

25 August 2022

Company Announcements Office
ASX Limited

Dear Sir / Madam

2022 Sustainability Report

Enclosed is Karoon Energy Ltd's 2022 Sustainability Report.

This announcement has been authorised by the Board of Directors.

Yours faithfully



Nick Kennedy
Company Secretary

Progress through
COMMITMENT

Sustainability Report 2022



Progress through COMMITMENT

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Our first standalone Sustainability Report marks an important milestone for Karoon Energy Ltd (Karoon) and our sustainability journey. Over FY2022 we successfully completed our first full year of production from Baúna, our asset located in the Santos Basin offshore Brazil. Karoon has now transitioned from an explorer to a producer and this transformation has had a significant influence on the materiality of our sustainability impacts. This report highlights Karoon's approach to managing these impacts and the actions we are taking.

Over FY2022 we achieved excellent facilities uptime with no material safety or environmental incidents, built on our commitment to good governance in appointing our new Executive Vice Presidents in Brazil and Australia, and introduced our new climate strategy. The Baúna intervention program commenced in May 2022 and the Patola oil field development is on track to come onstream in early CY2023. Combined, these projects are targeted to increase revenue by more than doubling production. This is complemented with the April 2022 expansion of our first syndicated debt facility to US\$210 million, providing additional financial resilience to support our ambitions for growth.

During the past year Karoon went through a process to refresh our corporate strategy as well as revisiting our purpose, vision and mission, setting us on a path for continued growth and success as an oil producer. A key element of the process was a review of our sustainability strategy and how we can best demonstrate our commitment to safe, reliable and responsible operations. As a result, we identified five core pillars of sustainability, each of which is presented in this report.

Alongside Health and Safety, our Climate pillar has been a key focus for us this year. In our October 2021 Strategy Presentation to investors and other stakeholders, we announced our greenhouse gas (GHG) emissions targets. We are targetting to being carbon neutral on Scope 1 and 2 Baúna-Patola GHG emissions from FY2021, with a target of Net Zero on Scope 1 and 2 GHG emissions by 2035. These targets were established through a series of multi-disciplinary discussions and analyses that considered how to generate value for all our stakeholders while managing the associated risks. Importantly, we also developed a Carbon Management Action Plan to enable us to achieve these targets.

Forward Looking Statements

This 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 Report.

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 Report necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise (including, without limitation, changes in project schedules, operating performance, the effects of weather and climate change, 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 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.

Our dedicated Sustainability Team has prepared this report using a cross-functional, collaborative approach to identify a broad range of issues and analyse performance. It has been reviewed by our Executive Leadership Team and the Sustainability and Operational Risk Committee and approved for publication by our Board.

As Karoon does not currently have any joint venture operations our reported FY2022 sustainability statistics are the same regardless of reporting boundary (operational, equity or financial). However, in keeping with oil and gas industry practice, the statistics can be assumed to have been calculated based on an operational boundary.

Demonstrating Karoon's commitment to our climate strategy and transparent reporting, this report was also subject to independent assurance over our Scope 1 and 2 GHG emissions. In obtaining this assurance, Karoon seeks to provide confidence in the reliability of information, as well as use it as a tool to help us identify opportunities to improve our future reporting. The assurance findings were reviewed by the Executive Leadership Team and the Sustainability and Operational Risk Committee and are presented in the Limited Assurance Statement provided at the end of this report.

The independent limited assurance was obtained from PricewaterhouseCoopers (PwC) over our Scope 1 and 2 GHG emissions, in accordance with Australian Standards on Assurance Engagements ASAE 3000. PwC's Limited Assurance Statement outlines the scope and basis of the assurance they have provided. PwC is Karoon's external financial statements auditor as well as our sustainability reporting assurance provider. The Audit and Risk Committee is responsible for oversight of the independence of this relationship and makes approval recommendations to the Karoon Board.

Further information regarding Karoon's 2022 financial year corporate and operational performance can be found in our 2022 Annual Report and our 2022 Corporate Governance Statement. Specific information regarding modern slavery will be contained in Karoon's 2022 Modern Slavery Statement, due for submission in December 2022. Details of Karoon's business are also available through our website www.karoonenergy.com.au



Operational HIGHLIGHTS



4.64 MMBBL
PRODUCTION



US\$385.1 MILLION
OIL SALES
REVENUE



>US\$80 MILLION
CONTRIBUTIONS TO
BRAZIL THROUGH
TAXES & ROYALTIES



0.77 PER 200,000
HOURS
TOTAL RECORDABLE
INCIDENT RATE



82,870 tCO₂e
SCOPE 1 & 2
EMISSIONS



46%
GROUP GENDER
DIVERSITY





OVERVIEW

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

During CY2021, the Board and management of Karoon worked together to refresh our Company strategy, which was presented to investors in October 2021. In early CY2022, the senior leadership teams from Australia and Brazil worked to further develop and define our strategic framework, in consultation with the Board, detailing the key steps in our strategy that we believe will enable us to achieve success in realise our vision.

WHY?

Our Purpose

To provide energy to a dynamic world, responsibly creating enduring benefits for all our stakeholders.

WHAT?

Our Vision

To be a leading, independent international energy company that adapts to a dynamic world in an entrepreneurial and innovative way.

HOW?

Our Mission

To empower our people to deliver safe and reliable operations and build scale in a socially responsible and sustainable manner.

In order to achieve our vision, the Karoon Board and senior management team have worked diligently to embed our core values into all aspects of Karoon's business, establishing a workplace culture that engages and motivates employees to achieve success.

Our Values

- **Safety** is our highest priority, a state of mind in respect of personnel, community and the environment.
- **Integrity** is honestly doing what is right and what we say we will do.
- **Collaboration** is working together, to achieve our goals and striving for better outcomes for all stakeholders.
- **Commitment** is following through on our promises with focus, passion and dedication.
- **Respect** is actively listening to, harnessing and embracing different backgrounds, cultures, thoughts and ideas.

Our values, purpose, mission and vision all recognise in some way the sustainability challenges and opportunities facing Karoon and our commitment to operating as an environmentally, socially and economically sustainable company. In defining our strategic framework, we have sought to communicate to all stakeholders our clear path forward as an oil company committed to safe, reliable and responsible operations.

Our Approach to Sustainability – the Five Pillars

Karoon considers a successful approach to sustainability to be a key enabler to the overall success of our Company strategy. This is particularly evident in our 2021 Strategic Refresh, the results of which are summarised in our investor presentation of

28 October 2021. Sustainability was a core element in decision making throughout the Refresh process, culminating in the definition of Karoon's five core pillars of sustainability.

Health, safety and security remain our first priority and form the first of our sustainability pillars. Karoon has always strived to provide a workplace that protects the safety and wellbeing of our people as we continually look for ways to further improve our strong safety record.

Our second pillar is climate, which centres on mitigating the climate impacts of our operations. Two major milestones were achieved in our climate pillar this year. The first was establishing our climate targets, including Net Zero by 2035 (Scope 1 and 2) and a target of being carbon neutral on Scope 1 and 2 GHG emissions from FY2021 onwards for Baúna-Patola, a year ahead of our original FY2022 target.

We recognise the importance of a diverse and motivated workforce in achieving success, and the need to ensure staff are treated with respect, not just within our immediate business, but across our supply chain. Karoon understands that successful relationships with our stakeholders result from genuine and respectful engagement. We aim to ensure that all our stakeholders have the opportunity to participate in consultative processes and provide honest and open feedback that can help us as we strive for continuous improvement in all aspects of our business.

Our commitment to diversity and inclusion, the protection of human rights and respectful engagement with people in local areas is represented in our third and fourth pillars of People and Culture, and Community, respectively. Significant achievements in each of these pillars during FY2022 included the submission of Karoon's first Modern Slavery Statement and our commitment to four new voluntary social-environmental projects in Brazil.

Karoon's approach to sustainability through

FIVE KEY PILLARS



1. Health, Safety and Security

People are the heart of our business and their safety is our priority. Our focus on health, safety, security and environment is reflected in our operating management system that defines Karoon's high expectations of safety and integrity in all operations. Since taking operatorship of the producing Baúna oil field in November 2020 Karoon has been working closely with the Baúna FPSO operator, Altera&Ocyan, to ensure Karoon's commitment to health, safety and environment is embedded throughout our Baúna operations, as it is throughout the organisation.



2. Climate

Karoon acknowledges that while there is an ongoing global demand for oil, it is imperative that this demand be met responsibly with oil and gas companies playing a key role in the pathway to net zero. We believe we should seek to reduce our GHG emissions where feasible and to mitigate what cannot be removed, thereby helping with the global effort to reduce the impact of climate change.



3. People and Culture

Our people are the heart of our business. Karoon boasts a diverse team of dedicated professionals with a depth of experience. We strive to be an employer of choice by offering all staff a safe and engaging workplace. We carry this through our supply chain, aiming to ensure that the rights of people contributing to Karoon's operations are protected.



4. Community

We understand the importance of clear communication with key stakeholders and that the way to conduct a successful operation is by engaging with local communities early to build a relationship based on understanding and trust. We believe that a successful project should empower the people who are involved in, or impacted by, our operations with opportunities to achieve an improved quality of life. Karoon has begun building a program of community investment with four new social programs in Brazil.



5. Environment

Karoon demonstrates respect for our local environments by trying to minimise impacts, protect biodiversity and to seek continuous improvement in operations. This is achieved through careful monitoring to seek compliance with environmental regulations and licence requirements and through implementation of our specifically designed environmental projects.

Our final pillar of sustainability, Environment, continues to be a critical consideration in our operational decision making. Karoon works closely with contractors, regulatory authorities and other stakeholders and strives to ensure our operations at a minimum comply with, and where possible exceed, all environmental regulations. Karoon has not recorded any significant environmental incidents in any of our operations to date.

Our strong governance helps us to manage the risks facing the company and build an economically sustainable business to deliver value to all our stakeholders. As an oil producer Karoon understands the importance of demonstrating our commitment to sustainability and our progress in each of our five pillars. We will continue to monitor and review our Company and sustainability strategies and work with key stakeholders, including financiers. Karoon's robust balance sheet, governance structure, commitment to capital discipline and our risk management framework will all help us in implementing our sustainability strategies and remaining economically sustainable as we grow.

Managing Sustainability Risks and Opportunities

Karoon understands that the careful management of risks and opportunities is critical to achieving a successful and

sustainable business. Karoon's risk management framework is well established and is regularly reviewed and updated as our business grows and we respond to the expectations of our key stakeholders.

The process for identifying risks and opportunities is undertaken at several levels within the organisation. Activity level risk assessments are undertaken to ensure no activity is carried out if it poses an unacceptable level of risk to personnel or environmental safety. Project level risk assessments are carried out for any potential investment to seek to ensure both risks and opportunities are identified to optimise investment decision making. Overall business risks are considered in the context of both corporate and operational risks, including climate-related transition and physical risks, and these are reviewed by the Board on a regular basis.

The Board has ultimate oversight of risk management at Karoon, guiding expectations through the Risk Tolerance Statement and risk identification and mitigation register. Reviews are managed through a number of committees:

- The Audit and Risk Committee (ARC) assists the Board in discharging its oversight responsibilities with respect to overall risk identification and management, including the Corporate Risk register and all aspects of Karoon's financial reporting.

PILLAR OF**SUSTAINABILITY KEY RISKS****KEY OPPORTUNITIES**

Health, Safety and Security	Harm to those working in our operations or to our assets	Reducing incident rates through culture and process-related improvements and technological advances
Climate	Both physical and transition risks related to climate impacts	Reducing emissions and emissions intensity of operations Opportunities arising from market developments, such as access to new carbon reduction and offsetting projects
People and Culture	Ability to attract and retain talent Supply chain risks, such as those related to human rights	Continuing to develop our strategy and culture to remain an employer of choice Monitor, and where possible alleviate, supply chain risks through proactive engagement with suppliers.
Community	Impacts from operations on local communities	Improving quality of life in local communities through investment in projects that empower local people
Environment	Environmental harm from major oil spill	Reducing potential negative impacts through robust planning, thorough maintenance, improved waste management and investment in research and development

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

The SORC is the principal body responsible for assisting the Board in discharging its oversight responsibilities for sustainability-related risks and opportunities at Karoon, as reflected in the Board and Committee Charters. This includes oversight of Karoon's key sustainability-related policies; the HSSE Policy and the Sustainability Policy, both of which are available on the Karoon website <https://www.karoonenergy.com.au/governance/#corporate-policies>. Responsibility for management and implementation of these policies sits with the CEO and Managing Director and Executive Leadership Team, which includes the HSSE and Sustainability Manager.

Experience in the design, implementation and oversight of effective governance frameworks, including compliance and risk management processes and development of good corporate culture (including in relation to safety, technology, disruption, carbon, anti-bribery and corruption), is considered one of the core skills of the Board Skills Matrix and is attributable to all current Karoon directors, including the CEO and Managing Director.

Luciana Rachid, Chair of the SORC, has extensive experience in the oil and gas industry in Brazil through a variety of operational, management and leadership roles and has undertaken specific training in environmental, social and governance (ESG) issues with a focus on climate change impacts. Other members of the committee include Peter Botten, who has substantial experience in ESG related projects, particularly social projects, and is chair of the Oil Search Foundation which is responsible for developing a range of innovative and impactful social programs,

and Peter Turnbull, a governance expert and President of the Chartered Governance Institute. The SORC meets at least four times each year, taking the opportunity to review sustainability-related risks at each meeting, which are then reported to the ARC, and the Board.

Risks are identified and assessed by the management team using a Likelihood and Consequence matrix, with specific responsibility for sustainability related risks allocated to the HSSE and Sustainability Manager. The resultant risk registers are reviewed by the CEO and Managing Director before being presented to the Board and its committees.

The Board was closely involved in considering Karoon's sustainability strategy and climate strategy, particularly the Scope 1 and 2 GHG emissions targets and carbon management action plan, arising from the Strategic Refresh. The SORC and the Board monitor progress against the targets through oversight of the carbon management action plan.

Transparent and Responsible Reporting

Karoon aspires to foster a culture that values operating openly, with safety, integrity, collaboration, commitment and respect. Karoon conducts business ethically and responsibly, maintaining our sustainability commitments through our robust governance framework. Further information regarding our approach to prevent bribery, fraud and corruption and our commitment to whistleblower protection is provided in the People and Culture section of this report.

Karoon has established clear and responsible internal and external reporting between Board, management and key stakeholders and has policies and procedures in place to facilitate careful management of sustainability risks, opportunities and disclosures.

In addition, executive remuneration is linked to financial, operating and sustainability outcomes motivating staff to remain diligent in managing sustainability related risks. Refer to our Annual Report for an outline of individual key management personnel (KMP) and corporate performance benchmarks and outcomes.



HEALTH, SAFETY AND SECURITY

0.77 PER 200,000
HOURS

TOTAL RECORDABLE
INCIDENT RATE

0

FATALITIES

4

LOST TIME INCIDENTS

0.77 PER 200,000
HOURS

LOST TIME
INCIDENT RATE

0

MEDICAL TREATMENT
INJURIES

7

FIRST AID INJURIES

People are the heart of our business and their safety is our priority. Karoon completed our first full year as operator of the Baúna field during FY2022. We were able to successfully navigate operational challenges during the transition period without any major incidents or injuries due to our focus on health and safety, engagement with stakeholders and compliance with applicable regulations.

Our Safety Culture

Karoon's workforce is engaged and motivated to prioritise health and safety, in accordance with our HSSE Policy, through safety inductions, ongoing education and training for all workers. This is supported by cultural initiatives such as the inclusion of safety moments at meetings, whether offshore or in the office. In addition, several safety campaigns are run each year across the organisation to emphasise a particular issue or risk, where that risk has been identified or observed. For example, hand injuries were a campaign focus during FY2022, following a Lost Time Incident. Our employees are also incentivised to prioritise safety through our remuneration incentive scheme that has a safety-related gateway of zero fatalities and threshold Total Recordable Incident Rate of less than 2.0.

Karoon has created an internal function in Brazil, known as the Internal Committee for Accident Prevention (CIPA), to continue to develop Karoon's safety culture and raise awareness of health, safety and environmental issues. The CIPA produces regular monthly alert notices as well as coordinating awareness activities, such as Karoon's annual Environment and Safety weeks.

We strive to ensure that our commitment to safe, reliable and responsible operations is evident throughout all our projects and activities. Since taking operatorship of the Baúna oil field in November 2020, Karoon has been engaging with the Baúna FPSO (the Cidade de Itajaí) operator, Altera&Ocyan, to stress Karoon's commitment to health, safety and environment and work with them to embed a safety first culture throughout the Baúna operations.

During the reporting period, Karoon contracted the Maersk Developer rig to undertake a series of activities in Baúna, Patola and Neon. This work commenced with the Baúna intervention campaign, which is a complicated process operationally, increasing Karoon's exposure to safety risks. These are the first activities for Maersk Drilling in Brazil and Karoon spent more than a year in planning with Maersk to align the rig operations to Karoon's safety first culture.

Commitment to Regulatory Compliance

Karoon is committed to complying with all applicable laws and regulations, while aspiring to higher standards than the laws provide and applying responsible standards where laws and regulations do not exist.

Our operating management system (OMS) defines Karoon's expectations of safety and integrity in all operations and encompasses all projects and disciplines of the Company. The OMS is founded on ten standards adopted from the International

Oil and Gas Producers (IOGP) 'Operating Management System Framework for controlling risk and delivering high performance in the oil and gas industry' (Report 510). Karoon's OMS, which includes our policies, guidelines and procedures, is regularly reviewed and updated to be compliant in all jurisdictions in which we operate.

External, third party, audits are conducted on behalf of regulatory agencies including the Brazilian National Agency of Petroleum, Natural Gas and Biofuels, 'Agência Nacional do Petróleo, Gás Natural e Biocombustíveis' (ANP), which has oversight of the operating licence, and the federal environmental agency the 'Brazilian Institute of Environment and Renewable Natural Resources' (IBAMA). These audits measure compliance against specific regulatory criteria. In addition, Karoon conducts its own voluntary safety inspections to further test regulatory compliance, assess operations against industry best practice and to identify possible risks to, and opportunities for, improving safety in operations. 25 audits and inspections were conducted during FY2022.

Risk Management

Karoon understands that a robust governance and risk management framework is essential to identify and mitigate risks to maintain a safe working environment. Karoon maintains a multi-level approach to risk management, with hazard and operability (HAZOP) studies carried out at the activity level and risk assessments carried out at the project and business levels. Assessments are regularly updated and have a strong emphasis on safety. Work may not commence on any individual activity where the safety risk has not been brought to an acceptable level. All staff are empowered to stop work whenever a situation is considered unsafe or when appropriate health, safety and environment controls are not in place. Hazard reporting is encouraged with Safe Card systems used in both operational facilities and offices.

While Karoon aims to ensure that our risk management framework, OMS, regulatory compliance and strong safety culture prevent any major incident, we recognise that the oil and gas industry is inherently high risk and it is necessary to be prepared should an incident occur. We take a structured approach to emergency management, as is standard in the oil and gas industry. Our incident response systems are well documented, setting clear roles and responsibilities for offshore and onshore teams, with personal and environmental safety prioritised over infrastructure when managing a response. The Crisis Management Team, based in our head office, maintains oversight of the incident response while taking responsibility for controlling group-wide business continuity and strategic decision making. Regular training drills are carried out so that personnel are well prepared for emergency events. In Brazil these drills are observed by IBAMA at least once per year. Specific procedures are tested with full deployment drills and key operational responses such as medevac (medical evacuation) and sanivac (sanitary evacuation related to COVID-19) flights and oil spill response.

HEALTH, SAFETY AND SECURITY

CONTINUED

Continuous Improvement

All operational incidents, including near misses and high potential incidents, are reported to senior management and the Board. All incidents are investigated in accordance with the level of severity of the incident. Significant incidents such as Lost Time Injuries or High Potential Incidents are investigated by both Karoon and contractor personnel and a procedure is in place to appoint independent experts to investigate major incidents where applicable. The final report for all incidents includes the identification of the root cause with recommendations to prevent recurrence and learnings shared more widely, including with the broader industry, where relevant.

Karoon seeks to use lessons learned from any incident as opportunities to optimise safety in the workplace. We closely monitor the implementation of all recommendations that arise from audits, inspections and investigations as we continually strive to deliver safe, reliable and responsible operations.

Health and Safety Performance

Karoon's safety performance is monitored by the Company representatives onboard the facilities. A dedicated HSSE Coordinator visits operations to follow up any outstanding actions and to proactively promote Karoon's safety culture. Senior management and the Board are provided with weekly and monthly HSSE updates respectively, unless there is an incident that needs to be reported more urgently. A HSSE Performance Report is provided at each SORC and Board meeting that includes a summary of performance against leading and lagging indicators.

No Medical Treatment Injuries (injuries requiring more than basic first aid but not resulting in any days away from work) or Restricted Work Cases were recorded during FY2022 and no fatality has ever been recorded in Karoon's operations to date. Unfortunately, we did record four Lost Time Incidents (LTIs) during the reporting period:

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

All incidents underwent a thorough investigation process and targeted follow-up safety campaigns were implemented. The High Potential Incidents, which largely related to dropped objects, were also thoroughly investigated and resulted in a targeted inspection campaign onboard the FPSO.

Our LTI rate (LTIR) and Total Recordable Incident Rate (TRIR) were both 0.77 for FY2022 (per 200,000 hours).

There were no Tier 1 or Tier 2 process safety events recorded during the reporting period.

Managing the Impacts of COVID-19

While the COVID-19 pandemic continued to have a global impact during FY2022, Brazil faced significantly reduced numbers of cases and deaths related to COVID-19 compared to FY2021. Despite a spike in cases due to the arrival of the Omicron variant in January 2022, which resulted in a number of cases onboard both the Baúna FPSO and the Maersk Developer drilling rig, Karoon did not experience any interruption to operations or production as a result of COVID-19.

All staff have received at least two doses of a COVID-19 vaccine and have been encouraged to receive booster doses as they become available. While strict COVID-19 protocols are in place across Karoon's operational facilities and offices, and despite the strong commitment to vaccination, cases are continuing to be recorded in Karoon personnel in both Australia and Brazil, although thankfully these have largely been mild or asymptomatic. Testing is undertaken of all suspected cases and isolation protocols enacted with sanivac services provided for symptomatic positive cases identified at offshore facilities.

Thankfully Karoon has not recorded any COVID-19 fatalities throughout the pandemic and no Karoon personnel were hospitalised due to the disease during FY2022.

Karoon understands the importance of mental health and wellbeing as a fundamental element of staff safety. Recognising the potential negative impacts to staff as a result of the pandemic, we have taken steps to help employees who may need support with their mental health. An Employee Assistance Program was put in place that provides Karoon employees and their families with free and confidential access to advice on a range of services including psychological, nutrition, leadership and financial management.

Karoon's FY2022 Performance

Leading		Lagging	
Near Miss Incidents	2	Fatalities	0
Safety Observations	206	Lost Time Incidents (LTI)	4
Safety Drills/Training	350	Reduced Work Cases (RWC)	0
Audit/Inspection Actions	45	Medical Treatment Injuries (MTI)	0
Degraded Safety Critical Equipment Actions	18	First Aid Injuries (FAI)	7
		Environmental Incidents (Spills)	0
		High Potential Incidents (Hi Pots)	3
		Fire	1
		Motor Vehicle Accidents	0

CYBER SECURITY

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

Cybersecurity is sustainable when security resources are implemented, used, managed and maintained in a way that does not degrade the performance level of IT services or deplete over a period of time due to anything that affects overall security of networks, systems, business operations or organisational performance. Karoon's Cybersecurity Plan, overseen by the ARC, addresses these challenges through the following four principles.

Reliability

Our infrastructure and security architecture ensures the business has the ability to execute the required job that it is meant to perform and resist any disruptions to our data, information system assets or infrastructure.

IT operations and services are focused on prevention (of attacks), detection (of attempts), and authentication (of users and data/system access) to ensure the reliability of Karoon data and systems. Monitoring, capture, and reporting of all events drives improvements to our overall cybersecurity effectiveness while also driving overall IT service effectiveness and reliability to the business.

Accuracy

The primary objective of our cybersecurity approach is protecting our data. Understanding and managing critical and sensitive data through our Data Governance and Information Classification Inventory ensures we have the right security, protection, and appropriate disruption response efforts identified and applied to our most sensitive data assets. A key outcome of establishing data definitions is the ability to assign security controls based on characteristics of confidentiality, integrity and availability for both data and the information systems where the data is at rest or in transit.

Threat intelligence is also a crucial part of our security operations and response. Robust cyber security services used by Karoon provide for the collection, evaluation and analysis of cyber incidents to drive actionable review and improvements to our cybersecurity architecture. Generating accurate threat intel involves a meticulous process of finding out relationships between various cyber threats in an accurate manner to ensure threats are identified and prevented.

To maintain a high level of program accuracy, Karoon's Cybersecurity Plan includes training across users and support technicians and relevant penetration testing of our cybersecurity architecture. These efforts, supported by findings from regular audits, enable Karoon to continually mature our cybersecurity program.

Architecture

Our security architecture has been built such that foundational defences against security threats are properly aligned and integrated with the appropriate security standards, policies, functional

and non-functional requirements, organisational strategies and business road maps. It has been designed to address how the existing business operates and to anticipate business growth.

The cybersecurity architecture is assessed to ensure it addresses business change and is updated at regular intervals, or whenever there are changes in the current posture, delivery mechanisms, addition or removal of features, methods or technology. It is also assessed and updated if there are evolving threat situations. These efforts aim to ensure that our cybersecurity services, platforms and programs are producing the desired outcome and are aligned to the organisation's architectural requirements.

Resilience

Resilience is being prepared and having the ability to adapt for dynamically changing conditions, to tolerate possible disruptions and recover from them as swiftly as possible. Through our IT operations and supporting partners, we seek to dynamically manage the changing threat environment that can have the potential to disrupt our business and operations at some point.

Robust backup, redundancy, response, and recovery systems (and associated procedures) are in place to recover fully in the case of cyber disruption. The Company takes organisational measures to ensure that incidents that could have a negative impact on the IT environment are dealt with in a timely manner. All cybersecurity incidents are managed and documented according to defined incident and response plans aligned with Karoon's Crisis Management Plan (CMP).



CLIMATE

82,805_{tCO₂e}

SCOPE 1
EMISSIONS

65_{tCO₂e}

SCOPE 2
EMISSIONS

>95%

SCOPE 3 EMISSIONS
AS PERCENTAGE
OF TOTAL

18_{kgCO₂e/bbl}

YEARLY AVERAGE
EMISSIONS INTENSITY
OF OPERATIONS

>2,850_{tCO₂e}

EMISSIONS
AVOIDED

100%

FY21 BAÚNA
EMISSIONS OFFSET

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

We consider that taking a responsible approach to the impact of our activities on the global environment is both a core influence on our overall growth strategy and a core enabler to our overall success. As a producer Karoon's GHG emissions have become

material, going from almost zero in FY2019 to more than 80,000 tCO₂e in FY2022, presenting us with both a challenge and an opportunity as we developed our plans to significantly grow our production, balanced with our climate-related and fiscal responsibilities, during our 2021 Strategic Refresh. The Refresh marked a significant milestone in Karoon's climate journey, resulting in our commitment to targets for Scopes 1 and 2 GHG emissions and our Carbon Management Action Plan. The ambitious nature of our targets and action plan demonstrates the high priority Karoon places on climate action and our dedication to acting responsibly to deliver strategic growth.

Carbon Neutral FY 2022

Scope 1 and 2 GHG Emissions

Carbon Neutral on
Baúna-Patola^{*} now



Carbon Neutral on new assets
within five years of purchase^{*}



Internal carbon pricing for
new investment decisions



Net Zero 2035

Scope 1 and 2 GHG Emissions

^{*}Scope 1 and 2 GHG emissions

Carbon neutral refers to having a balance between emitting and offsetting GHG emissions. Achieved through acquiring carbon offsets in respect of Scope 1 and 2 GHG emissions. Net zero refers to reducing GHG emissions as far as possible and balancing the residual GHG emissions produced with GHG emissions removed from the atmosphere. To be achieved through future transition planning in respect of Scope 1 and 2 emissions.

Oversight of Climate-Related Issues

Climate-related issues are challenging for most companies and can be particularly challenging in the oil and gas industry. A robust corporate governance framework is vital to ensure these issues are being identified, assessed and appropriately addressed in the strategic decision making of the company. Karoon takes its climate responsibilities very seriously, with oversight of the Company's approach to the impact of climate-related risks and opportunities taking place at the Board.

The Board participated in the Strategic Refresh and reviewed and approved our climate strategy. Karoon's corporate and operational risk registers, which include climate-related risks as well as safety, regulatory, financial and other risks, were maintained throughout the Strategic Refresh process. Ongoing risk assessments, guided by Karoon's risk management process, enable the Board to have a clear line of sight to the priority of climate-related risks in our decision making.

The Board regularly reviews the risk registers through its committees (a detailed description of Karoon's risk management framework and processes is included at the beginning of this report). The SORC typically reviews climate-related physical risks while the ARC typically reviews climate-related transition risks. The SORC has responsibility for monitoring and

overseeing Karoon's activities to achieve our climate-related goals and targets while the Board monitors progress against our climate-related strategy and investments and has ultimate oversight of Karoon's risk management.

Sustainability is considered as part of the business planning and budgetary process at Karoon and sustainability related targets are included in the executive remuneration framework approved by the Board. The Board and its committees are kept informed of climate-related issues by the senior management team, particularly the HSSE and Sustainability Manager.

While Karoon's CEO and Managing Director has overall responsibility for implementing Karoon's corporate strategy, our HSSE and Sustainability Manager has been responsible for developing and implementing our climate strategy. As a member of the ELT the HSSE and Sustainability Manager ensures the ELT is kept abreast of sustainability related issues, reports to each meeting of the SORC, ARC and the Board, and identifies the Company's climate-related and other sustainability risks.

Having recently appointed a Sustainability Manager in Brazil, Karoon has plans to continue to develop the sustainability team.

CLIMATE

CONTINUED

Our Strategic Approach

Over the past year, Karoon has defined and assessed climate-related impacts for our business, recognising that specific risks and opportunities will change over time as our business matures and as the world responds to global decarbonisation challenges. During the Strategic Refresh a team of our most senior managers covering all aspects of Karoon's business met regularly to develop a strategy that contemplated climate-related risks and opportunities and their financial impacts.

Various scenarios were considered in these discussions and analyses, particularly regarding transition risks and the impact on future oil demand. The International Energy Agency (IEA) World Energy Outlook scenarios formed the basis of Karoon's analyses, particularly relating to potential future oil demand. As the Strategic Refresh was completed over the period between March and October 2021 the data used relied on earlier versions of World Energy Outlook, however the update published in October 2021 still shows a significant demand for oil under all IEA scenarios, including the IEA 'Net Zero' scenario (NZE) required to limit a global temperature rise to below 1.5 degrees. The NZE scenario suggests oil demand in excess of 70 million barrels per day in 2030 with demand still around 24 million barrels per day by 2050¹.

Reference was also made to other scenario projections, including those published by Rystad in its May 2021 Energy Insights Newsletter², which predicted higher oil demands, of 94 million barrels per day in 2030 and 36 million barrels per day in 2050. This would require new projects to deliver approximately 10 million barrels per day from new fields in the 2030s. The primary reason for the discrepancy in the IEA and Rystad scenarios is a less optimistic view on the capacity of behaviour change and biofuels to remove 23 million barrels per day of demand in 2030. The Rystad scenarios more closely reflect Karoon's strategic view that such significant shifts in behaviour will be difficult to achieve and that not only will production be needed from all existing fields to meet demand, an increase in oil production from new fields will also be required.

With recent political shifts in recognising the importance to global security of ensuring adequate and affordable energy supply during the energy transition, we believe it is likely that global oil demand will continue for many decades, providing a ready market for Karoon's production.

The effects of the scenario analysis, particularly relating to oil demand and supply considerations, were considered with reference to Karoon's operations at key points on Karoon's planned strategic growth path:

- Short-term: ~ 1 to 2 years

By mid-CY2023, approximately two years from our Strategic Refresh, Karoon expects to have completed the Baúna workover program and the Patola development and to have drilled at least one, potentially two, control wells to de-risk a potential Neon development.

While these activities are in progress, Karoon's GHG emissions increase due to the rig related operations, resulting in an increase in our emissions intensity. The rig operations are expected to result in a doubling of our production to around 30,000 bopd, significantly reducing our Scope 1 and 2 emissions intensity below our pre-rig activity levels.

In the short term our Carbon Management Action Plan, in addition to reducing emissions intensity, will focus on acquiring a carbon offset generating asset.

- Medium-term: ~ 2 to 4 years

From FY2025, Karoon expects its annual emissions intensity to increase again once production resumes its natural decline (likely to start in FY2024). While a potential Neon development (in the case of control well and subsequent development planning success) would not have been brought into production by 2025, Karoon is aiming to have acquired at least one additional oil asset to grow our production portfolio in this timeframe. All decisions regarding oil growth and development include climate-related issues as part of the assessment process and specifically include consideration of a potential 'carbon cost' in implementing Karoon's Carbon Management Action Plan to achieve our climate targets.

In parallel, but as our first priority, Karoon is planning to investigate further potential opportunities to reduce absolute emissions in our operations and we are aiming to acquire a complementary portfolio of offset generating assets in this 2 to 4 year period.

- Long-term: ~5+ years

Beyond CY2025, subject to the results of the upcoming control wells and further investigation of potential development concepts, Karoon may potentially develop our Neon oil discovery. Further acquisitions may also be evaluated at this time. Any investment decisions will consider potential climate-related risks, particularly carbon management costs. Karoon anticipates that these costs are likely to rise in the long term and may include where feasible, a greater focus on investments in emission reductions rather than emissions offsets.

The climate-related risks and opportunities identified by Karoon's multi-disciplinary strategy team are described below. Each of these is relevant, in some measure, across the short, medium and long term timeframes.

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

2. <https://www.rystadenergy.com/newsevents/news/newsletters/CompanyArchive/cn-may-2021/>

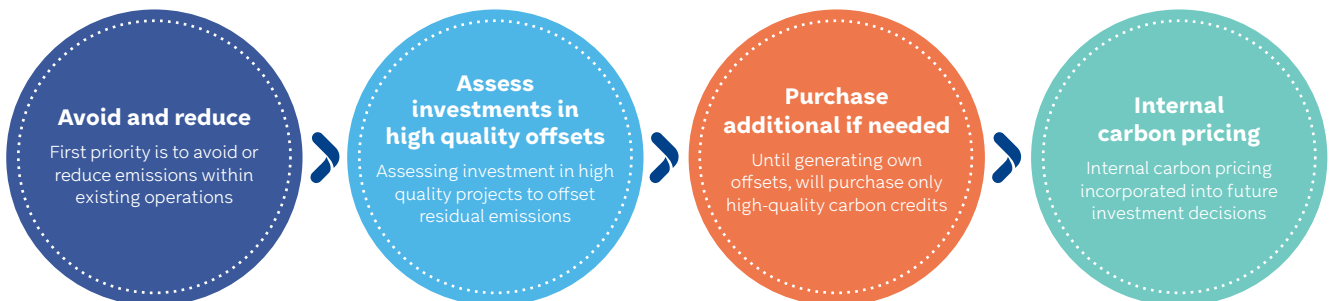
Physical Risks	<ul style="list-style-type: none"> Disruptions to operations due to unexpected or severe weather requiring a shutdown due to: <ul style="list-style-type: none"> safety concerns equipment damage supply chain interruptions personnel shortages as a result of land transport impacts
Transition Risks	<ul style="list-style-type: none"> Market changes, including unexpected change in oil and carbon offset demand and pricing influencing commerciality of key projects or assets in the Karoon current or future portfolio (both risk and opportunity) Changes to the regulatory environment in Karoon's jurisdictions (eg introduction of an Emissions Trading Scheme in Brazil) Access to equity or debt funding impacted by ESG strategies and commitments of investors or lenders Changes to sustainability reporting requirements in Karoon's jurisdictions (eg mandatory reporting of Scope 1, 2 and 3 GHG emissions)
Opportunities	<ul style="list-style-type: none"> Opportunity to grow a carbon offsetting business unit Investment in research and development of technological solutions to reduce or offset emissions in Karoon's operations Increased asset acquisition opportunities arising from divestment strategies of Independent Oil Companies (IOCs).

Our Strategy

The Strategic Refresh enabled Karoon to develop a climate strategy aimed at allowing us to achieve short, medium and long-term growth in oil production, while also achieving ambitious Scope 1 and 2 carbon neutral and net zero by 2035 climate targets.

To achieve meaningful progress in against these targets we have also developed a Carbon Management Action Plan. The Plan prioritises avoiding and reducing emissions in our operations, which Karoon believes is critical for successful climate action. Recognising the limitations of Karoon's existing facilities with respect to commercially responsible technological changes for reducing emissions, the Plan contemplates the ongoing requirement for carbon offsets.

Carbon Management Action Plan



CLIMATE

CONTINUED

Progress was made under each of the four elements of our Carbon Management Action Plan during FY2022, resulting in both avoiding and reducing FY2022 Scope 1 emissions and offsetting all our remaining FY2021 Scope 1 emissions to make our operations carbon neutral (on our reported FY2021 emissions).

Avoid and Reduce: The Baúna intervention activities, Patola development campaign and Neon control well(s) are expected to have a material impact on Karoon's absolute Scope 1 emissions due to the additional emissions from the rig operations. Planning began in 2021 to identify potential projects that could avoid or reduce emissions during these activities.

Karoon identified an opportunity to optimise the scheduling of support vessel movements in order to use less fuel. This has resulted in approximately 380m³ of fuel saved in FY2022, avoiding approximately 1,000 tCO₂e of Scope 1 emissions¹.

In addition, Karoon's mooring buoy project was completed during FY2022. The mooring buoy enables vessels to anchor safely without burning fuel. This project has resulted in fuel savings, of approximately 680m³, in FY2022 and reduced emissions by approximately 1,850 tCO₂e, bringing the total emissions reduced or avoided in FY2022 to more than 2,850 tCO₂e.

Importantly, the intervention and Patola development activities are aiming to significantly increase production, thereby decreasing the emissions intensity of Karoon's operations so that the direct emissions generated to produce each barrel of oil would reduce from 15.3 kgCO₂e/bbl in FY2021 to reach levels below 12 kgCO₂e/bbl by the end of CY 2023.

Assess investments in high quality offsets: Karoon entered a non-binding MOU with Shell Western Supply and Trading Limited (SWST) to investigate equity and/or development opportunities for new Nature Based Solution offset projects. In addition, Karoon is seeking opportunities for investment in high-quality offset projects in Australia and Brazil with other project developers.

Our commitment to safe, reliable and responsible operations also extends to carbon offsetting assets and Karoon has set expectations for such asset investment, specifically that projects must achieve at least the equivalent of Verified Carbon Standard (VCS) and Climate, Community and Biodiversity Standard (CCB) certifications. This commitment to project co-benefits has targeted Karoon's offset investment focus on Brazil where those benefits will be delivered in the same

jurisdiction as our operations.

Purchase additional offsets if required: Until Karoon acquires a portfolio of offset generating assets we will need to rely on offset purchases from external providers. It is important that these offsets are purchased from projects that reflect Karoon's high expectations of quality, so offers were sought for offsets that satisfied the following profile:

- VCS and CCB certified (or equivalent) nature-based solutions (NBS) projects
- Located in Latin America with a preference for Brazil
- Vintage of not more than 5 years.

Two offset purchase agreements were entered into during the 2022 financial year.

The first is a long term agreement with SWST to purchase more than 480,000 Verified Emission Reductions (VERs), or carbon credits, between 2022 and 2030, to offset an estimated 60% of total Baúna-Patola Scope 1 and 2 GHG emissions generated from FY2021 to FY2029. The agreement ensures Karoon has access to a supply of VERs at fixed prices to offset the majority of Baúna (and Patola) estimated Scope 1 and 2 emissions. This provides price certainty on a large portion of the total carbon credits while retaining some flexibility to adjust the profile of future credit purchases to respond to project availability and to market or regulatory changes that might arise. The VERs purchased under this agreement in 2022 were sourced from the "Tambopata-Bahuaja Biodiversity Reserve" project in Peru (VCS ID 1067).

The remainder of Karoon's FY2021 Scope 1 emissions were offset through the purchase of credits from the Enviro Amazonia project located in the Acre region of Brazil (VCS ID 1382) through Climate Impact Partners (formerly Natural Capital Partners).

Internal Carbon Pricing: As Karoon seeks to grow our business through organic and inorganic opportunities, it is important that our investment decisions consider our climate-related targets, particularly regarding our carbon neutral and net zero targets. This is achieved through both qualitative and quantitative assessment, such as including the cost of implementing our Carbon Management Action Plan in economic modelling for potential asset purchases.



Enviro Amazonia (VCS ID 1382): This collection of three projects aims to prevent deforestation across more than 100,000 hectares of pristine rainforest in the Amazon basin, protecting some of the world's most biodiverse habitats.



Karoon Energy Ltd supports the Sustainable Development Goals

1. Note that the analysis of emissions reduced or avoided, has not been included in the Scope 1 and 2 assurance conducted over this report.

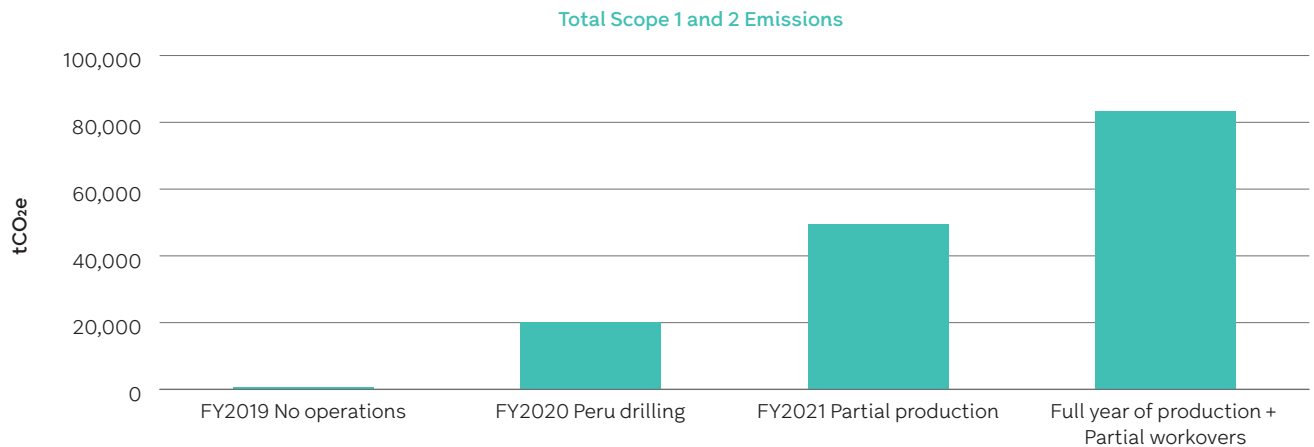


Tambopata-Bahuaja Biodiversity Reserve (VCS ID 1067): Encompassing the biologically diverse ecosystems of Peru's Tambopata National Reserve, the Bahuaja-Sonene National Park and 4,000 hectares of degraded land in the surrounding buffer zone, this project restores land degraded by unsustainable farming and illegal mining with new agroforestry producing a deforestation-free cacao.



Climate-Related Performance

FY2022 is the first that includes a full year of production activities, increasing Karoon's emissions compared to FY2021. In addition, the Baúna intervention campaign commenced during FY2022, which resulted in an increase in Karoon's Scope 1 emissions due to the operations of the Maersk Developer rig and associated support vessels. Karoon's Scope 1 emissions are expected to rise further in FY2023 due to the ongoing rig operations and related activities.

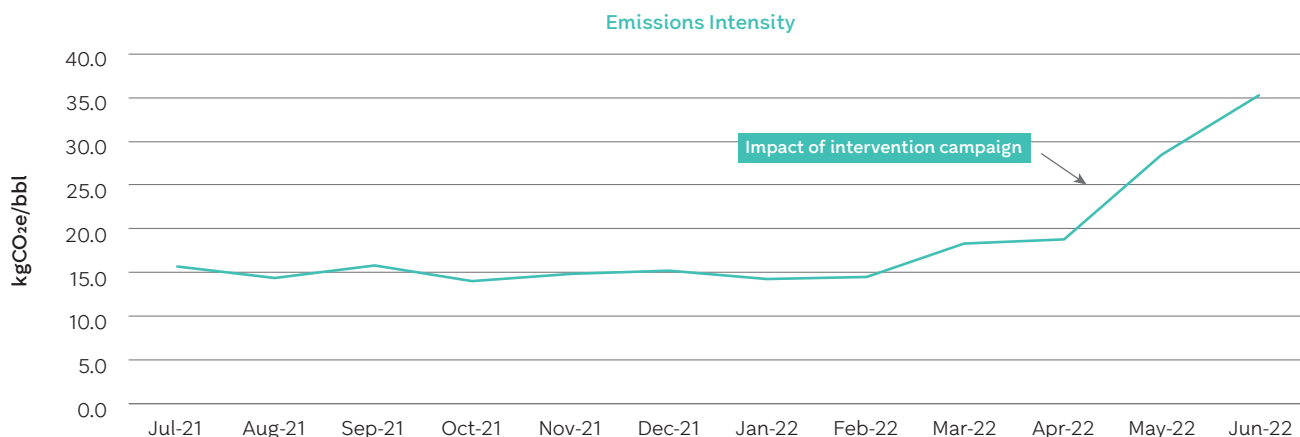


Greenhouse gas emissions are reported in tonnes of CO₂-equivalent (CO₂e) and include carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) gases. The global warming potential (GWP) rates utilised are sourced from the Intergovernmental Panel on Climate Change's (IPCC's) Fifth Assessment Report. Scopes 1 and 2 emissions are calculated in accordance with the GHG Protocol methodology using relevant available emission factors from the Institute for Global Environmental Strategies (IGES) Standards (Brazilian electricity) and National Greenhouse Accounts (NGA) Factors (all other sources).

	PRODUCTION (FPSO AND SUPPORT VESSELS)	WORKOVER ACTIVITIES (RIG AND SUPPORT VESSELS)	OFFICES AND SHOREBASES	TOTAL
FY2022 tCO₂e				
Scope 1	72,445	10,344	16	82,805
Scope 2	NA	NA	65	65
Total	72,445	10,344	81	82,870

CLIMATE
CONTINUED





Karoon's emission intensity at the Baúna FPSO was 15.3 kgCO₂e/bbl in FY2021. This gradually rose over FY2022 as production followed a natural decline. The intensity then increased over the final quarter of FY22 as the workover activities began to influence production, with the average annual intensity reaching 18.3 kgCO₂e/bbl. By completion of the workover activities and Patola development the emissions intensity of our operations is expected to significantly reduce, with intensities below 12 kgCO₂e/bbl expected by end CY2023.

While our emissions are reported in terms of carbon dioxide equivalent, this primarily comprises carbon dioxide, methane and nitrous oxide. Methane is more than 25 times as potent as CO₂ as a GHG, although it is much shorter lived. More than 60% of Karoon's methane emissions are from flaring and the majority of the remainder are from fugitive emissions from general leaks. Flaring leads to methane emissions through the inefficient burning of the associated gas, resulting in some of the methane escaping unburnt.

Recognising the damaging effects of methane, Karoon aims to minimise flaring in operations. There was no venting on the FPSO and no flaring or venting in the workover operations during the reporting period. The majority of associated gas produced at the FPSO is used to power the FPSO with most of the remainder reinjected and only a small amount flared for process safety. Karoon reports flaring related data regularly to the ANP through our Associated Gas Utilisation Index (IUGA). The IUGA represents the volume of gas used as a percentage of associated gas produced. Karoon has consistently kept our IUGA well above the ANP 98.5% target (ie 98.5% of associated gas is used or reinjected). The remainder represents flared gas, with Karoon's average rate for the year at < 1.0%, well below the typical industry targets of < 2.0%.

Scope 2 Emissions

Karoon's Scope 2 emissions are indirect emissions resulting from our use of electricity in our offices and shorebases. These form only a small, less than 0.1%, proportion of our total Scope 1 and 2 emissions. Karoon's FY2021 and FY2022 Australian Scope 2 emissions were offset through Small Scale Technology Renewable Energy Certificates purchased through

the Australian Government Clean Energy Regulator. Karoon's Australian office has been committed to 100% GreenPower since the end of CY2021.

Scope 3 Emissions

In addition to our Scope 1 and 2 emissions targets following the Strategic Refresh, Karoon also committed to reporting on Scope 3 GHG emissions from FY2022. Scope 3 emissions are indirect GHG emissions created either ahead of (Scope 3 categories 1 to 8) or following (Scope 3 categories 9 to 15) Karoon's operations, excluding those captured in Scope 2. During FY2022, Karoon examined each of the eight upstream and seven downstream Scope 3 categories to assess which were relevant and material to Karoon's business. The results showed the two downstream categories related to the refining (Category 10) and use (Category 11) of oil Karoon produces account for the majority of Karoon's Scope 3 emissions.

The oil produced from Baúna is sold to different customers and shipped to different refineries globally. The exact breakdown of the refining process or the volumes of each of the final refined products is not known for each individual cargo. To enable an estimate of Scope 3 emissions to be calculated assumptions were made regarding the use of sold products. These assumptions were based on information from the US Energy Information Administration, which provides an estimate of the proportion of each final product that comes from an average barrel of US refined crude oil.

The assumptions were derived from data that includes a mix of both light and heavy oils. The actual figures for Baúna, which is a sweet light crude, are likely to be different and potentially lead to a lower estimate of Scope 3 emissions.

The total FY2022 Scope 3 emissions were estimated to be approximately 2,000,000 tCO₂e. Over the coming year Karoon will aim to investigate our Category 11, 'Use of Sold Products' calculations to identify opportunities to more closely reflect the actual use of Baúna oil.



PEOPLE AND CULTURE

109

NUMBER OF
EMPLOYEES

46%

GROUP FEMALE
PARTICIPATION

17%

FEMALE PARTICIPATION
IN SENIOR EXECUTIVE

17%

FEMALE PARTICIPATION
AT BOARD LEVEL



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

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

Diversity

Karoon employs a diverse team of dedicated and passionate professionals with great depth of experience, which is the key to our success. We value the diversity of thinking that comes not just from gender diversity but from our range of nationalities across our Brazilian and Australian offices and range of experiences from young interns to experts with more than 40 years' experience. The growth in our business through our transition to an oil producer, our current operations to increase production and our focus on sustainability has seen our workforce grow and change significantly over the past two years, especially in Brazil. Our Rio de Janeiro office has grown from a staff of 56 in June 2020 to 86 in June 2022.

In September 2021, Antonio Guimaraes joined Karoon as our EVP and President Brazil, which is the first time Karoon has had a Brazilian national in charge of our Brazilian business. Ray Church also joined the Karoon executive leadership as EVP and CFO, completing a refreshed leadership team and enhancing the industry leadership experience in the Company.

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

The percentage of female employees across the group is well above our 30% by 2025 target in that category, and we are working toward achieving the same target for senior executives and the Board. There was a reduction in the proportion of senior executive females, again largely because of the closure of our Peru office.

Female Participation at Karoon

	BOARD	SENIOR EXECUTIVE	GROUP
Target by 2025	30%	30%	30%
As at 30 June 2022	17%	17%	46%

Through the University of the Oil and Gas Sector in Brazil (Universidade do sector de Petróleo e Gás, UniBP) Karoon is participating in a program specially developed to boost the skills of women in leadership positions in oil and gas companies. The program, known as 'Women's Leadership Mentoring Program in the O&G Industry 2022' will match potential future female leaders with industry mentors, giving them access to exclusive and on-demand content, as well as events and debates on relevant topics such as ESG.

Our diversity objectives are reviewed annually by the Board through the PCGC. We take these objectives seriously with regular actions such as reviewing staff remuneration to identify and alleviate any instances of gender pay gap and demonstrating our commitment to anti-discrimination and harassment through staff training. Karoon's progress against each of our diversity objectives is shown below.

2022 DIVERSITY OBJECTIVES

PROGRESS

Aim to achieve at least a 30% participation of each male/female gender by 2025 on the:

- Board;
- in the Senior Executive; and
- across the Karoon Group.

Aim to ensure the percentage turnover of female employees is equal to or less than the overall Karoon Group percentage turnover, excluding departures as a result of a Karoon country withdrawal.

Provide anti-discrimination and harassment training to all employees

Monitor Karoon's recruitment and remuneration processes for unintended gender bias.

Make flexible working arrangements available to all employees

Maintain a zero-tolerance approach to gender pay gap.

Ensure at least one female candidate is considered when appointing a new Director or member of the KMP.

Staff Engagement

Karoon strives to be an employer of choice, attracting and retaining talented staff with different backgrounds, skills and experience. We aim to offer all our staff a safe and respectful workplace where they can be challenged and motivated knowing they are a valued member of the Karoon team. We engage with our staff in a number of ways including one on one mentoring and discussions, team meetings and events, staff training, town hall meetings, quarterly newsletters and feedback surveys.

The return to working together in person in both Brazil and Australia has had a positive impact on our engagement both within and between offices. As well as enabling colleagues to socialise and form friendships it has allowed the collaborative interactions that foster teamwork. This was evident during the April 2022 leadership workshop hosted in Rio de Janeiro involving the senior management teams from both Australia and Brazil. In coming together, the group was able to generate an enthusiasm for the future of Karoon that should drive the Company toward success, united in our understanding of, and commitment to, Karoon's purpose, vision and mission.

PEOPLE AND CULTURE

CONTINUED

In keeping with our philosophy of continuous improvement, Karoon works with staff to receive and offer feedback regarding performance on an ongoing basis and through a more formal annual performance review process. This occurs throughout the Company, at all levels including Board level where each director provides and receives feedback on individual performance. The Board performance is also assessed. These reviews are a positive opportunity to find ways to improve individual and Company outcomes.

Details of the Board assessment, including an assessment of director independence and the Board Skills Matrix, can be found in our annual Corporate Governance Statement.

During FY2022, Karoon established a new Staff Development Protocol with the aim of building a high performing organisation populated with individuals that possess fit-for-purpose skills, including in respect of leadership. The protocol, which is overseen at Board level through the PCGC, is built on a simple, individually tailored framework of development objectives and plans with the intention that progress against these is reviewed semi-annually. This framework is founded on our Code of Conduct and our Company values of safety, integrity, collaboration, commitment and respect.

Staff training was offered in several key policies during the reporting period. Anti-Discrimination and Harassment training and Anti-Bribery, Fraud and Corruption training was offered to all employees in both Australia and Brazil. These two policies draw on our core values of integrity and respect, which sit at the heart of our Company culture and are expected of all staff at all times.

We also aim to motivate our staff to achieve outstanding results for our business through a remuneration framework that rewards staff for achieving stretch targets and committing to the Company over an extended period. Details can be found in the Remuneration Report of our Annual Report.

Operating with Integrity and Respect

Karoon strives to foster a culture that reflects our values. Where any member of our team or any of our stakeholders have a concern that business is not being conducted in accordance with our Code of Conduct, grievance mechanisms are in place. Karoon encourages employees and stakeholders to speak up without fear of intimidation or reprisal and will protect those who do so. Karoon has a Grievance Policy and Misconduct Investigation Protocol in place, as well as a Whistleblower Protection Policy. We offer an anonymous whistleblower reporting service, available in both Portuguese and English, that enables reports to be made via telephone, email and internet.

On joining Karoon, all staff are provided with an induction to become familiar with Karoon's policies including our Code of Conduct, corporate policies and human resources manual. Staff are made aware of Karoon's expectations of high standards of conduct and encouraged to report any instances where these are not upheld. Karoon's Code of Conduct and corporate policies, including our Whistleblower Protection Policy, are publicly available on our website.

Our policies are also communicated to our suppliers and specific clauses included in contracts relating to health, safety and environment, anti-bribery and corruption and human rights and modern slavery. Karoon undertakes due diligence on our suppliers prior to commencement, and suppliers meeting our engagement threshold are asked to complete questionnaires to assist Karoon in identifying risks within our supply chain. The results of the due diligence and questionnaire responses are reviewed and assessed. Where potential risks are identified, Karoon is committed to working with suppliers to try and alleviate these risks.





In 2021, Karoon submitted our inaugural Modern Slavery Statement to the government register under the Australian Modern Slavery Act 2018 (Cth). In preparing our statement a review was carried out of all Modern Slavery Questionnaire responses and risks assessed in each of the four categories of sector and industry, products and services, geographic location and entity risks. This assessment found several instances where suppliers indicated they did not have a specific corporate policy in place referring to modern slavery. During FY2022, Karoon followed up with those suppliers to encourage stronger governance practices to try and prevent modern slavery risks in their business and in our supply chain. To date, more than 50 companies have completed a Karoon Modern Slavery Questionnaire.

During the 2022 reporting period Karoon carried out a review of our community engagement programs to specifically assess engagement with indigenous communities impacted by our operations. This review found that there are no traditional owner communities impacted by our operations in Brazil. We also engaged with our suppliers to assess traditional owner risks in our supply chain. All suppliers meeting our engagement threshold were consulted and no issues were identified.

Karoon strives to conduct its business ethically, responsibly and lawfully and will continue to engage with suppliers, contractors, partners and stakeholders to seek to minimise risks to people and the environment from our own business and where we are supplied by others.

Contributing to Local Economies

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



COMMUNITY

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

Karoon's operations, located more than 200 kilometres offshore, do not have a day to day impact on onshore communities. However, we work hard to ensure our stakeholders, including our staff, contractors, local communities, regulatory authorities and others, are well informed about our operations through an ongoing information and consultation campaign, the Social Communication Project (PCS). The PCS uses different channels, such as telephone, email and public meetings to communicate with people in local communities. Through the PCS, we communicate our operational plans to local communities, and monitor the security area around the FPSO and drilling rig as we seek to ensure the safety of the operations and local fishing vessels. Importantly the PCS provides channels for two way communication so that people in local communities have an accessible way to ask questions and make suggestions for improvements, claims or complaints. Karoon's multi-lingual whistleblower reporting service is also available to all stakeholders with contact details provided in our Whistleblower Protection Policy.

Karoon is undertaking a major social monitoring project called Project RUMO, in the Itajaí region, where our shorebase is located. The acronym RUMO is the same in Portuguese and English and stands for 'Resilience and Union for Marine Organisation'. The project seeks to investigate the use of the maritime zone and the coastal space of Itajaí-Açu River estuary, where there are risks posed by the interaction of small and large vessels. The valuable information collected will be used to help plan for the safe and economically efficient use of the river going forward.

The project has three lines of research: analysis of regional conflicts, analysis of vessel traffic on the river and an audio-visual research project. These are all designed to investigate the main issues around use of the river and present the information in an accessible format.

Project RUMO researchers consult with representatives of local projects and institutions, workers, river users, and companies. This consultation is conducted both online and in person and generates an understanding of the relationships between various user groups. River activities include artisanal fishing, industrial fishing, port transport terminals of vehicles and passengers, support base for oil production, tourism activities, sports and leisure, shipbuilding, and ship repair yards. Daily vessel movements for each of these activities are mapped to identify potential user group conflicts. The first of a series of episodic audio-visual documentaries on the results of the research has recently been aired. Episodes around specific themes are being produced throughout the remainder of the project.

Project RUMO and the PCS are both projects required by federal licencing overseen by IBAMA.

During FY2022, Karoon began to develop our voluntary investment program. The community social-environmental projects concentrate on at least one of three important areas: Sustainable Economic Development, Education and Biodiversity. These are voluntary investments that go beyond regulatory obligations and are in line with our commitment to generate positive impacts for society. Karoon's Chairman and Chair of the SORC both visited the projects during FY2022, with our EVP and President Brazil, to emphasise how important they are to Karoon and how dedicated we are to their success.

Three projects have been identified by Karoon, all related to empowering local communities around the Serra do Tabuleiro State Park in Santa Catarina State, while also protecting the Atlantic Forest. Serra do Tabuleiro State Park includes extensive areas of mountains, plains, coastal islands and fresh water resources and is considered an area of extreme biological importance for the conservation of the Atlantic Forest. Approximately 652,000 people live around the Park in both urban and rural areas.

Mata Atlântica – The Atlantic Forest

Mata Atlântica, also known as The Atlantic Forest, once present in a wide swathe along much of the Atlantic coastline of central and southern Brazil, is considered one of the most biodiverse forests in the world. Between 80% and 90% of the forest's original extent has been destroyed by agricultural and urban development. Significant areas of the Atlantic Forest have now been recognised by the UN and designated as Natural World Heritage Sites by UNESCO.

Given our Brazil operational locations in the coastal states of Rio de Janeiro and Santa Catarina, Karoon is taking the opportunity to become involved in the rehabilitation and protection of areas of the Mata Atlântica.



COMMUNITY

CONTINUED

Creating Sustainable Economic Opportunities in Local Communities

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

The Pró-CREP facilities include a Container Production Workshop and a waste recycling centre which provides equipment for waste to be repurposed and a small retail area where recycled goods are sold. The Container Production Workshop will initially produce 50 large recycling units. These containers facilitate the segregation of solid waste so that as much as possible can be recycled. They will be placed at various locations in communities around the border of the park to reduce waste in and around the park. Community education services regarding the proper recycling of waste will be provided to local communities to ensure the bins are used correctly.

It is estimated that through Karoon's participation in the project will reduce the amount of solid waste going to landfill in the local area will reduce by approximately 25 tonnes per month. The income generated from the sale of containers will be used to increase production and ensure the project is sustainable, with a view to expanding to include at least 12 more families during FY2023.

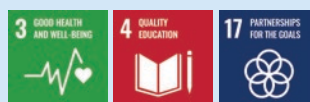


Protecting Indigenous and Traditional Culture

The Atelie Tabuleiro project aims to raise awareness of local indigenous culture and traditions by providing educational tours of the Serra do Tabuleiro State Park focussed on traditional practices associated with food and medicinal plants from the Atlantic Forest. A range of art, culture, and science experiences will be offered to promote indigenous culture and practices associated with biodiversity. The project contributes to the strengthening of social relations, community-based tourism, resilience, and food security. It is aiming to reach more than 500 students aged 7 to 16 from local schools and a further 100 adults from local communities through weekend and school holiday workshop programs focused on:

- Food plants from the Atlantic Forest: flavours and knowledge.
- Medicinal plants: traditional use.

The results of the workshops will provide input to a scientific-educational e-book and will be used to prepare a cultural exhibition at the Visitors Centre of the Serra do Tabuleiro State Park.

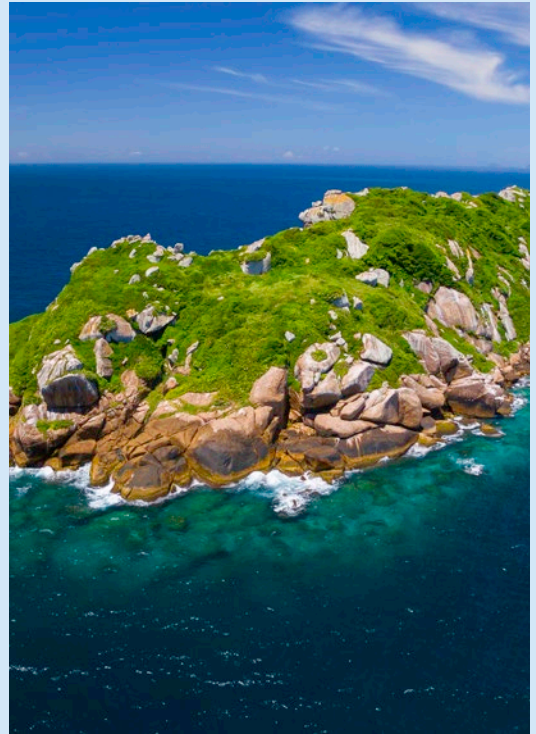


Protecting Biodiversity

Santa Catarina's native guinea pig, *Cavia Intermedia*, also known as Preá de Moleques do Sul, is currently only found in the Moleques do Sul Archipelago, (contained within the Serra do Tabuleiro State Park) and is listed as Critically Endangered. Karoon is sponsoring an Environmental Education Program for the conservation of *Cavia Intermedia*. The program aims to increase knowledge and awareness of the plight of the guinea pig and assist in controlling park access to help ensure people using the park do so responsibly, and minimise any impacts on the native habitat.

The project encourages local communities to become more involved in the conservation effort through an education program in public schools. Karoon will provide certified training courses for 100 biology teachers about the importance of protecting habitats for biodiversity, along with learning materials to reach approximately 1,600 local students. A "Preá Centre" will be created at each school to encourage them to produce their own projects. Karoon is offering to award the best 10 projects with a "Preá" kit and field trip by boat to the island. A range of socio-environmental events are also planned.

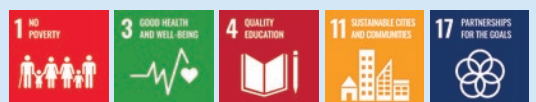
Karoon is also intending to sponsor the publication and release of approximately 5,000 copies of a book about the history of *Cavia Intermedia*'s discovery and the conservation efforts, along with thousands of posters, folders, banners and videos provided to 30 marinas and 9 fishing associations.



Music and Citizenship Project

In addition to the projects associated with Mata Atlântica, Karoon provides sponsorship to a cultural program through a Music and Citizenship project located in Rio de Janeiro and in Florianópolis, in the region of Karoon's area of influence.

The Music and Citizenship project is provided across a network of music schools within disadvantaged communities. The project enables hundreds of children and young people who would otherwise not have access to a musical education the opportunity to learn to play musical instruments. The students also participate in citizenship classes, where they play, create, and reflect on themes of life in society.





ENVIRONMENT

0

NUMBER OF
SPILLS TO SEA

0

NUMBER OF SPILLS
IN OFFLOADING

12

AVERAGE PRODUCED
WATER TOG (MG/L)

63%

NON HAZARDOUS
WASTE RECYCLED

<2%

ASSOCIATED
GAS FLARING

0.06%

HAZARDOUS WASTE SENT
TO INDUSTRIAL LANDFILL



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

Karoon has consistently achieved results within allowable regulatory environmental parameters, generally outperforming the environmental requirements of our licence.

Environmental Monitoring and Protection

A fundamental element of operating responsibly is environmental monitoring, to ensure any potential impacts may be identified as soon as possible and action taken to protect the local environment.

Karoon undertakes environmental monitoring in four main areas:

- Water and Plankton Monitoring through analysis of physical-chemical and biological data collected from water and plankton samples taken at various points around the FPSO;
- Sediment and Benthic Monitoring through analysis of physical-chemical and biological data collected from marine sediment samples;
- Produced Water Monitoring on a daily basis of oil and grease content in discharged water and twice yearly special sample collection; and
- Spill Monitoring through monitoring and analysis of metocean data and an oil spill dispersion modelling platform customised to the Baúna field.

Environmental plans and projects are in place in each of these areas aimed at protecting the environment, optimising operations to minimise impacts and educating workers in operations to understand their responsibilities and identify possible areas for improving environmental management. Examples include the Oil Spill Response Plan, the Emergency Response Plan, the Birdlife Monitoring Project, the Exotic Species Monitoring Project and Environmental Education Projects.

In the event of an environmental incident the Oil Spill Response Plan (OSRP) is a key response document. The OSRP aims to minimise any safety impacts or environmental damage from an oil spill by having people and equipment in place to respond efficiently and effectively to the incident. The plan is robust in the description of management and tactical emergency response procedures, and Karoon ensures that it is appropriately resourced and that all personnel who may be required in the event of a spill are well trained to be able to respond quickly and effectively.

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

Karoon adopts best practice safety and environmental practices by undertaking regular training drills involving both offshore and onshore response teams to ensure all personnel involved in a response understand their roles and responsibilities and are well prepared for an event. At least nine training sessions, 1 tabletop drill and 2 full deployment drills were conducted during the reporting period.

We have support vessels on standby in operations to facilitate a speedy response to any spill and have a standing agreement with a well control services company should they be required in the case of a major incident. An additional 37 training sessions were carried out with the support vessels Cabo Frio and Martin Vaz during the reporting period.

	FPSO (PRODUCTION)	RIG (INTERVENTIONS)	TOTAL
Number of Spills (to sea)	0	0	0
Number of Incidents in offloading operations	0	NA	0
Number of Training Sessions	5	4	9
Number of Drills	2	1	3

In addition to the OSRP, Karoon uses the Spilltrack System to monitor and forecast any oil drift at sea. The project uses the Spilltrack System Emergency Response Buoys (ERBs), ocean drifters and Expendable Current Profiler (XCP) probes, to support possible emergencies through oil dispersion modelling, monitoring of oil slick trajectories on the surface of the ocean and current measurements along the water column. These tools provide integrated support to response vessels to give the best estimate of the direction of an oil slick and thus optimise the response and minimise environmental impacts.

As we continually strive to improve our understanding and approach, Karoon has also committed to the acquisition of meta oceanographic data to monitor the quality of the environment around the FPSO Cidade de Itajaí. The data include meta oceanographic reports, oil modelling and produced water modelling, in addition to Synthetic Aperture Radar (SAR) images and a meta oceanographic kit comprising a set of orbital data. This data will be used to further enhance Karoon's local area knowledge and inform data analyses required during training or event responses.

ENVIRONMENT

CONTINUED

Water Management

With water scarcity affecting more than 40% of the world's population, Karoon recognises that sustainable water management is an important contributor to climate resilience. Fresh water is used in Karoon offices and shore bases through the public water supply. The only fresh water used in offshore operations on the FPSO or Maersk Developer rig is that required for consumption by employees and service providers and is transported from shore. Freshwater is only used for operational purposes on supply vessels, which is obtained from the shorebase water supply.

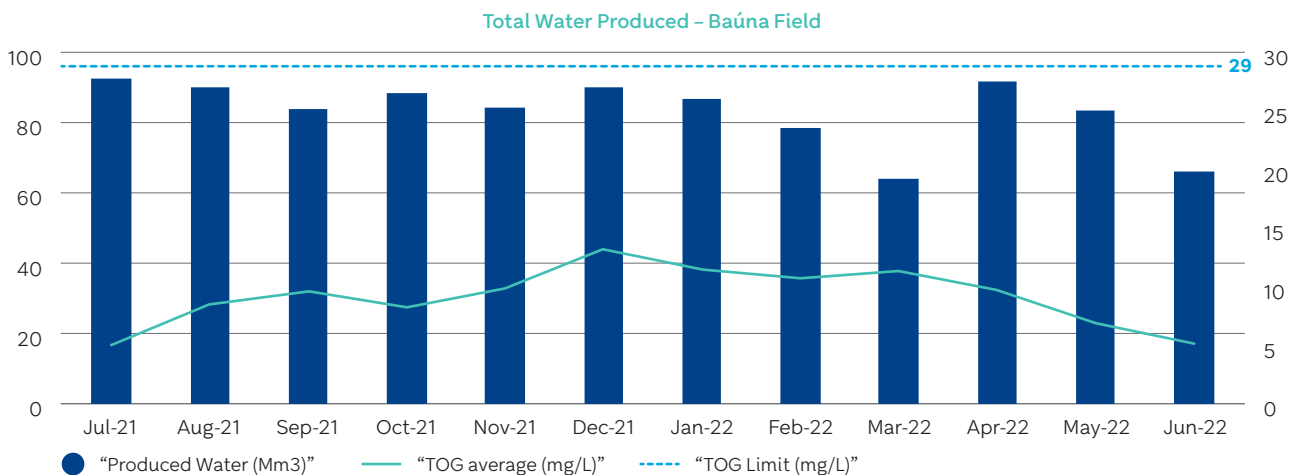
A by-product of Karoon's operations is water mixed with oil and gas from our hydrocarbon reservoirs. This produced water must be treated before it can be discharged to sea. The FPSO Cidade de Itajaí, contains a water treatment plant and fully equipped laboratory to analyse the treated water and ensure it is compliant with the regulatory quality requirements before it can be discharged. At least four analyses are performed daily before disposal to sea to ensure the total oil and grease (TOG) content does not exceed 42 mg/L on a daily basis or a monthly average of 29 mg/L.

Karoon also maintains an online TOG analyser to assess the quality of treated produced water. When the system detects that the TOG is too high, the water is prevented from being discharged and is sent to a slop tank. It is then stored until it can be reprocessed and reaches the allowable TOG level for discharge.

Oily water from the two FPSO supply vessels, Cabo Frio and Martin Vaz, is not treated or discharged offshore but is brought onshore for safe disposal in accordance with regulatory requirements, while oily water from the other supply vessels is treated offshore.

Karoon operated within the allowable limits for produced water throughout FY2022, with the highest monthly average of approximately 15 mg/L recorded in December 2021, well below the 29mg/L average required for regulatory compliance.

Notwithstanding this performance there has been, on occasions, an iridescence or sheen on the surface water caused by very small amounts of oil present in discharged processed water, well within the regulated limit. The iridescence, that is caused by the discharged water, has been under analysis since Karoon assumed operatorship of the Baúna asset. The operational team has been working with third party consultants to optimise the existing water treatment process with various chemical solutions including polyelectrolytes to reduce or eliminate the iridescence.

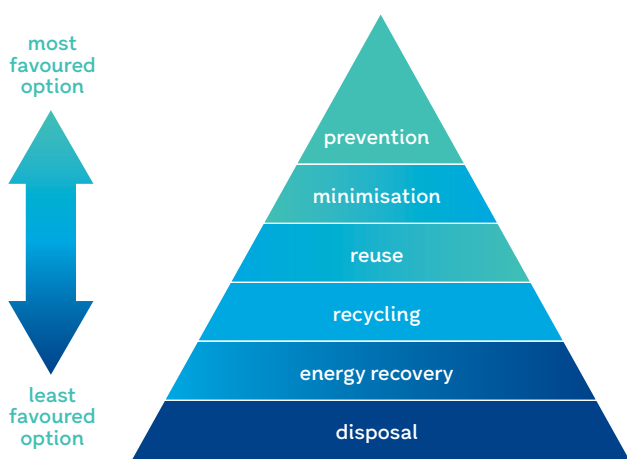


Water used in operations on the FPSO or rig that is not required for human consumption, such as water for cleaning the vessel or for cooling equipment, is obtained through desalination of seawater. Both the FPSO and rig are equipped with an offshore desalination plant. Similar water required for the vessels is provided by the logistical shore bases on land.

In addition, the FPSO and rig and most of the operations' support vessels are equipped with effluent treatment stations (ETEs) to correctly treat and dispose of sanitary effluent generated in operations. The sanitary effluents from the Martin Vaz and Cabo Frio FPSO supply vessels are macerated and discarded in accordance with the applicable regulations, as these vessels are not equipped with ETEs.

Waste Management

Karoon follows the waste pyramid hierarchy when managing waste.



The Baúna waste management plan, also called the Pollution Control Plan (PCP), ensures waste is minimised wherever possible and that any residual waste is properly treated and disposed of through:

- Minimising the generation of waste, wastewater and emissions in production activities.
- Recycling as much of the waste returned onshore as possible.
- Ensuring the final disposal of residual waste is in accordance with current standards and regulations.
- Seeking ongoing improvements to minimise pollution from air emissions, solid waste and wastewater discharge at sea.

The solid waste generated by the FPSO, rig and support vessels is tracked throughout its treatment cycle, from initial offshore segregation to disposal on land. Each waste management action is carefully monitored in accordance with the PCP and applicable legal requirements. The waste generated is segregated in accordance with its classification and stored offshore prior to disembarkation and onshore disposal. All third party contractors who receive and treat or dispose of waste on Karoon's behalf must be duly qualified and licensed for that specific type of waste.

More than 60% of the non-hazardous waste generated from Karoon operations and disposed of during the reporting period was recycled. Less than 20% of the non-hazardous waste was sent to controlled land fill and less than 0.1% of hazardous waste was sent to industrial landfill.



ENVIRONMENT

CONTINUED

Protecting Biodiversity through Environmental Stewardship

Karoon is committed to minimising any impacts on biodiversity and ecologically sensitive areas associated with Karoon's operational activities. Our Prevention and Control of Exotic Species Project (PPCEX) aims to identify threats to the local biodiversity around our operations and develop monitoring and management practices to mitigate that threat. The PPCEX is specifically related to the prevention and control of biofouling and invasion of exotic species, with a focus on sun coral, in the maritime units (FPSO Cidade de Itajaí and Maersk Developer) and operational support vessels involved in Karoon's operations. Visual inspections to monitor biofouling are carried out at regular intervals with the aid of remote operated vehicles (ROVs).

Karoon requires our support vessels to follow the recognised international good practice for the oil and gas industry¹ to minimise the transfer of invasive exotic species using a Biofouling Management Plan and Biofouling Record Book. Operators of each vessel must be suitably qualified, and training undertaken by the teams of the responsible vessels to ensure the appropriate procedures, is included in the operational routine of each vessel.

In addition to the work undertaken through the Baúna licence projects, Karoon has partnered with the Federal University of Santa Catarina (UFSC) in a project to research sun coral ('coral sol') to investigate better practices for prevention and control, the 'Action Plan for the Prevention and Control of Coral-Sol at REBIO Arvoredo and Surroundings' (PACs Arvoredo). The project, with a budget of more than US\$1.1 million, will improve scientific

knowledge and understanding of the specific sun coral species *Tubastraea coccinea* and the development and evaluation of methods and strategies for the prevention and control of this species in the Arvoredo Marine Biological Reserve (REBIO Arvoredo) and surroundings, off the coast of Santa Catarina. REBIO Arvoredo is one of the federal protection areas partly maintained through Karoon's environmental contributions (environmental compensation payments).

Environmental Contributions

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

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

In addition to the regulatory contributions, Karoon is working with the Serra do Tabuleiro state park to support further projects including protection of endangered species and environmental education programs for children through voluntary community investment programs.

1. Resolution MEPC.207(62) – 2011, Guidelines for the control and management of ships' biofouling to minimise the transfer of invasive aquatic species.



ASSURANCE LETTER



Independent Assurance Report to the Board of Directors of Karoon Energy Ltd

What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the selected subject matter for the year ended 30 June 2022 has not been prepared, in all material respects, in accordance with the Reporting criteria.

What we did

The Board of Directors of Karoon Energy Ltd (**Karoon**) engaged us to perform a limited assurance engagement on the selected subject matter described below and set out in the Sustainability Report 2022 (the **Sustainability Report**) for the year ended 30 June 2022.

Subject matter

The scope of our work was limited to assurance over the selected subject matter within the Sustainability Report for the year ended 30 June 2022 (the **selected subject matter**). The selected subject matter and the reporting criteria against which it was assessed is summarised below. Our assurance does not extend to information in respect of earlier periods or to any other information in the Sustainability Report.

Selected subject matter:

Performance metric	2022 performance
Total Greenhouse Gas (GHG) emissions tCO ₂ e (Scope 1 and 2)	82,870
Scope 1 emissions tCO ₂ e	82,805
Scope 2 emissions tCO ₂ e	65

Reporting Criteria

The selected subject matter needs to be read and understood together with the Reporting Criteria, being the boundaries, definitions and methodologies disclosed within the Sustainability Report, which Karoon is solely responsible for selecting and applying. The absence of a significant body of established practices on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities over time.

Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities**PricewaterhouseCoopers**

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the selected subject matter is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Karoon.

Karoon

Karoon management is responsible for:

- preparing the selected subject matter as well as the Sustainability Report in its entirety;
- the prevention and detection of fraud and error in relation to the selected subject matter;
- the design and operation of controls to ensure the completeness and accuracy of information within the Sustainability Report, including but not limited to the selected subject matter; and
- Determining suitable reporting criteria for reporting the selected subject matter within the Sustainability Report and publishing those criteria such that they are available to expected users of the report.

PricewaterhouseCoopers, ABN 52 780 433 757

2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: + 61 3 8603 1000 F: + 61 3 8603 199, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

ASSURANCE LETTER

CONTINUED

**What our work involved**

We conducted our work in accordance with the Australian Standard on Assurance Engagements 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Revised)* and the Australian Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Statements*. These Standards require that we comply with independence and ethical requirements and plan the engagement so that it will be performed effectively.

- Assessing the appropriateness of the greenhouse gas emission factors and methodologies applied in calculating the selected subject matter;
- Agreeing the selected subject matter to underlying data sources and calculations; and
- Undertaking analytical procedures over activity data.

We believe that the information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Main procedures performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the selected subject matter. The main procedures we performed were:

- Enquiring of relevant management of Karoon regarding the processes and controls for capturing, collating, calculating and reporting the selected subject matter, and evaluating the design of selected controls;
- Testing the arithmetic accuracy of a sample of calculations of the selected subject matter;

John O'Donoghue
Partner
25 August 2022

PricewaterhouseCoopers
Melbourne

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Limited assurance

This engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement. Professional standards require us to use negative wording in the conclusion of a limited assurance report.

Restriction on use

This report including our conclusions, has been prepared solely for the Board of Directors of Karoon in accordance with the agreement between us, to assist the directors in reporting on the selected subject matter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Karoon for our work or this report except where terms are expressly agreed between us in writing.

We permit this report to be disclosed in the Sustainability Report to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the selected subject matter.

GLOSSARY

TERM	DEFINITION
ANP	Agencia Nacional do Petróleo, Gas Natural e Biocombustíveis.
ARC	Audit and Risk Committee of the Board.
barrel or bbl	Barrel of oil, inclusive of condensate. A quantity of 42 United States gallons; equivalent to approximately 159 litres.
Baúna	Concession BM-S-40 containing the producing Baúna and Piracaba light oil fields and the undeveloped Patola oil discovery, Brazil.
Board	The Board of Directors of Karoon Energy Ltd.
bopd	Barrels of oil per day.
Company	Karoon Energy Ltd.
CH ₄	Methane.
CMT	Crisis Management Team.
CO ₂ e	Carbon dioxide equivalent.
CY	Calendar Year.
Director	A Director of Karoon Energy Ltd.
FY or financial year	Financial Year.
FPSO	Floating production, storage and off-loading facility.
GHG	Greenhouse gas.
GWP	Global warming potential.
HAZOP	Hazard and Operability Analysis.
HSSE	Health, safety, security and environment.
IBAMA	Brazilian Institute of Environment and Renewable Natural Resources.
IGES	Institute for Global Environmental Strategies.
IOC	Independent Oil Company.
IPCC	Intergovernmental Panel on Climate Change.
IUAG	Associated Gas Utilisation Index.
k	Thousand.
Karoon or Group	Karoon Energy Ltd and its subsidiaries.
KMP	Key Management Personnel.
LTI	Lost Time Incident.
LTIR	Lost Time Incident Rate (per 200,000 hours).
m	Million.

TERM	DEFINITION
MMbbl	Millions of barrels (1,000,000 barrels).
MOU	Memorandum of Understanding.
N ₂ O	Nitrous Oxide.
NGA	National Greenhouse Accounts.
OMS	Operating Management System.
OSRP	Oil Spill Response Plan.
PAC	Prevention and Control.
PCS	Social Communication Project.
PCGC	People, Culture and Governance Committee of the Board.
PPCEX	Exotic Species Monitoring Project.
REBIO	Marine biological reserve.
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.
ROV	Remote Operated Vehicle.
RUMO	Resilience and Union for Marine Organisation.
Scope 1 Emissions	GHGs released directly from operations within Karoon's control. This includes emissions from stationary combustion (for example in generator turbines onboard the FPSO), mobile combustion (for example in supply vessels and fleet cars), fugitive emissions (for example from general leaks) and process emissions (for example 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.
SORC	Sustainability and Operational Risk Committee of the Board.
TOG	Total Oil and Grease Concentration (measured in milligrams per litre, mg/L).
TRIR	Total Recordable Incident Rate (per 200,000 hours).
tCO ₂ e	Tonnes of carbon dioxide equivalent.
UFSC	University of Santa Catarina.
USD or US\$	United States dollars.

