW OF OPERATIONS

Information on the operations of the Group is set out in the Operations Review on pages 8 to 13 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, have 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.

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, there were 5,708,599 performance rights issued under the 2019 Performance Rights Plan and the 2022 Performance Rights Plan (each being a 'PRP') respectively, representing approximately 0.71% of the Company's total number of shares issued. 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	25 September 2020	30 June 2024	\$–	153,704
Performance Rights	23 March 2022	30 June 2025	\$–	872,085
Performance Rights	6 May 2022	30 June 2025	\$–	1,246,439
Performance Rights	24 November 2022	30 June 2026	\$–	432,577
Performance Rights	16 December 2022	30 June 2024	\$–	23,985
Performance Rights	16 December 2022	30 June 2026	\$–	1,616,614
Performance Rights	31 March 2023	30 June 2026	\$–	105,561
Performance Rights	14 November 2023	30 June 2025	\$–	57,263
Performance Rights	23 November 2023	30 June 2026	\$–	12,649
Performance Rights	23 November 2023	30 June 2025	\$–	261,135
Performance Rights	23 November 2023	30 June 2027	\$–	926,587
Total performance rights				5,708,599

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

No fully paid ordinary shares have been issued since 1 January 2024 as a result of the vesting and conversion of performance rights under the 2019 PRP and the 2022 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 26 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 Directors' insurance premiums for a period of 10 years following termination of their directorships of the Company and will provide each Director with access, on ceasing for any reason to be a Director of the Company and for a period of 10 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 period.

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 in the jurisdictions in which the Group operates.

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.

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 period, as it did not meet the relevant Australian thresholds for the reporting period. Notwithstanding this, details of Karoon's greenhouse gas emissions are available in the TY23 Sustainability Report on page 5 and details of Karoon's approach to climate change risks and opportunities can be found in the FY23 Sustainability Report on page 15.

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 period are set out in Note 28 of the consolidated financial statements.

The Board of Directors has considered the position and, in accordance with written advice received from the Audit, Risk and Governance 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, Risk and Governance Committee to ensure they do not impact the impartiality and objectivity of the external auditor.
- (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 period, as required under Section 307C of the *Corporations Act 2001*, is set out on page 67 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 31 December 2023 that have significantly affected, or may significantly affect:

- The Group's operations in future financial years.
- The results of those operations in future financial years.
- The Group's state of affairs in future financial years.

REMUNERATION REPORT

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SECTION 1. LETTER FROM THE CHAIR OF THE PEOPLE AND CULTURE COMMITTEE

Dear Shareholders,

On behalf of the People and Culture Committee and the Board of Directors I am pleased to present the Karoon Energy Ltd Remuneration Report for the six months ending 31 December 2023.

Throughout the Remuneration Report the term 'Transition Year 2023' refers to the six months ending 31 December 2023, which has been referred to as 'TY23' in previous ASX releases.

In this report we have also sought to maintain and, where possible, enhance our goal of ensuring the Remuneration Report is based on a high level of disclosure and transparency.

The TY23 period was a transformational time for Karoon with a major production acquisition being identified, assessed and completed, continuing focus on Baúna achieving production and operational improvements and progression of detailed analysis of the Neon discovery. With a significant list of strategic goals being addressed in TY23, Karoon's team has risen to the challenge maintaining the focus on outcomes and progress. The Karoon team is committed to the Company's strategic goals and has performed very well in busy and complex circumstances, for which the Committee and Board thanks them.

As we transition from a 30 June to 31 December reporting date, we have implemented the following one-off changes to our incentive programs for this six month period (TY23):

- TY23 short term incentive (STI) offers – Participants were assessed over the six month period as opposed to the usual 12 month performance period, against the Corporate Scorecard and where appropriate, role-specific objectives. Following the Board's assessment of Company performance for the six month performance period against a 12 month scorecard, it has exercised discretion to award the full year outcome for some metrics where the 12 month targets were achieved in full within TY23. All participants' TY23 STI outcomes were however capped at 50% of the usual STI opportunity and therefore no individual received an outcome greater than 50% of their full year STI maximum opportunity.
- TY23 long term incentive (LTI) grants – LTI opportunity levels were granted on a pro-rated basis to reflect the six month period as opposed to the usual 12 month financial period, with no change to the length of the three year performance period, starting from 1 July 2023.

For both plans, participants will be eligible for their usual annual STI and LTI opportunity from 1 January 2024 as we move to a 31 December reporting date in 2024, subject to the achievement of performance conditions.

TY23 Performance and Remuneration Outcomes

Karoon's strategy and remuneration structure is designed to firmly and transparently link remuneration outcomes to shareholder value.

We believe that long term shareholder value has been significantly enhanced during TY23 across a variety of the key corporate metrics as a result of the transformational acquisition of a 30% interest in a material, value accretive producing asset, being the Who Dat, Dome Patrol and Abilene oil and gas fields, associated infrastructure and various interests in the adjacent exploration acreage in the deepwater offshore US Gulf of Mexico (GoM). This transaction also positions Karoon well for potential further growth in the GoM.

Our other key operational and financial highlights for TY23 included:

- Continuing to have the highest safety standards is our highest priority. No recordable personal safety, Lost Time Injury or Tier 1 and 2 Process Safety incidents were reported during TY23. Our total recordable injury rate of 0, compared to 0.4 in FY23, resulted in stretch outcomes being attained in the Corporate Scorecard.
- Delivering Baúna Project production of 5.4 MMbbl, which falls above the middle of our guidance range of 4.5-6.0 MMbbl.
- Ensuring prudent cost control in our business by outperforming on our stretch production cost target of US\$60.3 million, with actual costs at US\$58.9 million.

- Delivering an underlying net profit after tax of US\$144.7 million in six months compared to US\$145.9 million in the 12 months to June 2023.
- Entering into a new 5 year revolving reserve-based lending facility with a syndicate of banks, which will support Karoon's ongoing operations and help fund future growth opportunities.
- Executing a binding agreement to purchase verified carbon units from the Hiwi REDD+ forest conservation project, located in north-western Brazil, which along with existing carbon credits, would allow us to fully offset Scope 1 and 2 emissions for FY23. Our aim is for the Who Dat acquisition to be carbon neutral for Scope 1 and 2 emissions on an equity share basis within five years of purchase, noting our Baúna Project was carbon neutral in FY21 and FY22 and we are on track to be carbon neutral in FY23.

In determining the remuneration outcomes for employees and executives, the Board has considered the overall strategic performance of Karoon as well as individual performance outcomes having regard to the specific objectives set at the beginning of TY23.

The TY23 remuneration outcomes were:

Fixed remuneration	2.0–3.1% increases	Fixed remuneration increases were provided to ensure that Karoon's remuneration levels remain competitive with the markets in which we operate, given we compete for talent globally: • Dr Julian Fowles, Chief Executive Officer and Managing Director (CEO/MD) received a 3.1% increase. • Mr Raymond Church, Executive Vice President & Chief Financial Officer (CFO) received an increase of 3.1%. • Mr Antonio Guimarães, Executive Vice President & President Karoon Brazil (EVP Brazil) received a 2.0% increase.
Short Term Incentive ('STI')	Corporate Scorecard outcome of 49% awarded	In the Board's approach towards assessing TY23 performance, it assessed the progress made by management in the six month performance period, against the 12 month scorecard. Due to Karoon's strong performance over some of the measures, the Board exercised discretion to award the full year outcome for some targets which were achieved in full within TY23. The Board has determined that 49% of the 12 month Corporate Scorecard component of the STI was achieved in TY23. This results in an individual STI outcome of 49% for the CEO/MD. For the CFO, who is also assessed against role-specific objectives (20% weighting), his overall STI outcome is 49.2%. 50% of the STI outcome will be deferred for one year in performance rights and the remaining 50% is payable in cash. See section 6 for more detail.
Long term Incentive ('LTI')	No LTI due for testing	No LTI awards were due for testing in TY23. The next LTI awards are due to be tested on 30 June 2024.

Other TY23 Changes

During the year, the following changes were made to the KMP group:

- At the 2023 AGM, Mr Peter Botten was appointed as the new Chair of Karoon Energy following the retirement of our previous Chair, Mr Bruce Phillips.
- Our EVP Brazil, Mr Antonio Guimarães, resigned his employment with the Company on 14 November 2023. Details of his outgoing remuneration arrangements are detailed in section 7.

There have been no changes to Non-Executive Director (NED) fees in TY23.

We hope you can join us at the 2024 AGM on 23 May 2024 and, as always, if you have any questions or comments please do let us know.

Yours sincerely



Mr Peter Turnbull, AM
Chair, People and Culture Committee

29 February 2024

SECTION 2. INTRODUCTION

The Board of Directors is pleased to provide Karoon's TY23 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 TY23, KMP disclosed in the Remuneration Report are as follows:

Name	Position	Term As KMP
Executive Director		
Dr J Fowles	Chief Executive Officer and Managing Director (CEO/MD)	Full Period
Non-Executive Chairman		
Mr P Botten	Independent Non-Executive Chairman	Full Period – Chair from 23 November 2023
Mr B Phillips	Former Independent Non-Executive Chairman	Until 23 November 2023
Non-Executive Directors		
Ms L Rachid	Independent Non-Executive Director	Full Period
Mr C Davey	Independent Non-Executive Director	Full Period
Mr P Turnbull	Independent Non-Executive Director	Full Period
Mr T Fraga	Non-Executive Director	Full Period
Other KMP		
Mr R Church	Executive Vice President and Chief Financial Officer (CFO)	Full Period
Mr A Guimarães	Executive Vice President & President Karoon Brazil (EVP Brazil)	Until 14 November 2023

For the purposes of the Remuneration Report:

- (i) 'Executive' means the CEO/MD and other KMP of the Group.
- (ii) 'Fixed remuneration' has the meaning given in section 4.
- (iii) 'Other benefits' has the meaning given in section 4.
- (iv) 'Total remuneration' means fixed remuneration plus at-risk remuneration.
- (v) 'At-risk remuneration' means STI and LTI.

The Remuneration Report for TY23 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.

SECTION 3: REMUNERATION STRATEGY AND GUIDING PRINCIPLES

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

- **Prioritising 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, specifically the STI.
- **Generating shareholder value is paramount:**
 - Remuneration outcomes (particularly incentive-based outcomes) are designed to take account of share price movements across the performance period and therefore, the value delivered to shareholders.
 - A close alignment is created between operational performance, delivery of corporate objectives, rewards and sustained growth in shareholder value.
 - As Karoon has now transitioned from explorer to producer, it is recognised that capital management initiatives should also now be considered.

• **Attracting and retaining the best people:**

- Our remuneration structures are designed to attract, motivate and retain the best people while remunerating them reasonably and competitively.
- 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. Minimum shareholding policies apply to our executives and Directors.
- Remuneration and people issues are considered by the People and Culture 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.

• **Linking Environment, Social and Governance (ESG) measures to remuneration:** ESG considerations are integrated into our remuneration structures via our TY23 STI Corporate Scorecard.

• **Ensuring transparency:** remuneration measures, outcomes and reporting are as simple and transparent as possible for our shareholders and other stakeholders.

Board and People and Culture Committee Oversight

To assist in ensuring good remuneration governance at Karoon, the Board of Directors established a People and Culture Committee that provides detailed oversight and recommendations to the Board on remuneration and people related arrangements.

The People and Culture Committee currently consists entirely 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.

The Board of Directors, assisted by the People and Culture Committee, conducts remuneration reviews for its Non-Executive Chair, Non-Executive Directors, executives and all employees to ensure that remuneration settings 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/MD.

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

Share Trading Policy

The trading of ordinary shares by Non-Executive Directors and executives is subject to, and conditional on, 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 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.

Karoon monitors compliance with its Share Trading Policy.

To gain approval to trade and ensure that trading restrictions are not in force, any employee, contractor or other designated person wishing to trade in Karoon securities must consult the Company Secretary, while the EVP Brazil, the Company Secretary or any Director wishing to trade in Karoon securities must consult the Chair, and the Chair must consult and seek approval of the Audit, Risk and Governance Committee Chair. All trades by Directors and executives during the financial period ended 31 December 2023 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: REMUNERATION STRATEGY AND GUIDING PRINCIPLES CONTINUED

How does Karoon make decisions about 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 through share price growth.

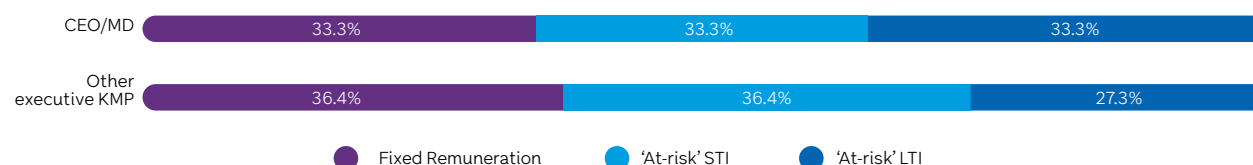
Broadly, the objectives of Karoon's executive remuneration framework are to ensure:

- 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.
- Remuneration incentivises the best possible outcomes for the broader stakeholder community, including fostering best practice in preventing bribery and/or corruption, along with driving sustainability and safety outcomes.

SECTION 4. EXECUTIVE REMUNERATION FRAMEWORK FOR TY23

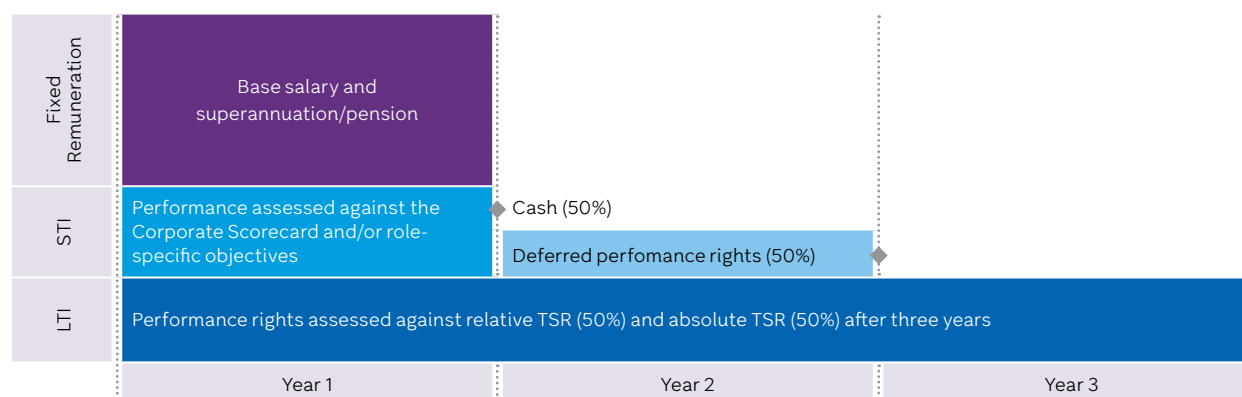
The following table summarises the remuneration mix for executives for TY23, based on maximum achievement of incentive plan outcomes. Each executive is eligible to receive fixed remuneration and at-risk remuneration (STI and LTI). The majority of the remuneration package is weighted towards at-risk remuneration, which is only received where performance conditions are met and is not guaranteed.

Annualised Remuneration Mix for TY23



Set out below is an illustration of our remuneration framework and a summary of the STI and LTI opportunity available to the executives.

	CEO/MD	CFO	EVP BRAZIL
STI OPPORTUNITY	100% of fixed remuneration	100% of fixed remuneration	100% of fixed remuneration
LTI OPPORTUNITY	100% of fixed remuneration	75% of fixed remuneration	75% of fixed remuneration



◆ Payment/vesting date

We have provided more detail on each element of remuneration below.

Fixed Remuneration

WHAT IS FIXED REMUNERATION?

Fixed remuneration consists of base salary and superannuation/pension contributions received.

Other benefits not included in fixed remuneration include accruals of annual or long service leave, any salary sacrifice items or non-monetary benefits such as temporary allowances, health insurance, motor vehicles, expatriate travel, certain membership and associated fringe benefits tax, depending on each individual's respective employment arrangements ('Other Benefits'). Details of other benefits paid to executives are set out in full in section 10.

FIXED REMUNERATION CHANGES FOR TY23

As Karoon operates internationally in Brazil and most recently, has expanded into the USA, our fixed remuneration levels need to be competitive to attract and retain talent beyond Australian markets. Fixed remuneration of executives increased at the start of TY23, to ensure ongoing market competitiveness.

Changes to fixed remuneration (per annum) were¹:

- CEO/MD – 3.1% increase from US\$640,071 to US\$653,192.
- CFO – 3.1% increase from US\$490,091 to US\$500,138.
- EVP Brazil – 2.0% increase from US\$389,262 to US\$397,050.

Superannuation/Pension Contributions

The CEO/MD receives fixed remuneration inclusive of superannuation contributions, above the maximum contributions cap. Other Australian executives of the Company received statutory superannuation contributions of 11% of salary up to the maximum statutory contribution.

The EVP Brazil receives an amount equal to 10% of monthly salary into a private pension fund.

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 salary to the Government's social security fund. These contributions are subject to a cap on an annual, calendar year basis. However, the executives on retirement will only be entitled to a portion of the contributions made. A further 8% of Brazil based executives' 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.

'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' via the STI and LTI plans. '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. At the beginning of each financial year, 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 the value created for shareholders.

1. Exchange rates of AU\$/US\$0.6535 and R\$/US\$0.2034 were used to convert from local currency.

SECTION 4. EXECUTIVE REMUNERATION FRAMEWORK FOR TY23 CONTINUED

STI Plan

WHO PARTICIPATES	Executives. Participation in the STI Plan is at the discretion of the Board of Directors on the recommendation of the People and Culture Committee.											
PERFORMANCE PERIOD	For TY23, the performance period is six months – 1 July 2023 to 31 December 2023. The Corporate Scorecard and role specific objectives are set by the Board to reflect key priorities to build long term value. Details of the Corporate Scorecard are set out in section 6.											
STI OPPORTUNITY	The STI opportunity level of each executive is a pre-determined proportion of an executive's fixed remuneration. In respect of the TY23 award, the board have assessed performance for the six months based on the 12 month scorecard, which was set at the start of the performance period, commencing 1 July 2023. The CEO/MD can earn up to 50% of his fixed remuneration (usual annual opportunity is 100% of fixed remuneration). The CFO and EVP Brazil can earn up to 50% of fixed remuneration (usual annual opportunity is 100% of fixed remuneration). The calculation of the TY23 award can be illustrated as follows: Fixed Remuneration (at 1 July 2023) X Annual STI opportunity X Outcome of performance conditions (as at 31 December 2023) = STI outcome											
FORM OF INCENTIVE	Subject to the achievement of the performance conditions, the TY23 award is delivered to executives in two parts, a cash element (50%) and a deferred element via performance rights (50%). The cash component is paid following the end of TY23. The number of performance rights to be granted is to be determined by dividing 50% of the total STI award outcome by Karoon's weighted average share price in the 20-trading day period after the release of the Company's TY23 financial results. 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 where vesting conditions are met.											
DEFERRAL PERIOD	Performance rights are subject to a further retention period of 12 months until December 2024, subject to continued employment.											
PERFORMANCE CONDITIONS	As part of the TY23 remuneration review, the Board set out the TY23 award based on a mix of the following performance hurdles: <table><thead><tr><th></th><th>COMPANY-WIDE OBJECTIVES</th><th>ROLE-SPECIFIC OBJECTIVES</th></tr></thead><tbody><tr><td>CEO/MD</td><td>100%</td><td>–</td></tr><tr><td>Other KMP</td><td>80%</td><td>20%</td></tr></tbody></table> Company-wide Objectives Company-wide Objectives were set by the Board at the beginning of the performance period. The Company-wide Objectives, known as the 'Corporate Scorecard', includes 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. Where there is a fatality during the reporting period, no STI is payable. Further details on the performance conditions, targets and outcomes for the TY23 award are outlined below in the STI outcomes within section 6.				COMPANY-WIDE OBJECTIVES	ROLE-SPECIFIC OBJECTIVES	CEO/MD	100%	–	Other KMP	80%	20%
	COMPANY-WIDE OBJECTIVES	ROLE-SPECIFIC OBJECTIVES										
CEO/MD	100%	–										
Other KMP	80%	20%										

HOW DO STI'S RELATE TO KAROON'S OBJECTIVES	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 company objectives are met. The Board assesses the objectives for the performance period in light of the long term strategic building blocks and upcoming key value drivers within Karoon's operations, allowing for transparent measurement of company performance against these objectives. The Board recognises the risks associated with offshore oil production and drilling and considers ensuring the safety of the workforce and avoiding any instances of bribery and corruption as paramount to its operations. Achieving appropriate safety standards is used as a gateway for any vesting of the STI, while any fatality or instance of bribery and corruption can be utilised to claw back incentives should they have been previously paid.							
CESSATION OF EMPLOYMENT	Unvested performance rights will lapse on 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	On 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. Adjustments to an individual's unvested performance rights may also occur in the event of a Company reconstruction and certain share issuances.							
DIVIDEND AND VOTING RIGHTS	Performance rights carry no dividend or voting rights during the one year deferral period.							
LTI Plan								
WHO PARTICIPATES	Executives. Participation in the LTI Plan is at the discretion of the Board of Directors on the recommendation of the People and Culture Committee.							
LTI OPPORTUNITY	The LTI opportunity available to an executive is determined as a percentage of the executive's fixed remuneration. In respect of the TY23 LTI grant, opportunity levels have been pro-rated to reflect that TY23 had six months in the year instead of the usual 12 month period. The CEO/MD can earn up to 50% of fixed remuneration (usual annual opportunity is 100% of fixed remuneration). The CFO and EVP Brazil can earn up to 37.5% of fixed remuneration (usual annual opportunity is 75% of fixed remuneration). The key features of the LTI grant for TY23 are outlined in the table below: <table><tr><td>Fixed Remuneration (at 1 July 2023)</td><td>X</td><td>50% of annual LTI opportunity (6 month pro rata)</td><td>X</td><td>Outcome of performance conditions (as at 30 June 2026)</td><td>=</td><td>LTI vesting outcome</td></tr></table>	Fixed Remuneration (at 1 July 2023)	X	50% of annual LTI opportunity (6 month pro rata)	X	Outcome of performance conditions (as at 30 June 2026)	=	LTI vesting outcome
Fixed Remuneration (at 1 July 2023)	X	50% of annual LTI opportunity (6 month pro rata)	X	Outcome of performance conditions (as at 30 June 2026)	=	LTI vesting outcome		
FORM OF INCENTIVE	The quantum of performance rights received was determined by dividing the LTI opportunity for each executive by the volume weighted average price of Karoon Energy ordinary shares for 20 trading days from 23 August 2023 (being the date on which Karoon's 2023 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 for no consideration. Under the rules of the Performance Rights Plan, 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	Three years (commencing 1 July 2023 and vesting on 30 June 2026).							
PERFORMANCE CONDITIONS	The LTI performance hurdles are assessed against: • 50% relative total shareholder return (TSR) 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 (Industry Peer Group). • 50% absolute TSR (based on a compound annual growth rate (CAGR)), which is set at a range of 10% to 18%.							

SECTION 4. EXECUTIVE REMUNERATION FRAMEWORK FOR TY23 CONTINUED

PERFORMANCE
CONDITIONS
CONTINUED

Relative TSR (50%)

Relative TSR has been selected as it assesses Karoon's ability to deliver shareholder returns above that of our peers, aligning executives' incentives with the shareholder experience. Given Karoon operates internationally, the peer group comprises of a mix of domestic and global peers.

INDUSTRY PEER GROUP

AUSTRALIAN MARKET PEERS

Australis Oil & Gas Limited
Beach Energy Limited
Carnarvon Energy Limited
Horizon Oil Limited
Santos Limited
Woodside Petroleum Limited
Strike Energy Limited
Central Petroleum Limited
Cooper Energy Limited

GLOBAL PEERS

Capricorn Energy plc
GeoPark Limited
Gran Tierra Energy Inc
Kosmos Energy Ltd
New Zealand Oil & Gas Ltd
Enauta Participações S.A.
Pharos Energy plc
Tullow Oil plc
Prio S.A.
Jadestone Energy Inc

Companies that are no longer part of the Industry Peer Group at the end of the performance period (for instance, due to acquisition or delisting) may be removed from the Peer Group calculation.

The vesting schedule for the relative TSR measure is outlined and illustrated below:

PERFORMANCE AGAINST INDUSTRY
PEER GROUPPROPORTION 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%

Absolute TSR (50%)

Absolute TSR has been selected as it assesses Karoon's ability to deliver positive shareholder returns at a sufficient return to shareholders over the long term. Assessed alongside relative TSR, it ensures that executives are only fully rewarded under the LTI plan where Karoon's shareholder returns exceed those of the Company's peers.

The vesting schedule for the Absolute TSR measure is outlined and illustrated 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 percentile ranking above the 10% threshold

At or above 18.00%

100%

EXERCISE PERIOD

Performance rights will remain exercisable for a period of one year following vesting.

CESSATION
OF EMPLOYMENT

Unvested (and unconverted) performance rights will lapse on 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

On 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. Adjustments to an individual's unvested performance rights may also occur in the event of a Company reconstruction and certain share issuances.

DIVIDEND AND
VOTING RIGHTS

Performance rights carry no dividend or voting rights during the performance period.

SECTION 5: COMPANY PERFORMANCE OVERVIEW

Relationship between Executive Remuneration 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 term and long term.

The tables below set out summary information about the Company's financial performance from 1 July 2019 to 31 December 2023 and how this links to the remuneration outcomes in section 6.

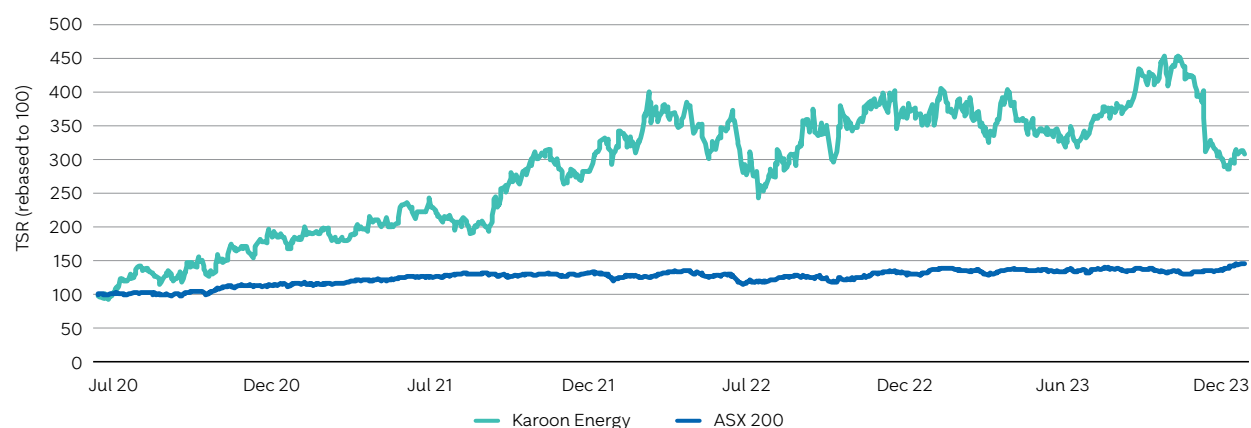
FINANCIAL PERIOD	31 DECEMBER 2023 TY23 (6 MONTHS)	30 JUNE 2023 2HFY23 (6 MONTHS)	30 JUNE 2023	30 JUNE 2022	30 JUNE 2021	30 JUNE 2020
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Revenue	412.9	267.1	566.5	385.1	170.8	–
Profit/(loss) before income tax	182.1	99.8	216.2	(89.8)	(27.9)	(86.8)
Profit/(loss) after income tax	122.5	85.4	163.0	(64.4)	4.4	(86.2)
Net assets at end of the period	914.0	473.6	473.6	276.2	380.3	359.5

FINANCIAL PERIOD	31 DECEMBER 2023 TY23 (6 MONTHS)	30 JUNE 2023 2HFY23 (6 MONTHS)	30 JUNE 2023	30 JUNE 2022	30 JUNE 2021	30 JUNE 2020
Share price at beginning of the period	A\$1.97	A\$2.19	A\$1.74	A\$1.33	A\$0.61	A\$0.96
Share price at end of the period	A\$2.03	A\$1.97	A\$1.97	A\$1.74	A\$1.33	A\$0.61
Basic earnings per ordinary share (US\$)	0.2018	0.1517	0.2899	(0.1159)	0.0079	(0.1936)
Diluted earnings per ordinary share (US\$)	0.2003	0.1495	0.2859	(0.1159)	0.0077	(0.1936)

No dividends were paid in the past five financial years.

Karoon Energy's TSR performance over the period 1 July 2020 to 31 December 2023 is shown below. Karoon has significantly outperformed the ASX 200 index, delivering a return of over 200% compared to the ASX 200's return of 47% (noting that Karoon assesses its LTI's relative TSR measure against a different, industry-specific peer group).

TSR – 1 JULY 2020 TO 31 DECEMBER 2023



Source: All data has been sourced from the London Stock Exchange Group (LSEG) Data and Analytics Tool and S&P Global.

SECTION 6: EXECUTIVE REMUNERATION OUTCOMES

Performance Outcomes for TY23

The table below outlines the Company-wide Objectives, known as the Corporate Scorecard, for TY23. The ‘no fatalities’ gateway was met in TY23 hence KMP were eligible to receive an STI award.

The Board assessed performance for six months based on the 12 month scorecard which was set at the start of the period, commencing 1 July 2023. In assessing performance after six months, the Board exercised discretion and awarded the full year outcome for some of the project and strategic objectives below to recognise management’s achievement of the full year target within six months, in:

- Executing a complex international transaction to acquire an interest in the Who Dat, Dome Patrol and Abilene oil and gas fields within TY23.
- Obtaining the required legal and regulatory approvals to transition from a June to December year end.

Both were one-off occurrences which required significant skills and experience.

We will revert to a more traditional 12 month scorecard assessment in CY24.

MEASURE	FULL YEAR WEIGHTING	PERFORMANCE			OUTCOME	WEIGHTED OUTCOME
		THRESHOLD	TARGET	STRETCH		
FINANCIAL AND OPERATIONAL OBJECTIVES						
Safety (% improvement)	5.0%	No improvement 	10% improvement 	20% improvement TRIR = 0 	100.0%	2.50%
Production (mbbl)	20.0%	5.00 	5.23 	6.00 	51.5%	5.15%
Normalise relationship with Altera & Ocyan (A&O)	10.0%	Qualitative assessment Achieved			50.0%	2.50%
Production Costs (US\$m)	10.0%	73.8 	67.0 	60.3 	100.0%	5.00%
Capex Budget (US\$m)	2.5%	14.4 	13.1 	11.8 	100.0%	1.25%
Other controllable corporate costs (US\$m)	2.5%	15.8 	14.4 	12.9 	50.0%	0.63%
“OneKarooon” culture evident	5.0%	Qualitative assessment On track			80.0%	2.00%
PROJECT OBJECTIVES						
Neon strategy	10.0%	Complete Neon Foundation Project Decision Gate 1 and Neon ADP 			100.0%	5.00%
Re-financing (US\$)	3.0%	Increase funding facility to >US\$300m 			100.0%	3.00%
Change in financial year	2.0%	Qualitative assessment Completed			100.0%	2.00%
STRATEGIC OBJECTIVES						
Acquire a substantial second production asset	20.0%	Acquire asset 			100.0%	20.00%
ESG: advance carbon sequestration project	10.0%	Enter at least one project 			0.0%	0.00%
Total Weighting	100.0%	Corporate Scorecard Outcome				49.03%

STI Outcomes for TY23

A summary of the STI outcomes for TY23 are detailed below.

	ANNUAL MAXIMUM STI OPPORTUNITY (\$)	STI AWARDED (% OF MAXIMUM)	TY23 STI CASH	TY23 STI PERFORMANCE RIGHTS	TY23 TOTAL STI
	US\$	%	US\$	US\$	US\$
Dr J Fowles	640,036	49.0	156,809 ¹	156,809	313,618
Mr R Church	490,064	49.2	120,556	120,556	241,112

1. Inclusive of superannuation contributions.

Detail on the STI arrangements for Mr Antonio Guimarães can be found in section 7, given he ceased employment during TY23.

LTI outcomes for TY23

No LTI grants were due to be tested in TY23. The next LTI grant is due to be tested on 30 June 2024.

Voluntary Information: TY23 'Remuneration Received' (Non-IFRS Information)

The amounts disclosed below reflect the actual remuneration received by each executive during TY23 and have been translated into US\$ from local currencies using the average exchange rate for TY23. The average rate used for A\$/US\$ was 0.6535 and R\$/US\$ was 0.2034. 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 a voluntary disclosure and 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 10 of the Remuneration Report.

The purpose of this table is to show the value of actual remuneration received during the financial period by executives. The remuneration values disclosed below have been determined as follows:

- Fixed remuneration comprises base salary and company superannuation/pension contributions received in TY23.
- Other benefits comprise any salary sacrifice items or non-monetary benefits, such as temporary allowances, health insurance, motor vehicles, expatriate travel, certain membership and associated fringe benefits tax received in TY23.
- Cash STI comprises the cash component received in TY23.
- Deferred STI vested and exercised comprises the equity component of the FY22 STI which vested in TY23. All vested FY22 STI awards were exercised.
- LTI vested and exercised includes the value of the vested FY21 LTI received by executives in TY23. All vested FY21 LTI awards were exercised.

	FIXED REMUNERATION	TERMINATION BENEFITS	OTHER BENEFITS	CASH STI	DEFERRED STI VESTED AND EXERCISED	LTI VESTED AND EXERCISED	TOTAL REMUNERATION RECEIVED
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Dr J Fowles	320,963	Nil	47,609	137,106	92,468	739,542	1,337,688
Mr R Church	245,032	Nil	Nil	127,694	104,912	Nil	477,638
Mr A Guimarães	280,973	48,310	38,235	141,349	74,684	Nil	583,551

SECTION 7: EXECUTIVE AGREEMENTS

Remuneration and other terms of employment for the executives are formalised in employment agreements.

Details of existing employment agreements between the Company and current executive KMP are as follows:

NAME	TERM	NOTICE PERIOD	TERMINATION PAYMENTS
Dr J Fowles	From 27 November 2020, ongoing	Six months	Not applicable
Mr R Church	From 27 September 2021, ongoing	Six months	Not applicable

Any termination benefits for executives are subject to the limits prescribed under Section 200B of the *Corporations Act 2001*.

In TY23, Mr Antonio Guimarães ceased employment with the Company on 14 November 2023. His arrangements on termination are:

- Prior year deferred STI awards will remain on foot to vest in the ordinary course.
- Unvested LTI Performance Rights will remain on foot to be tested in the ordinary course and vest to the extent the applicable performance conditions are met.
- A pro-rated TY23 STI payable in cash.
- Payments as per his statutory requirements.
- An ex-gratia payment of US\$183,650¹.
- Other benefits consistent with corporate practices, primarily comprising healthcare coverage.

SECTION 8: MINIMUM SHAREHOLDING POLICY

To ensure KMP hold a meaningful level of equity in the Company:

- Executives are required to maintain a shareholding in the Company equal to 50% of their first year after-tax fixed remuneration.
- Non-Executive Directors (NEDs) are required to maintain a shareholding in the Company equal to 50% of their after-tax base fees.

This requirement is to be met within the later of three years of their initial appointment or 30 June 2024. As at the date of this report, all persons covered by the Policy are in compliance with it.

SECTION 9: DIRECTOR FEES

Fees and payments to the Chair and other NEDs reflect the demands which are placed on, and the responsibilities of the Directors of Karoon. The Company reviews Director remuneration regularly and assesses the change to the Company's activities and overall responsibilities of each Director.

NED fees are determined with an aggregate Directors' fee pool limit, which is approved by shareholders. The maximum aggregate amount, including applicable superannuation contributions, that may be paid to NEDs 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 TY23, the total fees paid to NEDs was A\$540,352.

There were no increases to base Director fees in TY23 aside from an increase in the statutory superannuation contribution of 0.5% (from 10.5% to 11%) paid to Australian resident NEDs from 1 July 2023. The last change to base Director fees occurred in FY23.

Share-based Remuneration

NEDs do not receive performance-related remuneration. NEDs will continue to be encouraged to purchase ordinary shares in the Company in accordance with the Director Minimum Shareholding Policy.

1. This has been converted from Brazilian Reais to US dollars at the six month average exchange rate of US\$/R\$0.2034.

NED Fees

NEDs' fees for a 12 month period (excluding any additional superannuation contributions paid to Australian Directors) are outlined in the following table. The actual amounts paid have been pro-rated for TY23:

BASE FEE

Non-Executive Chairman ¹	A\$231,000
Non-Executive Directors	A\$105,000

COMMITTEE FEES

Audit, Risk and Governance Committee

Chair	A\$30,000
Member	A\$21,000

People and Culture Committee

Chair	A\$25,000
Member	A\$15,750

Sustainability and Operational Risk Committee

Chair	A\$25,000
Member	A\$15,750

In addition to the fees above, three Directors (Mr Botten, Mr Turnbull and Mr Davey) received a one-off additional payment of A\$15,000 (including superannuation) for their participation on a Due Diligence Committee associated with the Company's M&A activities during TY23.

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

SECTION 10: STATUTORY AND SHARE-BASED REPORTING

Details of the Remuneration of the Directors and Other KMP

Details of the remuneration of the Directors and other KMP of the Group for TY23 and previous financial year are set out in the following tables. For all remuneration reporting stated in US\$, exchange rates of A\$/US\$ 0.6535 (FY23: 0.6735) and R\$/US\$ 0.2034 (FY23: 0.1937) have been used.

Transitional Year for the 6 Months Ended 31 December 2023

NAME	Short term Benefits			Post-employment Benefits			Leave Benefits	Share-based Payments Expense	PERFORMANCE BASED REMUNERATION ² %	TOTAL REMUNERATION ³ US\$
	CASH SALARY AND FEES US\$	NON-MONETARY BENEFITS US\$	CASH STI/ BONUS US\$	SUPER-ANNUATION/ PENSION/ CONTRIBUTIONS US\$	SOCIAL SECURITY & INDEMNITY FUND CONTRIBUTIONS US\$	TERMINATION BENEFITS US\$	LEAVE ENTITLEMENTS ¹ US\$	PERFORMANCE RIGHTS US\$		
Executive Directors										
Dr J Fowles	292,253	47,609	143,204	42,313 ⁴	-	-	16,627	282,642	53.3 ⁵	824,648
Non-Executive Directors										
Mr B Phillips	62,896	-	-	6,919	-	-	-	-	-	69,815
Ms L Rachid	42,475	-	-	-	-	-	-	-	-	42,475
Mr C Davey	58,085	-	-	6,389	-	-	-	-	-	64,474
Mr P Turnbull	63,313	-	-	6,964	-	-	-	-	-	70,277
Mr P Botten	60,005	-	-	6,601	-	-	-	-	-	66,606
Mr T Fraga	39,453	-	-	-	-	-	-	-	-	39,453
Total Directors' remuneration	618,480	47,609	143,204	69,186	-	-	16,627	282,642		1,177,748
Other KMP (Group)										
Mr R Church	236,080	-	120,556	8,952	-	-	2,520	164,501	53.5	532,609
Mr A Guimarães	228,974	38,235	115,126	10,875	41,124	231,959 ⁶	(28,329)	220,820 ⁷	39.1	858,784
Total other KMP remuneration (Group)	465,054	38,235	235,682	19,827	41,124	231,959	(25,809)	385,321		1,391,393
Total KMP remuneration (Group)	1,083,534	85,844	378,886	89,013	41,124	231,959	(9,182)	667,963		2,569,141

1. Leave benefits include annual leave and long service leave entitlements.
2. The percentage of total remuneration consisting of performance rights, based on the value of the performance rights expensed in the consolidated statement of profit or loss and other comprehensive income during TY23.
3. Amounts disclosed for the 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 Director's Report.
4. Includes superannuation contribution of US\$13,605 relating to TY23 cash bonus.
5. Inclusive of superannuation contribution on Cash STI.
6. Included in this amount is an accrual of an ex-gratia payment of US\$183,650 which was paid on 2 February 2024.
7. Mr A Guimarães' share-based payments expense includes the accelerated vesting of performance rights for accounting purposes, which were retained upon cessation of employment with the company. Unvested LTI performance rights will remain on foot to be tested in the ordinary course and vest to the extent the applicable performance conditions are met.

Financial Year Ended 30 June 2023

NAME	Short term Benefits			Post-employment Benefits		Leave Benefits	Share-based Payments Expense	PERFORMANCE BASED REMUNERATION ² %	TOTAL REMUNERATION ³ US\$
	CASH SALARY AND FEES US\$	NON-MONETARY BENEFITS US\$	CASH STI/ BONUS US\$	SUPER-ANNUATION/ PENSION CONTRIBUTIONS US\$	SOCIAL SECURITY & INDEMNITY FUND CONTRIBUTIONS US\$	LEAVE ENTITLEMENTS ¹ US\$	PERFORMANCE RIGHTS US\$		
Executive Director									
Dr J Fowles	568,173	–	141,309	53,976	–	42,387	694,983	55.7	1,500,828
Non-Executive									
Directors									
Mr B Phillips	155,578	–	–	16,336	–	–	–	–	171,914
Ms L Rachid	87,555	–	–	–	–	–	–	–	87,555
Mr C Davey	101,530	–	–	10,661	–	–	–	–	112,191
Mr P Turnbull	112,306	–	–	11,792	–	–	–	–	124,098
Mr P Botten	95,469	–	–	10,024	–	–	–	–	105,493
Mr T Fraga	69,108	–	–	–	–	–	–	–	69,108
Total Directors' remuneration	1,189,719	–	141,309	102,789	–	42,387	694,983		2,171,187
Other KMP (Group)									
Mr R Church	441,485	40,582	131,609	17,034	–	30,160	299,529	44.9	960,399
Mr A Guimarães	323,390	75,920	86,914	28,153	48,911	6,601	198,603	37.2	768,492
Total Other KMP remuneration (Group)	764,875	116,502	218,523	45,187	48,911	36,761	498,132		1,728,291
Total KMP remuneration (Group)	1,954,594	116,502	359,832	147,976	48,911	79,148	1,193,115		3,900,078

1. Leave benefits include annual leave and long service leave entitlements.
2. The percentage of total remuneration consisting of performance rights, based on the value of performance rights expensed in the consolidated statement of profit or loss and other comprehensive income during the financial year.
3. 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.

SECTION 10: 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:

NAME	NOT RELATED TO PERFORMANCE CONDITIONS		RELATED TO PERFORMANCE CONDITIONS							
	FIXED REMUNERATION		TERMINATION PAYMENTS		CASH BONUS		STI (PERFORMANCE RIGHTS)		LTI (PERFORMANCE RIGHTS)	
	TY23	FY23	TY23	FY23	TY23	FY23	TY23	FY23	TY23	FY23
Executive Director										
Dr J Fowles	46.7%	44.3%	–	–	19.1%	9.4%	8.9%	4.7%	25.3%	41.6%
Non-Executive Directors										
Mr B Phillips	100%	100%	–	–	–	–	–	–	–	–
Ms L Rachid	100%	100%	–	–	–	–	–	–	–	–
Mr C Davey	100%	100%	–	–	–	–	–	–	–	–
Mr P Turnbull	100%	100%	–	–	–	–	–	–	–	–
Mr P Botten	100%	100%	–	–	–	–	–	–	–	–
Mr T Fraga	100%	100%	–	–	–	–	–	–	–	–
Other KMP (Group)										
Mr R Church	46.5%	55.1%	–	–	22.6%	13.7%	11.2%	6.8%	19.7%	24.4%
Mr A Guimarães	33.9%	62.8%	27.0%	–	13.4%	11.3%	5.6%	5.6%	20.1%	20.3%

Further information on performance rights is set out in Note 26 of the consolidated financial statements.

Share-based Remuneration

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 PERFORMANCE RIGHT	FAIR VALUE PER PERFORMANCE RIGHT AT GRANT DATE	% VESTED	PERFORMANCE CONDITION ACHIEVED
Performance rights						
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
24 November 2022	1 July 2025	30 June 2026	\$–	A\$1.707	–	To be determined
16 December 2022	1 July 2025	30 June 2026	\$–	A\$1.559	–	To be determined
31 March 2023	1 July 2025	30 June 2026	\$–	A\$1.508	–	To be determined
14 November 2023	1 July 2024	30 June 2025	\$–	A\$2.400	–	To be determined
23 November 2023	1 July 2024	30 June 2025	\$–	A\$2.120	–	To be determined
23 November 2023 ¹	1 July 2025	30 June 2026	\$–	A\$1.509	–	To be determined
23 November 2023	1 July 2026	30 June 2027	\$–	A\$1.321	–	To be determined

Number of Performance Rights provided as Remuneration during TY23

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 TRANSITIONAL PERIOD	FAIR VALUE PER PERFORMANCE RIGHT AT GRANT DATE	VALUE OF PERFORMANCE RIGHTS AT GRANT DATE	NUMBER OF PERFORMANCE RIGHTS VESTED DURING TRANSITIONAL PERIOD	NUMBER OF PERFORMANCE RIGHTS FORFEITED	VALUE OF PERFORMANCE RIGHTS FORFEITED
Executive Director						
Dr J Fowles						
– Performance rights (LTI)	198,809	A\$1.321	A\$262,627	–	–	–
– Performance rights (LTI)	12,649	A\$1.509	A\$19,087	–	–	–
– Performance rights (STI)	85,176	A\$2.120	A\$180,573	–	–	–
Other KMP (Group)						
Mr R Church						
– Performance rights (LTI)	114,169	A\$1.321	A\$150,817	–	–	–
– Performance rights (STI)	79,329	A\$2.120	A\$168,177	–	–	–
Mr A Guimarães						
– Performance rights (LTI)	–	–	–	–	–	–
– Performance rights (STI)	57,263	A\$2.40	A\$137,431	–	–	–
Total KMP – Performance rights	547,395		A\$918,712	–	–	–

Long term performance rights granted during FY23 and TY23 which are subject to market-based performance conditions, have been valued using a Monte Carlo simulation approach. The fair value of the STI performance rights was based on the Company's closing share price at grant date.

1. Performance rights associated with the FY23 LTI, disclosed in the prior year remuneration report, that were approved at the 2023 Annual General Meeting

SECTION 10: STATUTORY AND SHARE-BASED REPORTING CONTINUED

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 period, including their personally related parties, are set out below:

NAME	GRANT DATE	DATE OF CONVERSION OF PERFORMANCE RIGHTS	NUMBER OF ORDINARY SHARES ISSUED	VALUE AT CONVERSION DATE US\$ ¹	AMOUNT PAID PER PERFORMANCE RIGHT
Executive Directors					
Dr J Fowles					
- Performance rights (LTI)	27 November 2020	26 July 2023	502,989	739,542	\$-
- Performance rights (STI)	24 November 2022	26 July 2023	62,891	92,468	\$-
			565,880	832,010	\$-
Other KMP (Group)					
Mr R Church					
- Performance rights (STI)	16 December 2022	20 November 2023	75,730	104,912	\$-
Mr A Guimarães					
- Performance rights (STI)	16 December 2022	9 August 2023	51,251	74,684	\$-
			126,981	179,596	\$-
			692,861	1,011,606	\$-

1. The value at conversion date of performance rights that were granted as part of their remuneration and were converted during the financial period has determined as the intrinsic value of the performance rights at that date.

Details of Remuneration – Performance Rights

For each grant of performance rights in the 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 PERIOD GRANTED	VESTED %	FORFEITED %	FINANCIAL PERIOD IN WHICH SHARE OPTIONS OR PERFORMANCE RIGHTS MAY VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST ¹ US\$
Executive Director					
Dr J Fowles					
– Performance rights (LTI)	30 June 2022	–	–	31 December 2024	95,573
– Performance rights (LTI)	30 June 2023	–	–	31 December 2025	241,083
– Performance rights (LTI)	31 December 2023	–	–	31 December 2025	6,230
– Performance rights (LTI)	31 December 2023	–	–	31 December 2026	142,887
– Performance rights (STI)	31 December 2023	–	–	31 December 2024	29,540
Other KMP (Group)					
Mr R Church					
– Performance rights (LTI)	30 June 2022	–	–	31 December 2025	45,776
– Performance rights (LTI)	30 June 2023	–	–	31 December 2025	124,990
– Performance rights (LTI)	31 December 2023	–	–	31 December 2026	82,055
– Performance rights (STI)	31 December 2023	–	–	31 December 2024	27,512
Mr A Guimarães ²					
– Performance rights (LTI)	30 June 2022	–	–	30 June 2025	–
– Performance rights (LTI)	30 June 2023	–	–	30 June 2026	–
– Performance rights (STI)	31 December 2023	–	–	30 June 2025	–

1. The maximum value of performance rights yet to vest was determined as the amount of the grant date fair value of the performance rights that is yet to be expensed in the consolidated statement of profit or loss and other comprehensive income. The minimum value of the grant where performance/vesting conditions are not met.
2. Mr A Guimarães ceased employment with the Company on 14 November 2023. Upon termination, his unvested LTI performance rights will remain on foot to be tested in the ordinary course and vest to the extent the applicable performance conditions are met.

SECTION 10: STATUTORY AND SHARE-BASED REPORTING CONTINUED

Movement of Performance Rights over Unissued Ordinary Shares in the Company during TY23

During TY23 performance rights over unissued ordinary shares in the Company were issued to Directors and other KMP, including their personally related parties.

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

	BALANCE AS AT 1 JULY 2023	GRANTED AS REMUNER- ATION	VESTED AND EXERCISED PERFORM- ANCE RIGHTS	PERFORM- ANCE RIGHTS FORFEITED	OTHER	BALANCE AS AT 31 DECEMBER 2023	TOTAL VESTED AND EXERCIS- ABLE AS AT 31 DECEMBER 2023	TOTAL UNVESTED AS AT 31 DECEMBER 2023
Executive Director								
Dr J Fowles	1,575,509	296,634	(565,880)	-	-	1,306,263	-	1,306,263
Non-Executive Directors								
Mr B Phillips	-	-	-	-	-	-	-	-
Ms L Rachid	-	-	-	-	-	-	-	-
Mr C Davey	-	-	-	-	-	-	-	-
Mr P Turnbull	-	-	-	-	-	-	-	-
Mr P Botten	-	-	-	-	-	-	-	-
Mr T Fraga	-	-	-	-	-	-	-	-
Other KMP								
Mr R Church	598,216	193,498	(75,730)	-	-	715,984	-	715,984
Mr A Guimarães	383,419	57,263	(51,251)	-	-	389,431	-	389,431
Total KMP – Performance rights	2,557,144	547,395	(692,861)	-	-	2,411,678	-	2,411,678

All performance rights granted during TY23 were issued under the 2022 PRP.

Movement in Ordinary Shares during TY23

The number of ordinary shares held by Directors and other KMP, including their personally related parties, as at 31 December 2023 was as follows:

	BALANCE AS AT 1 JULY 2023	RECEIVED AS REMUNER- ATION	RECEIVED FROM EXERCISED PERFORM- ANCE RIGHTS	SHARES ACQUIRED	SHARES SOLD	BALANCE AS AT 31 DECEMBER 2023
Executive Director						
Dr J Fowles	107,659	–	565,880	179,611	–	853,150
Non-Executive Directors						
Mr B Phillips	1,750,000	–	–	–	–	1,750,000 ¹
Mr C Davey	147,214	–	–	39,259	–	186,473
Mr P Turnbull	173,000	–	–	10,000	–	183,000
Ms L Rachid	52,960	–	–	–	–	52,960
Mr P Botten	–	–	–	50,000	–	50,000
Mr T Fraga	–	–	–	21,100	–	21,100
Other KMP						
Mr R Church	–	–	75,730	–	–	75,730
Mr A Guimarães	–	–	51,251	–	–	51,251 ²
Total KMP	2,230,833	–	692,861	299,970	–	3,223,664

1. Mr B Phillips' shareholding refers to his balance as at 23 November 2023, when he retired as Chairman.
2. Mr A Guimarães' shareholding refers to his balance as at 14 November 2023 when he ceased in his role as KMP.

None of the ordinary shares are held nominally by any Director or any of the other KMP. 'Held nominally' refers to the situation where the ordinary shares are in the name of the Director or other KMP, but they are not the beneficial owner.

Other Transactions with Directors and Other KMP

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

During TY23, the Group paid US\$132,213 to Radix Engenharia e Software (Radix), an entity of which Mr Tadeu Fraga, a Non-Executive Director, is a Board member. Radix provided engineering consulting services to the Group at market prices. Mr Fraga's interest in Radix commenced on 1 March 2023, post the execution of the contract.

During TY23, Ms Fraga, a family member of Mr Tadeu Fraga, a Non-Executive Director, remained employed by the Group as P&C Co-ordinator in Brazil. The total value of her remuneration (including share-based payments expense) for TY23 was US\$67,232. Ms Fraga's employment with the Karoon Group commenced prior to the appointment Mr Fraga.

Loans to Directors and Other KMP

There were no loans to Directors or other KMP during TY23.

Rounding

The amounts in the financial report are rounded to the nearest hundred thousand dollars 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 Peter Botten
Independent Non-Executive Chairman
29 February 2024

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Karoon Energy Ltd for the period 1 July 2023 to 31 December 2023, 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.

A handwritten signature in blue ink that reads 'Graeme McKenna'.

Graeme McKenna
Partner
PricewaterhouseCoopers

Melbourne
29 February 2024

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Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

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 Period Ended 31 December 2023

	NOTE	6 MONTHS ENDED 31 DECEMBER 2023 ¹ US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Revenue	3(a)	412.9	566.5
Cost of sales	4(a)	(164.5)	(283.2)
Gross profit		248.4	283.3
Other income	3(b)	2.6	5.7
Finance costs	4(b)	(15.9)	(25.4)
Net foreign currency gains/(losses)		(8.1)	(0.8)
Other expenses	4(c)	(41.4)	(41.4)
Change in fair value of contingent consideration	19(ii)	(3.5)	(5.2)
Profit/(loss) before income tax		182.1	216.2
Income tax expense	5(a)	(59.6)	(53.2)
Profit/(loss) for financial period attributable to equity holders of the Company		122.5	163.0
Other comprehensive income, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from the translation of financial statements into presentation currency		11.4	(1.5)
Net change in fair value of cash flow hedges and cost of hedging	20	1.9	33.3
Other comprehensive income/(loss) for financial period, net of income tax		13.3	31.8
Total comprehensive income/(loss) for financial period attributable to equity holders of the Company, net of income tax		135.8	194.8
Profit/(loss) per share attributable to equity holders of the Company:			
Basic profit/(loss) per ordinary share (cents per share)	6	20.18	28.99
Diluted profit/(loss) per ordinary share (cents per share)	6	20.03	28.59

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

1. Refer to Note 1 for change in Karoon's financial year end.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTE	AS AT 31 DECEMBER 2023 ¹ US\$M	AS AT 30 JUNE 2023 US\$M
Current assets			
Cash and cash equivalents	8	170.4	74.8
Receivables	9	56.4	73.1
Inventories	10	18.7	8.7
Other financial assets	19	0.2	3.0
Other assets		6.6	7.6
Total current assets		252.3	167.2
Non-current assets			
Oil and gas assets	12	1,391.0	798.7
Exploration and evaluation assets	13	175.3	85.7
Property, plant and equipment	14	3.1	2.7
Intangible assets		0.3	0.1
Deferred tax assets	5	95.2	124.7
Inventories	10	10.8	8.3
Other assets		4.5	3.0
Total non-current assets		1,680.2	1,023.2
Total assets		1,932.5	1,190.4
Current liabilities			
Trade and other payables	11	68.3	57.2
Borrowings	18	0.1	–
Current tax liabilities		16.8	5.6
Other financial liabilities	19	86.0	86.0
Lease liabilities	15	48.7	47.2
Provisions	16	0.2	0.2
Total current liabilities		220.1	196.2
Non-current liabilities			
Trade and other payables	11	7.2	5.8
Borrowings	18	264.4	28.1
Other financial liabilities	19	136.5	133.0
Lease liabilities	15	175.7	200.4
Provisions	16	214.6	153.3
Total non-current liabilities		798.4	520.6
Total liabilities		1,018.5	716.8
Net assets		914.0	473.6
Equity			
Contributed equity	20	1,210.8	907.5
Accumulated losses		(193.3)	(315.8)
Reserves		(103.5)	(118.1)
Total equity		914.0	473.6

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

1. Refer to Note 1 for change in Karoon's financial year end.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Period Ended 31 December 2023

	NOTE	CONTRIBUTED EQUITY US\$M	ACCUMULATED LOSSES US\$M	SHARE-BASED PAYMENTS RESERVE US\$M	FOREIGN CURRENCY TRANSLATION RESERVE US\$M	HEDGING RESERVES US\$M	TOTAL EQUITY US\$M
Balance as at 1 July 2022		907.5	(478.8)	53.8	(165.0)	(41.3)	276.2
Profit for financial year		–	163.0	–	–	–	163.0
Other comprehensive income (loss)		–	–	–	(1.5)	33.3	31.8
Total comprehensive income/(loss) for financial year		–	163.0	–	(1.5)	33.3	194.8
Transactions with owners in their capacity as owners:							
Share-based payments expense	26(c)	–	–	2.6	–	–	2.6
		–	–	2.6	–	–	2.6
Balance as at 30 June 2023		907.5	(315.8)	56.4	(166.5)	(8.0)	473.6
Profit for financial period		–	122.5	–	–	–	122.5
Other comprehensive income (loss)		–	–	–	11.4	1.9	13.3
Total comprehensive income/(loss) for financial period		–	122.5	–	11.4	1.9	135.8
Transactions with owners in their capacity as owners:							
Ordinary shares issued		312.3	–	–	–	–	312.3
Transaction costs associated with issue of shares		(9.0)	–	–	–	–	(9.0)
Share-based payments expense	26(c)	–	–	1.3	–	–	1.3
		303.3	–	1.3	–	–	304.6
Balance as at 31 December 2023¹		1,210.8	(193.3)	57.7	(155.1)	(6.1)	914.0

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

1. Refer to Note 1 for change in Karoon's financial year end.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Period Ended 31 December 2023

	NOTE	6 MONTHS ENDED 31 DECEMBER 2023 ¹ US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Cash flows from operating activities			
Receipts from customers		443.3	552.9
Payments to suppliers and employees		(106.2)	(135.2)
Payments for exploration and evaluation expenditure expensed		(3.3)	(4.0)
Payments for cash flow hedges		(2.7)	(13.4)
Interest received		1.0	4.2
Borrowing and other costs of finance paid		(9.2)	(19.8)
Income taxes paid		(19.5)	(78.8)
Net cash flows from (used in) operating activities	8	303.4	305.9
Cash flows from investing activities			
Acquisition of oil and gas assets	24	(636.8)	(84.5)
Acquisition of exploration and evaluation assets	24	(83.0)	-
Interest received on deposit		0.1	-
Payments for oil and gas assets		(4.2)	(222.5)
Purchase of plant and equipment and computer software		(0.9)	(2.5)
Borrowing costs paid for qualifying assets		-	(2.7)
Payments for exploration and evaluation expenditure capitalised		(3.3)	(43.1)
Payment for security deposits		-	(0.9)
Net cash flows from (used in) investing activities		(728.1)	(356.2)
Cash flows from financing activities			
Principal elements of lease payments		(19.2)	(34.1)
Proceeds from issue of ordinary shares		312.3	-
Payment of equity raising costs		(8.8)	-
Proceeds from borrowings		274.0	-
Repayment of borrowings		(29.9)	-
Debt facility costs		(8.6)	(0.1)
Net cash flows from (used in) financing activities		519.8	(34.2)
Net increase/(decrease) in cash and cash equivalents		95.1	(84.5)
Cash and cash equivalents at beginning of the period		74.8	157.7
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		0.5	1.6
Cash and cash equivalents at end of the period	8	170.4	74.8

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

1. Refer to Note 1 for change in Karoon's financial year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

SECTION A: ABOUT THESE STATEMENTS

NOTE 1. GENERAL INFORMATION

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 is described in the Directors' Report.

Change in the Financial Year End

On 7 July 2023, the Company's Board resolved to change the financial year end for the Company and all its controlled entities incorporated in Australia (refer to Note 22 on Subsidiaries) from 30 June to 31 December in accordance with the requirements of section 323D(2A) of the *Corporations Act 2001* (Cth). The change in year end was made in order to:

- streamline the preparation of annual statutory financial statements with the Company's Brazilian subsidiaries' annual financial and tax year, which ends on 31 December, and
- align with relevant oil and gas industry peers.

The first annual report of the Group after this change as contained in this report covers a six month period, beginning on 1 July 2023 and ending on 31 December 2023 (current period) compared to the 12 month period reported by Karoon in prior periods from 1 July to 30 June. The audited financial information for the 12 month period ended 30 June 2023 has been presented as comparatives for the current period in accordance with the requirements of AASB 101 '*Presentation of Financial Statements*' consisting of:

- i. Consolidated statement of financial position,
- ii. Consolidated statement of profit or loss and other comprehensive income,
- iii. Consolidated statement of changes in equity, and
- iv. Consolidated statement of cash flows.

Accordingly, the Group's consolidated financial statements for the current period as presented in this report for the period 1 July 2023 to 31 December 2023 and prior period of 1 July 2022 to 30 June 2023 are not directly comparable.

(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.

The financial statements have been prepared on a going concern basis. For further details please refer to the liquidity risk section in Note 21(d).

Rounding

The amounts in the financial statements are rounded to the nearest hundred thousand dollars 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.

Comparative Figures

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

Key Accounting Estimates, Assumptions and Judgements

Revenues, 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 material 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.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in the relevant notes as follows:

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS	NOTE	PAGE
Revenue from contracts with customers	Note 3	67
Income tax	Note 5	69
Impairment of oil and gas assets, Estimates of reserves quantities, Determining the lease term of contracts with renewal options	Note 12	77
Capitalised exploration and evaluation expenditure	Note 13	80
Provision for restoration	Note 16	83
Fair value measurement of financial instruments	Note 19	87
Share based payments	Note 26	103

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 as the material judgement in a number of areas in the financial statements such as:

- Impairment of oil and gas assets (refer Note 12); and
- Provision for restoration (refer Note 16).

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

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 period ended 31 December.

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

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates,
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction,
- AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules.

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.

NOTE 1. GENERAL INFORMATION CONTINUED**New standards and interpretations not yet adopted**

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group is currently assessing the impact but no material impact is currently expected.

New standards and interpretations effective for the period commencing from 1 January 2024 include:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current,
- AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback,
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants,
- AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements.

New Sustainability Standards issued by ISSB in June 2023

The International Sustainability Standards Board (ISSB) issued its inaugural sustainability disclosure standards (IFRS S1 General Requirements for Disclosure of Sustainability – related Financials Information 'IFRS S1' & IFRS S2 Climate related Disclosures 'IFRS S2') on 26 June 2023 which forms a comprehensive global baseline of sustainability disclosures designed to meet the information needs of capital market stakeholders.

IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium and long term. IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1.

The AASB has issued the exposure draft for the ASRS Standards (ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate – related Financial Information). The current intent is for the standards to be available for use for the financial year commencing 1 January 2025 for Karoon.

The Group is actively following the development, issuance and applicability of the sustainability standards in Australia.

(b) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2023 and the results of all subsidiaries for the financial period then ended.

Karoon Group's interests in subsidiaries are set out in Note 22 and the Group consolidates these subsidiaries as it exercises control over these entities and is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to affect their returns through its power to direct the activities of these entities.

All group subsidiaries have been aligned to 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.

(c) 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 and USA subsidiaries have a functional currency of US\$.

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

Transactions and Balances

Foreign currency transactions and year end balances are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions and at year end exchange rates in accordance with AASB 121 '*The Effects of Changes in Foreign Exchange Rates*', respectively, and the difference is recognised in the consolidated statement of profit or loss and other comprehensive income as Net foreign currency gains/(losses), except when they are attributable to part of the net investment in a foreign operation.

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 in accordance with AASB 121 '*The Effects of Changes in Foreign Exchange Rates*', 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.

SECTION B: GROUP PERFORMANCE

NOTE 2. 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 three geographic locations:

- Australia – in which the Group's head office resides and continues to assess opportunities involved in the exploration and evaluation of hydrocarbons;
- Brazil – in which the Group is currently involved in the exploration, development and production of hydrocarbons; and
- USA – On 21 December 2023, Karoon reached financial close on its acquisition of LLOG interests in the Mississippi Canyon Blocks in the Gulf of Mexico (GoM) (effective date 1 October 2023) for a consideration of US\$720m. Refer to Note 24 for further detail on the asset acquisition.

'All other segments' include amounts of a corporate nature not specifically attributable to an operating segment. The comparative period included costs associated with the closure of the Group's Peruvian Branches.

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.

Segment revenue is derived from an external customer who markets to a range of end customers.

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\$M	BRAZIL US\$M	USA US\$M	ALL OTHER SEGMENTS US\$M	CONSOLIDATED US\$M
Result for financial period ended 31 December 2023					
Revenue	-	409.1	3.8	-	412.9
Other income	0.8	1.7	0.1	-	2.6
Total segment revenue	0.8	410.8	3.9	-	415.5
Expenses					
Cost of sales	-	(162.0)	(2.5)	-	(164.5)
Depreciation and amortisation expense					
– non-oil and gas assets	(0.2)	(0.3)	-	-	(0.5)
Finance costs	(1.1)	(14.6)	(0.2)	-	(15.9)
Realised losses on cash flow hedges	-	(8.5)	-	-	(8.5)
Corporate expenses	(6.8)	(7.0)	-	(0.2)	(14.0)
Net foreign currency gains/(losses)	(8.6)	0.5	-	-	(8.1)
Change in fair value of contingent consideration	-	(3.5)	-	-	(3.5)
Other	(12.1)	(6.3)	-	-	(18.4)
Profit/(loss) before income tax	(28.0)	209.1	1.2	(0.2)	182.1
Income tax (expense)/benefit	4.8	(64.2)	(0.1)	(0.1)	(59.6)
Profit/(loss) for financial period	(23.2)	144.9	1.1	(0.3)	122.5

NOTE 2. SEGMENT INFORMATION CONTINUED

SEGMENT PERFORMANCE	AUSTRALIA US\$M	BRAZIL US\$M	USA US\$M	ALL OTHER SEGMENTS US\$M	CONSOLIDATED US\$M
Result for financial period ended 30 June 2023					
Revenue	–	566.5	–	–	566.5
Other income	0.4	5.3	–	–	5.7
Total segment revenue	0.4	571.8	–	–	572.2
Expenses					
Cost of sales	–	(283.2)	–	–	(283.2)
Depreciation and amortisation expense					
– non-oil and gas assets	(0.3)	(0.6)	–	–	(0.9)
Finance costs	–	(25.4)	–	–	(25.4)
Realised losses on cash flow hedges	–	(7.1)	–	–	(7.1)
Corporate expenses	(12.4)	(8.2)	–	(0.1)	(20.8)
Net foreign currency gains/(losses)	1.4	(2.2)	–	–	(0.8)
Change in fair value of contingent consideration	–	(5.2)	–	–	(5.2)
Other	(3.8)	(8.9)	–	–	(12.7)
Profit/(loss) before income tax	(14.7)	231.0	–	(0.1)	216.2
Income tax (expense)/benefit	3.3	(56.5)	–	–	(53.2)
Profit/(loss) for financial period	(11.4)	174.5	–	(0.1)	163.0
FINANCIAL PERIOD ENDED 31 DECEMBER 2023					
Total segment assets	38.2	1,105.0	789.3	–	1,932.5
Total segment liabilities	277.9	672.3	68.3	–	1,018.5
FINANCIAL PERIOD ENDED 30 JUNE 2023					
Total segment assets	29.3	1,161.1	–	–	1,190.4
Total segment liabilities	1.1	715.7	–	–	716.8

All revenues arising from Brazil and USA arose from sales to the Group's largest customer. No other single customers contributed 10 per cent or more to the Group's revenue in either the current period or in the period ended on 30 June 2023.

(c) Other Segment Information

Additions to non-current assets, other than financial assets (refer to Note 21), during the reporting periods were:

FINANCIAL PERIOD ENDED 31 DECEMBER 2023	AUSTRALIA US\$M	BRAZIL US\$M	USA US\$M	ALL OTHER SEGMENTS US\$M	CONSOLIDATED US\$M
Property, plant and equipment [^]	0.1	0.8	–	–	0.9
Exploration and evaluation assets	0.3	2.9	86.4	–	89.6
Oil and gas assets [^]	–	0.6	639.6	–	640.2

[^] Includes right-of-use assets.

FINANCIAL PERIOD ENDED 30 JUNE 2023	AUSTRALIA US\$M	BRAZIL US\$M	USA US\$M	ALL OTHER SEGMENTS US\$M	CONSOLIDATED US\$M
Property, plant and equipment [^]	0.2	2.5	–	–	2.7
Exploration and evaluation assets	–	44.8	–	–	44.8
Oil and gas assets [^]	–	190.9	–	–	190.9

[^] Includes right-of-use assets.

NOTE 3. REVENUE AND OTHER INCOME

Karoon recognises revenue from the sale of hydrocarbons under contracts with customers at a point in time 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 price is variable, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur.

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Revenue from contracts with customers

The transaction price may not be finalised at the date control passes to the customer. In such cases, a provisional transaction price is determined with reference to quoted commodity prices.

The Group estimates variable consideration based on available information from contract negotiations and market indicators.

Interest Income

Interest income on financial assets at amortised cost is recognised in other income using the effective interest method in accordance with requirements of AASB 9 'Financial Instruments'.

(a) Revenue

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Crude oil sales	412.5	566.5
Gas sales	0.4	–
Total revenue from contracts with customers	412.9	566.5

NOTE 3. REVENUE AND OTHER INCOME CONTINUED**(b) Other Income**

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Interest income	2.5	4.0
Write-back of inventory impaired	-	1.6
Sundry income	0.1	0.1
Total other income	2.6	5.7

NOTE 4. EXPENSES

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
(a) Cost of sales		
Operating costs	30.2	62.0
Royalties and other government take	45.0	66.7
Depreciation and amortisation – oil and gas assets	94.2	143.0
Change in inventories	(12.7)	11.5
Transportation costs	7.8	-
Total cost of sales	164.5	283.2
(b) Finance costs		
Finance charges on lease liabilities	6.8	15.5
Discount unwinding on net present value of provision for restoration	3.2	5.0
Interest expense	2.5	2.1
Other finance costs	3.4	2.8
Total finance costs	15.9	25.4
(c) Other Expenses		
Advisory and transaction costs	10.8	-
Business development and other project costs	0.7	3.7
Exploration and evaluation expenditure expensed	3.3	3.9
Corporate	14.0	20.7
Realised losses on cash flow hedges	8.5	7.1
Depreciation and amortisation – non-oil and gas assets	0.5	0.9
Share-based payments expense	1.4	3.1
Social investments/sponsorships	2.2	1.9
Loss on disposal of non-current assets	-	0.1
Total other expenses	41.4	41.4

NOTE 5. INCOME TAX

Income Taxes and Other Taxes

Current tax expense, deferred tax assets and deferred tax liabilities for the Group are recognised in accordance with the requirements of AASB 112 'Income Taxes'.

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 (expense)/benefit, 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 are derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to, the head entity.

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Income Tax

The Group is subject to income taxes in Australia, Brazil, USA 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.

NOTE 5. INCOME TAX CONTINUED

The table below provides details of the income tax recognised during the period in the consolidated statement of profit or loss and other comprehensive income and directly in equity:

	NOTE	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
(a) Income Tax Recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Tax expense/(income) comprises:			
Current income tax		26.3	74.0
Deferred income tax		33.3	(20.8)
Total income tax expense/(benefit)		59.6	53.2
The prima facie tax on profit/(loss) before income tax is reconciled to tax expense/(benefit) as follows:			
Prima facie tax expense/(benefit) on profit before income tax, calculated at the Brazilian tax rate of 34%		61.9	73.5
Add/(subtract) the tax effect of:			
Share-based payments expense (non-cash)		0.3	0.7
Other non-deductible items		4.4	1.4
Other tax benefits		(8.3)	–
Social investments/sponsorships ⁽ⁱ⁾		(2.2)	(1.1)
Difference in overseas tax rates		0.6	0.4
Foreign exchange differences		2.9	(21.7)
Total income tax expense/(benefit)		59.6	53.2
(b) Amounts Recognised Directly in Equity			
Aggregate current and deferred tax arising during the financial period and not recognised in net profit or loss, but directly debited or credited in equity:			
Deferred tax – debited/(credited) directly in hedging reserves	20(d)(iii)	1.2	(16.9)

- (i) This is a scheme which under Brazilian tax law permits a company when paying tax to direct a portion of this payment to specific government approved projects. There is no net cost to the Company as this amount replaces tax payable. It is classified as an expense in the financial statements.

	BALANCE AS AT 1 JULY 2023 US\$M	(CHARGED) CREDITED TO PROFIT OR LOSS US\$M	(CHARGED) CREDITED DIRECTLY TO EQUITY US\$M	NET FOREIGN CURRENCY DIFFERENCE ON TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES US\$M	TAX LOSSES UTILISED US\$M	BALANCE AS AT 31 DECEMBER 2023 US\$M
(c) Deferred Tax Balances						
<i>Temporary differences</i>						
Provisions and accruals	31.0	9.9	–	–	–	40.9
Depreciation of oil and gas assets	–	(48.6)	–	–	–	(48.6)
Unrealised foreign currency (gains)/losses	(20.7)	(4.1)	–	–	–	(24.8)
Translation adjustment	38.8	(5.7)	–	–	–	33.1
Fair value movement of financial liabilities	61.4	7.1	–	–	–	68.5
Farm-out expenditures	0.1	–	–	–	–	0.1
Right-of-use assets	(79.9)	12.8	–	–	–	(67.1)
Lease liabilities	94.6	(6.7)	–	–	–	87.9
Hedge premium	(5.3)	2.1	–	–	–	(3.2)
Net changes of cash flow hedges	4.3	–	(1.2)	–	–	3.1
Other	0.4	–	–	–	–	0.4
Total temporary differences	124.7	(33.2)	(1.2)	–	–	90.3
<i>Unused tax losses</i>						
Tax losses	–	4.7	–	0.2	–	4.9
Total unused tax losses	–	4.7	–	0.2	–	4.9
Net deferred tax assets/ (liabilities)	124.7	(28.5)	(1.2)	0.2	–	95.2

NOTE 5. INCOME TAX CONTINUED

	BALANCE AS AT 1 JULY 2022 US\$M	(CHARGED) CREDITED TO PROFIT OR LOSS US\$M	(CHARGED) CREDITED DIRECTLY TO EQUITY US\$M	NET FOREIGN CURRENCY DIFFERENCE ON TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES	TAX LOSSES UTILISED US\$M	BALANCE AS AT 30 JUNE 2023 US\$M
<i>Temporary differences</i>						
Provisions and accruals	19.6	11.4	-	-	-	31.0
Equity raising transaction costs	0.2	(0.1)	-	-	-	0.1
Unrealised foreign currency (gains)/losses	(12.7)	(8.0)	-	-	-	(20.7)
Translation adjustment	14.2	24.6	-	-	-	38.8
Fair value movement of financial liabilities	79.6	(18.2)	-	-	-	61.4
Farm-out expenditures	0.1	-	-	-	-	0.1
Right-of-use assets	(95.4)	15.5	-	-	-	(79.9)
Lease liabilities	98.2	(3.6)	-	-	-	94.6
Hedge premium	(4.5)	(0.8)	-	-	-	(5.3)
Net changes of cash flow hedges	21.2	-	(16.9)	-	-	4.3
Other	0.3	-	-	-	-	0.3
Total temporary differences	120.8	20.8	(16.9)	-	-	124.7
<i>Unused tax losses</i>						
Tax losses	2.2	-	-	-	(2.2)	-
Total unused tax losses	2.2	-	-	-	(2.2)	-
Net deferred tax assets/(liabilities)	123.0	20.8	(16.9)	-	(2.2)	124.7
					AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
(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 occur:						
Unrecognised temporary tax differences relating to deferred tax assets at a tax rate of 34% ⁽ⁱ⁾					16.5	16.5
Tax losses: Peruvian operating losses at a tax rate of 32%					6.4	6.4
Potential tax asset					22.9	22.9

(i) The amount for unrecognised temporary tax differences at 31 December 2023 and 30 June 2023 relates to the impairment of the Goiás exploration asset, which was fully impaired at 30 June 2018.

NOTE 6. 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 period, adjusted for any bonus elements in ordinary shares issued during the financial period.

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 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.

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Profit/(loss) for the financial period used to calculate basic and diluted earnings per ordinary share:	122.5	163.0
(a) Basic earnings per ordinary share (cents per share)	20.18	28.99
(b) Diluted earnings per ordinary share (cents per share)	20.03	28.59
Weighted average number of ordinary shares on issue during the financial period used in calculating basic earnings per ordinary share:	606,743,713	562,290,221
Weighted average number of potential ordinary shares:	4,720,331	7,816,439
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per ordinary share:	611,464,044	570,106,660

Potential ordinary shares

Performance rights over unissued ordinary shares of the Company outstanding at the end of the financial period 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 7. DIVIDENDS

There were no ordinary dividends declared or paid during the financial period by the Group (30 June 2023: \$Nil).

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Balance of franking account available for subsequent reporting periods	12.7	14.4

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

SECTION C: WORKING CAPITAL

NOTE 8. CASH AND CASH EQUIVALENTS

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Cash at bank and on hand	170.4	74.8
Total cash and cash equivalents	170.4	74.8

Reconciliation of Profit/(Loss) for Financial Period to Net Cash Flows From Operating Activities

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Profit/(loss) for financial period	122.5	163.0
Add (subtract)		
Non-cash items included in profit/(loss) for financial period:		
Depreciation and amortisation	94.7	143.8
Amortisation of finance costs	2.0	1.1
Change in fair value of derivative financial instruments	3.1	50.2
Change in fair value of contingent consideration	3.5	5.2
Discount unwinding on provision for restoration and deferred consideration	3.2	5.0
Share-based payments expense	1.3	2.6
Net foreign currency losses (gains)	10.3	(3.0)
Loss on disposal of non-current assets	-	0.1
Write-back of inventory impaired	-	(1.6)
Items classified as investing/financing activities:		
Net foreign currency gains (losses)	(0.8)	0.6
Change in operating assets and liabilities:		
(Increase)/decrease in assets		
Receivables – current	27.5	(14.7)
Oil inventories	(12.9)	11.5
Deferred tax assets	28.3	(1.7)
Other financial assets – derivative financial instruments	2.8	(3.0)
Other assets	(0.5)	2.4

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Increase /(decrease) in liabilities		
Trade and other payables – current	5.5	15.6
Trade and other payables – non-current	1.4	(1.0)
Provisions – current	–	(0.2)
Current tax liabilities	11.5	(4.0)
Deferred tax liabilities	–	(16.9)
Other financial liabilities – derivative financial instruments	–	(49.1)
Net cash flows from operating activities	303.4	305.9

NOTE 9. RECEIVABLES

Receivables are generally non-interest-bearing amounts and normally have 30-45 days terms. 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.

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Trade receivables	40.0	69.6
Other receivables	16.4	3.5
Total current receivables	56.4	73.1

(a) Impairment of Receivables and Financial Risk Management

Information concerning the impairment of the Group's receivables and the respective exposure to financial risks on receivables is set out in Note 21 'Financial Risk Management'.

NOTE 10. INVENTORIES

Inventories are measured at the lower of cost and net realisable value in accordance with the requirements of AASB 102 'Inventories'. 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.

NOTE 10. INVENTORIES CONTINUED

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Current		
Petroleum inventories	18.5	5.8
Casing and other drilling inventory	0.2	2.9
Total current inventories	18.7	8.7
Non-current		
Casing and other drilling inventory	10.8	8.3
Total non-current inventories	10.8	8.3

NOTE 11. 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 12 months from the reporting date.

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Current		
Trade payables	55.6	47.8
Sundry payables and accruals (refer note (b) below)	12.7	8.1
Cash-settled share-based payments	–	1.3
Total current trade and other payables	68.3	57.2
Non-current (unsecured)		
Sundry payables and accruals	7.2	5.8
Total non-current trade and other payables	7.2	5.8

(a) Financial Risk Management

Information concerning the Group's exposure to financial risks on payables is set out in Note 21 'Financial Risk Management'.

(b) 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. These liabilities are recognised within Sundry payables and accruals. 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 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Trade and other payables are unsecured and usually paid within 30 days of recognition.

SECTION D: OPERATIONAL ASSETS AND LIABILITIES

NOTE 12. OIL AND GAS ASSETS

Production assets

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.

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.

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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 in the event indicators of impairment are identified, 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.

Estimates of reserves quantities used in amortisation and impairment/impairment reversal calculations

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

Estimated reserves quantities are based on 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 three 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 (SPE-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.

NOTE 12. OIL AND GAS ASSETS CONTINUED**Right-of-use assets**

The right-of-use assets are 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.

The FPSO vessel lease has a fixed term to February 2026 with renewal options available. Refer to Note 15 'Leases' for the lease liabilities related to Right-of-use assets held by Karoon at the end of the financial period.

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**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	PRODUCTION ASSET US\$M	DEVELOPMENT ASSET US\$M	RIGHT OF USE ASSETS US\$M	CONSOLIDATED TOTAL US\$M
Financial period ended 30 June 2023					
Balance at beginning of financial period		404.4	46.5	282.1	733.0
Additions during the period	2(c)	63.0	127.9	–	190.9
Transfers from property, plant and equipment		12.0	–	–	12.0
Remeasurement of lease arrangements		–	–	(5.7)	(5.7)
Borrowing costs capitalised ⁽ⁱ⁾		–	2.7	–	2.7
Depreciation expense		(85.5)	–	(57.5)	(143.0)
Net increase in provision for restoration ⁽ⁱⁱ⁾	16(b)	8.8	–	–	8.8
Completions and transfers		177.1	(177.1)	–	–
Carrying amount at end of financial period		579.8	–	218.9	798.7
At 30 June 2023					
At cost		757.1	–	349.0	1,106.1
Accumulated depreciation		(177.3)	–	(130.1)	(307.4)
Carrying amount at end of financial period		579.8	–	218.9	798.7
Financial period ended 31 December 2023					
Balance at beginning of financial period		579.8	–	218.9	798.7
Acquisitions during the period	24	636.8	–	–	636.8
Additions during the period	2(c)	0.6	2.8	–	3.4
Disposals during the period		(0.8)	–	–	(0.8)
Tax credits receivable		(11.0)	–	–	(11.0)
Depreciation expense		(60.8)	–	(33.4)	(94.2)
Net increase in provision for restoration ⁽ⁱⁱ⁾	16(b)	58.1	–	–	58.1
Carrying amount at end of financial period		1,202.7	2.8	185.5	1,391.0
At 31 December 2023					
At cost		1,440.8	2.8	349.0	1,792.6
Accumulated depreciation		(238.1)	–	(163.5)	(401.6)
Carrying amount at end of financial period		1,202.7	2.8	185.5	1,391.0

(i) The capitalised borrowing costs related to an apportionment of the fees incurred in connection with the syndicated loan facility (refer Note [18]) relating to the Patola development, which met the definition of a qualifying asset.

(ii) Includes the addition of restoration obligations relating to the acquisition of Karoon interests in the US GoM Assets, offset by an increase in the discount rate on total restoration provisions (refer Note 16). In the prior year a provision was recognised for Brazilian restoration obligations relating to the Patola wells.

NOTE 13. EXPLORATION AND EVALUATION ASSETS

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

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.

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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.

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.

	NOTE	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
The reconciliation of exploration and evaluation expenditure carried forward is set out below:			
Balance at beginning of financial period		85.7	40.9
Acquisitions during the period	24	83.0	-
Additions during the period	2(c)	6.6	44.8
Carrying amount at end of financial period		175.3	85.7

NOTE 14. 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 two 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.

NOTE 14. PROPERTY, PLANT AND EQUIPMENT CONTINUED**Right-of-use assets**

Property leases generally have terms between two and five years. Refer to Note 12 'Oil and Gas assets' for the accounting policy and key accounting estimates, assumptions and judgements and Note 15 'Leases' for the lease liabilities measurement related to right-of-use assets held by Karoon at the end of the financial period.

	NOTE	PLANT AND EQUIPMENT US\$M	RIGHT OF USE ASSETS US\$M	CONSOLIDATED TOTAL US\$M
At 30 June 2023				
At cost		3.1	1.7	4.8
Accumulated depreciation		(1.4)	(0.7)	(2.1)
Carrying amount at end of financial period		1.7	1.0	2.7
Financial period ended 31 December 2023				
Balance at beginning of financial period		1.7	1.0	2.7
Additions	2(c)	0.7	0.2	0.9
Depreciation expense		(0.4)	(0.1)	(0.5)
Carrying amount at end of financial period		2.0	1.1	3.1
At 31 December 2023				
At cost		3.8	1.9	5.7
Accumulated depreciation		(1.8)	(0.8)	(2.6)
Carrying amount at end of financial period		2.0	1.1	3.1

NOTE 15. 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 recognised at the present value of the lease payments expected to be paid over the lease term, discounted using 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 and 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.

Right-of-use assets

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.

Refer to Note 12 'Oil and Gas assets' and Note [14] 'Property, plant and equipment' for the right-of-use assets held by Karoon at the end of the financial period.

Lease liabilities

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Current	48.7	47.2
Non-current	175.7	200.4
Total lease liabilities	224.4	247.6
	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Reconciliation		
Balance at beginning of financial period	247.6	288.9
Remeasurement of lease arrangements	-	(5.7)
Additions during the period	0.2	-
Adjustment to fixed lease payments	(4.2)	(1.6)
Accretion of interest during the period	6.8	15.5
Payments made during the period	(26.1)	(49.6)
Net foreign currency differences	0.1	0.1
Total lease liabilities	224.4	247.6

NOTE 16. PROVISIONS

Provisions are recognised by the Group in accordance with the requirements of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and AASB 119 'Employee benefits'.

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 consolidated statement of financial position at total estimated present value. 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 consolidated statement of profit or loss and other comprehensive income through amortisation 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 expected 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 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

NOTE 16. PROVISIONS CONTINUED

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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 and US GoM fields.

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 31 December 2023 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.

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Current		
Provision for long service leave (refer note (a) below)	0.2	0.2
Total current provision	0.2	0.2
Non-current		
Provision for restoration (refer note (b) below)	214.6	153.3
Total non-current provisions	214.6	153.3

(a) Provision for Long Service Leave

A provision was recognised for employee entitlements relating to long service leave based on the measurement and recognition criteria relating to long service leave entitlements as described in the policy above.

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

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Balance at beginning of financial period	153.3	139.5
Additions (refer note (i) below) during the period	60.1	23.8
Discount unwinding on provision for restoration	3.2	5.0
Impact of increase in discount rate	(2.0)	(15.0)
Total provision for restoration	214.6	153.3

- (i) During the period a provision was recognised for US restoration obligations relating to the US GoM wells based on the measurement and recognition criteria relating to restoration obligations as described in the policy above. In the prior year a provision was recognised for Brazilian restoration obligations relating to the Patola wells.

In September 2023, Karoon provided the ANP a surety bond totalling BRL\$475.4 million (US\$98.2 million equivalent as at 31 December 2023) in respect of existing decommissioning obligations relating to the Baúna field. A Parent Company guarantee totalling BRL\$117.7 million (US\$24.3 million equivalent as at 31 December 2023) was provided previously. The surety bond will top up and replace the Parent Company guarantee once formally approved by the ANP. Management expects this formal acceptance of the surety bond in the first half of 2024.

NOTE 17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

The Group has contingent liabilities as at 31 December 2023 that may become payable in respect of:

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
(i) The Group has provided the ANP a letter of credit 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.	2.1	2.1
(ii) Bank guarantees were provided in respect of rental agreements for office premises of the Group. These guarantees may give rise to liabilities for 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.	0.2	0.2
(iii) Cash deposits 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.	0.4	0.4
(iv) The Group has received a notice of Infraction from Santos Municipality for BRL\$9.1 million, inclusive of fines and interest, relating to ISS (a municipal tax levied on the provision of services) on activities carried out by service providers at the FPSO Itajai. Karoon has rejected the liability and is defending the action.	1.8	–

(iv) 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 on 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 31 December 2023, as it is dependent on uncertain future events.

(v) 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 & Gás 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 & Gás Ltda fails to comply with this minimum requirement, Karoon Petróleo & Gás Ltda may be subject to a fine by the ANP.

(vi) 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 31 December 2023 (30 June 2023: \$Nil).

SECTION E: CAPITAL FUNDING AND RISK MANAGEMENT

NOTE 18. BORROWINGS

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Current		
Syndicated loan facility – secured	0.1	–
Total current borrowings	0.1	–
Non-current		
Syndicated loan facility – secured	274.0	30.0
Less: Transaction costs ⁽ⁱ⁾	(9.6)	(1.9)
Total non-current borrowings	264.4	28.1
Total borrowings	264.5	28.1

(i) Includes remaining unamortised transaction costs associated with the syndicated loan facility.

During the period, Karoon Petróleo e Gás Ltda repaid \$29.9 million of the initial \$30 million drawn amount. The remaining \$0.1 million balance of Karoon's initial US\$160 million syndicated loan facility is expected to be repaid during 2024. All other commitments under the initial facility have been cancelled with only the \$0.1m outstanding.

In November 2023, Karoon Energy Ltd's wholly owned subsidiaries, KEI (Brazil Santos) Pty Ltd, KEI Finance 1 Pty Ltd and Karoon Petróleo e Gás Ltda (the "Borrowing Base Obligors"), entered into a new committed US\$340 million syndicated revolving credit facility with Deutsche Bank AG, ING Belgium SA/NV, Macquarie Bank Limited and Shell Western Supply and Trading Limited. KEI Finance 1 Pty Ltd drew down \$274 million on the facility for the Who Dat acquisition funding.

The facility is a reserved based loan, secured against various group assets (including Baúna / Patola) and guaranteed by various Group members.

The new facility bears interest at a rate comprising a benchmark rate of term SOFR plus the applicable margin, and has a maturity date of 30 September 2028, including a scheduled repayment profile subject to customary provisions in respect of remaining reserves of the borrowing base assets.

During the period ended 31 December 2023, there were no new hedges entered into by the Group. In accordance with the terms of the facility agreements both new and old, Karoon enters into hedging arrangements in respect of oil price from time to time over a proportion of production and a period of up to 24 months. Post year end, the Group has entered into Brent oil commodity hedges over 4.26 million barrels from March 2024 to December 2025.

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

NOTE 19. OTHER FINANCIAL ASSETS AND LIABILITIES

The Group's other financial liabilities include 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).

Derivative financial instruments are presented as current assets or liabilities to the extent they are expected to be realised or settled within 12 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 relation to time value of money is separately accounted for as a cost of hedging and recognised in a cost 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 19.

NOTE 19. OTHER FINANCIAL ASSETS AND LIABILITIES CONTINUED

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Assets		
Current		
Derivative financial instruments – cash flow hedges ⁽ⁱ⁾	0.2	3.0
Total assets	0.2	3.0
Liabilities		
Current		
Embedded derivative – contingent consideration payable ⁽ⁱⁱ⁾	86.0	86.0
Total current other financial liabilities	86.0	86.0
Non-current		
Embedded derivative – contingent consideration payable ⁽ⁱⁱ⁾	136.5	133.0
Total non-current other financial liabilities	136.5	133.0
Total other financial liabilities	222.5	219.0

- (i) The Group has 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 facilities (refer to Note 18).

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 \$3.1m pre-tax (\$3m net of tax) have been recognised in the hedging reserves within equity (refer Note 20), which includes \$5.9m pre-tax that has been reclassified to profit or loss. No losses were recognised in profit or loss for hedge ineffectiveness during the period.

At 31 December 2023, the Group had the following outstanding hedges:

FINANCIAL PERIOD	BOUGHT PUT STRIKE (US\$/BBL)	PUT VOLUME (‘000 BBL)	SOLD CALL AVERAGE STRIKE (US\$/BBL)	CALL VOLUME (‘000 BBL)
2024	65	630	98	423
		630		423

- (ii) Reconciliation of contingent consideration payable

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Balance at beginning of financial period	219.0	298.3
Payments	–	(84.5)
Unrealised fair value changes recognised in profit or loss during the period	3.5	5.2
Total contingent consideration payable at fair value	222.5	219.0

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.

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

At 31 December 2023, based on the Group's internal assessment of future oil prices and industry consensus, the amount payable continues to accrue at the maximum amount payable plus interest. \$86.0m, the amount payable in respect of the 2023 calendar year, was paid in January 2024. The fair value of the total amount payable has been revised upwards by \$3.5m due to a revision in the discount rate.

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated 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 19(ii)) 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.

A discount rate of 3.26% and interest per annum of 2% has been applied in the calculation of the present value at 31 December 2023. The fair value of the contingent consideration is estimated by calculating the present value of the future expected cash outflows.

NOTE 20. CONTRIBUTED EQUITY AND RESERVES WITHIN 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.

NOTE 20. CONTRIBUTED EQUITY AND RESERVES WITHIN EQUITY CONTINUED**(a) Contributed Equity**

	AS AT 31 DECEMBER 2023 NUMBER	AS AT 30 JUNE 2023 NUMBER	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Ordinary shares, fully paid	801,234,076	563,359,327	1,210.8	907.5
Total contributed equity	801,234,076	563,359,327	1,210.8	907.5

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 on 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\$M
1 July 2022	Opening balance in previous financial period		558,085,352	907.5
	Performance rights conversion	26(a)	5,273,975	-
30 June 2023	Balance at end of financial period		563,359,327	907.5
27 November 2023	Ordinary shares issued		188,420,971	251.1
12 December 2023	Ordinary shares issued		45,922,434	61.2
	Transaction costs arising on ordinary shares issued		-	(9.0)
	Performance rights conversion	26(a)	3,531,344	-
31 December 2023	Balance at end of financial period		801,234,076	1,210.8

(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 period.

(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 the policy under Note 25 'Share based payments'.

(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(c). 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

The Group has entered into Brent oil price derivative hedges. Refer to Note 19(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 cost of hedging reserve within equity.

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

	COST OF HEDGING RESERVE US\$M	INTRINSIC VALUE OF OPTIONS US\$M	TOTAL HEDGING RESERVES US\$M
Balance at beginning of financial period	(8.0)	–	(8.0)
Change in fair value of cash flow hedges and cost of hedging recognised in OCI	(2.8)	–	(2.8)
Reclassified from OCI to profit or loss – included in other expenses	5.9	–	5.9
Deferred tax	(1.2)	–	(1.2)
Balance at end of financial period	(6.1)	–	(6.1)

NOTE 21. 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, Risk and Governance 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.

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.

NOTE 21. FINANCIAL RISK MANAGEMENT CONTINUED

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

	NOTE	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Financial assets			
Cash and cash equivalents	8	170.4	74.8
Receivables	9	56.4	71.1
Other financial assets	19	0.2	3.0
Total financial assets		227.0	148.9
Financial liabilities			
Trade and other payables (refer note (i) below)		73.8	61.4
Borrowings (refer note (ii) below)	18	274.1	30.0
Other financial liabilities (refer note (iii) below)	19	222.5	219.0
Lease liabilities	15	224.4	247.6
Total financial liabilities		794.8	558.0

(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. (refer Note 19(ii)).

(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 translated to US\$ equivalents at each period end, and the associated gain or loss is taken to the consolidated statement of profit or 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 period or previous financial periods.

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

(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 31 December 2023 and 30 June 2023, 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 equivalents 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 period is set out below:

	FLOATING INTEREST RATE US\$M	FIXED INTEREST RATE US\$M	NON- INTEREST BEARING US\$M	FAIR VALUE US\$M	CARRYING AMOUNT US\$M
31 DECEMBER 2023					
Financial assets					
Cash and cash equivalents	164.5	5.9	–	170.4	170.4
Receivables	–	–	56.4	56.4	56.4
Other financial assets	–	–	0.2	0.2	0.2
Total financial assets	164.5	5.9	56.6	227.0	227.0
Financial liabilities					
Trade and other payables	–	–	73.8	73.8	73.8
Borrowings	274.1	–	–	274.1	274.1
Other financial liabilities	–	222.5	–	222.5	222.5
Lease liabilities	–	–	224.4	224.4	224.4
Total financial liabilities	274.1	222.5	298.2	794.8	794.8
30 JUNE 2023					
Financial assets					
Cash and cash equivalents	27.0	–	47.8	74.8	74.8
Receivables	–	–	71.1	71.1	71.1
Other financial assets	–	–	3.0	3.0	3.0
Total financial assets	27.0	–	121.9	148.9	148.9
Financial liabilities					
Trade and other payables	–	–	61.4	61.4	61.4
Borrowings	30.0	–	–	30.0	30.0
Other financial liabilities	–	219.0	–	219.0	219.0
Lease liabilities	–	–	247.6	247.6	247.6
Total financial liabilities	30.0	219.0	309.0	558.0	558.0

NOTE 21. FINANCIAL RISK MANAGEMENT CONTINUED*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 period.

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

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Change in profit(loss) before income tax		
– Increase of interest rate by 1% p.a.	(1.0)	–
– Decrease of interest rate by 1% p.a.	1.0	–
Change in financial instruments		
– Increase of interest rate by 1% p.a.	(1.0)	–
– Decrease of interest rate by 1% p.a.	1.0	–

(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 prior periods, 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. During the financial period, approximately 26% of actual production volume was hedged. At reporting date, the Group held hedging financial instruments with a net asset carrying value of \$0.2m (refer Note 19). At 31 December 2023, a 10% increase or decrease in the Brent oil price, would have no material impact on the financial statements.

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 by calculating the present value of the future expected cash outflows. The estimates are based on the Group's internal assessment of future oil prices. A discount rate of 3.26% and inflation factor of 2% has also been applied. Refer to Note 19 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 31 December 2023, 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 material impact on the financial statements.

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Change in profit/(loss) before income tax		
– Increase of oil price by 10%	–	–
– Decrease of oil price by 10%	21.9	30.4
Change in financial liabilities		
– Increase of oil price by 10%	–	–
– Decrease of oil price by 10%	(21.9)	(30.4)

(c) Credit Risk

The maximum exposure to credit risk at the end of the financial period 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 and financial institutions, 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 Baa1. 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 two types of financial assets that are subject to AASB 9 '*Financial Instruments*' 'expected credit loss' model: receivables and security deposits. The Group has applied the AASB 9 general model approach to measure 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 consolidated 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.

Receivables

The Group's receivables relating to Brazil and Australia are considered to have low credit risk on the basis that there is a very low risk of default and the debtor has a strong (robust) capacity to meet its obligations in the short-term. The average DPO is 30 to 45 days and the debtor has a healthy credit risk rating. Accordingly, for receivables management has assessed an impairment test using a 12 month expected credit loss model measure and determined that there are no expected credit losses.

As at 31 December 2023, there were \$Nil (30 June 2023: \$Nil) receivables past due and the loss allowance for receivables recognised during the financial period was \$Nil (30 June 2023: \$Nil).

(ii) Impairment of Assets (Other than Oil and Gas Assets and Capitalised Exploration and Evaluation Expenditure)

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.

NOTE 21. FINANCIAL RISK MANAGEMENT CONTINUED**(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 period, the Group held cash and cash equivalents at call of \$170.4m (30 June 2023: \$74.8m) that are expected to readily generate cash inflows for managing liquidity risk. The Group had external borrowings of \$274.1m (30 June 2023: \$30.0m).

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

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
Floating rate		
– Expiring beyond one year (syndicated loan facility and accordion facility)	–	180.0

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

31 DECEMBER 2023	LESS THAN 6 MONTHS US\$M	6-12 MONTHS US\$M	1-3 YEARS US\$M	3-5 YEARS US\$M	OVER 5 YEARS US\$M	TOTAL US\$M
Financial liabilities						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	67.9	–	5.9	–	–	73.8
Borrowings	0.1	–	91.3	182.7	–	274.1
Lease liabilities	30.0	30.3	119.8	73.2	–	253.3
<i>Derivative financial liabilities</i>						
Contingent consideration – embedded derivative	86.0	–	87.6	58.6	–	232.2
Total financial liabilities	184.0	30.3	304.6	314.5	–	833.4

30 JUNE 2023	LESS THAN 6 MONTHS US\$M	6-12 MONTHS US\$M	1-3 YEARS US\$M	3-5 YEARS US\$M	OVER 5 YEARS US\$M	TOTAL US\$M
Financial liabilities						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	58.4	3.0	10.4	–	–	71.8
Borrowings	–	–	30.0	–	–	30.0
Lease liabilities	30.2	29.9	119.8	103.2	–	283.1
<i>Derivative financial liabilities</i>						
Contingent consideration – embedded derivative	–	86.0	128.8	17.5	–	232.3
Total financial liabilities	88.6	118.9	289.0	120.7	–	617.2

(e) Fair Value Estimation

For disclosure purposes only, the fair values of financial assets and financial liabilities as at 31 December and 30 June 2023 are presented in the table under Note 21(a)(ii) and can be compared to their carrying values as presented in the consolidated statement of financial position. 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 by 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 3.26% and 2% inflation factor has also been applied.

NOTE 21. FINANCIAL RISK MANAGEMENT CONTINUED

Fair value measurement

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique in accordance with AASB 13 *'Fair Value Measurement'*:

- 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.

SECTION F: GROUP STRUCTURE

NOTE 22. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described throughout the notes.

			PERCENTAGE OF EQUITY AND VOTING INTERESTS HELD BY THE GROUP	
NAME	COUNTRY OF INCORPORATION OR REGISTRATION	BUSINESS ACTIVITIES CARRIED ON IN	AS AT 31 DECEMBER 2023 %	AS AT 30 JUNE 2023 %
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 Z38) Pty Ltd	Australia	Australia	100	100
A.C.N. 672 679 793 Pty Ltd	Australia	Australia	100	–
Unlisted subsidiaries of KEI (Brazil Santos) Pty Ltd:				
KEI Finance 1 Pty Ltd	Australia	Australia	100	–
Karoon Petróleo & Gás Ltda	Brazil	Brazil	100	100
Branch of KEI (Peru Z38) Pty Ltd:				
KEI (Peru Z38) Pty Ltd, Sucursal del Peru	Peru	Peru	100	100
Unlisted subsidiary of A.C.N. 672 679 793 Pty Ltd				
KUSA Inc.	USA	USA	100	–

NOTE 23. PARENT COMPANY FINANCIAL INFORMATION

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

Investments in Subsidiaries

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.

Share-based Payments

The grant by the Company of equity-settled 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.

(a) Summary Financial Information

The individual financial statements for the Parent Company show the following aggregate amounts:

	AS AT 31 DECEMBER US\$M	AS AT 30 JUNE US\$M
Statement of financial position		
Current assets	31.9	32.8
Non-current assets	478.9	168.9
Total assets	510.8	201.7
Current liabilities	9.9	4.7
Non-current liabilities	0.1	0.2
Total liabilities	10.0	4.9
Net assets	500.8	196.8
Contributed equity	1,210.8	907.5
Accumulated losses	(620.7)	(663.9)
Share-based payments reserve	57.7	56.4
Foreign currency translation reserve	(147.0)	(103.2)
Total equity	500.8	196.8
Profit/(loss) for financial period	(21.9)	(10.5)
Total comprehensive profit/(loss) for financial period	0.5	(15.7)

(b) Contingent Liabilities of Parent Company

	AS AT 31 DECEMBER US\$M	AS AT 30 JUNE US\$M
(i) Bank guarantees were provided in respect of property 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.	0.2	0.2
(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 totalling BRL\$117.7 million (US\$24.3 million equivalent as at 31 December 2023) was provided to the ANP in respect of existing decommissioning obligations relating to the Baúna field. A surety bond has been issued to the ANP to replace this Parent Company guarantee. Management expect the Parent Company guarantee to be released in the first half of 2024.
- 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 24. ASSET ACQUISITION

Karoon completes acquisition of interests in the US Gulf of Mexico (GoM)

Karoon successfully completed the acquisition of interests in the US GoM from LLOG Exploration Offshore, LLC and LLOG Omega Holdings (collectively referred to as "LLOG"), on 21 December 2023. The acquisition comprises a 30% working interest in the Who Dat and Dome Patrol fields, including the associated infrastructure, ~16% working interest in the Abilene field and varying interests in adjacent exploration acreage.

Upon completion, Karoon transferred US\$684 million to LLOG. This amount consisted of the initially agreed purchase price of US\$720 million less the US\$36 million deposit which had already been paid. The final payment for the purchase was funded by a US\$274 million drawdown from the company's newly sanctioned US\$340 million debt facility, US\$312 million attained from a fully-underwritten equity issue, and the remainder from existing cash reserves.

The purchase price of US\$720m, less estimated completion price adjustments of \$0.2m¹, has been allocated to the acquired assets and liabilities based on their relative fair values as follows:

	NOTE	US\$M
Oil and gas assets	12	696.9
Provision for restoration	16(b)	(60.1)
Exploration and evaluation assets	13	83.0
Net purchase price paid		719.8

1. The estimated completion price adjustment is subject to review and finalisation. Under the purchase and sale agreement, LLOG (the seller) has 180 days after the financial close date to prepare the "Final Settlement Statement". Karoon in turn has 60 days to respond and agree.

The acquisition includes the following equity interests in joint operations:

FIELD	LOCATION	UNINCORPORATED EQUITY NET WORKING INTEREST (%)		PRINCIPAL ACTIVITIES	OPERATOR OF JOINT OPERATION
		DEC 23	JUN 23		
Who Dat	US Gulf of Mexico	30	–	Producing and Developing Assets	LLOG
Dome Patrol	US Gulf of Mexico	30	–	Producing and Developing Assets	LLOG
Abilene	US Gulf of Mexico	~16	–	Producing and Developing Assets	LLOG
Who Dat East	US Gulf of Mexico	40	–	Exploration and evaluation	LLOG
Who Dat South	US Gulf of Mexico	30	–	Exploration and evaluation	LLOG
Who Dat West	US Gulf of Mexico	35	–	Exploration and evaluation	LLOG

SECTION G: ADDITIONAL INFORMATION

NOTE 25. COMMITMENTS

	AS AT 31 DECEMBER 2023 US\$M	AS AT 30 JUNE 2023 US\$M
(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.		
Capital commitments		
Not later than one year	16.1	4.4
Later than one year but not later than five years	–	–
Total capital commitments	16.1	4.4
Service commitments		
Service commitments predominantly relating to the services contract with the FPSO operator (separate from charter lease of FPSO asset), with a daily rate for operations payable under the contract.		
Not later than one year	16.8	14.1
Later than one year but not later than five years	15.3	22.2
Total service commitments	32.1	36.3
Total capital and service expenditure commitments	48.2	40.7
(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 tenement Blocks S-M-1537, S-M-1356 and S-M-1482, (30 June 2023: Block S-M-1537) not provided for in the consolidated financial statements and payable.		
Not later than one year ⁽ⁱ⁾	5.0	–
Later than one year but not later than five years	22.5	3.5
Total guaranteed exploration expenditure commitments	27.5	3.5

(i) The Group was successful in securing two deepwater blocks (S-M-1356 and S-M-1482) in the ANP 4th permanent offer round during December 2023. The payment of the bid bonus for these blocks is expected to occur in Q2 CY24.

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 Goiás 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. 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.

Estimates for future exploration expenditure commitments to the 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.

NOTE 26. SHARE-BASED PAYMENTS

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

The fair value of 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 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 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 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 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 period.

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

The share-based payment plans are described below. There has been no cancellation to a plan during the financial period.

KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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 performance right, volatility and dividend yield and making assumptions about them at grant date. 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 on 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 and performance rights granted that will ultimately vest or be settled in cash. At the end of each reporting period, the unvested 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 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.

(a) Performance Rights Plan ('PRP')

The Company currently has two PRPs in place, the 2019 PRP and 2022 PRP. The 2022 PRP was approved by shareholders at the 2022 Annual General Meeting.

Under the PRP, eligible employees are offered performance rights, which subject to performance conditions, can on exercise be converted to 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 the People and Culture Committee, will be responsible for assessing whether the performance measures have been achieved. When vested, each performance right is, subject to exercise, 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.

NOTE 26. SHARE-BASED PAYMENTS CONTINUED

During the financial period, the Group granted 296,634 performance rights (30 June 2023: 495,468) over unissued ordinary shares in the Company to the Chief Executive Officer and Managing Director. The performance rights were provided to the Chief Executive Officer and Managing Director and were subject to approval by shareholders at the 2023 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 period:

	6 MONTHS ENDED 31 DECEMBER 2023 NUMBER	12 MONTHS ENDED 30 JUNE 2023 NUMBER
Balance at beginning of financial period	9,063,068	13,645,295
Granted during financial period	1,257,634	2,813,925
Vested and converted during financial period	(3,531,344)	(5,273,975)
Cash-settled during financial period	(914,161)	(1,326,032)
Forfeited during financial period	(166,598)	(796,145)
Balance at end of financial period	5,708,599	9,063,068
Vested and exercisable at end of financial period	177,689	–

- (i) The weighted average fair value of performance rights granted during the financial period was A\$1.54 (30 June 2023: A\$1.68). 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 26(b) below.
- (ii) The weighted average exercise price of performance rights converted during the financial year was A\$Nil (2023: A\$Nil).

Performance rights issued during the financial period were issued under the 2022 PRP.

Performance rights outstanding as at 31 December 2023 had a weighted average remaining contractual life of 791 days (30 June 2023: 635 days). Details of performance rights outstanding at the end of the financial year are:

GRANT DATE	DATE OF EXPIRY	NUMBER
25 September 2020	30 June 2024	153,704
23 March 2022	30 June 2025	872,085
6 May 2022	30 June 2025	1,246,439
24 November 2022	30 June 2026	432,577
16 December 2022	30 June 2024	23,985
16 December 2022	30 June 2026	1,616,614
31 March 2023	30 June 2026	105,561
14 November 2023	30 June 2025	57,263
23 November 2023	30 June 2026	12,649
23 November 2023	30 June 2025	261,135
23 November 2023	30 June 2027	926,587
Total performance rights		5,708,599

(b) Fair Value of Performance Rights

The fair value of each LTI performance right issued during the financial period 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 periods 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:

	6 MONTHS ENDED 31 DECEMBER 2023	12 MONTHS ENDED 30 JUNE 2023
Weighted average exercise price	\$A Nil	\$A Nil
Weighted average life of performance rights	1,310 days	1,172 days
Weighted average share price	A\$2.12	A\$2.18
Expected share price volatility	44.71%	48.40%
Risk free interest rate	4.34%	3.70%
Dividend yield	1.36%	1.39%
Weighted average performance rights value	A\$1.32	A\$1.58

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.

(c) Share-based Payments Expense

Total expenses arising from share-based payment transactions recognised during the financial period, included as part of other expenses in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	6 MONTHS ENDED 31 DECEMBER 2023 US\$M	12 MONTHS ENDED 30 JUNE 2023 US\$M
Share-based payments expense (non-cash)	1.3	2.6
Share-based payments expense (cash-settled)	0.1	0.5
Total share-based payments expense	1.4	3.1

NOTE 27. 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 22.

During the financial period, 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. These allocations were 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 (30 June 2023: 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 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:

	6 MONTHS ENDED 31 DECEMBER 2023 US\$000	12 MONTHS ENDED 30 JUNE 2023 US\$000
Short-term employee benefits	1,548	2,431
Post-employment benefits	130	197
Long-term employee benefits (non-cash)	(9)	79
Termination benefits	232	-
Share-based payments expense	668	1,193
Total key management personnel remuneration	2,569	3,900

Detailed remuneration disclosures for the Directors and other key management personnel are provided in Section 10 of the audited Remuneration Report on pages 46 to 53. Termination of the Executive Director's and other key management personnell's employment is subject to a minimum notice period as disclosed on page 44 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 31 December 2023.

(c) Other Transactions with Directors and Other KMP

During the financial period, the Group paid US\$132,213 to Radix Engenharia e Software (Radix), an entity of which Mr Tadeu Fraga, a Non-Executive Director, is a Board member. Radix provided engineering consulting services to the Group at market prices. Mr Fraga's interest in Radix commenced on 1 March 2023, post the execution of the contract.

During the financial period, Ms Fraga, a family member of Mr Tadeu Fraga, a Non-Executive Director, remained employed by the Group as P&C Co-ordinator in Brazil. The total value of her remuneration (including share-based payments expense) during the financial period was US\$67,232. Ms Fraga's employment with the Karoon Group commenced prior to the appointment of Mr Fraga.

NOTE 28. REMUNERATION OF EXTERNAL AUDITORS

	6 MONTHS ENDED 31 DECEMBER 2023 US\$'000	12 MONTHS ENDED 30 JUNE 2023 US\$'000
The auditor of Karoon Energy Ltd is PricewaterhouseCoopers.		
Remuneration received or due and receivable by the external auditors of the Company for:		
– Audit and review of financial statements of Karoon Energy Ltd Group (PricewaterhouseCoopers Australia)	173	190
– Audit and review of financial statements of controlled entities (Related Practices of PricewaterhouseCoopers Australia)	109	151
Sub-total	282	341
Other assurance services	51	27
Total remuneration for external auditors⁽ⁱ⁾	333	368

(i) The group and its controlled entities have not procured any 'Other services' from the external auditors other than those included above under 'Other assurance services'.

NOTE 29. SUBSEQUENT EVENTS

This Annual Report was authorised for issue by the Board of Directors on 29 February 2024. The Board of Directors has the power to amend and reissue the consolidated financial statements and notes.

Since 31 December 2023, 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 56 to 107 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 31 December 2023 and of its performance for the financial period 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 Peter Botten
Independent Non-Executive Chairman

29 February 2024



Dr Julian Fowles
Chief Executive Officer and Managing Director



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 31 December 2023 and of its financial performance for the period 1 July 2023 to 31 December 2023
- (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 31 December 2023
- the consolidated statement of profit or loss and other comprehensive income for the period 1 July 2023 to 31 December 2023
- the consolidated statement of changes in equity for the period 1 July 2023 to 31 December 2023
- the consolidated statement of cash flows for the period 1 July 2023 to 31 December 2023
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- 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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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.

Audit Scope

- Our audit focused on where the Group made subjective judgements, for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- 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.

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, Risk and Governance Committee.

Key audit matter

How our audit addressed the key audit matter

Accounting for the acquisition of interests in the US Gulf of Mexico (Refer to note 24)

During the period, the Group acquired interests in the US Gulf of Mexico for a total consideration of US\$720 million.

The accounting for the acquisition of these interests was a key audit matter due to the significance of the related balances, and because of the judgement involved in the Group determining whether the acquisition should be treated as an asset acquisition or a business combination under the requirements of Australian Accounting Standards.

We performed the following procedures, amongst others, in relation to this key audit matter:

- Obtained and read the Purchase and Sale Agreement and Offshore Operating Agreements to develop an understanding of the relevant terms and conditions of these agreements.
- Evaluated the Group's assessment that the acquisition of these interests met the criteria for an asset acquisition in line with the requirements of Australian Accounting Standards.
- Assessed the recognition and measurement of the material assets and liabilities related to the acquisition in line with the requirements of Australian Accounting Standards.
- Considered the reasonableness of the related disclosures in line with the requirements of Australian Accounting Standards.



Key audit matter

How our audit addressed the key audit matter

Assessing the carrying value of oil and gas assets (Refer to note 12)

As at 31 December 2023, the Group's consolidated statement of financial position includes oil and gas assets of US\$1,391 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 its market capitalisation as at 31 December 2023.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period 1 July 2023 to 31 December 2023, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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.

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 the directors' report for the period 1 July 2023 to 31 December 2023.

In our opinion, the remuneration report of Karoon Energy Ltd for the period 1 July 2023 to 31 December 2023 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.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Graeme McKenna'.

Graeme McKenna
Partner

Melbourne
29 February 2024

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 13 February 2024.

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	3,133	1,476,442
1,001 to 5,000	4,032	11,447,282
5,001 to 10,000	1,807	13,897,896
10,001 to 100,000	2,612	72,680,908
More than 100,000	293	701,731,548
Total	11,877	801,234,076

There were 1,062 shareholders holding less than a marketable parcel of ordinary shares to the value of A\$500.

SUBSTANTIAL SHAREHOLDERS

As at 13 February 2024, no substantial shareholder notices had been received by the Company, which had not been subsequently revoked.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders of the Company's ordinary shares are listed below:

SHAREHOLDER	Fully Paid Ordinary Shares	
	NUMBER HELD	% OF ISSUED ORDINARY SHARES
1 HSBC Custody Nominees (Australia) Limited	232,815,566	29.06
2 J P Morgan Nominees Australia Pty Limited	155,346,693	19.39
3 Citicorp Nominees Pty Limited	114,291,446	14.26
4 National Nominees Limited	37,393,720	4.67
5 HSBC Custody Nominees (Australia) Limited – A/C 2	14,526,161	1.81
6 BNP Paribas Noms Pty Ltd <DRP>	13,878,674	1.73
7 HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	12,584,822	1.57
8 BNP Paribas Nominees Pty Ltd <IB AU Noms Retail client>	10,753,718	1.34
9 Washington H Soul Pattinson and Company Limited	6,100,000	0.76
10 Palm Beach Nominees Pty Limited	3,441,595	0.43
11 Ecapital Nominees Pty Limited <Accumulation A/C>	3,400,917	0.42
12 Ropat Nominees Pty Ltd	3,220,765	0.40
13 Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,126,517	0.39
14 Netwealth Investments Limited <Wrap Services A/C>	2,679,872	0.33
15 BNP Paribas Nominees Pty Ltd <Agency Lending A/C>	2,648,763	0.33
16 UBS Nominees Pty Ltd	2,359,541	0.29
17 Mr Kenneth Joseph Hall <Hall Park A/C>	2,050,000	0.26
18 Greenhill Road Investments Pty Ltd	1,760,000	0.22
19 Sandhurst Trustees Ltd <JMFG Consol A/C>	1,541,774	0.19
20 BNPP Noms Pty Ltd Hub24 Custodial Serv Ltd	1,345,908	0.17
Total	625,266,452	78.04

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	59	5,708,599
Total	59	5,708,599

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 on 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.

The Company was admitted to the ASX official list during June 2004 and quotation of its ordinary shares commenced on 8 June 2004.

On 30 November 2018, the Company changed its name from Karoon Gas Australia Ltd to Karoon Energy Ltd.

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

FIELD	EXPLORATION PERMIT/ BLOCK	BASIN	OPERATOR	% EQUITY INTEREST HELD
Baúna	Concession BM-S-40	Santos, Brazil	Karoon	100
Neon	Block S-M-1037	Santos, Brazil	Karoon	100
Goia	Block S-M-1101	Santos, Brazil	Karoon	100
Clorita	Block S-M-1537	Santos, Brazil	Karoon	100
Who Dat	MC 502	Mississippi Canyon, USA	LLOG	30
	MC 503	Mississippi Canyon, USA	LLOG	30
	MC W/2 504	Mississippi Canyon, USA	LLOG	30
	MC E/2 546	Mississippi Canyon, USA	LLOG	30
	MC E/2 547	Mississippi Canyon, USA	LLOG	30
Dome Patrol	MC E/2 504	Mississippi Canyon, USA	LLOG	30
	MC E/2 505	Mississippi Canyon, USA	LLOG	30
Abilene	MC W/2 546	Mississippi Canyon, USA	LLOG	~16
Who Dat South	MC 545	Mississippi Canyon, USA	LLOG	30
	MC 589	Mississippi Canyon, USA	LLOG	30
Who Dat West	MC 629	Mississippi Canyon, USA	LLOG	35
Who Dat East	MC 509 & 421	Mississippi Canyon, USA	LLOG	40
	MC 421	Mississippi Canyon, USA	LLOG	40
	MC 464	Mississippi Canyon, USA	LLOG	40
	MC 465	Mississippi Canyon, USA	LLOG	40

GLOSSARY

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, Piracaba and Patola light oil fields in Brazil.
BCF	Billion cubic feet.
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.
Carbon Neutral	Carbon neutral refers to having a balance between emitting and offsetting greenhouse gas emissions, achieved through acquiring carbon offsets in respect to Scope 1 and 2 GHG emissions.
CO₂e	Carbon dioxide equivalent. The universal unit of measurement to indicate the global warming potential of each of the seven greenhouse gases, expressed in terms of the global warming potential of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) any greenhouse gas against a common basis.
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.
CY	Calendar year beginning 1 January to 31 December.
Director	A Director of Karoon Energy Ltd.
Discovery Well	The first successful well on a new prospect.
DPO	Days Payable Outstanding.
E&P	Exploration and production.
Emission intensity	Total Scope 1 and Scope 2 GHG emissions (kgCO ₂ e) divided by the total production (boe) of the equivalent period.
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.
FPS	Floating Production System.
FPSO	Floating production, storage and off-loading facility.

TERM	DEFINITION
FUNAI	National Indigenous People Foundation (Brazil).
FY or financial year	Financial Year
Gearing	Net debt/(net debt+ book value of equity).
GHG	Greenhouse gas.
GOM	Gulf of Mexico.
GreenPower	A Government accredited renewable energy product operated by NSW Government on behalf of NSW, Victoria and South Australia and offered through energy retailers.
GRI	The Global Reporting Initiative is a network-based organisation that promotes sustainability reporting worldwide. The GRI reporting framework sets out principles and indicators that organisations can use to measure and report their environmental, social and governance performance.
GST	Goods and Services Tax in Australia.
HSSE	Health, safety, security and environment.
JV	Joint Venture.
Karoon or Group	Karoon Energy Ltd and its subsidiaries.
KMP	Key Management Personnel.
Lost Time or Recordable Incident	A recordable incident is any incident that is required to be reported to parties external to Karoon, including Medical Treatment Injuries, Alternative Duties Injuries, Lost Time Injuries and Fatalities.
LTI	Lost time injury.
LTI	Long-term incentive.
LTIR	Lost time injury rate.
m	Million.
Market Capitalisation	The product of a company's share price multiplied by the total number of ordinary shares issued by the company.
LLOG	LLOG Exploration Offshore, LLC and LLOG Omega Holdings.
MMbbl	Millions of barrels (1,000,000 barrels).
Mmboe	Millions of barrels of oil equivalent.
MMscf/d	Million standard cubic feet per day.
NED	Non-Executive Directors.
Net debt	Total borrowings (excluding transaction costs) less cash and cash equivalents.
Net Zero (Scopes 1 and 2)	Reduction of Scope 1 and 2 GHG emissions as far as possible with the residual balanced using carbon removals projects and if required carbon offsets.
NPAT	Net Profit After Tax.
NRI	Net Revenue Interest.
OMS	Operating Management System.
OPEC	The Organisation of Petroleum Exporting Countries
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.

TERM	DEFINITION
Previous Financial Year	Financial year ended 30 June 2023.
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.
Prospective Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. • 1U – Denotes the unrisks low estimate qualifying as Prospective Resources. • 2C – Denotes the unrisks best estimate qualifying as Prospective Resources. • 3C – Denotes the unrisks high estimate qualifying as Prospective Resources.
REAL or R\$	Brazilian currency.
REDD+	Reducing Emissions from Deforestation and forest Degradation, as well as forest conservation, sustainable management of forests, and enhancement of forest carbon stocks.
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. • 2P – Denotes best estimate of Reserves. • 3P – Denotes high estimate of 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.
RUMO	Resilience and Union for Marine Organization.
Scope 1 Emissions	GHG released directly from operations within Karoon's (including operational control and equity share). This includes emissions from stationary combustion (eg. generator turbines onboard the FPSO), mobile combustion (e.g. supply vessels and fleet cars), fugitive emissions (e.g. general leaks), and process emissions (e.g. from flaring).
Scope 2 Emissions	Indirect GHGs released from the energy purchased at offices and shorebases.
Scope 3 Emissions	Other indirect GHG emissions, accounting for emissions in Karoon's upstream and downstream supply chains.
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.
TCFD	Task Force on Climate Related Financial Disclosures. For more information see www.fsb-tcfd.org/about
tCO₂e	Tonnes of carbon dioxide equivalent.
TRIR	Total Recordable Injury Rate.
TY23	Transitional Financial year beginning 1 July 2023 and ending on 31 December 2023.
US\$	United States dollars.
US, USA	The United States of America.
VER	Verified Emission Reduction. A type of carbon offset certification traded in voluntary or over-the-counter market for carbon credits.

THREE YEAR SUMMARY

6 MONTHS ENDED:		30 JUN 21	31 DEC 21	30 JUN 22	31 DEC 22	30 JUN 23	31 DEC 23
PRODUCTION AND SALES							
Brazil	Mmboe	2.3	2.5	2.1	3.4	3.7	5.4
Who Dat (NRI)	Mmboe	–	–	–	–	–	0.1
Total production	Mmboe	2.3	2.5	2.1	3.4	3.7	5.5
Sales Volumes ¹	Mmboe	2.4	2.6	2.0	3.4	3.7	5.1
Realised Oil price	US\$/boe	61.45	72.43	100.79	87.86	73.06	81.51
INCOME STATEMENT							
Sales Revenue	US\$M	147.0	186.5	198.6	299.4	267.1	412.9
Other income	US\$M	0.0	0.0	0.6	0.0	0.1	0.1
Total Revenue	US\$M	147.0	186.5	199.2	299.4	267.2	413.0
Production costs (incl. FPSO Dep'n and fin costs)	US\$M	(57.9)	(59.1)	(58.5)	(72.5)	(62.5)	(78.2)
Royalties & Levies	US\$M	(15.0)	(19.1)	(22.4)	(30.3)	(36.4)	(45.0)
Business Development, share-based payments & Neon studies	US\$M	(8.5)	(6.4)	(6.2)	(5.4)	(5.4)	(5.5)
Corporate	US\$M	(7.1)	(7.1)	(8.0)	(9.2)	(11.5)	(14.0)
Change in inventories	US\$M	(1.2)	(5.3)	11.6	(6.0)	(5.5)	12.7
Underlying EBITDA	US\$M	57.4	89.5	115.8	175.9	145.9	283.0
D&A (ex FPSO)	US\$M	(26.8)	(29.8)	(25.9)	(48.0)	(38.4)	(61.2)
Group EBIT	US\$M	30.5	59.6	89.9	128.0	107.5	221.8
Interest income	US\$M	0.1	0.1	0.1	1.1	2.9	2.5
Finance costs	US\$M	(1.6)	(2.3)	(3.7)	(3.7)	(6.3)	(9.1)
Net interest costs	US\$M	(1.5)	(2.2)	(3.6)	(2.6)	(3.4)	(6.6)
Group PBT	US\$M	29.0	57.4	86.3	125.4	104.1	215.2
Tax expense (Underlying)	US\$M	(17.0)	(35.4)	(22.7)	(42.6)	(41.0)	(70.5)
Underlying NPAT	US\$M	12.0	22.0	63.6	82.8	63.1	144.7
Adjustments (post tax)	US\$M	(6.1)	(119.7)	(30.3)	(5.2)	22.3	(22.2)
Reported NPAT	US\$M	5.9	(97.7)	33.3	77.6	85.4	122.5
FLOW OF FUNDS							
Net cash flows provided by operating activities	US\$M	72.1	83.9	70.3	167.1	138.8	303.4
Net cashflows from Investing activities (excl. M&A)	US\$M	(20.7)	(18.3)	(52.5)	(142.4)	(129.3)	(8.4)
Free cashflow (excl. M&A)	US\$M	51.5	65.6	17.9	24.7	9.5	295.1
Acquisition/divestments	US\$M	0.0	0.0	(42.2)	0.0	(84.5)	(719.7)
BALANCE SHEET							
Total Assets	US\$M	1,014.0	1,102.8	1,164.1	1,256.8	1,190.4	1,932.5
Total cash	US\$M	133.2	204.1	157.7	163.2	74.8	170.4
Total debt (ex lease liabilities and transaction costs)	US\$M	0.0	30.0	30.0	30.0	30.0	274.1
Net debt/(cash) ex lease liabilities and transaction costs	US\$M	(133.2)	(174.1)	(127.7)	(133.2)	(44.8)	103.7
Shareholders equity	US\$M	380.3	280.4	276.2	379.1	473.6	914.0
Gearing (net debt ex leases/ (net debt ex leases + equity))	%	-54%	-164%	-86%	-54%	-10%	10%
Return on average shareholder equity	%	NA	-30%	12%	24%	20%	18%
Return on assets	%	NA	-10%	3%	7%	7%	10%
HSSE METRICS							
Fatalities	#	–	–	–	–	–	–
High Potential Incidents	#	1	2	–	–	1	–
Lost Time Injuries (LTI)	#	–	1	3	1	–	–
Medical Treatment cases	#	–	–	–	2	–	–
Restricted Work Cases	#	–	–	–	1	–	–
Work Exposure Hours	# of hours	386,000	414,000	614,000	1,026,000	922,000	494,000
Total Recordable Injury Rate	# per 200,000 hours	0.25		0.85		0.00	
Lost Time Injury Rate	# per 200,000 hours	0.25		0.48		0.00	

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr Peter Botten
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 Tadeu Fraga
Independent Non-Executive Director

Mr Bruce Phillips
Former Independent Non-Executive Chairman

COMPANY SECRETARY

Mr Daniel Murnane

AUDIT, RISK AND GOVERNANCE COMMITTEE MEMBERS

Mr Clark Davey
(Chair of Committee)

Mr Peter Botten

Mr Peter Turnbull

PEOPLE AND CULTURE COMMITTEE MEMBERS

Mr Peter Turnbull
(Chair of Committee)

Mr Peter Botten

Mr Clark Davey

SUSTAINABILITY AND OPERATIONAL RISK COMMITTEE MEMBERS

Ms Luciana Rachid
(Chair of Committee)

Mr Peter Botten

Mr Peter Turnbull

Mr Tadeu Fraga

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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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