

Adoption of Successful Efforts Accounting and write-down of Inventories

Karoon Energy Ltd (ASX: KAR) ('Karoon' or the 'Company') announces that it has voluntarily changed its accounting policy in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' for Exploration and Evaluation ('E&E') expenditure to adopt the 'Successful Efforts' accounting.

The Board believes adopting the Successful Efforts method of accounting will benefit Karoon and its stakeholders, especially as the Company progresses its Corporate vision to transform from a successful oil and gas explorer to a global exploration and production company. Successful Efforts is more commonly used by the Company's peer group and will, therefore, improve the comparability of Karoon's financial results. It will also provide greater transparency to the financial performance and position of the Company, enabling Karoon to improve capital allocation and operational decision-making going forward.

Under Successful Efforts accounting, all E&E expenditure is expensed in the period it is incurred, except the cost of drilling successful wells, the costs of acquiring interests in new exploration assets, and appraisal costs relating to determining development feasibility, which are capitalised as an asset.

An exploration/appraisal well is unsuccessful if no recoverable hydrocarbons are identified, or the Board considers that the hydrocarbons are not commercially viable. Where hydrocarbon resources exist, the costs of successful wells may remain capitalised where further appraisal of the discovery is planned. If this further appraisal does not lead to the discovery of commercially recoverable reserves, all these costs would be written-off. E&E expenditure is accumulated on a well-by-well basis and may be carried forward at the end of a reporting period, pending determination.

There will be no impact on Karoon's underlying business activities or on the Company's cash flow as a result of this change in policy.

Successful Efforts will be applied to the Company's audited financial statements for the year ended 30 June 2020. As a result of the change in accounting policy, Karoon's balance sheet as at 30 June 2019 will be amended and restated for comparative purposes. Subject to completion and audit of the Company's financial statements as at 30 June 2020, Karoon expects material changes to the 30 June 2019 balance sheet in relation to Successful Efforts to comprise:

- a reduction in E&E assets on the 30 June 2019 balance sheet of approximately A\$123 million;
- a reduction in deferred tax liabilities of approximately A\$8 million;
- a reduction in the foreign currency translation reserve of approximately A\$9 million; and
- an increase in retained losses of approximately A\$124 million.

In accordance with the Successful Efforts accounting treatment, for the 30 June 2020 financial year, the Group expects to recognise an expense of A\$73.4 million in relation to drilling the Marina-1 exploration well in Block Z-38 during the year.

The Group also expects to recognise an expense of A\$18.5 million resulting from writing down its Peruvian inventory holdings (comprising casing and other drilling items to be consumed or used in exploration and evaluation activities) to reflect the inventories' current net realisable value in accordance with the requirements AASB 102 'Inventories'.

Karoon's audited financial statements for the year ended 30 June 2020 are expected to be released during September 2020.

Important Note

Should investors have any questions or queries regarding the company, please contact James Wootton on 03 9616 7500 or jwootton@karoonenergy.com.au. All **holding** enquiries should be directed to our share registrar, Computershare on 1300 850 505.

This announcement was authorised for lodgement by the Board of the Company.

About Karoon Energy Ltd

Karoon Energy Ltd is an international oil and gas exploration company with projects in Australia, Brazil and Peru and is an ASX listed company.

Karoon aims to be an agile and sustainable global energy company delivering profits through a high-quality portfolio of production, development and exploration assets. The Company looks to provide energy to an ever-changing world, creating value for our shareholders and the broader community.

Karoon's strategic vision is to transform into a global E&P company with material production to underpin growth through a highly prospective exploration portfolio and entrepreneurial spirit.

Forward-looking Statements

This announcement may contain certain "forward-looking statements" with respect to the financial condition, results of operations and business of Karoon and certain plans and objectives of the management of Karoon. Forward-looking statements can generally be identified by words such as 'may', 'could', 'believes', 'plan', 'will', 'likely', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties, which may include, but are not limited to, the outcome and effects of the subject matter of this announcement. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward-looking statements as actual outcomes may differ materially from forward-looking statements. Any forward-looking statements, opinions and estimates provided in this announcement necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of Karoon. Such statements may cause the actual results or performance of Karoon to be materially different from any future results or performance expressed or implied by such forward-looking statements. Forward-looking statements including, without limitation, guidance on future plans, future earnings and financial position

and performance are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward-looking statements speak only as of the date of this announcement.

Karoon disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.