



23 August 2023

Company Announcements Office
ASX Limited

Dear Sir / Madam

2023 Sustainability Report

Enclosed is Karoon Energy Ltd's 2023 Sustainability Report.

This announcement has been authorised by the Board of Directors.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Daniel Murnane', written over a light grey rectangular background.

Daniel Murnane
Company Secretary

DELIVERING
RESULTS





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ABOUT KAROON ENERGY

Karoon is an international oil and gas exploration and production company, listed on the Australian Stock Exchange, with assets in Australia and Brazil. We aim to provide energy safely, reliably, and responsibly to create lasting benefits for all our stakeholders.

Karoon remains committed to its short- and long-term targets to remain Carbon Neutral from FY21 and Net Zero (Scopes 1 and 2) by 2035. Karoon's current key producing asset is the Baúna Project in BM-S-40, which comprises the Baúna, Piracaba and Patola oil fields in the

southern Santos Basin, located in ~300m water and approximately 220km offshore Brazil. Our business is headquartered in Melbourne, Australia, and our operations in Brazil are managed by staff located in Rio de Janeiro, our supply base in Itajaí and our contract partners.

REPORTING FRAMEWORKS

Karoon's first standalone Sustainability Report was published in August 2022. It was structured to reflect each of Karoon's five pillars of sustainability, with emphasis on Health, Safety and Security and on Climate. The report also included a section outlining Karoon's governance approach to sustainability, particularly risk management.

The reporting priorities for each section were linked to the recommendations of the International Petroleum Industry Environmental Conservation Association (IPIECA) Sustainability Reporting Guidelines, which were endorsed by the Karoon Board during the 2021 Karoon strategic

refresh. However, the climate and governance sections were also written to reflect the Task Force on Climate-Related Financial Disclosure (TCFD) reporting, which Karoon has committed to in its Sustainability Policy.

For the FY23 Sustainability Report, various key improvements have been implemented, including reporting with reference to the Global Reporting Initiative (GRI) Standards which came into effect 1 January 2023. Through our TCFD disclosures, Karoon aims to enhance our transparency, demonstrate our commitment to addressing climate-related risks, and contribute to the ongoing conversation on

sustainable financial practices. Various scenarios were considered in these discussions and analyses, particularly regarding transition risks and the impact on carbon prices and oil demand.

Furthermore, Karoon acknowledges the standards released by the International Sustainability Standards Board (ISSB) in June 2023 and the Australian Government's plans to introduce mandatory climate reporting, potentially during 2024. Karoon plans to undertake a thorough review of its sustainability reporting aiming to ensure regulatory compliance and progress the maturity of our reporting in line with international best practice.

EXTERNAL ASSURANCE

PricewaterhouseCoopers (PwC) provides limited assurance on Karoon's total Scope 1 and Scope 2 emissions, and total emissions intensity. The report is available on pages 40-42.

REPORTING CRITERIA

Scopes 1 and 2 emissions are defined within the Glossary on page 45, and are calculated in accordance with the GHG Protocol methodology using relevant emissions factors from the National Greenhouse Energy Reporting (NGER) guidelines and the Brazilian Science, Technology and Innovation Ministry. This report covers the sustainability reporting and approach for the reporting period 1 July 2022 to 30 June 2023.

Carbon Neutral refers to firstly, reducing or avoiding operational Scope 1 and Scope 2 greenhouse gas (GHG) emissions and, secondly, acquiring carbon offsets to balance the remaining Scope 1 and Scope 2 emissions. Net Zero refers to reducing Scope 1 and 2 GHG emissions as far as practical and balancing the residual GHG emissions produced with GHG emissions removed from the atmosphere.



OPERATIONAL HIGHLIGHTS FY23



7.04 MMbbl
PRODUCTION



US\$566.5 MILLION
OIL SALES REVENUE



US\$150M
CONTRIBUTIONS TO THE BRAZILIAN AND AUSTRALIAN ECONOMIES IN FY23 IN WAGES, ROYALTIES, LEVIES AND TAXES, AS WELL AS SOCIAL/COMMUNITY AND ENVIRONMENTAL PROGRAMS



0.41 PER 200,000 HOURS
TOTAL RECORDABLE INCIDENT RATE



142,074 tCO₂e
SCOPE 1 & 2 EMISSIONS



100%
FY22 BAÚNA FPSO EMISSIONS OFFSET



200%
2P RESERVES REPLACEMENT RATIO



US\$235.7 MILLION
DEVELOPMENT CAPITAL INVESTMENT

INTRODUCTION



Luciana Rachid
Chair of the Sustainability and
Operational Risk Committee



Julian Fowles
CEO and
Managing Director

The Company is pleased to report a year of good progress implementing the Company's climate strategy and five pillars of sustainability, whilst producing the energy the world needs in a safe and responsible manner and progressing a broad range of sustainability projects and commitments.

In terms of sustainable operations, we are pleased to report a positive 12 months of activities and improving results. Working in collaboration with our contractors, we achieved a reduced number of Lost Time Injuries (LTIs) during FY23. This was whilst managing the significant increase in activity levels and work hours, due to the Baúna wells workover activities, the Patola development and Neon control well drilling. Overall, these operations were undertaken safely and efficiently and resulted in a significant uplift in our production.

Nevertheless, our activities resulted in four low severity personal injuries which is the same number as FY22, and this remains an area for improvement for the Company. In March 2023, Baúna facility production was shut-in due to a gas leak. As a result, and together with Baúna Project FPSO contractor Altera&Ocyan, we chose to extend the shut-in to undertake further inspection and maintenance of the systems before recommencing production.

As part of Karoon's Carbon Management Action Plan, we continued to maintain our near-term objective of being Carbon Neutral on our Baúna Project area activities and remain committed to being Net Zero (Scopes 1 and 2) by 2035.

Additionally, the Board elected to have an external expert review our climate strategy. The work confirmed the Company is on an appropriate course to deliver on its objectives, noting that stakeholder expectations and levels of reporting continue to rise. There were also key personnel hires made in both Brazil and Australia, reflecting the increasing activity levels in all aspects of sustainability.

Over FY2023 we undertook several targeted initiatives to further strengthen our sustainability focus and reporting, which remains core to our business. Karoon acknowledges and is targeting to implement increased sustainability reporting with reference to the new voluntary reporting requirements (Global Reporting Initiative - GRI) that came into effect on 1 January 2023.

Karoon is also committed to being an employer of choice. The Company strives to maintain a professionally rewarding and inclusive workplace that attracts and retains talented staff with diverse backgrounds, skills, ages, and experience. Gender diversity, in particular, remains a significant focus area.

During the year, the Company appointed a Cyber Security Manager and work commenced to improve established cyber security protocols, aligned with best practice, and increased staff training to reduce cyber security risk.

Karoon is proud of its progress to support a wide range of projects that contribute to and improve the quality of life of local communities, including within the areas of Brazil that we operate. In FY23, the Company committed to twenty-two social projects, including five voluntary

social projects that are expected to deliver meaningful benefits and change to the people involved.

Work continued to identify emissions intensity reduction opportunities from the Baúna facility and to mature several nature-based carbon sequestration and offset opportunities within Brazil. We recognise that operating a mature asset and with an ambition to increase our oil production profile, our absolute emissions will be challenging to manage.

Minimising the impact of our activities on the environment remains a core and high priority, and we continued to implement our Baúna Project Pollution Control Plan, which aims to outperform the regulatory environmental targets and monitors air emissions, water use, as well as waste minimisation and disposal. Importantly, there were no material environmental incidents during the year, despite a significant increase in activity levels.

Luciana Rachid
Chair of the Sustainability and
Operational Risk Committee (SORC)

Julian Fowles
CEO and Managing Director



OUR APPROACH TO SUSTAINABILITY

Sustainability is a core element of Karoon's business strategy, as we strive for sustainable future growth and delivering energy via safe, reliable, and responsible operations. As an oil producer, Karoon acknowledges the challenge of ensuring a stable supply of oil to meet global demands while simultaneously reducing our carbon footprint and delivering value and positive outcomes to all our stakeholders.

OUR PURPOSE

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

OUR VISION

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

OUR MISSION

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

To realise our vision, the Karoon Board and senior management team have sought to integrate our fundamental values throughout Karoon's operations. This has fostered a workplace culture that seeks to actively involve and inspire employees, helping them to achieve outstanding business outcomes.

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.

The Company's Strategic Refresh in 2021 created Five Key Pillars to guide Karoon's decision-making. These pillars have been used to develop critical strategies in responding to emerging sustainability issues and creating value for Karoon's stakeholders.

FIVE PILLARS:

-  Health, Safety and Security
-  Climate
-  People and Culture
-  Community
-  Environment



HEALTH, SAFETY AND SECURITY

- Karoon prioritises its strong 'safety-first' culture and values.
- Karoon's safety metrics improved relative to FY22. Our LTIR decreased from 0.77 to 0.10 and our overall TRIR decreased from 0.77 to 0.41, while managing a near doubling in work exposure hours.
- Of particular note, is the excellent safety record onboard the Noble Developer drilling rig, where no lost time were observed throughout the entire Karoon campaign, lasting 5 months.
- Recognising the challenges posed by the increasing prevalence of cyber security threats in today's digital age, Karoon has implemented changes to both the governance and oversight of its cyber security risk and strengthened its data management framework. During FY23, Karoon employed a dedicated Cyber Security and IT Manager. No cybersecurity breaches were notified over the year.



CLIMATE

- Karoon has a well-defined climate strategy and continues to work towards a target of Net Zero (Scope 1 & 2 emissions) by 2035. The appropriateness of our current strategy for the size and scope of Karoon's operations was confirmed during a recent review, requested by the Board, and delivered by an external expert advisor.
- Our priority, and the first step in our Carbon Management Action Plan (CMAP), is to eliminate or reduce emissions. An example of this was the installation of a marine vessel mooring buoy during FY22, which has continued to yield emission reduction benefits. In addition, a vessel scheduling optimisation project was implemented during FY23 and similarly resulted in Scope 1 emissions reductions.
- The second step with our CMAP is to invest in quality carbon sequestration projects, with a focus on nature-based solution (NBS) projects in Brazil. Karoon has been closely engaged with several reputable NBS developers in Brazil and in June 2023 executed a term sheet to enter a REDD+ project located in the Amazon region. Karoon also made a second purchase under the verified emission reduction (VER) purchase agreement with Shell Western Supply and Trading (Shell) which fully offset the Scope 1 emissions from FY22 and will partially offset emissions for FY23.
- The Sustainability Report includes an index to the GRI Standards. Karoon acknowledges the ISSB standards released in June 2023 and the Australian Government's plans to introduce mandatory climate reporting, most likely during 2024. Karoon plans to undertake a review of its sustainability reporting aiming to ensure regulatory compliance and to progress the maturity of our reporting in line with international best practice.

Our priority, and the first step in our Carbon Management Action Plan (CMAP), is to eliminate or reduce emissions. An example of this was the installation of a marine vessel mooring buoy during FY22, which has continued to yield emission reduction benefits. In addition, a vessel scheduling optimisation project was implemented during FY23 and similarly resulted in Scope 1 emissions reductions.



PEOPLE AND CULTURE

- Karoon developed a comprehensive People, Capability and Culture Plan during FY23 as the Company looks for opportunities to improve collaboration and team performance to enable achievement of Karoon’s shared ambitions.
- Karoon submitted its second Modern Slavery Statement in January 2023 (<https://www.karoonenergy.com.au/wp-content/uploads/2022-Modern-Slavery-Statement-Statement-Karoon-Energy-Ltd.pdf>) in accordance with its obligations under the Australian Modern Slavery Act 2018. Modern Slavery questionnaires were distributed to new suppliers meeting the engagement threshold during FY23.
- Karoon continued to train and promote the highest levels of integrity and ethical behaviour. All suppliers, contractors and employees have access to grievance mechanisms via a third-party Whistleblower reporting service that facilitates both named and anonymous reporting.
- Karoon remains committed to achieving our gender diversity targets of 30% female participation at board and senior leadership levels and group wide. The Company overall achieved 41% gender diversity in FY23.
- Voluntary turnover in FY23 was 13.8%.



COMMUNITY

- Karoon has been operating in Brazil for more than 15 years and is proud of its contribution to the local communities in which it operates, and to the wider economy in Brazil. Karoon seeks to empower people to create a positive impact on their futures, contributing to 22 social projects in Brazil during FY23.
- During FY23, Karoon developed and implemented guidelines to prioritise community investment based on specific criteria. The main areas of Karoon’s community investment are aligned with Goals 4, 8 & 17 of the UN Sustainable Development Goals (UN SDGs), which focus on education and employment.

Karoon remains committed to implementing the Baúna Project Pollution Control Plan, which aims to outperform the regulatory environmental targets and monitor air emissions.



ENVIRONMENT

- Karoon remains committed to implementing the Baúna Project Pollution Control Plan, which aims to outperform the regulatory environmental targets and monitor air emissions, water use, as well as waste minimisation and disposal. Karoon also aims to minimise flaring in operations and prevent any oil spills to sea.
- There were no significant oil spills, environmental incidents or Tier 1 or Tier 2 process safety releases recorded in Karoon’s operations in FY23. There was a gas leak recorded in March 2023 (classified as Tier 3) that resulted in the shutdown of Baúna Project production. Karoon takes its ‘safety-first’ commitment seriously and together with the Baúna FPSO contractor, Altera&Ocyan, elected to extend the shutdown through to 9 May 2023 aiming to ensure that the leak had been repaired and the facility production systems had been thoroughly investigated and, where necessary, repairs undertaken, before recommencing production. Given the FPSO is now producing at significantly higher rates than in the recent past and close to capacity, further work is considered necessary to achieving the facility’s continued and long-term reliable performance.

PILLAR OF SUSTAINABILITY KEY RISKS

PILLAR OF SUSTAINABILITY	KEY RISKS	KEY OPPORTUNITY
Health, Safety and Security	<ul style="list-style-type: none"> • Harm to those working in our operations or to our assets • Increased exposure to cyber security issues 	<ul style="list-style-type: none"> • Reducing incident rates through culture and process related improvements and technological advances • Maintain an appropriate cyber security risk management
Climate	<ul style="list-style-type: none"> • Physical risks for our operations, particularly the supply base due to increased extreme weather events (e.g. floods and strong currents) • Transition risks relating to climate impact, including access to equity or debt funding due to changing investor viewpoints on ESG and/or changes to the regulatory environment in Brazil 	<ul style="list-style-type: none"> • Adaptation measures • 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	<ul style="list-style-type: none"> • Ability to attract and retain talent • Supply chain risks, such as those related to human rights 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Impacts from operations on local communities 	<ul style="list-style-type: none"> • Improving quality of life in local communities, through investments in social projects that empower local people
Environment	<ul style="list-style-type: none"> • Environmental harm from major oil spill 	<ul style="list-style-type: none"> • Reducing potential negative impacts through robust planning, thorough maintenance, improved waste management and investment in research and development

OUR APPROACH TO SUSTAINABILITY CONTINUED

GOVERNANCE STRUCTURE AND OVERSIGHT

Karoon's Board and Board Committees provide extensive experience and oversight for all aspects of the Company's business and operational performance, particularly in the areas of safety, health, environment, sustainability, and risk management. The objectives set by the Board are delivered by Karoon's senior management and staff, via annual business plans and in compliance with the Company's management systems and policies. Further assurance is provided regularly and detailed external auditing of a wide range of business activities.

The Sustainability and Operational Risk Committee (SORC) convenes at least four times per year, dedicating time to reviewing sustainability-related risks at each meeting, which are subsequently reported to the Audit, Risk and Governance Committee (ARGC) and the Board. The management team identifies and evaluates risks using a Likelihood and Consequence matrix, with the Sustainability Manager assuming specific responsibility for sustainability-related risks. The CEO and Managing Director reviews the resulting risk registers before presenting them to the Board and its committees.

The Board actively participates in the development of Karoon's sustainability and climate strategies, with a particular focus on Scope 1 and 2 GHG emissions targets and the Carbon Management Action Plan CMAP. An in-depth review of Karoon's climate strategy and targets was conducted during FY23, which is discussed in more detail in the Climate Report, contained within this document (pages 14-21). The SORC and the Board oversee the progress made towards these targets by monitoring the CMAP.

THE BOARD

Responsible for overseeing the Company's strategic direction and management of the company, while providing guidance on expectations through the Risk Tolerance Statement and regularly reviewing major business risks.

BOARD COMMITTEES

Board committees have procedures in place to ensure they effectively communicate with each other.

SUSTAINABILITY AND OPERATIONAL RISK COMMITTEE (SORC)

Assists the Board in overseeing sustainability-relating risks and opportunities as well as supervising HSE and Sustainability policies. It also supports the management of operational risks, fostering a culture of sustainability and social responsibility.

Includes Health, Safety, Security and Environmental projects, Climate Change strategies, Social and Environmental projects, regulatory compliance and Karoon's operating management system.

AUDIT, RISK AND GOVERNANCE COMMITTEES (ARGC)

Supports the Board in fulfilling its oversight duties regarding audit processes, corporate governance, internal control and processes, as well as overall risk identification and management. Includes Karoon's Corporate Risk register and all aspects of financial reporting.

PEOPLE AND CULTURE COMMITTEE (PCC)

Supports the Board in overseeing Karoon's remuneration framework, including oversight and recommendations on remuneration outcomes for senior executive. In addition, the committee makes recommendations to the Board on people, culture, diversity and employee engagement.

RISK FRAMEWORK

COMPANY POLICIES & PROCEDURES

MANAGEMENT UNDER THE LEADERSHIP OF THE CEO

Responsible for delivering the strategic direction approved by the Board

MANAGEMENT SYSTEM AND POLICIES

The Company is committed to responsible and sustainable operations and business management. Key to achieving this is the identification of risks and opportunities, as a routine and frequent activity which is undertaken in all business areas and via various levels of assessment. At the frontline, operational level, risk assessments are conducted to prevent the execution of activities that pose an unacceptable risk to personnel, the environment and assets. A similar approach to managing operational risk is applied at the Country and Corporate level, managing a wider range of risk types.

For potential investments, project-level risk assessments are performed to identify both risks and opportunities, allowing for informed decision-making regarding investments.

The Board regularly reviews overall business risks, encompassing corporate and operational risks, including those related to climate transition and physical impacts. Karoon employs a risk management framework that aids in identifying significant sustainability risks and opportunities. A review of Karoon's risk management framework commenced during FY23 to improve its effectiveness by simplifying the tools, processes, and reporting,

and clarifying the governance and accountability structure of risk management.

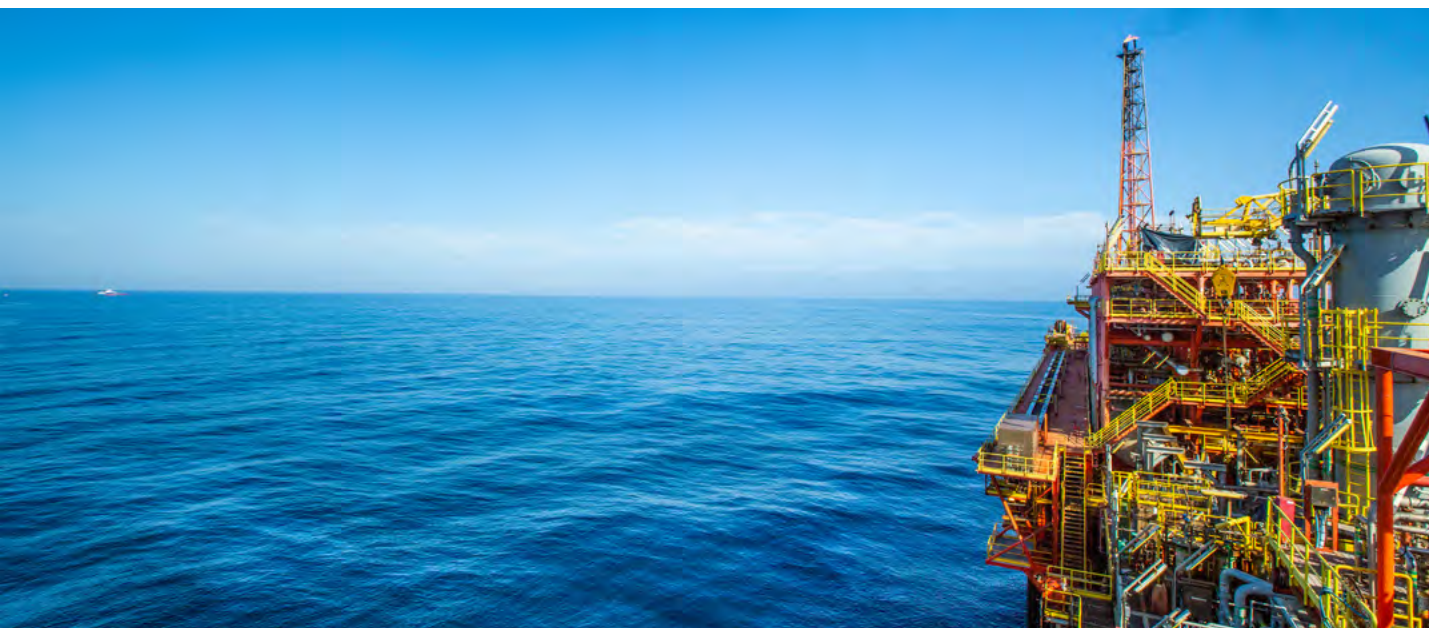
Karoon also has a business continuity and crisis management framework that is proactively reviewed and tested to ensure personnel are appropriately trained and that Karoon is well positioned to act if necessary. In FY23, 33 training events were conducted in Brazil, of which 23 were HSSE Inductions and 10 mandatory offshore training. In addition, there were 4 oil spill emergency drills, of which 1 was performed by IBAMA. Crisis management response training and exercises were also undertaken for staff in Australia.

TRANSPARENCY AND ETHICS

At Karoon, we recognise that maintaining good business ethics and demonstrating transparency are crucial to the success of our sustainability efforts. By adhering to ethical standards and proactively engaging, we strive to ensure accountability and trust with stakeholders, thereby fostering long-term sustainability in our operations.

We believe these values will help us to achieve the following:

- Communicate our progress, identify areas for improvement, and ensure the well-being of all individuals involved.
- Allow stakeholders to assess our greenhouse gas (GHG) emissions performance and hold us accountable for our commitments towards climate targets.
- Demonstrate our commitment to work collaboratively with our contractors and supply chain partners.
- Enable communities to make informed decisions when interacting with Karoon and holding us accountable for being good corporate citizens.
- Allow stakeholders to track our progress aiming to ensure compliance with our environmental commitments.





HEALTH, SAFETY AND SECURITY

0.41 Per 200,000 hours

Total Recordable Injury Rate (TRIR)

0.10 Per 200,000 hours

Lost Time Injury Rate (LTIR)

0

Fatalities

1

High Potential Incidents

1

Lost Time Injuries

2

Medical Treatment Injuries

1

Restricted Work Cases

0

Tier 1 & 2 Process Safety Events

HEALTH, SAFETY AND SECURITY

At Karoon, people are at the core of our business, and their health, safety and security is our highest priority. In FY23, working in close collaboration with our contractors, we achieved improving personal safety performance across all our operational worksites, while managing a significantly higher level of operational activity.

To foster a proactive safety culture and shared 'duty of care', Karoon, together with its principal contractors, provides safety inductions, continuous education, and training programs for all workers. Safety is discussed in our meetings, whether offshore or in the office, to reinforce our commitment to the wellbeing of our employees. Karoon adopts Golden Safety Rules, that are posted on the FPSO for reference and are expected to be followed by all workers as a way of addressing specific issues or risks identified within the organisation. In FY22, Karoon established an internal function in Brazil, the Internal Committee for Accident Prevention (CIPA), dedicated to further developing our safety culture and raising awareness of health, safety, and environmental issues. During FY23, we have continued to apply a high level of focus. Through the production of alert notices and coordination of activities such as our annual Environment and Safety weeks, the CIPA ensures that our commitment to safe, reliable, and responsible operations permeates our projects and activities.

Of particular note is the excellent safety record on board the Noble Developer drilling rig, where no lost time injuries were observed throughout the entire Karoon campaign, which lasted approximately 5 months. During the campaign, Karoon worked with Pontifical Catholic University of Rio Grande do Sul (PUC-RS) onboard the rig to undertake a safety behaviour review and identify behaviours that could be applied to offshore rig operations throughout Brazil, to improve safety culture and outcomes. This collaboration with PUC-RS resulted in a research study,

conducted with the Noble Developer (former Maersk Developer). Its results were shared in periodic follow up meetings with Karoon, which included discussions on potential action plans. A final report is under development by PUC-RS and will include actions reflecting recommendations from the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP).

On 28 March 2023, Karoon shut-in production on the Baúna FPSO, the Cidade de Itajaí, due to a loss of gas containment incident associated with the high-pressure flare. The FPSO operator, Altera&Ocyan mobilised a team of specialists to the FPSO to identify the cause of the leak. After extensive inspections of the FPSO's pipework and the implementation of both necessary repairs and additional maintenance, production recommenced on 9 May. Karoon and Altera&Ocyan's commitment to both personal and process safety was highlighted during this extended shutdown through the decision to only restart production when necessary inspections and repairs had been completed. With the FPSO now producing at significantly higher rates than in the recent past and close to capacity, the recent unplanned shutdown has highlighted some areas of integrity, that require further work to achieve the facility's continued long term reliable performance. This will include additional inspections and maintenance work, ahead of the next planned maintenance shutdown scheduled for March 2024.

Karoon is committed to always meeting and, where practical, exceeding the requirements set by relevant laws and regulations in the areas where we operate. Our Operating Management System (OMS) reflects our expectations of safety and integrity across all operations and disciplines. The OMS, which encompasses policies, guidelines, and procedures, is regularly reviewed, and updated to ensure compliance in all jurisdictions where we operate. External audits are conducted by regulatory agencies such as the ANP and the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA), assessing our compliance with specific regulatory criteria. Karoon also carries out voluntary safety inspections to check regulatory compliance, identify risks, and uncover opportunities for improving safety.

Karoon recognises the inherent hazardous nature of the oil and gas industry and maintains a robust governance and risk management framework to identify and mitigate risks to as low as reasonably practicable (ALARP). We conduct hazard and operability (HAZOP) studies at the activity level and risk assessments at the project and business levels. Our assessments are regularly updated, placing a strong emphasis on safety. We do not proceed with any activity until safety risks are reduced to ALARP and an acceptable level. All employees are empowered to halt work in unsafe situations or when relevant health, safety, or environmental controls are inadequate.

Karoon is committed to always meeting and, where practical, exceeding the requirements set by relevant laws and regulations in the areas where we operate. Our Operating Management System (OMS) reflects our expectations of safety and integrity across all operations and disciplines. The OMS, which encompasses policies, guidelines, and procedures, is regularly reviewed, and updated aiming to ensure compliance in all jurisdictions where we operate.



We encourage hazard reporting via our own and contractors' 'Safe Card' systems, fostering a proactive and shared responsibility approach to risk management. A specific focus on fatality prevention is, in part, provided via the promotion of Golden Safety Rules, required to be adhered by workers and established in accordance with recommendations from the International Association of Oil and Gas Producers (IOGP 459).

While our aim is to prevent major incidents through our risk management framework, safety culture, regulatory compliance, as well as continuous improvement efforts, we acknowledge the need for preparedness in case of an incident. Karoon follows a structured approach to emergency management, with well-documented incident response systems. Our Crisis Management Team (CMT), based at our head office, maintains oversight of incident responses, and takes responsibility for controlling group-wide business continuity and strategic decision-making. Regular training drills are in place so that personnel are well prepared for emergency events, with IBAMA observing these drills at least once a year in Brazil. Key operational responses, including offshore medical evacuation and oil spill response, are thoroughly tested through full deployment drills.

Karoon monitors the Baúna facility's safety performance via regular reporting and audits, and our onboard company representatives. A dedicated Karoon HSSE Advisor also visits operations to monitor performance, address any outstanding actions and actively promote our safety culture. Senior management and the Board receive regular HSSE updates, via routine reporting, with additional reports provided at SORC and Board meetings, as required.

In FY23, the implementation of the Baúna Project intervention campaign, the Patola development drilling and control well drilling at Neon resulted in a material increase in exposure hours. Karoon operated with a total of four reportable safety incidents and injuries during FY23. The most significant of these was a Lost Time Injury incident, was a finger injury, which required surgery. The worker subsequently returned to his duties without permanent injury.

SAFETY PERFORMANCE	FY21	FY22	FY23
Fatalities	0	0	0
High Potential Incidents	1	2	1
Lost Time Injuries (LTI)	1	4	1
Medical Treatment Cases	1	0	2
Restricted Work Cases	0	0	1
Work Exposure Hours	625,928	1,027,000	1,947,000
Total Recordable Injury Rate (per 200,000 hours)	0.64	0.77	0.41
Lost Time Injury Rate (per 200,000 hours)	0.32	0.77	0.10
Tier 1 or 2 Process Safety Events	n/a	0	0

CYBER SECURITY - SUSTAINABILITY THROUGH ROBUST CYBER SECURITY PRACTICES

During FY23, Karoon increased its focus on managing cyber security risk, recognising its potential impact on the business and operations. We have established a strong foundation to aim for a NIST (National Institute of Standards and Technology) cyber security framework maturity level 3 and adhere to the Essential 8 maturity model. We aim to ensure compliance with the Australian Privacy Act and relevant Brazilian laws.

With a vision for strong production growth, we are aware of the cyber risks associated with rapid expansion, and we take a proactive approach to cyber risk management. By conducting regular risk assessments, vulnerability testing, and incident response planning, we strive to identify and mitigate potential threats before cyber risks materialise.

We prioritise resilience and business continuity by establishing robust backup and recovery systems, as well as comprehensive incident response plans aligned with industry best

practices. Through these measures, we aim to protect the security of our digital assets, infrastructure, and sensitive data while minimising any potential impact on our operations. Our commitment to cybersecurity underscores our dedication to protecting our stakeholders' interests and maintaining the trust placed in us as we continue our path of organic and inorganic growth.

OUR CYBER SECURITY STRATEGY

Commitment to Cyber Security

We prioritise cyber security as a fundamental aspect of our operations and growth strategy. Our Company recognises the increasing threats posed by cyber-attacks and is dedicated to implementing robust measures to safeguard our digital assets, infrastructure, and sensitive data.

Proactive approach

- Cyber awareness
- Information protection
- Risk assessments
- Improved detection and response

We take a proactive stance in identifying and mitigating cyber risks. Through regular risk assessments, vulnerability testing, and incident response planning, we strive to stay ahead of emerging threats. Our focus on continuous improvement ensures that our cybersecurity practices evolve alongside the changing threat landscape.

Resilience & Business Continuity

- Incident response process
- Robust backup and recovery systems
- Alignment to best practices

We prioritise resilience and business continuity in the face of potential cyber disruptions. We have established robust backup and recovery systems, as well as comprehensive incident response plans aligned with industry best practices. By investing in these measures, we aim to minimise the impact of any cyber incidents on our operations and ensure uninterrupted service delivery to our stakeholders.

KEY INITIATIVES



1) DRIVING A CULTURE OF CYBER AWARENESS

- A variety of mediums used to consistently drive awareness
- Keep staff up to date with emerging threats such as AI
- Increased sophistication of phishing simulations



2) MATURATION OF CYBER GOVERNANCE PRACTICES

- Information Security Management Forum
- Information Security Management System
- Operational maintenance cadence



3) COMMON ARCHITECTURE

- Global infrastructure architecture
- Group wide visibility and event monitoring
- Standardised incident and change processes



CLIMATE

142,025 tCO₂e

Scope 1 emissions

49 tCO₂e

Scope 2 emissions

5,293 tCO₂e

Avoided emissions

100%

FY22 Baúna FPSO emissions offset

95.6% percentage of total emissions

Scope 3 emissions

20.2 kgCO₂e/bbl

Emissions intensity

CLIMATE

Karoon acknowledges the global climate challenges facing the world and confronting the oil and gas sector. The situation in Ukraine has also had major ramifications on regional and global energy security and supply.

We also understand our industry’s responsibility in driving the transition towards Net Zero emissions. We are committed to actively reducing our greenhouse gas (GHG) emissions wherever practical and mitigating those emissions that cannot be eliminated. By doing so, we are contributing to the collective endeavour of minimising the adverse effects of climate change.

With climate being one of our five key sustainability pillars, and as an oil producer, we believe that it is our responsibility to acknowledge and respond to the

challenges of climate change. While we continue to grow as a producer and build on our existing operations, we are aiming to optimise our processes with the goal of ensuring that absolute emissions are minimised and, wherever practical, reduce in terms of emissions intensity.

We remain on track to maintain our goal of being Carbon Neutral over our Scope 1 and 2 emissions for the Baúna Project, and we will continue to focus our efforts on meeting our 2035 Net Zero commitment through our Carbon Management Action Plan.

CARBON NEUTRAL FY 2023 SCOPE 1 AND 2 GHG EMISSIONS

Baúna Project expected to remain Carbon Neutral*



Carbon Neutral on new assets within five years of purchase*



Internal carbon pricing for new investment decisions



NET ZERO BY 2035 SCOPE 1 AND 2 GHG EMISSIONS

* Scope 1 and 2 GHG emissions

Carbon Neutral refers to firstly, reducing or avoiding operational Scope 1 and Scope 2 greenhouse gas (GHG) emissions and , secondly, acquiring carbon offsets to balance the remaining Scope 1 and Scope 2 emissions. Net Zero refers to reducing Scope 1 and 2 GHG emissions as far as practical and balancing the residual GHG emissions produced with GHG emissions removed.

APPROACH AND GOVERNANCE

Karoon’s approach to climate-related issues has involved a review of the relevant physical and transition climate risks and opportunities. The ongoing demand for oil over the next 20 years, as outlined by the International Energy Agency (IEA) in October 2021, supports the Company’s corporate climate strategy. This work highlighted a significant demand for oil under all IEA scenarios, including the IEA ‘Net Zero’ scenario (NZE), in the period out to 2050. This scenario is required to limit a global temperature rise to below 1.5 degrees.

Karoon has developed a Carbon Management Action Plan, first adopted in 2021 which is designed to deliver short term and longer-term climate-related outcomes. For the Baúna Project, this is a continued objective of being Carbon Neutral and a target to be Net Zero (Scope 1 and 2) by 2035.

During FY23, there have been changes in global sustainability reporting expectations. This has resulted in Karoon reporting with reference to the voluntary GRI standard, as well as being guided by the National Greenhouse and Energy Reporting (NGER) for our carbon accounting. PwC has

provided limited assurance over our total Scope 1 and 2 emissions. The SORC, with support from the Sustainability team, provided key insights and recommendations to the Board.

In FY23, the Sustainability team was expanded to include a Social Projects Specialist and Sustainability Manager in Brazil, and a Sustainability Analyst was appointed in Melbourne commencing in July 2023.

RISKS AND OPPORTUNITIES

In FY23, Karoon continued work to assess climate-related risks and opportunities, in response to the challenge of decarbonisation and the impacts of climate change. This included further development of our strategy to tackle emerging climate related risks and opportunities relevant to our business and operations.

Scenario analysis was used to assess and facilitate discussions about these impacts, with a focus on the transition risks associated with future oil demand. The analysis focused on future scenarios that are aligned with the targets set out in the Paris Agreement.

OUR STRATEGIC APPROACH

Karoon’s awareness of the TCFD began in 2017, with our preliminary assessment of the transition risks associated with climate change. Following the corporate Strategic Refresh in FY21, this work has extended to the development of an internal carbon price and a high-level assessment of physical risk in the Itajaí region, Brazil, where our supply base is located. As the global discourse surrounding climate-related risks and opportunities continues to gain momentum, it is crucial for businesses to provide accurate and transparent information regarding their financial exposure to climate. Through our TCFD disclosures, Karoon aims to enhance our transparency, demonstrate our commitment to addressing climate-related risks, and contribute to the ongoing conversation on sustainable practices.

Various scenarios were considered in these discussions and analyses, particularly regarding transition risks and the impact on carbon prices and oil demand.

During FY23, Karoon undertook scenario analysis using data and scenarios from the Network for Greening the Financial System (NGFS). These inputs formed the basis of the carbon prices and oil prices which were modelled using the REMIND-MAgPIE model. This recognised multi-model considers the global energy system and relevant economic factors to reflect changes in energy markets and land-use.

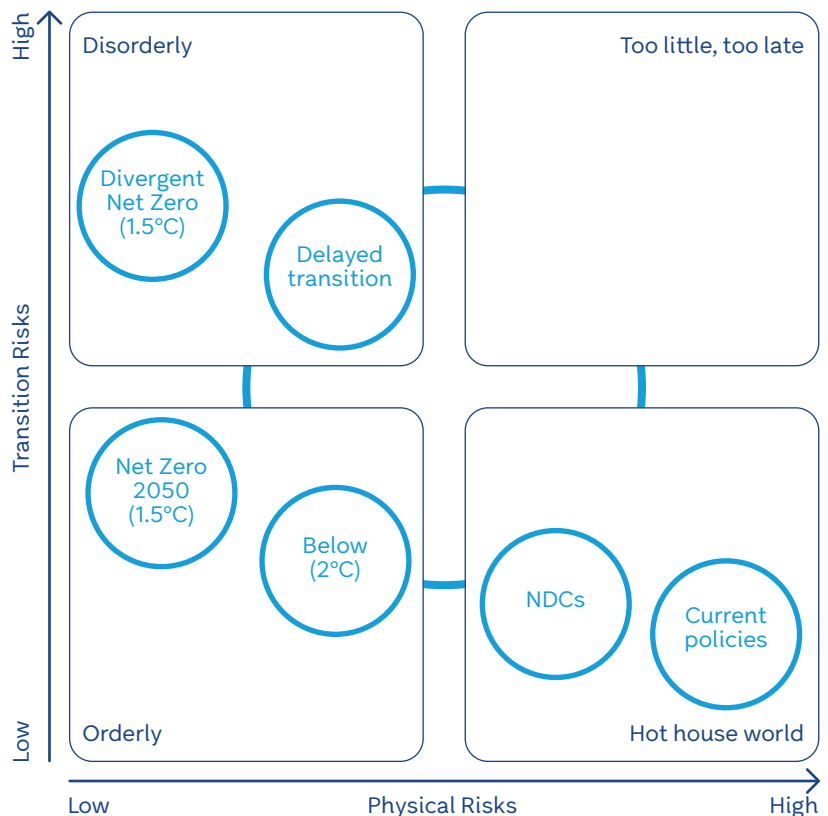
As the global discourse surrounding climate-related risks and opportunities continues to gain momentum, it is crucial for businesses to provide accurate and transparent information regarding their financial exposure to climate change.

A range of potential pathways was selected under the NGFS scenarios framework:

1. ‘Divergent Net Zero (1.5°C)’ – highest transition risk but lowest physical risk outcomes.
2. ‘Below 2°C’ – mid range scenario
3. ‘Current policies*’ – lowest transition risk outcomes but highest physical risk outcomes.

* Refers to national and international policies.

NGFS SCENARIOS FRAMEWORK

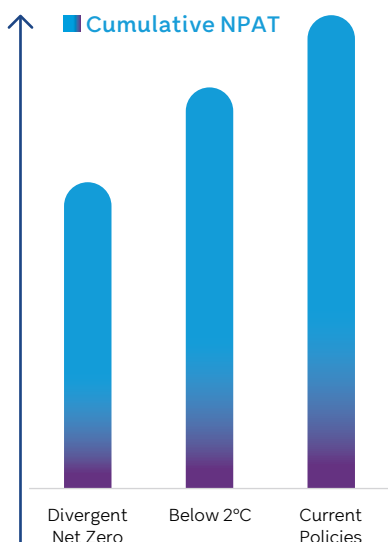




Global trends using an indicative carbon price, measured in US dollars per tonne of carbon-equivalent, reflect the change in overall policy intensity and technology costs related to a transitioning economy.

The chart below illustrates the various Net Profit After Tax (NPAT) cumulative outcomes from the NGFS data and respective scenario assumptions when applied to the Karoon Corporate financial model. This highlights the relative outcomes of the scenarios.

NPAT Sensitivity Analysis



It is important to highlight that scenario analysis is a tool to help guide critical strategic thinking. The analysis is not intended to be indicative of a more likely or specific future outcomes. The benefit of the analysis is to explore alternatives to the Company's base case. The analysis indicated that Karoon's business is robust in all cases. Over the next 18 months, Karoon aims to carry out a more detailed scenario assessment. Karoon recently confirmed its internal carbon price assumptions with an external expert, and these will be used to strengthen the modelling.

The International Energy Agency (IEA) is widely regarded as a primary resource for insights into oil demand patterns and provides annual updates on influences on the oil market. Karoon utilises this data to help shape its view on oil demand and its oil price forecast.

Karoon is considering these risks using thorough risk assessments and scenario analysis aligned with the TCFD to maximise our potential for the sustainable development of existing assets to meet demand in the short-term and medium term.

Karoon acknowledges the threat of disruptions to operations due to changes in the frequency or severity

of weather events. These events may require a shutdown due to safety concerns, equipment damage, supply chain interruptions or personnel shortages. Karoon is committed to monitoring and mitigating these risks through rigorous, forward-looking assessments of the changing climate in areas in which we operate.

A high-level assessment of physical threats in the area indicated that flooding events and strong currents have the highest potential financial impact on operations and infrastructure in the onshore Itajaí region, where our supply base is located. Importantly, the assessment found that the likelihood of these events is expected to increase over the next 30 years. The most significant operational vulnerabilities were identified in access to waterways such as the external canal and basin, while mooring docks face the highest potential infrastructure costs.

Karoon acknowledges the importance of these physical risk assessments and aims to further develop our assessment of these risks through physical risk scenario analysis, to fully understand changes to the frequency and severity of these events, and the materiality of the potential financial impact, with the intention of adopting effective adaptive measures.

FUTURE EMISSIONS OUTLOOK

Short-term: 1 to 2 years, existing projects

As a result of the FY23 well intervention and drilling campaign, Baúna Project oil production increased materially, but has now resumed a gradual decline, consistent with reservoir models. This is expected to increase the Company’s emissions intensity over the next 18 months. Studies and projects to reduce facility absolute emissions will continue to be progressed and implemented, where practical.

Medium-term: 2 to 4 years, portfolio expansion

Assessment of the potential Neon development is currently underway and, subject to the project progressing successfully through Karoon’s gated project maturation process, this may lead to a development decision in the medium term. In addition, Karoon continues to assess opportunities to acquire value accretive assets to expand the Company’s portfolio, which, if successful, would result in an increase in the Company’s scale and diversification.

Such resource developments and acquisitions could increase our absolute GHG emissions portfolio. However, all decisions regarding oil growth and development include consideration of climate-related issues as part of the assessment process and specifically include consideration of our internal carbon price. In parallel, Karoon is committed to investigating complementary business opportunities to reduce emissions intensity and offset emissions.

Long-term: 5+ years, strategic growth

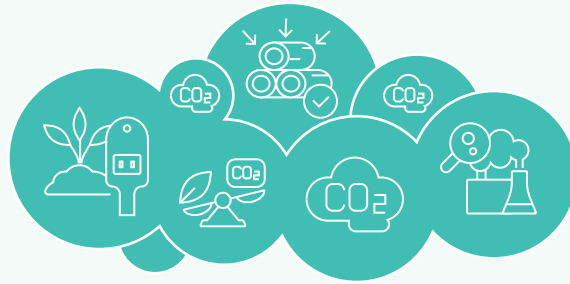
Karoon’s strategic goals include delivering attractive shareholder returns, driven primarily by a substantial increase in its future hydrocarbon resource portfolio and production. Any long-term investment decisions will consider potential climate-related risks, particularly carbon management costs, and strategically assess sustainability improvement options. Karoon anticipates that carbon management costs are likely to rise in the long term and will likely drive a greater focus on investments in emission reduction opportunities, 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.

Physical Risks	<p>Disruptions to operations due to unexpected or severe weather requiring a shutdown due to:</p> <ul style="list-style-type: none"> • safety concerns • equipment damage • supply chain interruptions • personnel shortages as a result of land transport impacts • Specific physical risks include major flooding events on the Itajai river impacting the supply base. In addition, the potential for cyclones in the southern Santos Basin region to disrupt offshore operations.
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) • Potential perception of REDD+ carbon offsets versus higher quality offset (risk opportunity). Related is the increased cost of higher quality carbon offsets • Potential inadvertent greenwashing • Risk presented by potential perceived level of Net Zero ambition
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) • Access to higher quality offset in Brazil / South America eg blue carbon, biomass to biochar etc. (risk and opportunity)

STRATEGY

A key pillar of Karoon’s climate strategy is the Carbon Management Action Plan. Building on the actions in FY22, the Plan helped reduce our GHG emissions through support vessel optimisation and the Mooring Buoy project. We also entered into an offset purchase agreement which has allowed us to offset all our FY22 Scope 1 and 2 emissions.



CARBON MANAGEMENT ACTION PLAN

Avoid and reduce

During FY23, 5,293 tCO₂e of emissions were avoided by the mooring buoy installation in FY22 and optimised support vessel scheduling. An efficiency study commenced during the year seeking additional reduction opportunities across our operations, through optimisation of systems, primarily focusing on reducing fuel and electricity usage.

Assess investments in high-quality offsets

In FY23, Karoon purchased 93,000 verified emission reduction (VER) certificates from Shell Western

Supply and Trading (Shell) under a long-term agreement, to offset FY22 Scope 1 and 2 emissions. These certificates were generated through the reduction of deforestation and degradation in the biologically diverse ecosystem of the Tambopata National Reserve, Peru. In addition, this project has both biodiversity and social benefits, and the carbon credits are verified using the Verra REDD+ (VM0007) methodology. During FY23, Karoon reviewed its climate and offsetting strategy and is increasingly confident about the future availability of high-quality offset projects in Brazil, aligned with the location of our operations, that it intends to pursue. A portfolio of high-quality opportunities in this area are currently being evaluated

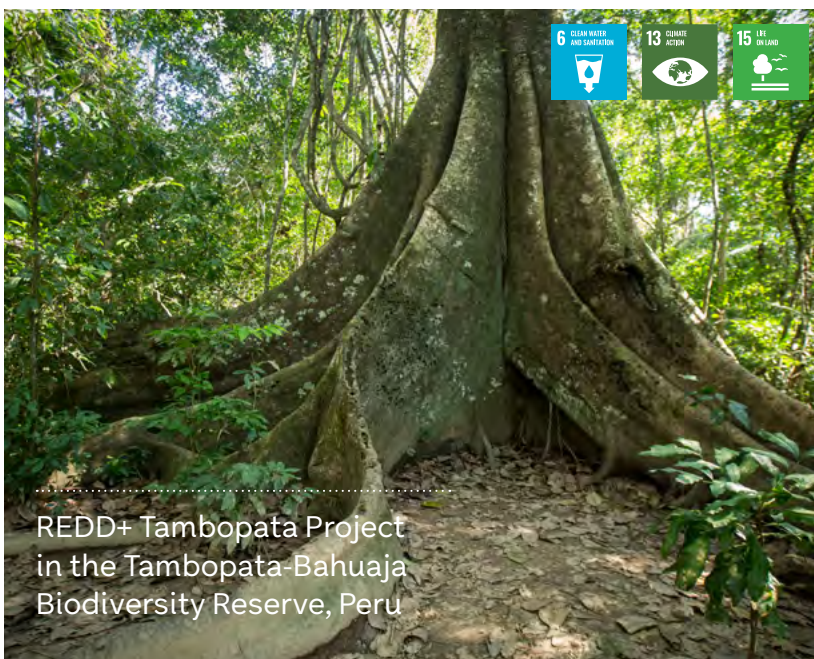
and progressed. Karoon has set internal criteria to assist selection of potential projects prior to due diligence. These include projects having effective governance i.e. transparent and verifiable. In addition, the credits should prove additionality, permanence and be measurable. The Company also seeks credible and competent partners.

Purchase additional offsets if required

No additional offsets were purchased in FY23.

Internal carbon pricing

Karoon has applied an internal carbon price ranging from approximately US\$45/t in 2023 to more than US\$130/t in 2050. This price was derived from data provided by Wood Mackenzie* that considers compliance carbon price across a range of jurisdictions, namely the European Union, the UK, Australia, New Zealand, China, and South Korea, over the period 2023 to 2050. The Wood Mackenzie data was then adjusted by Karoon internally to account for movements observed in the market in FY23. Karoon considers a price of at least US\$45/t to be a reasonable estimate of the cost of generating and/or purchasing a high quality, removal based, verified carbon unit (VCU) in 2023. While high relative to the price of Australian Carbon Credit Units over the course of FY23, Karoon is committed, where offsetting is utilised, to using high quality VCUs and therefore has applied a carbon price to internal decision making that reflects this commitment.



REDD+ Tambopata Project in the Tambopata-Bahuaja Biodiversity Reserve, Peru

* Wood Mackenzie did not develop or certify the methodology used to derive Karoon’s internal carbon price.

CLIMATE CONTINUED

Climate-related performance

In FY23, two years after our corporate Strategic Refresh, Karoon completed the Baúna intervention program and the Patola development and also drilled two control wells to de-risk a potential Neon development. These activities increased Karoon's GHG emissions. The rig operations also more than doubled our production rates which stabilised at 33,000 – 35,000 bopd by year end, which reduced our Scope 1 and 2 emissions intensity.

Karoon's emissions intensity was 20.2 kgCO₂e/bbl in FY23, which contrasts with 17.9 kgCO₂e/bbl in FY22. In the final quarter of FY22, the intensity had increased significantly as the intervention and drilling activities began.

Karoon's emissions are reported in terms of tonnes carbon dioxide equivalent and 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 in FY23 were estimated to be from flaring and the majority of the remainder were from fugitive emissions from general leaks with a small contribution from venting. Flaring leads to methane emissions through the inefficient burning of the associated gas, resulting in some of the methane escaping unburnt.

Approximately 40% of the 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. Recognising the damaging effects of methane, Karoon aims to minimise flaring in operations.

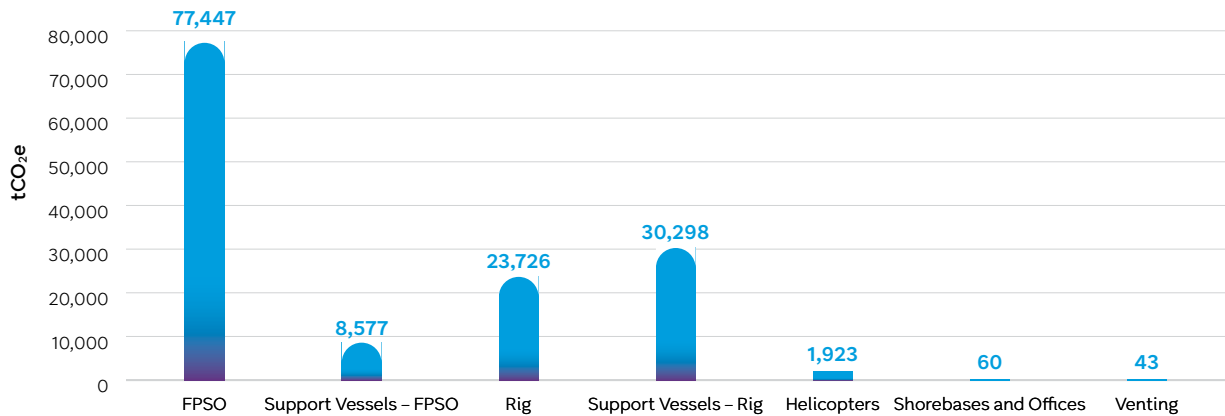
Karoon's average fraction of produced gas flared for the year was approximately 1.5%. Karoon reports flaring related data regularly to the ANP through our Associated Gas

Utilisation Index (IUGA). The IUGA represents the volume of gas used as a percentage of associated gas produced. Karoon has consistently kept its IUGA above the ANP 98.5% target (ie 98.5% of associated gas is used or reinjected).

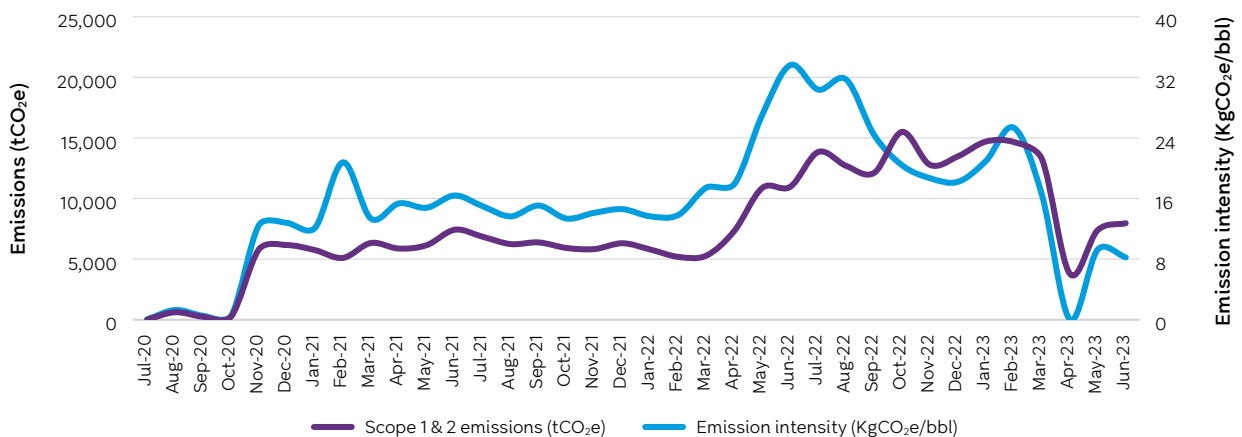
Scope 2 Emissions

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 Australian Scope 2 emissions were offset through the purchase of GreenPower. The GreenPower program guarantees Karoon's electricity use is matched with power from renewable electricity sources (such as solar, wind and biomass). Karoon's Australian office has been committed to 100% GreenPower since the end of CY21.

Scope 1 and 2 emissions by emissions source (tCO₂e)



Emissions and Monthly Emissions Intensity - Scopes 1 and 2 (KgCO₂e/bbl)



Scope 3 Emissions

In FY23, Karoon has continued our commitment to reporting our Scope 3 emissions aligned with the GHG Protocol. Scope 3 emissions are indirect GHG emissions created either ahead of (Scopes 3 Categories 1 to 8) or following (Scope 3 categories 9 to 15) Karoon's operations, excluding those captured in Scope 2. In our assessment of the eight upstream and seven downstream categories, Karoon has identified that Category 4, 'Upstream Transportation and Distribution', Category 10, 'Processing of Sold Products' and Category 11, 'Use of Sold Products' are our most material sources of Scope 3 emissions.

The oil produced from Baúna Project is sold to different customers and shipped to different refineries globally. The exact breakdown of the refining process or volumes of each of the final refined products is not known for each 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.

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

The total FY23 Scope 3 emissions were estimated to be 3,102,331 tCO₂e. Karoon aims to strengthen its methodology for estimating Scope 3 emissions over the coming year.

Emissions Summary

YEAR ENDED JUNE 30, 2023 (tCO ₂ e)	FY21 ²	FY22	FY23
Scope 1	49,525	82,805	142,025
Production (FPSO and support vessels)	49,505	72,445	86,024
Workover activities (rig and support vessels)	N/A	10,344	55,947
Offices and shorebases	20	16	11
Venting	n/a	n/a	43
Scope 2	143	65	49
Offices and shorebases	143	65	49
Scope 1 + 2 Total	49,668	82,870	142,074
YEAR ENDED JUNE 30, 2023 (tCO₂e)	FY21	FY22	FY23
Category 1 – Purchased Goods and Services	N/A	26,576	21,795
Category 2 – Capital Goods	N/A	1,464	13,512
Category 4 – Upstream Transportation and Distribution	N/A	44,797	67,784
Category 10 – Processing of Sold Products	N/A	73,121	110,641
Category 11 – Use of Sold Products	N/A	1,908,143	2,887,274
Others¹		1,128	1,325
Total Scope 3	N/A	2,055,229	3,102,331

1 Includes categories within Scope 3 emissions that were considered not material for the business (categories 3, 5, 6, 7, and 12).

2 Partial production.



PEOPLE AND CULTURE

Employee engagement is a foundational driver of business performance. Highly engaged employees perform better, and measuring employee engagement gives our leaders insight into what employees need in our workplace and culture to perform at their best. Karoon is committed to being an employer of choice. We strive to create an inclusive workplace to attract and retain talented staff with different backgrounds, skills, and experience.

PEOPLE AND CULTURE

Our aim, to provide energy safely, reliably and responsibly, starts with our people. We know that our people deserve and expect a workplace culture that is safe, inclusive and empowering. We believe it is also critical that Karoon has the right capabilities in place to operate safely, reliably, and responsibly, in order to succeed. Our comprehensive People Capability and Culture Plan strives towards continuously improving collaboration and team performance to enable achievement of Karoon's shared ambitions. In pursuing this plan, we are guided by the following principles:



- Our people and values are at the centre of everything we do.



- Our business processes systems and tools are simplified, fit for purpose and are human-centred, putting our people at the heart of the process.



- Our people are empowered to perform and collaborate with a global mindset.

OUR CULTURE AND VALUES

Our values (Safety, Integrity, Collaboration, Commitment and Respect) underpin everything we do. Safety is our highest priority. It is the foundation upon which all other values are built, ensuring the well-being of employees and stakeholders. Safety extends to the physical and mental well-being of our workforce, creating an environment where everyone feels secure and protected.

Respect and integrity are the cornerstone of a healthy and inclusive environment. We believe it encompasses actively listening to, harnessing, and embracing different backgrounds, cultures, thoughts, and ideas. Our values drive our culture, and our Code of Conduct details the Karoon Group's responsibilities to employees as well as employee responsibilities to colleagues. The Code of Conduct reflects our commitment to ethical behaviour and responsible business conduct. 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 Whistle-blower Protection policy.

We believe commitment is essential to meeting business and operational challenges, and the delivery of valuable outcomes. It ensures we follow through on our promises with focus, passion, and dedication.

We collaborate to provide better outcomes for all our stakeholders, our business, and our employees. Furthermore, our culture promotes teamwork, an entrepreneurial spirit, and a proactive mindset across all our work sites and endeavours. Our Company culture and values combine to create a working environment that enables us to attract, retain and develop the best talent available.

EMPLOYEE ENGAGEMENT

Employee engagement is a foundational driver of business performance. Highly engaged employees perform better, and measuring employee engagement gives our leaders insight into what employees need in our workplace and culture to perform at their best. Karoon is committed to being an employer of choice. We strive to create an inclusive workplace to attract and retain talented staff with different backgrounds, skills, and experience. During FY23, Karoon implemented various programs, in addition to the existing Employee Assistance Program (EAP), to keep staff motivated and continue developing their talents and expertise.

Building on our culture of seeking feedback from our employees helps shape our work environment. Karoon partnered with a leading engagement survey provider in early CY23 to conduct a comprehensive engagement survey across all employees. The results provided important information about current areas of strength as well as highlighting opportunities to grow engagement. This will guide efforts to reduce turnover, increase in accountability, and overall improvement in organisational performance.

The participation rate was very high, with 92% of permanent employees completing the survey. Karoon's overall engagement mean score of 3.98 (with 1 being strongly disagree and 5 being strongly agree) compares favourably against the Global Energy database of first survey clients. It ensures we follow through on our promises with focus, passion and dedication.

The results of the engagement survey were shared with our employees as we recognise employee engagement is intensely local and needs to be owned at all levels in the organisation. Action plans were co-created with our employees to empower them drive change to help improve our engagement score.

PEOPLE AND CULTURE CONTINUED

DIVERSITY

Karoon believes a diverse workforce, in a wide variety of aspects, not only gender, enables greater innovation, collaboration, and overall better business outcomes. Our values provide a strong foundation for a diverse and inclusive workplace, where people feel involved, valued, respected, and treated fairly.

As of 30 June 2023, Karoon had 109 permanent employees, of which 41% were women, exceeding the target of 30%. Our definition of Senior Leadership has been further clarified to align to the remuneration structures implemented in March 2023, which capture the three reporting levels below the CEO. At year-end, 11% of Senior Leaders were women (previously 17%). Meanwhile, our participation rate of women on the Board is now 14% (prior year 17%) with the addition of a male Non-Executive Director in August 2022. Karoon remains committed to our gender targets of 30% female participation at Board and Senior Leadership levels, and this therefore remains an area of focus.

Karoon continues focusing on pay equity for all employees through delivering equal average pay for men and women at each job grade. We do this by conducting yearly equal pay reviews and undertaking mitigating actions in the instance of any identified pay gaps.

Karoon recognises that diversity and inclusion opportunities are different depending on the local context and societies in which we work and operate. Therefore, to drive impact at local levels, we continue to implement a range of different initiatives to embed inclusion and diversity across Karoon. Through the Brazilian Petroleum Institute, Karoon remains committed to the Women in Leadership Mentoring Program, which matches future women leaders with industry mentors giving them access to networks and contemporary industry learnings. International Women's Day was supported with a month-long campaign with activities offered across the Company.

In Australia, staff were encouraged to attend a keynote speaker event to actively support, learn about and embrace equity. In Brazil, all employees were encouraged to recognise a female colleague for living the Company values. Furthermore, Cristina Pinho, a renowned professional in the Brazilian Oil and Gas industry and member of the Diversity and Gender Committee of the Brazilian Petroleum Institute, was invited to speak on gender equity and creating action to support gender equity in the workplace. Resources were also made available regarding the Types of Violence Against Women to help educate our workforce on the violence that women commonly suffer. We celebrated Pride Month in support of our LGBTQIA+ communities by educating the workforce on creating an inclusive culture in which people of all genders, sexes and sexualities feel respected, included, and understood.

Our diversity objectives are reviewed and discussed at least annually with the Board. Karoon's progress towards each of our diversity objectives is show below:

% FEMALE PARTICIPATION	FY21	FY22	FY23	FY25 (TARGET)
Board	17	17	14	30
Senior Leadership	26	17	11	30
Group wide	50	46	41	30

The term 'senior leaders' is defined for the purposes of the diversity analysis by reference to Karoon's internal organisational structure.

DIVERSITY OBJECTIVE	STATUS
Aim to achieve at least a 30% participation of women on the Board and Senior Leadership by 2025	In progress
Aim to achieve at least a 30% participation of women across the Karoon Group by 2025	Achieved
Aim to ensure the percentage turnover of female employees is equal to or less than the overall Karoon group percentage turnover	Achieved
Make flexible working arrangements available to all employees	Achieved
Monitor Karoon's recruitment and remuneration process for unintended gender bias	Achieved
Ensure pay equity for all employees	Achieved
Ensure at least one female candidate is considered when appointing a new Director or member of the Key Management Personnel (KMP)	Achieved

RESILIENCE AND WELL-BEING

We recognise that the health and well-being of our employees is inextricably linked to their quality of life and productivity. Karoon has taken care to ensure that our employees have access to various health and well-being programmes, considering their personal circumstances such as family demands, work environment and the country in which they work and live. Programmes include an Employee Assistance Programme through Benestar and subsidised gym memberships in Australia, through to free health insurance in Brazil which includes counselling services for our employees. To further enable accessibility to our well-being program, onsite services such as head, neck and back massages are provided on a regular basis during working hours.

Strengthening resilience comes from developing the ability to cope with challenges and to create behavioural change. To this end, we have provided training sessions on the prevention of occupational accidents, workplace ergonomics and raising awareness of violence against women.

ORGANISATIONAL CAPABILITY

Karoon aims to empower our employees to take charge of their careers and achieve their growth aspirations. All staff prepare an annual individual development plan, and we provide a range of development and learning opportunities. This includes attendance at industry specific training events, industry conferences and bespoke courses aimed at building capability. We also aim to ensure that our experienced, senior leaders mentor and coach our high potentials who are establishing their careers in the oil and gas industry. In February 2023, Karoon partnered with Franklin Covey to build better leaders and high performing teams over an 18-month period. The suite of programs identified links strongly to Karoon's values of Respect, Integrity, and Collaboration. Our values are the lens through which we see our leadership behaviours. They enable high performance by building feedback, coaching and communication competencies across the business, which should elevate collaboration within and across teams through the building of trust and safety to speak up in the workplace.

In FY23, our employees attended the "7 Habits of Highly Effective People" Programme. Our leaders participated in a two-day in-house face to face program while our individual contributors attended a one day face to face program, aimed at improving one's own effectiveness in work and their personal life.

As we continue our journey of developing leaders our people will choose to follow, we have offered "6 Critical Practices for Leading a Team" to the Australian Leaders as well as key individual contributor talent identified in our Critical Roles Succession Plan pool. Training in Brazil will follow over the next 18 months as well additional programs strengthening Karoon's Leadership capability.

MODERN SLAVERY STATEMENT

Karoon submitted its second Modern Slavery Statement in January 2023 (<https://www.karoonenergy.com.au/wp-content/uploads/2022-Modern-Slavery-Statement-Statement-Karoon-Energy-Ltd.pdf>) in accordance with the obligations under the Australian Modern Slavery Act 2018. In preparing the statement, Karoon conducted a questionnaire with each of Karoon's major suppliers.

A digital platform was developed in FY23 to improve how modern slavery risks are assessed. The platform enabled further verification of Modern Slavery questionnaire responses and had the capability to assess modern slavery risks in greater depth with each supplier. Karoon is currently also working with its suppliers to improve how modern slavery risks are identified in Karoon's supply chain. Details will be provided in Karoon's third Modern Slavery Statement which is expected to be submitted in December 2023.

All suppliers and employees

have access to grievance mechanisms through a Whistleblower reporting service that facilitates both named and anonymous reporting. Employees and stakeholders can raise concerns confidentially via phone or email to Karoon external reporting services (available in Portuguese and English), who will then pass the details of the report to Karoon's General Counsel and Chairman of the Audit & Risk Committee.



COMMUNITY

“Karoon believes that a successful social project should contribute to an improved quality of life for our people and the communities impacted by our operations. We understand that establishing transparent relationships with all our stakeholders is critical to our role of delivering safe, reliable and responsible operations.”

COMMUNITY

COMMUNITY ENGAGEMENT:

Karoon approaches community engagement in three different ways:

- Institutionally, through mandatory projects arising from environmental licensing with the regulatory agency.
- Through tax incentivised projects.
- Through voluntary projects, financed with direct resources from Karoon.

MANDATORY PROJECTS

Mandatory projects are characterised by conditions established by environmental licenses. The licensing process for an activity in the offshore oil and gas sector begins with the definition of the Company's area of influence, considering physical, biotic, and socioeconomic environments. The area of influence of the project is defined to include municipalities where social groups engage in economic activities within the projects area and specific social projects must be executed in order to mitigate impacts from operations. The socioeconomic diagnosis begins with a survey of federal institutions, to understand their technical opinion on the area of influence of the company regarding the geographic overlap with the native and traditional peoples of Brazil.

Therefore, before issuing the term of reference for the development of an environmental impact study, Karoon must consult with FUNAI (National Foundation of Indigenous Peoples) and the Palmares Cultural Foundation (public institution under the Ministry of Culture), which can issue their opinions regarding the viability of the company in the region and its relationship with the native and traditional peoples.

In order for a license to be issued, after the development of an environmental impact report and the review of technical opinion from the relevant licensing body,

the project is submitted to public hearings (between one and five), where the community can indicate whether they are in favour or against the organisation wishing to execute the project. The licensing body may also include other social projects in addition to those described in the original environmental impact report.

The Social Communication Project and Project RUMO were both required by federal licensing overseen by IBAMA. The Social Communication Project consists of an ongoing information and consultation campaign that helps keeping our staff, contractors, local communities, and regulatory authorities well informed about our operations. The project uses different channels, such as telephone, email, and public meetings to contact local communities regarding out operational plans, and monitoring the security area around the FPSO and drilling rig as we seek to ensure the safety of our operations and local fishing vessels. The project also provides a two-way communication channel, so that people from local communities can ask questions and make suggestions for improvements, claims or complaints.

The Environmental Education Project, Project RUMO 'Resilience and Union for Marine Organisation', developed information about the use of the maritime zone and the coastal space of Itajaí-Açu river estuary, between November 2020 and February 2023, contributing to the qualification on the discussion about the implementation of a land use plan and administration for the locality. The first phase of the project resulted in the development of three lines of action: analysis of regional conflicts, analysis of vessel traffic on the river and an audiovisual research project. The next phase of Project RUMO started in June 2023 and aim to contribute to the public debate on the Foz do Rio Itajaí-Açu shared management, through the disclosure of the Audiovisual Series of the project and actions focused on the different groups in the territory.












TAX INCENTIVISED SOCIAL PROJECTS

In Brazil, there are several tax incentive laws aiming to encourage companies and individuals to invest in social projects. These laws allow part of tax due to be directed towards initiatives that promote social, cultural, sporting, educational and environmental development. The federal laws under which Karoon has invested in its community initiatives are highlighted below:



















- Federal Culture Incentive Law (Rouanet Law): allows companies and individuals to allocate resources to cultural projects, previously approved by the Ministry of Culture. Projects can cover areas such as music, theatre, dance, exhibitions, historical heritage, and others.
- Sports Incentive Law: Through this law, companies and individuals can allocate resources to sports projects approved by the Ministry of Sports. Donations can be used in sports activities, training athletes, social inclusion through sport and others.
- Child and Adolescent Rights Fund (FDCA): Established through the Child and Adolescent Statute (ECA), it allows companies and individuals to allocate part of their Income tax to projects aimed at promoting and protecting the rights of children and adolescents. Resources are directed to Municipal, State and Federal Funds for the rights of children and adolescents.
- Funds for the Rights of Elderly (Fundo do Idoso): Allows companies and individuals to allocate part of their income tax in projects aimed at guaranteeing and defending the rights of the elderly. The resources are managed by Municipal, State and Federal funds for the rights of elderly.

Projects that benefit from tax incentive laws must meet specific criteria, which include having a positive and continuous social impact on people's lives, being aligned with the UN SDGs, allowing for professional qualification, providing greater access to health and culture, as well as leaving a relevant legacy.

SUMMARY OF INCENTIVISED PROJECTS

PROJECT/ ORGANISATION	PROJECT DESCRIPTION	UN SDGS	INCENTIVE LAW
Champions of Life/Guga Kuerten Institute	The project offers tennis classes and complementary sports (basketball, volleyball, soccer, handball, rugby, and others) for 420 children and young people.		Sports
Future Admirals - Year III/Coastal American Football Association	American football classes for children and young people from low-income communities, in vulnerable situations, focused on educational and citizenship training.		Sports
House of Solar Children of Light/Lar Paulo Tarso	Conducting Theatrical workshops for 150 children and young people assisted by the Institution. With the aim of connecting theatre and school, favela, and asphalt, with the objective of strengthening human and artistic ties.		Rouanet Law
Future Athletes/ Ajudô	Volleyball classes offered in after-school hours for 100 children and teenagers, aged between 6-18yrs, residing in vulnerable communities.		Sports
Annual Plan of Activities 2022/23/ Bachiana Foundation	Violin, viola, and choral singing classes for 140 children and young people in high social vulnerability, after school hours. The project is carried out within the Albert Einstein hospital, where they receive multidisciplinary care.		Rouanet Law
Cultural Project/ Generating Falcons Institute	Choral singing, orchestra, theatre, dance, guitar, visual arts, ballet, percussion, capoeira, and street dance workshops for 1,700 children and young people, as well as multidisciplinary support for students and their families.		Rouanet Law
Sustainable Cinema/Muito Mais Promoções	Travelling cinema powered by solar, with open air cinema sessions for an estimated audience of up to 500 people. In addition to photography workshops for young people from public schools and the elderly in situations of social vulnerability.		Rouanet Law
Annual Plan ITB 2023/Brazilian Theatre Institute-ITB	Training of professionals in the areas of lighting, sound, stage techniques and production in performing arts, with regular courses for 80 people, aiming their professionalisation in one of their areas of interest.		Rouanet Law
Include in Communities II/ Include Institute	Swimming classes, sitting volleyball and adapted sports for 250 people with disabilities, for the development of physical and psychological skills.		Sports
Musical Connections 2023/Brazilian Symphonic Orchestra	Musical instruments lessons, orchestra conducting and arrangements, production of recycled instruments, training for public schools' teachers, and training in cultural management for 300 children and young people.		Rouanet Law
Money Doesn't Grow on Trees/Scorsolino Produções	The project provides props and costumes for schools and public institutions for children so that they can produce a specific piece that provides financial education for 200 children (6-12yrs) in a fun way, teaching financial literacy, the importance of financially planning for the future and the positive impacts saving habits can have.		Rouanet Law

Karoon Energy Ltd supports the UN Sustainable Development Goals.

PROJECT/ ORGANISATION	PROJECT DESCRIPTION	UN SDGS	INCENTIVE LAW
Sportingly III/Include Institute	Theoretical and practical online course for the development of professionals in the areas of physical education, psychology, physiotherapy, pedagogy, nutrition, nursing and other areas of inclusion and accessibility.	 	Sports
Taking Care/ Pio XII Foundation - Love Hospital	Funding treatment prevention and research of childhood and adolescent cancer. Resources are used to cover expenses with medical personnel (radiology, nuclear medicine, internal medicine, pathology, ICM, palliative care, infectious diseases, clinical oncology, and oncological surgery), purchase of medicines, social and legal support, and other operating expenses.	 	Children
Taking Care/ Pio XII Foundation - Love Hospital	Financing the costs of treatment, prevention, and research into cancer in old age. Resources will be used to cover expenses with medical personnel (radiology, nuclear medicine, internal medicine, pathology, ICM, palliative care, infectious diseases, clinical oncology, and oncology surgery), purchase of medicines, food, hotels, social and legal assistance, and other operating expenses.	 	Elderly
Talent Generation/ Youth Assistance & Education Institute Dom Bosco Park	Volleyball, jiu jitsu and theatre classes for 100 children from 6-17yrs in socially vulnerable situations.	 	Children
Music and Citizenship School/ Agência do Bem	Musical practice classes (trumpet, trombone, and choral singing), music theory and citizenship workshops for 150 children aged 7-17yrs, distributed in 12 classes and 3 new teaching centres (Rio de Janeiro).	    	Rouanet Law
Music and Citizenship School - Music and Human Rights Everywhere	Musical practical classes (trumpet, trombone, and choral singing), musical theory and citizenship workshops, for 150 children and adolescents, aged 7-17 (Sao Paulo).	    	Children

COST OF INCENTIVISED PROJECTS, BY INCENTIVE LAW (FY2023)

TAX INCENTIVE LAW	VALUE (US\$)	# PROJECTS
Federal Law Incentive to Culture (Rouanet Law)	1,061,544	8
Sports Incentive Law	292,274	5
Fund for the Rights of Children and Adolescent	67,081	3
National Fund for Elderly People	287,483	1
TOTAL	1,708,382	17

VOLUNTARY SOCIAL PROJECTS

Karoon's voluntary projects are financed with direct resources. This allows the Company to assume a leading role in the creation and execution of projects, as well as developing them internally or in partnership with other organisations. These projects allow Karoon to take an active role in social transformation, directing financial resources, knowledge, and skills to solve problems and promote well-being, in addition to aligning social actions with the Company's values and strategic objectives. Further to the three projects initiated in FY22 – Prea Moleques-do-Sul, Pro-CREP and Tabuleiro Workshop, two new voluntary projects were developed in FY23, for implementation in the upcoming year – Litre of Light and a partnership with the Federal Institute of Santa Catarina (IFSC).

For the development of new voluntary projects, Karoon follows the principle of participatory diagnosis, which is a set of methodological procedures capable of collecting and analysing primary data from social groups located in the area of influence of the project. The main objectives of participatory diagnosis are to:

- Identify and characterise environmental problems and conflicts that are directly or indirectly related to the impacts of the oil and natural gas industry's production chain.
- Identify and characterise environmental problems and conflicts that are not related to the impacts of the oil and natural gas industry's production chain.
- Identify and characterise socio-environmental potentialities found in the localities covered by the diagnosis.

- Identify and characterise the priority subjects of educational actions.

The area of influence has geographical limits, defined to include municipalities where communities engage in economic activities within the project area. The selection criteria for voluntary projects are based on the UN SDGs, which are organised in levels of priority, according to the below:

- 1st level of priority goals:



- 2nd level of priority goals:



- 3rd level of priority goals:



VOLUNTARY PROJECT	STATE	EXPENDITURE (US\$)
Tabuleiro Institute	Santa Catarina	45,815
PRO-CREP	Santa Catarina	37,540
Çarakura Institute	Santa Catarina	17,501
Litre of Light ¹	Rio de Janeiro	27,708
IFSC ¹	Rio de Janeiro	92,878
Total		221,478

¹ These projects were developed during FY23, and the expenses were included on the budget for FY23. However, they will only be executed over the next 18 months.

CASE STUDY: PREA MOLEQUES-DO-SUL (TABULEIRO INSTITUTE)



Through an online course for teachers, playful and interactive activities in public schools in Florianopolis, and the publication of an e-book, the project seeks to increase awareness among students regarding the existence of Preo-de-Moleques and its relevance to the ecosystem. These actions aim to awaken, among students and teachers, the interest and care for the local biodiversity. The project has been implemented in three schools, impacting 965 students, and engaging with 47 teachers through the online course.

CASE STUDY: TABULEIRO WORKSHOP (ÇARAKURA INSTITUTE)



The project is a socio-environmental and cultural initiative that seeks to promote the recognition, appreciation and dissemination of biodiversity and ethnobotany of food and medical plants from the Atlantic Forest of Serra do Tabuleiro State Park. By the end of FY23, three workshops and four exhibitions have been conducted in schools, directly impacting 1,416 students and 57 teachers.

CASE STUDY: PRO-CREP (PRO-CREP ASSOCIATION)



Pro-CREP (Create, Recycle, Educate, Preserve) is an innovative social environmental initiative that provides work opportunities and steady income to families in socially vulnerable situations. The project takes a holistic approach, aiming not only to help these families but also to protect the environment through awareness of proper recycling practices.

To achieve these goals, Pro-CREP has developed various strategies. One of them is the construction and supply of 50 recycling containers to be installed in communities around the Serra do Tabuleiro State Park. These containers will facilitate proper segregation of solid waste, enabling greater recycling rates and contributing to the preservation of the natural environment. With the installation of these in strategic locations, the amount of waste collected is expected to grow, also increasing the number of people involved and impacted by the project.

Additionally, Pro-CREP is dedicated to community education, offering awareness services about adequate recycling methods to residents, ensuring that the containers are used correctly. Currently, the initiative is estimated to prevent the disposal of approximately 50 tons per month, and an additional 3 tons of reusable clothing that would otherwise go to landfill. With Karoon's contribution, it is estimated that this number will increase to around 75 tons per month. Further to that, the successful "Container Production Workshop" delivered 16 containers, while 34 are currently in assembly phase.

CASE STUDY: LITRE OF LIGHT



The initiative's objective is to ensure illumination in the Alto da Serra Cafundá Quilombola Community, located in the city of Rio Claro-RJ. Litre of Light works with its own Social Development methodology, certified by Banco do Brazil Foundation as a social technology, which allows mobilising volunteers, mapping communities, understanding needs and training residents for the installation, replication, and maintenance of the technology. The technology developed by Litre of Light uses simple materials and are made by local residents so that knowledge stays in place. The project will be implemented by Karoon's volunteers, who will have the opportunity to assemble solutions for the community. The Litre of Light team goes to the company with the materials to execute a 2 hour workshop with employees who will participate in the lighting action in the selected community. The project is expected to have the engagement of 60 volunteers and impact 300 people for at least 5 years.

CASE STUDY: FEDERAL INSTITUTE OF SANTA CATARINA (IFSC), ITAJAÍ CAMPUS



The purpose of the partnership is to offer training and qualification in several areas, at different levels and teaching modalities, as well as to carry out research and development of new processes, products and services, in articulation with the productive sectors of the Santa Catarina state. The Itajaí campus is focused on marine services and natural resources, mainly because the city hosts the largest fishing port in Brazil and commercial ports of great importance in the country.

Karoon is supporting two IFSC projects:

- 1) Learning from the Sea: workshops in the IFSC laboratories or in a floating classroom (school-boat), for elementary school students from public and private schools in the state. Teachers and interns carry out practical experiments, observations of marine organisms and learn about coastal ecosystems, their importance and impact caused by human activity. The workshops are expected to impact 300 people, primarily students and teachers of basic education.
- 2) Training Course for Artisanal Fisherman: The IFSC is certified by the Brazilian Navy to qualify artisanal fisherman with skills and abilities required for fishermen to exercise the attributions specified in the Maritime Authority Norms for Waterways Workers. The training course will allow fishermen to perform different functions in the fishing vessels on the Brazilian coast. In the first year, 180 professional fishermen are expected to be trained. These more qualified professionals will work more safely and efficiently, respecting good fishing practices.

ENVIRONMENT

2 Minor spills*

Number of minor spills (to sea)

0 Oil spills in offloading

Number of material oil spills

8 ppm

Produced water OIW**

1.5%

Produced Gas Flaring

76%

Non-hazardous waste recycled

1% sent to industrial landfill

Hazardous waste

7 ppm

Marine oily water OIW**

12,650 tCO₂e

Total emissions from Gas Flaring

* Minor spills are defined by ANP, relevant regulatory agency in Brazil, as those having a volume of less than 0,16m³. No other spills, other than the minor ones reported, occurred in FY23, FY22 or FY21.

** OIW refers to the annual average oil in water concentration.

ENVIRONMENT

Karoon is committed to conducting safe, reliable, and responsible operations while minimising our environmental impact and protecting biodiversity. We prioritise continuous improvement in our operations, guided by carefully designed environmental plans. Our approach includes rigorous monitoring which aims to ensure compliance with all environmental regulations and license requirements. We maintain a strong governance framework to oversee our environmental performance, ensuring that our operations align with our commitment to environmental stewardship.

Environmental monitoring forms a fundamental element of our responsible operations. We focus on four key areas:

- water and plankton monitoring,
- sediment and benthic monitoring,
- produced water monitoring, and
- spill monitoring.

Through regular monitoring and analysis of data, we are consistently focusing on the protection of local wildlife, habitats, and ecosystems, and aiming to ensure the mitigation of any immediate and long-term environmental impacts.

Karoon recognises the significant risk associated with its operations and strives to proactively address them. There is a need to mitigate any potential impacts on the influence area of the Baúna Project. These risks include:

- potential oil spills,
- impacts on water quality, and
- disruption to marine ecosystems.

SPILLS

Karoon, in collaboration with A&O and our contractors, made significant progress in enhancing its oil spill response capabilities and monitoring systems during FY23. The Oil Spill Response Plan (OSRP) played a crucial role as a key document for effectively minimising safety impacts and environmental damage in the event of an environmental incident. The plan was robustly described with detailed management and tactical emergency response procedures. Karoon aimed to ensure that the plan was adequately resourced and conducted comprehensive training to equip personnel with the necessary skills to respond swiftly and efficiently.

The OSRP encompasses a systematic approach that include preventive measures, preparedness, and

personnel were well prepared and gained a comprehensive understanding of their roles and responsibilities in emergency response scenarios. The primary objective of this plan is to minimise environmental damage and protect the surrounding ecosystem in the event of an oil spill incident.

The oil spill response plan for FPSO Cidade de Itajaí serves as a vital tool in safeguarding the environment, promoting operational safety, and ensuring compliance with applicable regulations. Its implementation demonstrates the commitment of the FPSO operator to responsible and environmentally conscious practices throughout its operations.

To further bolster their response capabilities, Karoon maintained the availability of support vessels on standby during operations,

The OSRP encompasses a systematic approach that include preventive measures, preparedness, and response actions. It begins with proactive measures to prevent oil spills, such as regular maintenance of equipment, rigorous safety protocols, and training programs for crew members to ensure their readiness to respond swiftly and efficiently in case of an emergency.

response actions. It begins with proactive measures to prevent oil spills, such as regular maintenance of equipment, rigorous safety protocols, and training programs for crew members to ensure their readiness to respond swiftly and efficiently in case of an emergency. In the event of an oil spill, the plan outlines a well-coordinated response structure involving various stakeholders, including the FPSO operator, relevant government agencies, and specialised response teams. The plan clearly defines roles, responsibilities, and communication channels to facilitate efficient decision-making and coordination during the response operations.

Regular drills, exercises, and training sessions are conducted to test the effectiveness of the plan and enhance the preparedness and response capabilities of the FPSO crew and associated response teams. Through nine training sessions, one tabletop drill, and two full deployment drills,

enabling a prompt and effective response to any potential spill incidents which involves various stakeholders such as the FPSO operator, relevant government agencies and specialised response teams. Additionally, Karoon established a standing agreement with a well control services company to address major incidents efficiently.

In line with Karoon's OSRP, Karoon employed the Spilltrack System to monitor and forecast oil drift at sea. Leveraging the Spilltrack System Emergency Response Buoys (ERBs), ocean drifters, and Expendable Current Profiler (XCP) probes, the Company has access to oil dispersion modelling, trajectory monitoring of oil slicks on the ocean surface, and current measurements along the water column. These advanced tools provided integrated support to response vessels, enabling the best estimation of oil slick directions and optimising response efforts to minimise environmental impacts.

ENVIRONMENT CONTINUED

		FY21	FY22	FY23
Number of minor spills ¹ (to sea)		2	0	2
Number of incidents in offloading operations		0	0	0
Number of training sessions	Rio Office (EOR) ²	9	9	12
	Baúna Project (vessels) ³	19	46	49
Number of drills (OSRP ⁴)		2	3	4

1 Minor spills are defined by ANP, relevant regulatory agency in Brazil, as those having a volume of less than 0.16m³. No other spills, other than the minor ones reported, occurred in FY23, FY22 or FY21.

2 Training of our Operations Structure response (EOR).

3 Training of our vessels oil spill emergency response equipment and emergency response team.

4 Oil Spill Response Plan Drill.

WATER

Karoon prioritises the responsible use of fresh water and implement rigorous measures for the treatment and disposal of produced water. To minimise freshwater consumption, Karoon aims to ensure only local public water supplies are used in our offices and shore bases. Freshwater usage in offshore operations on the FPSO and Noble Developer rig was limited to employee and service provider consumption.

'Oily water', as defined by MARPOL, from the FPSO supply vessels, Cabo Frio, and Martin Vaz, is not treated or discharged offshore but rather transported to the shore for safe disposal in compliance with regulatory requirements, while oily water from the other supply vessels undergoes treatment offshore, to meet regulatory specifications for discharge.

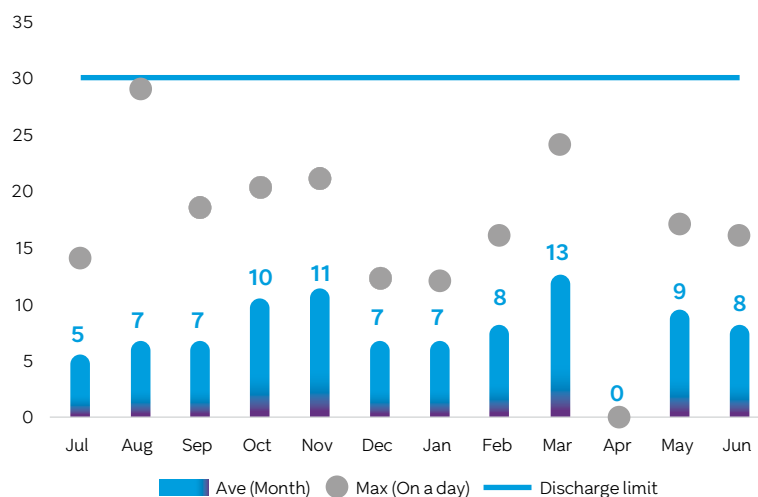
Desalination of sea water serves as a water source for non-consumption purposes, such as cleaning vessels or equipment cooling. Effluent treatment stations (ETEs) are installed on the FPSO, rig, and most operations' support vessels to

appropriately treat and dispose of sanitary effluent generated during these activities. Where there are no ETEs, Karoon macerates and discards sanitary effluents in compliance with applicable regulations for water management and effluent treatment. Applicable regulation refers to resolutions no 393/2007 and 430/2011 established by the National Brazilian Council for the Environment – CONAMA. These set standards for water quality to safeguard the health and integrity of water bodies regarding oil production

units throughout the country. These resolutions contribute to the sustainable management and conservation of Brazil's natural resources, promoting a healthier environment for present and future generations.

In FY23 the volume of produced water increased to 1.552 MMbbls, up 54% from FY22. Oil concentration levels in discharged produced water remained below the regulatory limit of 30 ppm and averaged 8ppm for the year overall.

Oil in Water – Produced Water (ppm)



CASE STUDY: ENVIRONMENTAL MONITORING PROJECT (PMA)

The Environmental Monitoring Project (PMA) in place, aims to assess the quality of the water and sediments around the FPSO in the Baúna Project area aiming to ensure that water treatment and effluent discharge is within the allowed limits. There is also an Environmental Monitoring Project to monitor the sediment quality of seabed before and after drilling operations in the Neon and Patola fields. These projects play a crucial role in ensuring the environmental integrity and sustainability of Karoon's operations. The monitoring program involves regular sampling and analysis of water and sediments samples in designated locations near the FPSO. The purpose is to evaluate various parameters such as chemical composition, physical properties, and biological indicators to assess the overall health and condition of the marine ecosystem. The project follows well established protocols and methodologies that aim to ensure accurate and reliable data collection. Samples are collected at specific intervals and locations, accounting for factors such as proximity to the FPSO, prevailing currents and potential sources of contamination. The collected data is analysed and compared against regulatory standards baseline values and historical trends, allowing the identification of any significant changes and deviations that may require further investigation or remedial action. The findings and results of the Environmental Management Project are compiled into comprehensive reports, that contribute to the ongoing commitment of Karoon to minimise environmental impacts and target sustainable operations.

WASTE

The Baúna Project operation has an implemented waste management plan, also known as the Pollution Control Plan (PCP). Its objectives include:

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

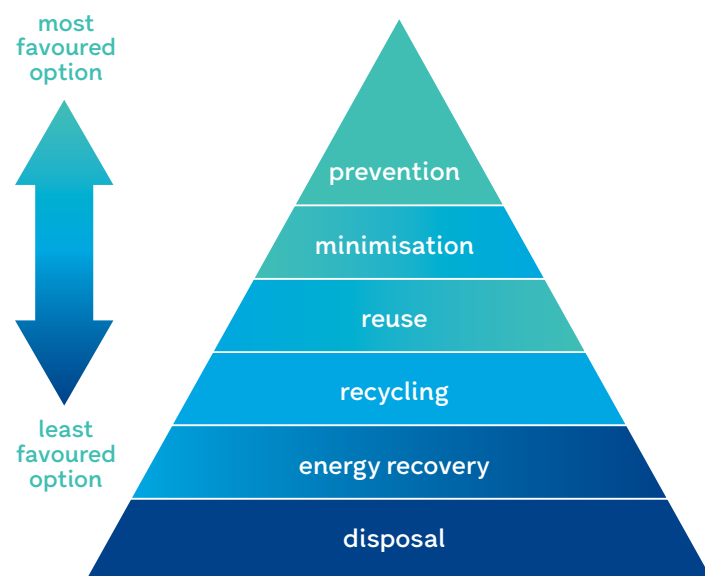
Karoon follows the waste pyramid hierarchy below when managing waste. The solid waste produced by the FPSO, drilling rig and auxiliary ships is traced throughout its processing cycle, from initial offshore sorting to land disposal.

Every waste management measure is carefully supervised in compliance with the PCP and relevant legal obligations. The waste generated is sorted based on its classification and stored offshore before disembarkation and onshore final

disposal. All external contractors who receive and handle or dispose of waste on behalf of Karoon must process the appropriate qualifications and licenses for that category of waste.

Waste Management

Karoon follows the waste pyramid hierarchy when managing waste.



ENVIRONMENT CONTINUED

All waste initiates its life cycle by being described, weighted, and stored in a proper container, and the information is recorded in Maritime Waste Manifesto (MMR). While disembarking the waste, the onshore team aims to ensure that the storing conditions are in accordance with the Company's guidelines, so that it can be loaded on trucks with specific licenses to transport each type of residue to their destination.

The truck is weighed to confirm that each residue is in fact onboard its cargo compartment, and a Road Transportation Manifesto (MTR) is generated, which authorises the truck to leave the shore base and transport waste to the company that will handle it. Once the residue arrives at its destination, a Receiving Report (RR) is issued, the conditions of the waste are once again checked and weighed by type.

After handling the waste, a Certification of Final Destination (CDF) is generated, completing the life cycle and the tracking of all residues. The information is then compiled for future consulting, as well as to provide authorities with a guarantee of proper waste handling.

ALL OPERATIONS - WASTE TYPE	HAZARDOUS WASTE		NON-HAZARDOUS WASTE	
	Weight (metric tons)	%	Weight (metric tons)	%
Landfill	4.3	1%	41.6	23%
Incineration	5.4	1%	-	0%
Recycling	31.0	4%	133.5	76%
Other	652.9	94%	1.0	1%
Total	693.6	100%	176.1	100%

BIODIVERSITY

Karoon has mandatory commitments through Baúna licensed projects to protecting biodiversity and ecologically sensitive areas associated with our operational activities. The Company's Prevention and Control of Exotic Species Project (PPCEX) is a mandatory project and focuses on identifying threats to local biodiversity and developing monitoring and management

practices to mitigate these risks. Specifically, the project addresses biofouling and invasion of exotic species, with a particular emphasis on sun coral, within Karoon's maritime units and operational support vessels.

Visual inspections using remote operated vehicles (ROVs) are conducted to monitor biofouling, and Karoon enforces internationally recognised best practices to

minimise the transfer of invasive exotic species. Support vessels adhere to a Biofouling Management Plan and maintain a Biofouling Record Book. Proper training and qualifications are offered to vessel operators, and the appropriate procedures are integrated into their operational routines.

CASE STUDY: FEDERAL UNIVERSITY OF SANTA CATARINA (UFSC)

In addition, Karoon has partnered with the Federal University of Santa Catarina (UFSC). With a budget exceeding US\$1.1 million, this ongoing initiative aims to enhance scientific knowledge and understanding of the sun coral species 'Tubastraea coccinea'. It focuses on developing and evaluating methods and strategies for preventing and controlling this species within the Arvoredo Marine Biological Reserve (REBIO Arvoredo) and its surrounding areas off the coast of Santa Catarina.

HISTORICAL DATA SUMMARY

	FY21	FY22	FY23
Health, Safety and Security			
Fatalities	0	0	0
High Potential Incidents	1	2	1
Lost Time Injuries (LTI)	1	4	1
Medical Treatment Cases	1	0	2
Restricted Work Cases	0	0	1
Work Exposure Hours	625,928	1,027,000	1,947,000
Total Recordable Injury Rate (per 200,000)	0.64	0.77	0.41
Lost Time Injury Rate (per 200,000)	0.32	0.77	0.10
Process Safety			
Tier 1 or 2 Process Safety Events	n/a	0	0
Climate			
Scope 1 emissions (tCO ₂ e)	49,525	82,805	142,025
Scope 2 emissions (tCO ₂ e)	143	65	49
Scope 1 + 2 Total	49,668	82,870	142,074
Scope 3 emissions (tCO ₂ e)	n/a	2,055,229	3,102,331
Emissions intensity (KgCO ₂ e/bbl)	15.8	17.9	20.2
People and Culture			
% Female Participation			
Board	17	17	14
Senior Leadership ¹	26	17	11
Group Wide	50	46	41
Community			
Direct investment in voluntary projects (US\$)	0	0	221,478
Environment			
Number of minor spills (to sea)	2	0	2
Number of incidents in offloading operations	0	0	0
Number of training sessions			
Rio Office (EOR)	9	9	12
Baúna Project (vessels)	19	46	49
Number of drills (ORSP)	2	3	4

¹ The term 'senior leaders' is defined for the purposes of the diversity analysis by reference to Karoon's internal organisation structure.

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To: The Board of Directors of Karoon Energy Ltd

Independent Limited Assurance Report on identified Subject Matter Information in Karoon Energy Ltd’s Sustainability Report 2023

The Board of Directors of Karoon Energy Ltd (**Karoon**) engaged us to perform an independent limited assurance engagement in respect of the identified Subject Matter Information in its Sustainability Report 2023 (the **Sustainability Report**) for the year ended 30 June 2023 (the **Subject Matter Information**).

Subject Matter Information and Criteria

We assessed the Subject Matter Information against the Criteria. The Subject Matter Information needs to be read and understood together with the Criteria. The Subject Matter Information and the Criteria are as set out below:

Subject Matter Information	2023
Total Greenhouse Gas (GHG) emissions tCO ₂ e (Scope 1 and 2)	142,074
Emissions intensity (Scope 1 and 2) (kgCO ₂ e/bbl)	20.2

The criteria used by Karoon to prepare the Subject Matter Information is set out in the Reporting Criteria on page 1 of the Sustainability Report (the **Criteria**).

The maintenance and integrity of Karoon’s website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Subject Matter Information or Criteria when presented on Karoon’s website.

Our assurance conclusion is with respect to the year ended 30 June 2023 and does not extend to information in respect of earlier periods or to any other information included in, or linked from, the Sustainability Report.

Responsibilities of management

Karoon management is responsible for the preparation of the Subject Matter Information in accordance with the Criteria. This responsibility includes:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring, evaluating and preparing the underlying Subject Matter Information;
- ensuring that those criteria are relevant and appropriate to Karoon and the intended users; and
- designing, implementing and maintaining systems, processes and internal controls over information relevant to the evaluation or measurement of the Subject Matter Information, which is free from material misstatement, whether due to fraud or error, against the Criteria.

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Our independence and quality control

We have complied with the ethical requirements of the Accounting Professional and Ethical Standard Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* relevant to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Australian Standard on Quality Management ASQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*. Those standards require that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria, for the year ended 30 June 2023.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

In carrying out our limited assurance engagement our procedures included:

- Enquiring of relevant management of Karoon regarding the processes and controls for capturing, collating, calculating and reporting the Subject Matter Information, and evaluating the design of selected controls;
- Testing the arithmetic accuracy of a sample of calculations of the Subject Matter Information;
- Assessing the appropriateness of the greenhouse gas emission factors and methodologies applied in calculating the Subject Matter Information on a sample basis;
- Agreeing the Subject Matter Information to underlying data sources and calculations on a sample basis;
- Undertaking analytical procedures over the activity data; and
- Considering the disclosure and presentation of the Subject Matter Information.

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



Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. It is therefore possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance of the Subject Matter Information with the Criteria, as it is limited primarily to making enquiries of management and applying analytical procedures.

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. The precision of different measurement techniques may also vary. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time. In addition, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

The limited assurance conclusion expressed in this report has been formed on the above basis.

Our limited assurance conclusion

Based on the procedures we have performed, as described under 'Our responsibilities' and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria for the year ended 30 June 2023.

Use and distribution of our report

We were engaged by the Board of Directors of Karoon to prepare this independent assurance report having regard to the criteria specified by Karoon and set out in this report. This report was prepared solely for the Board of Directors of Karoon for the purpose of providing limited assurance on the Subject Matter Information and may not be suitable for any other purpose..

We accept no duty, responsibility or liability to anyone other than Karoon in connection with this report or to Karoon for the consequences of using or relying on it for a purpose other than that referred to above. We make no representation concerning the appropriateness of this report for anyone other than Karoon and if anyone other than Karoon chooses to use or rely on it they do so at their own risk.

This disclaimer applies to the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute and even if we consent to anyone other than Karoon receiving or using this report.

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in black ink that reads "Scott Thompson".

Scott Thompson
Partner

Melbourne
23 August 2023

GLOSSARY

TERM	DEFINITION
ALARP	As low as reasonably possible.
Altera&Ocyan	Baúna FPSO contractor.
ANP	Agência Nacional do Petróleo, Gás Natural e Biocombustíveis.
ARGC	Audit, Risk and Governance Committee of the Board.
ARR	Afforestation, Reforestation and Revegetation. A nature-based solution that results in carbon sequestration ie a carbon removals offset.
Barrel or bbl	Barrel of oil, inclusive of condensate. A quantity of 42 United states gallons; equivalent to approximately 159 liters.
Baúna Project	Concession BM-S-40 containing the producing Baúna, Piracaba and Patola fields in Brazil.
Board	The Board of Directors of Karoon Energy Ltd.
Bopd	Barrels of oil per day.
Carbon Management Action Plan (CMAP)	Karoon's focused climate action plan to manage Scope 1 and 2 GHG emissions.
Carbon Neutral	Carbon Neutral refers to firstly, reducing or avoiding operational Scope 1 and Scope 2 greenhouse gas (GHG) emissions and, secondly, acquiring carbon offsets to balance the remaining Scope 1 and Scope 2 emissions.
CH4	Methane.
CMT	Crisis Management Team.
CO ₂ e	Carbon dioxide equivalent. The universal unit of measurement to indicate the global warming potential of each of the seven greenhouse gases, expressed in terms of the global warming potential of one unit of carbon dioxide. It is used to evaluate releasing (or avoid releasing) any greenhouse gas against a common basis.
Company	Karoon Energy Ltd.
CONAMA	National Brazilian Council for the Environment.
CY	Calendar Year.
Director	A Director of Karoon Energy Ltd.
Emissions intensity (Scope 1 and 2)	Total Scope 1 and Scope 2 GHG emissions (kgCO ₂ e) divided by the total production (bbls) of the equivalent period.
Flaring	The controlled burning of gas produced from oil and gas reservoirs.
FPSO	Floating production, storage and off-loading facility.
FUNAI	National Foundation of Indigenous Peoples.
FY or Financial Year	Financial Year.
GHG	Greenhouse gas.
GreenPower	A Government accredited renewable energy product operated by NSW Government on behalf of NSW, Victoria and South Australia and offered through energy retailers.
GRI	Global Reporting Initiative. A network-based organisation that promotes sustainability reporting worldwide. The GRI reporting framework sets out principles and indicators that organisations can use to measure and report their environmental, social and governance performance.
GWP	Global warming potential.
HAZOP	Hazard and operability analysis.
HPI	High Potential Incident.
HSSE	Health, safety, security and environment.
IBAMA	Brazilian Institute of Environmental and Renewable Natural Resources.
IGES	Institute for Global Environmental strategies.
IOC	Independent Oil Company.
IOGP	International Association of Oil and Gas Producers.
IPCC	Intergovernmental Panel on Climate Change.
IPIECA	International Petroleum Industry Environmental Conservation Association.
ISSB	International Sustainability Standards Board.
IUAG	Associated Gas Utilization Index.
K	Thousand.
Karoon or Group	Karoon Energy Ltd and its subsidiaries.

GLOSSARY CONTINUED

TERM	DEFINITION
KgCO₂e per bbl	Kilograms of carbon dioxide equivalent per barrel of oil.
KMP	Key Management Personnel.
LGBTQIA+	Lesbian, Gay, Bisexual, Transgender, Intersex, Queer/Questioning, Asexual and other relevant terms used to describe gender and/or sexuality.
LTI	Lost Time Injury.
LTIR	Lost Time Injury Rate (per 200,000 hours).
MARPOL	International Convention for the Prevention of the Pollution from ships.
MMbbl	Millions of barrels (1,000,000 barrels).
MOU	Memorandum of Understanding.
MTC	Medical Treatment Case
N₂O	Nitrous Oxide.
Neon	Concession S-M-1037 containing the potential Neon field development in Brazil.
Net Zero (Scopes 1 and 2)	Refers to reducing Scope 1 and 2 GHG emissions as far as practical and balancing the residual GHG emissions produced with GHG emissions removed from the atmosphere.
NGA	National Greenhouse Accounts.
NGER	National Greenhouse and Energy Reporting.
NIST	National Institute of Standards and Technology.
OMS	Operating Management System.
OSRP	Oil Spill Response Plan.
PAC	Prevention and Control.
PCGC	People, Culture and Governance Committee of the Board.
PCS	Social Communication Project.
PPCEX	Exotic Species Monitoring Project.
REBIO	Marine biological reserve.
REDD+	Reducing Emissions from Deforestation and forest Degradation, as well as forest conservation, sustainable management of forests, and enhancement of forest carbon stocks.
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 Organization.
RWC	Restricted Work Case.
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.
TCFD	Task Force on Climate Related Financial Disclosures. For more information see www.fsb-tcfd.org/about
tCO₂e	Tonnes of carbon dioxide equivalent.
TOG	Total Oil and Grease concentration (measured in milligrams per litre, mg/L).
TRIR	Total Recordable Injury Rate (per 200,000 hours).
UFSC	University of Santa Catarina.
UN SDGs	United Nations Sustainable Development Goals.
USD or US\$	United States dollars.
VER	Verified Emission Reduction. A type of traded carbon offset certification.

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KAROON ENERGY