

25 February 2021

Company Announcements Office  
ASX Limited

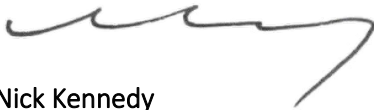
Dear Sir / Madam

**Interim Financial Report – 2021 Financial Year**

Attached is Karoon Energy Ltd's Interim Financial Report for the financial half-year ended 31 December 2020.

This announcement has been authorised by the Board of Directors.

Yours faithfully



**Nick Kennedy**  
Company Secretary

# INTERIM FINANCIAL REPORT

For the Financial Half-Year  
Ended 31 December 2020



# Contents

Directors' Report	4
Auditor's Independence Declaration	10
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	14
Notes to the Condensed Consolidated Financial Statements	15
Note 1. Basis of Preparation of the Condensed Consolidated Financial Statements	15
Note 2. Significant Accounting Estimates, Assumptions and Judgements	18
Note 3. Revenue and Other Income	19
Note 4. Expenses	20
Note 5. Income tax	21
Note 6. Segment Information	23
Note 7. Asset Acquisition	25
Note 8. Inventories	26
Note 9. Property, Plant and equipment	26
Note 10. Oil and Gas Assets	27
Note 11. Other Assets	28
Note 12. Provisions	28
Note 13. Lease Liabilities	29
Note 14. Other financial liabilities	29
Note 15. Contributed Equity	30
Note 16. Dividends	31
Note 17. Financial Instruments	31
Note 18. Commitments	31
Note 19. Contingent Liabilities	32
Note 20. Subsequent Events	32
Directors' Declaration	33
Independent Auditor's Review Report	34
Glossary	36

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### **Forward-looking Statements**

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

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

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

# Directors' Report

## For the Financial Half-Year ended 31 December 2020

The Board of Directors submits its Directors' Report on Karoon Energy Ltd (the 'Company') and its subsidiaries (the 'Group') for the financial half-year ended 31 December 2020 (the 'financial half-year').

The Directors' Report is presented in Australian dollars, unless otherwise indicated.

### Board of Directors

The names of the Directors of the Company during the financial half-year and up to the date of this Directors' Report are set out below:

- Mr Bruce Phillips – Independent Non-Executive Chairman.
- Dr Julian Fowles – Chief Executive Officer and Managing Director (Appointed 27 November 2020).
- Mr Robert Hosking – Managing Director (Retired 27 November 2020).
- Mr Peter Turnbull AM – Independent Non-Executive Director.
- Ms Luciana Rachid – Independent Non-Executive Director.
- Mr Clark Davey – Independent Non-Executive Director.
- Mr Peter Botten AC, CBE – Independent Non-Executive Director (Appointed 1 October 2020).
- Mr Geoff Atkins – Independent Non-Executive Director (Retired 27 November 2020).
- Mr Jose Coutinho Barbosa – Non-Executive Director (Retired 27 November 2020).

### Review of Operations

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

During the financial half-year, Karoon completed the acquisition of a 100% operating interest in Concession BM-S-40 containing the producing Baúna oil field and the undeveloped Patola oil discovery ('Baúna') located in the Santos Basin, offshore Brazil. The acquisition delivers Karoon a quality production asset with relatively low risk, significant brownfield production growth opportunities, transforming Karoon into one of the largest oil producers on the ASX. In addition to the acquisition of Baúna, Karoon continued its evaluation of exploration and development opportunities, focussed on Brazil, Peru and Australia.

#### Brazil

##### Concession BM-S-40 Baúna Oil Field and the Existing Undeveloped Patola Oil Discovery

On 6 November 2020, Karoon Petróleo & Gás Ltda, a wholly owned subsidiary of Karoon, successfully completed the acquisition of a 100% operating interest in Baúna from Petróleo Brasileiro S.A. (Petrobras), for a firm consideration of USD380 million plus a tiered contingent consideration of up to USD285 million (plus interest at 2% per annum), where any payment is dependent on the annual average Platts Dated Brent oil price being between  $\geq$ USD50 and  $\geq$ USD70 per barrel from 2022 to 2026.

Pursuant to the Sale and Purchase Agreement ('SPA'), USD150 million (in addition to the USD50 million deposit already paid at the signing of the SPA) was paid at completion of the transaction with a deferred consideration of USD42.17 million (plus interest at 1 month LIBOR plus a 3% margin) payable 18 months following completion during May 2022. The deferred consideration represents the firm consideration of USD380 million less USD200 million in cash payments and the operating and investing

cashflows (attributable to the assets to be transferred to Karoon under the SPA) in the period from the transaction effective date of 1 January 2019 up to the closing date of 6 November 2020 of USD137.83 million.

Baúna is located in concession BM-S-40, in the southern Santos Basin and comprises the Baúna and Piracaba light oil fields and the undeveloped Patola oil discovery. It is located 50-60km from Karoon's Neon and Goiás discoveries to the northeast and the Clorita exploration block located 50km to the south. Production from the two separate reservoirs (Baúna and Piracaba) is from 6 oil production wells, with 3 water injection wells and 1 gas injection well. The Patola oil field was discovered during 2011 by exploration well SPS-91, but is so far undeveloped. All development wells have subsea completions and are tied back to the floating production, storage and offloading ('FPSO') vessel "Cidade de Itajaí". The FPSO has a processing capacity of 80,000 bopd and a storage capacity of approximately 600,000 bbls. The FPSO is currently utilising only approximately 40% of its processing capacity. There are identified growth opportunities to increase the oil production rate through production well interventions and the development of the Patola oil discovery.



During December 2020, Karoon achieved an important milestone of exporting and selling its first oil cargo from Baúna, thereby transitioning from explorer to a substantial oil producer. The sale was for 503,109 barrels at a net realised price of USD47.31/bbl resulting in sales revenue of A\$32.9 million. The first export of Baúna crude oil was received very positively by the market, with the crude's excellent qualities attracting strong competition from a number of global refiners. Importantly, lifting for the first sale was undertaken without any safety or environmental incidents.

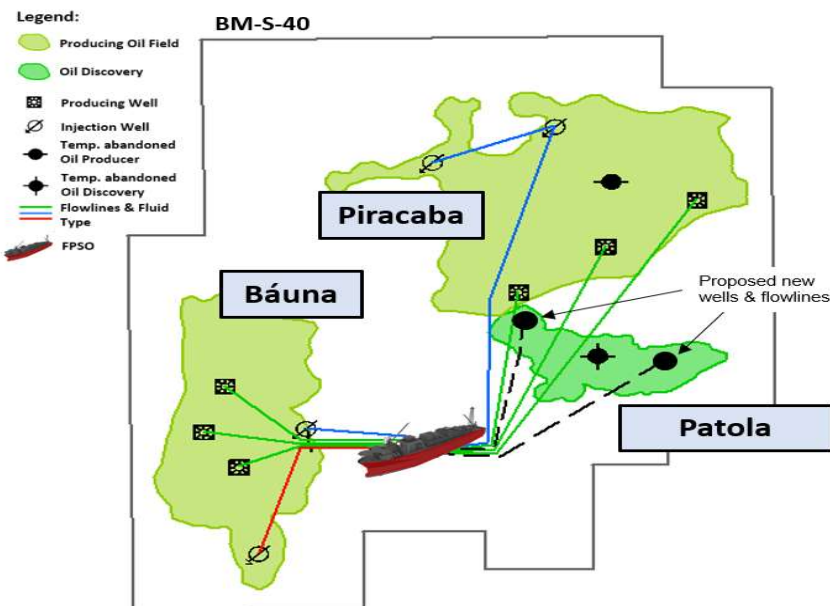
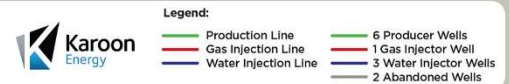
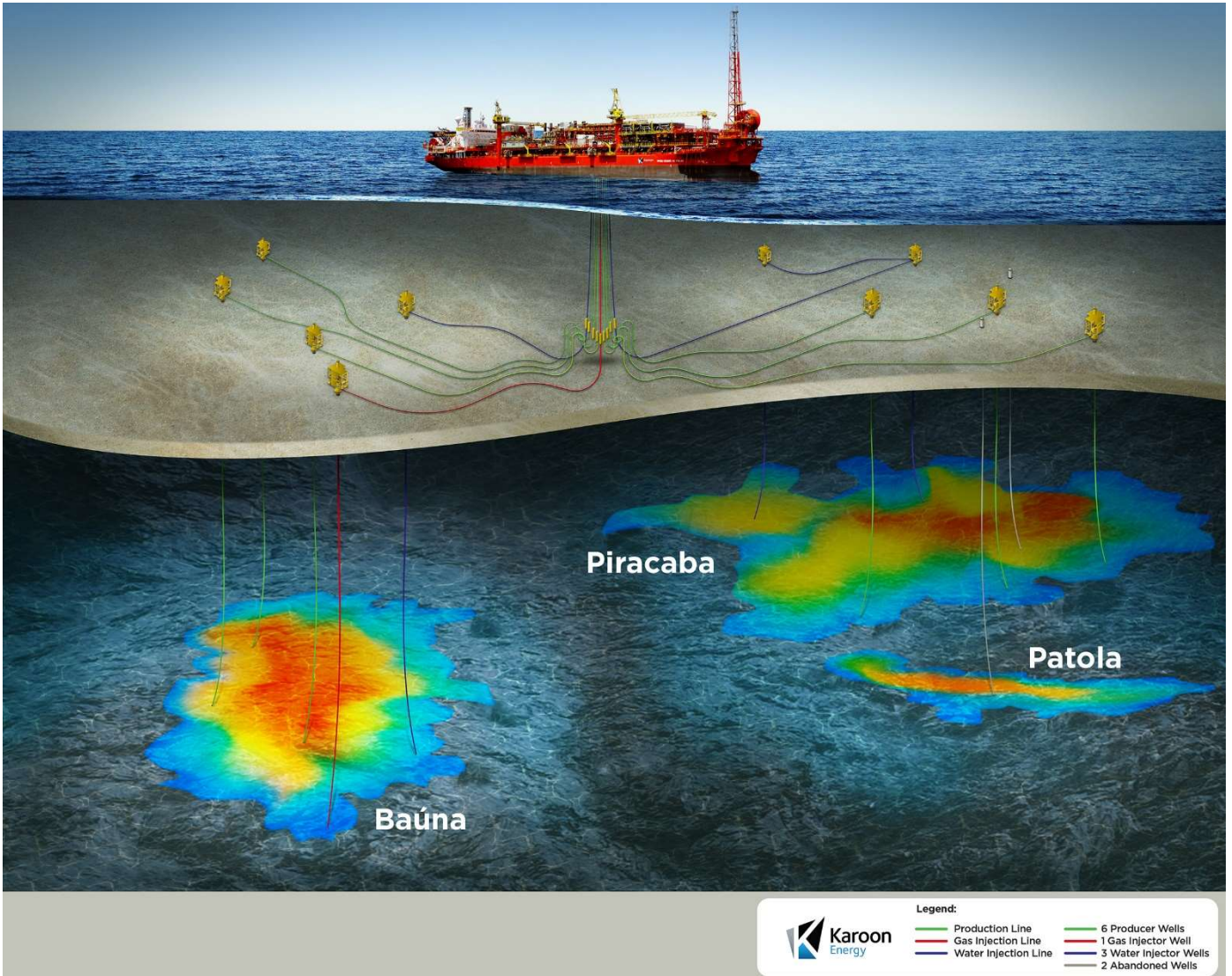
During the period from 7 November 2020 to 31 December 2020, the field produced 816,051 barrels, at an average rate of 14,837 bopd with 342,620 barrels in inventory as at 31 December 2020. Operational uptime in respect of the FPSO since acquisition close has been ahead of expectations and is in excess of normal industry benchmarks. The ongoing COVID-19 pandemic did not have a material impact on production operations during the period and did not cause any lost operational time.

As announced to the ASX on 28 January 2021 in the announcement entitled "Baúna Oil Reserves and Contingent Resource Update", Baúna assessed reserve estimates as at 31 December 2020 were 36.4 MMbbl of 2P reserves and 18.9 MMbbl of 2C contingent resources, attributable to the BM-S-40 Concession. Karoon is not aware of any new information or data that materially affects these resource estimates and all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

# Directors' Report

For the Financial Half-Year ended 31 December 2020 *(continued)*

## Future Plans – Workover campaign and Development of Patola



# Directors' Report

For the Financial Half-Year ended 31 December 2020 (continued)

Karoon is planning a phased approach to increase production at the Baúna field. Since taking over operatorship of the asset the Karoon team has initiated projects to identify and optimise both the facilities and the subsurface potential of the asset. These projects have identified the potential to increase individual well productivity including analysing previously shut-in wells for a potential recommencement of production. The operating and maintenance of the facility is also being reviewed with Altera&Ocyan to ensure maintenance programmes are optimised and that operating costs continue to be driven down.

Planning and contracting is underway for a rig-based workover and well intervention programme with the objective of increasing production rates from four of the existing Baúna oil production wells with two submersible pump replacements, installing gas lift in one of the producing wells and re-opening an oil zone in a fourth. This programme is expected to increase production at Baúna to a peak of approximately 22,000 bopd. Tendering and contracting of the work has commenced with a final investment decision expected to be made later in the first quarter of calendar year 2021 or early in the second quarter. The timing of the operational phase depends on rig mobilisation but is currently expected to commence in the first half of calendar year 2022.

In addition, Karoon is fast tracking the Patola field development plan as a standard tie-back of two new oil production wells into the existing FPSO, utilising the same rig to drill the two new wells as the well intervention programme. The geology of Patola is considered analogous to Baúna and Piracaba, based on existing high quality seismic data and the results of the discovery well. A letter of intent was signed during January 2021 with TechnipFMC related to certain long lead items required for the potential field development. A final investment decision is expected to be made in the second quarter of calendar year 2021, with drilling activity expected to commence following the Baúna intervention programme in the second half of calendar year 2022. First oil from the Patola development is expected by the first quarter of calendar year 2023. The resulting combined production rate with Baúna is expected to provide an average rate for financial year 2023 of between 24 and 30 thousand bopd, including some offset from natural production decline. There is also the potential to drill a Neon control well immediately after the Patola development drilling utilising the same rig.

## Santos Basin Exploration Blocks S-M-1037 and S-M-1101 (KAR 100%)

During the financial half-year, planning continued for a potential development of the Neon discovery, with new well and production configurations being considered, in order to maximise the economic benefit of a potential project. The data acquisition programme for a potential control well, which would most efficiently de-risk the development options is also being considered, with the option of drilling of a well being co-ordinated with the planned BM-S-40 programmes so that the same rig can be utilised.

Conceptual engineering studies utilising a redeployed Floating Production, Storage and Offloading vessel for a future field development of the Neon discovery were completed. The results of these studies will be incorporated into the forward strategic planning for the potential future development.

## Santos Basin Exploration Block S-M-1537 (KAR 100%)

Low cost in-house geological and geophysical studies and mapping work were ongoing during the financial half-year.

The Block contains one main prospect, Clorita, with the primary reservoir target expected to comprise Oligocene turbidite sands with high porosity and permeability as seen in the nearby producing Baúna and Piracaba fields.

## Peru

### Tumbes Basin Exploration Block Z-38 (KAR 40%\*)

Following the drilling of the Marina-1 exploration well during the March quarter 2020, Karoon's technical team has continued its evaluation of the results and assessment of the remaining prospectivity of the Block to decide on whether to enter the fourth and final exploration period or to relinquish the Block.

There would need to be commercial encouragement from the assessment for Karoon to allocate further capital to Peru, particularly given the competing investment opportunities in Karoon's asset portfolio. Karoon has no further government work obligations remaining in the current exploration period and will decide on whether to enter the next exploration period or relinquish the Block by June 2021.

During the financial half-year, Karoon received notice from joint venture partner Tullow of its intention to withdraw from the Block. In order to fulfil its obligations as a prudent operator, Karoon agreed to reacquire, for nil consideration, Tullow's 35% participating interest and is in the process of finalising this with Tullow and the Peruvian authorities.

### Equity Interests

Equity interests of the participants in Block Z-38 are:

KEI (Peru Z38) Pty Ltd, Sucursal del Peru (Operator)	40%*
Tullow Peru Limited Sucursal del Peru	35%^
Pitkin Petroleum Peru Z-38 SRL	25%

\* Karoon's farm-in obligations to Pitkin Petroleum Peru Z-38 SRL are still to be completed.

^ To be transferred to Karoon following finalisation of the transfer with Tullow and the Peruvian authorities.

### Tumbes Basin, Area 73 Technical Evaluation Agreement (KAR 100%)

Seismic reprocessing of 3D data previously acquired over the area was completed during the financial half-year and interpretation is also nearing completion. A decision on whether to negotiate a licence contract is required by early July 2021. The Technical Evaluation Agreement provides a right to negotiate a license contract with Perupetro in respect of the whole Area or one portion of the Area for a referenced minimum work program.

As with Karoon's activities on Block Z-38, there would need to be commercial encouragement from this work for Karoon to allocate further capital to Peru.

# Directors' Report

For the Financial Half-Year ended 31 December 2020 (continued)

## Australia

### Northern Carnarvon Basin Exploration Permit WA-482-P (KAR 50%)

Seismic reprocessing of the existing database of 3D seismic was completed during the financial half-year and interpretation of the data has now commenced. The joint operation has a high-quality 3D data set covering all of the renewed permit area and the additional seismic interpretation work will allow Karoon to better define, risk and rank the 10 prospects which have already been identified. Upon completion of the reprocessing and geoscience studies, the focus will be on de-risking the numerous prospects with a view to attracting a farminee to partner in progressing the area.

### Equity Interests

Equity interests of the participants in WA-482-P are:

Karoon Gas (FPSO) Pty Ltd	50%
Santos WA Northwest Pty Ltd (Operator)	50%

### Ceduna Sub-basin, Great Australian Bight, Exploration Permit EPP46 (KAR 100%)

Karoon submitted a formal application to surrender the permit to the regulatory authorities during December 2019 and was advised on 15 December 2020 that the application was not approved. Karoon continues to work with authorities to understand the reasons behind the refusal to approve the surrender application.

## Results

The consolidated result for the financial half-year was a loss after income tax of \$2,391,485 (2019: loss of \$24,632,572).

The loss for the financial half-year included crude oil sales revenue of \$32,919,524 from the first cargo of 503.1 kbbls of oil lifted from Baúna on 9 December 2020 at a net realised price of \$65.43 (USD47.31) per barrel. Since taking over ownership and operatorship of Baúna between 7 November and 31 December 2020, 816 kbbls of oil were produced, resulting in a gross profit of \$9,325,253, which includes a total cost of sales of \$23,594,271.

The total cost of sales includes depreciation associated with the right-of-use asset being the FPSO lease but does not include finance charges on the right-of-use asset of \$4,378,591, which are disclosed as part of finance costs. The total accounting expense for the FPSO charter lease, representing depreciation on the FPSO right-of-use asset and the finance charge was \$14,481,594 during the financial half-year. This accounting expense compares to a lease expense calculated based on the standard chartered day rate for the period, converted at the average USD/AUD exchange rate for the financial half-year, of \$13,260,625. Whilst the lease expense calculated on a base day rate is a non-IFRS measure, Karoon believes it is important for understanding the underlying operating costs of the Group during the financial half-year.

The financial half-year result includes a significant income tax benefit of \$52,007,363 (2019: \$2,966,385) relating predominantly to the initial recognition of historical Brazilian tax losses, which are available to be carried forward to offset against future profits generated from Baúna. Furthermore, temporary differences have been recognised arising from foreign exchange movements in the USD / Brazilian Real exchange rate, resulting in a decrease in the accounting carrying value of non-monetary assets denominated in USD compared to their taxable carrying values denominated in the Brazilian Real as at 31 December 2020.

Other key items impacting the loss during the financial half-year were as follows:

- net foreign currency losses of \$23,423,802 (2019: \$5,725,574) almost entirely attributable to unrealised losses resulting from the depreciation of the USD against the AUD (from AUD 1:USD 0.6863 as at 30 June 2020 to AUD 1:USD 0.7702 as at 31 December 2020) on USD cash and cash equivalents holdings;
- transition costs associated with the Baúna acquisition prior to completion on 6 November 2020 of \$20,560,070 (2019: \$11,024,835);
- finance costs of \$6,070,934 (2019: \$382,040) including finance charges on right-of-use assets of \$4,454,537 (2019: \$52,616) relating predominantly to the recognition of the FPSO right-of-use asset acquired as part of the acquisition of Baúna of \$4,378,591; and
- corporate costs of \$6,550,761 (2019: \$7,159,975) which include net employee benefits expense, insurance and director fees.

## Cash Flows

Operating activities resulted in a cash outflow for the financial half-year of \$57,837,218 (2019: \$22,043,967), predominantly for transition expenditure to acquire the Baúna production asset of \$18,373,128 (2019: \$11,866,806), payments for exploration and evaluation, including the Marina-1 exploration well creditors, of \$15,555,845 (2019: \$2,895,942), Peruvian VAT on Marina-1 exploration well creditors of \$3,418,274 (2019: \$447,119) and payments to suppliers and employees including production costs for the financial half-year of \$11,254,991 (2019: \$9,507,279).

Cash outflow from investing activities for the financial half-year was \$204,603,890 (2019: \$74,762,003), which included the Baúna completion payment of \$206,554,668 (2019: \$71,097,636 relating to payment of a deposit for Baúna).

Cash outflow from financing activities for the financial half-year was \$2,776,683 in relation to principal elements of lease payments (2019: \$273,804,532 inflow resulting from a successful equity raising).

The negative effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies, primarily in USD, for the financial half-year was \$33,770,716 (2019: \$6,694,901).



# Directors' Report

For the Financial Half-Year ended 31 December 2020 (*continued*)

## Financial Position

At the end of December 2020, the Group had a cash and cash equivalents balance of \$132,914,442 (30 June 2020: \$431,902,949).

The Group's working capital, being current assets less current liabilities, decreased from \$416,715,600 as at 30 June 2020 to \$102,727,338 as at 31 December 2020 predominantly as a result of the Baúna completion payment of \$206,554,668, payments for Baúna transition expenditure and exploration and evaluation expenditure, including the Marina-1 exploration well creditors of \$15,555,845, and recognition of the current lease liability associated with the FPSO right-of-use asset increasing current lease liabilities from \$294,846 as at 30 June 2020 to \$59,994,129 as at 31 December 2020.

During the financial half-year, total assets increased from \$579,315,717 to \$1,307,031,888, total liabilities increased from \$56,123,893 to \$822,134,664 and total equity decreased by \$38,294,600 to \$484,897,224. The major changes in the consolidated statement of financial position were largely due to completion of the Baúna transaction on 6 November 2020 and ongoing operations of Baúna, which included:

- recognition of oil and gas assets of \$1,003,057,877 as at 31 December 2020 incorporating a production asset of \$584,322,981 and a right-of-use asset associated with the charter of the FPSO of \$418,734,896. The impact on the Group's net asset position was largely offset by the recognition of a corresponding lease liability relating to the right-of-use asset, provision for a future restoration obligation relating to the oil and gas assets and outstanding liabilities in relation to deferred and contingent consideration payable for the oil and gas assets;
- transition costs expensed prior to transaction completion;
- bringing to account a deferred tax asset in relation to historical Brazilian tax losses and recognising a deferred tax asset in relation to the temporary differences for the half-year ended;
- reduction of deferred tax liabilities resulting from crystallising foreign currency gains on the payment for Baúna completion and exploration costs denominated in USD;
- a receivable at the half-year end from Karoon's first oil sale; and
- 342.6 kbbls of oil in inventory at the end of the financial half-year at a total cost of \$15,790,150.

In addition to the above, there was a negative movement in the foreign currency translation reserve from (\$113,684,153) to (\$151,044,524), due to the depreciation of the USD against the AUD (from AUD 1:USD 0.6863 as at 30 June 2020 to AUD 1:USD 0.7702 as at 31 December 2020).

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

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

# Directors' Report

For the Financial Half-Year ended 31 December 2020 (*continued*)

## External Auditor's Independence Declaration

A copy of the external Auditor's Independence Declaration for the financial half-year, as required under Section 307C of the Corporations Act 2001, is set out on page 10.

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

On behalf of the Directors:



**Mr Bruce Phillips**

Independent Non-Executive Chairman



**Dr Julian Fowles**

Chief Executive Officer and Managing Director

24 February 2021

Melbourne

# Auditor's Independence Declaration



## *Auditor's Independence Declaration*

As lead auditor for the review of Karoon Energy Ltd for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'A. Hodge', is written over a light blue horizontal line.

Anthony Hodge  
Partner  
PricewaterhouseCoopers

Melbourne  
24 February 2021

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## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Half-Year Ended 31 December 2020

	Note	Consolidated	
		31 Dec 2020	31 Dec 2019
		\$	Restated \$
Revenue	3(a)	32,919,524	-
Cost of sales	4(a)	(23,594,271)	-
<b>Gross profit</b>		<b>9,325,253</b>	<b>-</b>
Other income	3(b)	284,027	2,220,915
Business development and transition costs	4(b)	(20,616,269)	(11,115,993)
Exploration expenses	4(c)	(4,187,890)	(2,901,935)
Finance costs	4(d)	(6,070,934)	(382,040)
Net foreign currency losses		(23,423,802)	(5,725,574)
Other expenses	4(e)	(9,709,233)	(9,694,330)
<b>Loss before income tax</b>		<b>(54,398,848)</b>	<b>(27,598,957)</b>
Income tax benefit	5	52,007,363	2,966,385
<b>Loss for financial half-year attributable to equity holders of the Company</b>		<b>(2,391,485)</b>	<b>(24,632,572)</b>
<b>Other comprehensive income, net of income tax:</b>			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from the translation of financial statements of foreign subsidiaries		(37,360,371)	(10,754,991)
<b>Other comprehensive loss for financial half-year, net of income tax</b>		<b>(37,360,371)</b>	<b>(10,754,991)</b>
<b>Total comprehensive loss for financial half-year attributable to equity holders of the Company, net of income tax</b>		<b>(39,751,856)</b>	<b>(35,387,563)</b>
<b>Loss per share attributable to equity holders of the Company:</b>			
Basic loss per ordinary share		(0.0043)	(0.0728)
Diluted loss per ordinary share		(0.0043)	(0.0728)

The accompanying notes form an integral part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Financial Position

As at 31 December 2020

	Note	Consolidated	
		31 Dec 2020	30 June 2020
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents		132,914,442	431,902,949
Receivables		39,515,823	13,666,381
Inventories	8	15,790,150	-
Security deposits		323,385	5,500,608
Current tax asset		-	14,057
Other assets	11	4,680,188	2,382,002
<b>Total current assets</b>		<b>193,223,988</b>	<b>453,465,997</b>
<b>Non-current assets</b>			
Deferred tax assets	5	40,278,711	-
Inventories	8	9,130,075	10,374,376
Property, plant and equipment	9	6,352,259	4,078,979
Intangible assets		192,203	307,258
Exploration and evaluation expenditure carried forward		53,007,720	59,784,567
Oil and gas assets	10	1,003,057,877	-
Security deposits		1,789,055	1,884,138
Other assets	11	-	49,420,402
<b>Total non-current assets</b>		<b>1,113,807,900</b>	<b>125,849,720</b>
<b>Total assets</b>		<b>1,307,031,888</b>	<b>579,315,717</b>
<b>Current liabilities</b>			
Trade and other payables		23,925,065	31,894,821
Current tax liabilities		5,997,344	3,964,743
Lease liabilities	13	59,994,129	294,846
Provisions	12	580,112	595,987
<b>Total current liabilities</b>		<b>90,496,650</b>	<b>36,750,397</b>
<b>Non-current liabilities</b>			
Trade and other payables		55,457,101	266,033
Other financial liabilities	14	83,782,603	-
Deferred tax liabilities	5	1,976,905	17,076,773
Lease liabilities	13	370,102,691	1,910,342
Provisions	12	220,318,714	120,348
<b>Total non-current liabilities</b>		<b>731,638,014</b>	<b>19,373,496</b>
<b>Total liabilities</b>		<b>822,134,664</b>	<b>56,123,893</b>
<b>Net assets</b>		<b>484,897,224</b>	<b>523,191,824</b>
<b>Equity</b>			
Contributed equity	15	1,076,533,774	1,076,725,456
Accumulated losses		(497,121,980)	(494,730,495)
Share-based payments reserve		56,529,954	54,881,016
Foreign currency translation reserve		(151,044,524)	(113,684,153)
<b>Total equity</b>		<b>484,897,224</b>	<b>523,191,824</b>

The accompanying notes form an integral part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Changes in Equity

For the Financial Half-Year Ended 31 December 2020

Consolidated	Contributed Equity \$	Accumulated Losses \$	Share-based Payments Reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
<b>Balance as at 1 July 2019</b>	802,295,334	(366,902,202)	51,375,585	(60,609,355)	426,159,362
Loss for financial half-year	-	(24,632,572)	-	-	(24,632,572)
Exchange differences arising from the translation of financial statements of foreign subsidiaries	-	-	-	(10,754,991)	(10,754,991)
<b>Total comprehensive loss for financial half-year</b>	-	(24,632,572)	-	(10,754,991)	(35,387,563)
<b>Transactions with owners in their capacity as owners:</b>					
Ordinary shares issued	284,121,016	-	-	-	284,121,016
Transaction costs arising on ordinary shares issued, net of tax	(7,215,735)	-	-	-	(7,215,735)
Share-based payments expense	-	-	1,514,116	-	1,514,116
	276,905,281	-	1,514,116	-	278,419,397
<b>Balance as at 31 December 2019</b>	1,079,200,615	(391,534,774)	52,889,701	(71,364,346)	669,191,196
<b>Balance as at 1 July 2020</b>	1,076,725,456	(494,730,495)	54,881,016	(113,684,153)	523,191,824
Loss for financial half-year	-	(2,391,485)	-	-	(2,391,485)
Exchange differences arising from the translation of financial statements of foreign subsidiaries	-	-	-	(37,360,371)	(37,360,371)
<b>Total comprehensive loss for financial half-year</b>	-	(2,391,485)	-	(37,360,371)	(39,751,856)
<b>Transactions with owners in their capacity as owners:</b>					
Deferred tax adjustment on transaction costs arising on ordinary shares issued in prior period	(191,682)	-	-	-	(191,682)
Share-based payments expense	-	-	1,648,938	-	1,648,938
	(191,682)	-	1,648,938	-	1,457,256
<b>Balance as at 31 December 2020</b>	1,076,533,774	(497,121,980)	56,529,954	(151,044,524)	484,897,224

The accompanying notes form an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the Financial Half-Year ended 31 December 2020

	Consolidated	
	31 Dec 2020	31 Dec 2019 Restated
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST refunds)	474,519	1,052,919
Payments to suppliers and employees (inclusive of GST)	(11,254,991)	(9,507,279)
Payments for Peruvian VAT	(3,418,274)	(447,119)
Payments for exploration and evaluation expenditure expensed	(15,555,845)	(2,895,942)
Payments for Baúna transition expenditure	(18,373,128)	(11,866,806)
Interest received	225,187	1,960,750
Interest and other costs of finance paid	(5,657,071)	(382,040)
Income taxes (paid) refunded	(4,277,615)	41,550
<b>Net cash flows used in operating activities</b>	<b>(57,837,218)</b>	<b>(22,043,967)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment and computer software	(2,534,945)	(257,271)
Payments for oil and gas assets	(206,554,668)	(71,097,636)
Payments for exploration and evaluation expenditure capitalised	(366,635)	(3,126,228)
Release/refund (payment) of security deposits	4,840,085	(296,050)
Proceeds from disposal of non-current assets	12,273	15,182
<b>Net cash flows used in investing activities</b>	<b>(204,603,890)</b>	<b>(74,762,003)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	284,121,016
Payment of equity raising costs	-	(10,121,831)
Principal elements of lease payments	(2,776,683)	(194,653)
<b>Net cash flows (used in) from financing activities</b>	<b>(2,776,683)</b>	<b>273,804,532</b>
Net increase (decrease) in cash and cash equivalents	(265,217,791)	176,998,562
Cash and cash equivalents at beginning of financial half-year	431,902,949	326,191,131
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(33,770,716)	(6,694,901)
<b>Cash and cash equivalents at end of financial half-year</b>	<b>132,914,442</b>	<b>496,494,792</b>

The accompanying notes form an integral part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

## For the Financial Half-Year Ended 31 December 2020

### Note 1. Basis of Preparation of the Condensed Consolidated Financial Statements

#### (a) Basis of Preparation

This Interim Financial Report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*. Compliance with AASB 134 '*Interim Financial Reporting*' ensures compliance with International Financial Reporting Standard IAS 134 '*Interim Financial Reporting*'.

The condensed consolidated financial statements have been prepared using the going concern assumption which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The condensed consolidated financial statements do not include all the notes of the type normally included in an Annual Report and should be read in conjunction with the Company's Annual Report for the financial year ended 30 June 2020 and any public announcements made by Karoon Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as disclosed in the Company's Annual Report for the financial year ended 30 June 2020. However, as a result of acquiring an Oil and Gas asset during the period (refer note 7), new accounting policies detailed in notes 1(c) to 1(i) were adopted. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. In addition, the Company has changed the presentation in the profit or loss to aggregate expenses according to their function as opposed to nature. It is the view of the Company that following the completion of Baúna, presenting expenses in this manner provides information that is more relevant and enhances comparability to other international oil and gas companies.

The condensed financial statements are for the Group and are presented in Australian dollars.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with financial half-year amounts and other disclosures.

#### (b) Voluntary Change in Accounting Policy

During the 30 June 2020 financial year, the Group elected to make a voluntary change to its accounting policy to adopt the 'successful efforts' method of accounting whereby exploration and evaluation expenditure in relation to unsuccessful wells and directly attributable costs such as general administration costs, geological and geophysical costs, seismic and pre-tenure expenditure, is expensed as incurred. The previous accounting policy was to capitalise all expenditures associated with its exploration and evaluation activities in accordance with the 'full capitalisation' method.

As a result of this change, the comparative consolidated statement of profit or loss and other comprehensive income has been restated as if the change in the accounting policy had been adopted at the start of the comparative period. The change in accounting policy has also resulted in a reclassification in the consolidated statement of cash flows with exploration and evaluation expenditure, with the exception of the cost of successful wells, the costs of acquiring interests in new exploration assets, and appraisal costs relating to determining development feasibility, being reclassified from investing activities to operating activities.



# Notes to the Condensed Consolidated Financial Statements

## For the Financial Half-Year Ended 31 December 2020

### Note 1. Basis of Preparation of the Condensed Consolidated Financial Statements *(continued)*

#### **(b) Voluntary Change in Accounting Policy *(continued)***

The impact of the change in accounting policy on the previously reported loss for the half-year ended 31 December 2019 is shown below:

	<b>Financial Half-year Ended 31 December 2019</b>
	<b>\$</b>
<b>Impact on statement of profit or loss and other comprehensive income</b>	
Loss for the financial half-year as previously reported	(22,635,316)
Increase in exploration expenditure as a result of change in accounting policy	(1,997,256)
<b>Restated loss for the financial half-year</b>	<b>(24,632,572)</b>
<b>Other comprehensive loss as previously reported</b>	
Other comprehensive loss as previously reported	(11,639,479)
Decrease in exchange differences arising from the translation of financial statements of foreign subsidiaries	884,488
<b>Restated other comprehensive loss for the financial half-year</b>	<b>(10,754,991)</b>
Total comprehensive loss as previously reported	(34,274,795)
Decrease in total comprehensive loss resulting from adjustments above	(1,112,768)
<b>Restated total comprehensive loss for the financial half-year</b>	<b>(35,387,563)</b>
<b>Impact on basic and diluted earnings per share</b>	
Reported basic earnings per share	(0.0669)
Reported diluted earnings per share	(0.0669)
Restated basic earnings per share	(0.0728)
Restated diluted earnings per share	(0.0728)

#### **New accounting policies adopted for the financial half-year ended 31 December 2020 (Notes 1(c) to 1(i)).**

##### **(c) Revenue**

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

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

##### **Oil sales**

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

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

# Notes to the Condensed Consolidated Financial Statements

## For the Financial Half-Year Ended 31 December 2020 *(continued)*

### **Note 1. Basis of Preparation of the Condensed Consolidated Financial Statements *(continued)***

#### **(d) Inventory**

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

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

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

The cost of casing and other drilling inventory includes direct materials, direct labour and transportation costs.

#### **(e) Production assets**

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

#### **(f) Assets in development**

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

#### **(g) Amortisation of production assets**

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

#### **(h) Financial liabilities**

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

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

The Group's financial liabilities include trade and other payables, and a derivative financial instrument relating to contingent consideration.

# Notes to the Condensed Consolidated Financial Statements

## For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 1. Basis of Preparation of the Condensed Consolidated Financial Statements (*continued*)

#### (i) Restoration costs

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

#### (j) New or Revised Australian Accounting Standards and Interpretations that are First Effective in the Current Reporting Period

There are no new and/or revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that have had a significant or immediate impact to the Group's operations for the financial half-year ended 31 December 2020. The Group has not elected to apply any new or revised Australian Accounting Standards before their operative dates during the financial half-year.

### Note 2. Significant Accounting Estimates, Assumptions and Judgements

The significant accounting judgements, estimates and assumptions adopted in this Interim Financial Report are consistent with those disclosed in the Company's Annual Report for the financial year ended 30 June 2020, except for those that have arisen as a result of new standards, amendments to standards and interpretations effective from 1 July 2020 and new policies adopted during the financial half-year as detailed in notes 1(c) to 1(i).

The significant estimates, assumptions and/or judgements made by the Board of Directors and management in the preparation of this Interim Report in relation to these new policies are:

#### (a) Provision for Restoration

Restoration costs are a normal consequence of operating in the oil and gas industry. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs, the estimated future level of inflation and appropriate discount rate. The ultimate costs of restoration are uncertain and costs can vary in response to many factors including changes to the relevant legal and legislative requirements, the emergence of new restoration techniques or experience at other fields. The expected timing of expenditure can also change. Changes to any of the estimates could result in a significant change to the level of provisioning required, which would in turn impact future financial results.

#### (b) Estimates of reserves quantities

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

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

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

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 2. Significant Accounting Estimates, Assumptions and Judgements (*continued*)

#### (b) Estimates of reserves quantities (*continued*)

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

#### (c) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The fair value of the contingent consideration (refer to note 14) is based on the Group's internal assessment of future oil prices, which considers industry consensus and observable prices, inflation and an appropriate risk-free rate. Changes in assumptions relating to these factors could affect the reported fair value of the financial instrument.

### Note 3. Revenue and Other Income

	Consolidated	
	Financial Half-Year Ended	
	31 Dec 2020	31 Dec 2019
	\$	\$
<b>(a) Revenue</b>		
Crude oil sales (refer (i) below)	32,919,524	-
Total revenue from contracts with customers	32,919,524	-

(i) Revenue from oil sales reflect the sale of Karoon's first lifting from Baúna, which was acquired on 6 November 2020 (refer note 7). Proceeds from this sale were received during January 2021 and therefore are disclosed as a receivable as at 31 December 2020.

	Consolidated	
	Financial Half-year Ended	
	31 Dec 2020	31 Dec 2019
	\$	Restated \$
<b>(b) Other Income</b>		
Interest income from unrelated entities	267,638	2,033,631
Services revenue from joint operations	-	172,102
Net gain on disposal of non-current asset	16,389	15,182
Total other income	284,027	2,220,915

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 *(continued)*

### Note 4. Expenses

	Consolidated	
	Financial Half-Year Ended	
	31 Dec 2020	31 Dec 2019 Restated
	\$	\$
<b>(a) Cost of sales</b>		
Operating costs	(11,687,407)	-
Royalties	(5,393,795)	-
Depreciation and amortisation - oil and gas assets	(23,332,100)	-
Change in inventories	16,819,031	-
Total cost of sales	(23,594,271)	-
<b>(b) Business development and transition costs</b>		
Baúna transition costs (refer (i) below)	(20,560,070)	(11,024,835)
Business development and other project costs	(56,199)	(91,158)
Total Business development and transition costs	(20,616,269)	(11,115,993)

- (i) Represents costs incurred on transition, development initiatives and other project activities associated with Baúna prior to the acquisition. Expenditure includes internal time allocation of employees and consultants and associated office charges, insurance, travel expenses, geotechnical data, success fee, professional fees and external advice relating to due diligence and legal reviews. The current period costs also include standby costs for support vessels and helicopters and FPSO charter costs prior to taking over operatorship of the asset.

	Consolidated	
	Financial Half-Year Ended	
	31 Dec 2020	31 Dec 2019 Restated
	\$	\$
<b>(c) Exploration Expense</b>		
Exploration and evaluation expenditure expensed	(4,111,369)	(2,755,095)
Exploration and evaluation expenditure impaired	(76,521)	(146,840)
Total exploration and evaluation expenditure expensed or impaired	(4,187,890)	(2,901,935)

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 4. Expenses (*continued*)

	Consolidated	
	Financial Half-Year Ended	
	31 Dec 2020	31 Dec 2019
	\$	\$
<b>(d) Finance costs</b>		
Finance charges on right-of-use assets	(4,454,537)	(52,616)
Discount unwinding on net present value of provision for restoration	(304,300)	-
Bank and interest charges	(1,312,097)	(329,424)
<b>Total finance costs</b>	<b>(6,070,934)</b>	<b>(382,040)</b>
<b>(e) Other Expenses</b>		
Corporate	(6,550,761)	(7,159,975)
Depreciation and amortisation – non-oil and gas assets	(500,853)	(463,277)
Share-based payments expense	(2,191,925)	(1,564,989)
Loss on disposal of non-current assets	(6,474)	-
Other expenses	(459,220)	(506,089)
<b>Total other expenses</b>	<b>(9,709,233)</b>	<b>(9,694,330)</b>

### Note 5. Income tax

	Consolidated	
	Financial Half-Year Ended	
	31 Dec 2020	31 Dec 2019
	\$	\$
<b>(a) Income Tax Benefit Recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>		
Income tax benefit (expense) comprises		
Current income tax	(7,036,617)	(5,297,413)
Current income tax under/(over)	(98,367)	-
Deferred income tax	59,142,347	8,263,798
<b>Total income tax benefit</b>	<b>52,007,363</b>	<b>2,966,385</b>
The prima facie tax on loss before income tax is reconciled to tax income as follows:		
Prima facie tax benefit on loss before income tax, calculated at the Australian tax rate of 30%	16,319,654	8,279,687
<b>Add the tax effect of:</b>		
Share-based payments expense (non-cash)	(494,681)	(454,235)
Other non-deductible items	(1,713,992)	(2,363,221)
Tax losses and temporary tax differences not recognised	(757,492)	(3,161,462)
Adjustment for current tax of previous financial years	(98,367)	-
<b>Subtract the tax effect of:</b>		
Difference in overseas tax rates	656,335	203,789
Recognition of temporary differences and tax losses not previously brought to account	28,629,277	-
Foreign exchange differences	9,466,629	-
Non-assessable income	-	461,827
<b>Total income tax benefit</b>	<b>52,007,363</b>	<b>2,966,385</b>

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 *(continued)*

### Note 5. Income tax *(continued)*

#### (b) Deferred Tax Balances

	Balance as at 1 July 2020	Recognition of temporary differences and tax losses not previously brought to account	Charged (Credited) to Profit or Loss	Charged (Credited) Directly to Equity	Balance as at 31 December 2020
	\$	\$	\$	\$	\$
<b>Temporary differences</b>					
Provisions and accruals	577,862	346,431	3,832,748	-	4,757,041
Equity raising transaction costs	494,835	-	(4,365)	(191,683)	298,787
Unrealised foreign currency losses/gains	(18,315,426)	-	15,141,748	-	(3,173,678)
Translation adjustment	-	-	9,466,629	-	9,466,629
Farm-out expenditures	128,886	-	-	-	128,886
Right of use assets	(323,301)	(263,878)	(152,948,306)	-	(153,535,485)
Lease Liabilities	353,019	286,941	155,023,212	-	155,663,172
Intangible assets	1,903	-	1,404	-	3,307
Net foreign currency difference on translation of financial statements of foreign subsidiaries	-	-	-	(2,624,545)	(2,624,545)
<b>Total temporary differences</b>	<b>(17,082,222)</b>	<b>369,494</b>	<b>30,513,070</b>	<b>(2,816,228)</b>	<b>10,984,114</b>
Unused tax losses and credits					
Tax losses	5,449	28,259,783	(947,540)	-	27,317,692
Total unused tax losses	5,449	28,259,783	(947,540)	-	27,317,692
<b>Net deferred tax assets (liabilities)</b>	<b>(17,076,773)</b>	<b>28,629,277</b>	<b>29,565,530</b>	<b>(2,816,228)</b>	<b>38,301,806</b>
Presented in the statement of financial position as follows:					
Deferred tax assets	-				40,278,711
Deferred tax liabilities	(17,076,773)				(1,976,905)

# Notes to the Condensed Consolidated Financial Statements

## For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 6. Segment Information

#### (a) Description of Segments

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

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

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

- Australia – in which the Group is currently involved in the exploration and evaluation of hydrocarbons in an offshore exploration permit area: WA-482-P.
- Brazil – in which the Group is currently involved in the exploration, development and production of hydrocarbons in four offshore blocks: Block BM-S-40, Block S-M-1037, Block S-M-1101, and Block S-M-1537; and
- Peru – in which the Group is currently involved in the exploration and evaluation of hydrocarbons in offshore exploration Block Z-38 and Area 73.

'All other segments' include amounts not specifically attributable to an operating segment.

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

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

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

Employee benefits expense and other expenses, that are directly attributable to the production of goods are allocated to operating costs as part of cost of sales.

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



## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 (continued)

### Note 6. Segment Information (continued)

#### (a) Operating Segments

Segment performance	Australia \$	Brazil \$	Peru \$	All Other Segments \$	Consolidated \$
<b>Result for financial half-year 31 December 2020</b>					
Revenue	-	32,919,524	-	-	32,919,524
Other income	114,834	168,269	924	-	284,027
<b>Total segment revenue</b>	<b>114,834</b>	<b>33,087,793</b>	<b>924</b>	<b>-</b>	<b>33,203,551</b>
<b>Expenses</b>					
Business development and transition costs	(8,862)	(20,577,961)	(29,446)	-	(20,616,269)
Cost of sales	-	(23,594,271)	-	-	(23,594,271)
Depreciation and amortisation expense – non-oil and gas assets	(199,410)	(199,615)	(101,828)	-	(500,853)
Exploration expenses	(577,621)	(2,528,212)	(1,058,708)	(23,349)	(4,187,890)
Finance costs	(87,809)	(5,976,201)	(6,924)	-	(6,070,934)
Net foreign currency losses	(24,993,277)	1,911,242	(341,767)	-	(23,423,802)
Share-based payments expense	(1,432,456)	(759,469)	-	-	(2,191,925)
Other	(4,648,517)	(1,079,767)	(1,288,171)	-	(7,016,455)
(Loss) before income tax	(31,833,118)	(19,716,461)	(2,825,920)	(23,349)	(54,398,848)
Income tax benefit	9,104,105	42,903,258	-	-	52,007,363
Profit/(loss) for financial half-year	(22,729,013)	23,186,797	(2,825,920)	(23,349)	(2,391,485)
<b>Result for financial half-year 31 December 2019 (restated)</b>					
Revenue	-	-	-	-	-
Other income	1,773,846	274,967	172,102	-	2,220,915
<b>Total segment revenue</b>	<b>1,773,846</b>	<b>274,967</b>	<b>172,102</b>	<b>-</b>	<b>2,220,915</b>
<b>Expenses</b>					
Business development and transition costs	(80,050)	(11,035,943)	-	-	(11,115,993)
Cost of sales	-	-	-	-	-
Depreciation and amortisation expense – non-oil and gas assets	(87,400)	(256,238)	(119,639)	-	(463,277)
Exploration expenses	(538,204)	(1,525,241)	(797,702)	(40,788)	(2,901,935)
Finance costs	(31,722)	(344,957)	(5,361)	-	(382,040)
Net foreign currency losses	(5,710,641)	66,439	(81,372)	-	(5,725,574)
Share-based payments expense	(1,152,052)	(412,937)	-	-	(1,564,989)
Other	(4,853,595)	(1,929,432)	(883,037)	-	(7,666,064)
(Loss) before income tax	(10,679,818)	(15,163,342)	(1,715,009)	(40,788)	(27,598,957)
Income tax benefit	2,966,385	-	-	-	2,966,385
(Loss) for financial half-year	(7,713,433)	(15,163,342)	(1,715,009)	(40,788)	(24,632,572)
<b>Total segment assets</b>					
As at 31 December 2020	94,381,128	1,201,619,555	11,031,205	-	1,307,031,888
As at 30 June 2020	406,373,051	129,693,086	43,249,580	-	579,315,717
<b>Total segment liabilities</b>					
As at 31 December 2020	13,423,636	808,294,913	416,115	-	822,134,664
As at 30 June 2020	25,866,960	7,331,603	22,925,330	-	56,123,893

## Notes to the Condensed Consolidated Financial Statements

### For the Financial Half-Year Ended 31 December 2020 (continued)

#### Note 7. Asset Acquisition

On 6 November 2020, Karoon Petróleo & Gás Ltda, a wholly owned subsidiary of Karoon, successfully completed the acquisition of a 100% operating interest in Baúna from Petrobras for a firm consideration of USD380 million plus a tiered contingent consideration payable of up to USD285 million (plus interest at 2% per annum) where any payment is dependent on the annual average Platts Dated Brent oil price being between ≥USD50 and ≥USD70 per barrel during calendar years 2022 to 2026 (refer note 14).

Pursuant to the Sale and Purchase Agreement ('SPA') USD150 million (in addition to the USD50 million deposit already paid on the signing of the SPA) was paid at completion of the transaction with a deferred consideration of USD42.17 million (plus interest at 1 month LIBOR plus a 3% margin) payable 18 months following completion during May 2022. The deferred consideration represents the firm consideration of USD380 million less the USD200 million in cash payments and the operating and investing cash flows (attributable to the assets to be transferred to Karoon under the SPA) in the period from the transaction effective date of 1 January 2019 up to the closing date of 6 November 2020.

The purchase was accounted for as an asset acquisition, with the purchase consideration allocated against identifiable assets and liabilities acquired, based on their relative fair values determined on the acquisition date. The asset acquisition changes Karoon Petróleo & Gás Ltda's functional currency from Brazilian REAL to USD.

Details of the purchase consideration are as follows:

	Note	As at 6 November 2020
Oil and gas assets	10	1,087,064,511
Restoration liabilities	12	(233,246,520)
Lease liabilities	13	(454,165,434)
Other liabilities (refer (i) below)		(58,064,556)
Contingent consideration payable at fair value	14	(88,858,938)
<b>Purchase consideration at completion</b>		<b>252,729,063</b>
<b>Purchase consideration</b>		
Total purchase consideration		612,130,764
Less deferred consideration payable (refer (i) below)		(58,064,556)
Less contingent consideration payable at fair value		(88,858,938)
Less net cash flow adjustments recorded for period 1 January 2019 to 6 November 2020		(189,973,175)
Exchange differences on deposit paid (refer (ii) below)		(22,505,032)
<b>Total purchase consideration at completion</b>		<b>252,729,063</b>
<b>Net cash flow outflow on acquisition</b>		
Cash flow recorded for period ended 31 December 2019 - deposit		71,097,636
Cash flow recorded for period ended 31 December 2020 - purchase consideration		206,554,668
<b>Total cash outflow (refer (ii) below)</b>		<b>277,652,304</b>

- (i) Relates to deferred consideration of USD42.17 million payable during May 2022. This liability, including interest accrued from 6 November to 31 December 2020, is included in non-current trade and other payables as at 31 December 2020 at a total value of \$55,016,868.
- (ii) Relates to devaluation of the deposit converted and paid in Brazilian REALS at transaction date up to date of completion. Net cash flows paid at transaction date are therefore greater than the net identifiable assets recognised at completion due to the currency devaluation.

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 *(continued)*

### Note 8. Inventories

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<b>Current</b>		
Petroleum inventories	15,790,150	-
Total current inventories	15,790,150	-
<b>Non-Current</b>		
Casing and other drilling inventory	9,130,075	10,374,376
Total non-current inventories	9,130,075	10,374,376

### Note 9. Property, Plant and equipment

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<b>Plant and equipment</b>		
At cost	6,654,125	4,087,772
Accumulated depreciation	(1,958,038)	(2,031,904)
Total plant and equipment	4,696,087	2,055,868
<b>Reconciliation</b>		
The reconciliation of the carrying amount for plant and equipment is set out below:		
Balance at beginning of financial period	2,055,868	
Additions	3,186,862	
Disposals	(9,002)	
Depreciation expense	(170,379)	
Net foreign currency differences	(367,262)	
Carrying amount at end of financial half-year	4,696,087	
<b>Right-of-use assets – property and other leases</b>		
At cost	2,253,976	2,510,340
Accumulated depreciation	(597,804)	(487,229)
Total right-of-use assets – property and other leases	1,656,172	2,023,111
<b>Reconciliation</b>		
The reconciliation of the carrying amount for property and other leases is set out below:		
Balance at beginning of financial period	2,023,111	
Depreciation expense	(251,974)	
Net foreign currency differences	(114,965)	
Carrying amount at end of financial half-year	1,656,172	
Total property, plant and equipment	6,352,259	4,078,979

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 10. Oil and Gas Assets

	Consolidated	
	31 Dec 2020	30 June 2020
<b>Production asset</b>		
At cost	596,742,807	-
Accumulated depreciation	(12,419,826)	-
Total production asset	584,322,981	-
<b>Reconciliation</b>		
The reconciliation of the carrying amount for production asset is set out below:		
Balance at beginning of financial period	-	
Additions	632,899,077 <sup>^</sup>	
Depreciation expense	(13,229,097)	
Net foreign currency differences	(35,346,999)	
Carrying amount at end of financial half-year	584,322,981	
<b>Right-of-use assets – FPSO Vessel</b>		
At cost	428,219,862	-
Accumulated depreciation	(9,484,966)	-
Total right of use assets – FPSO Vessel	418,734,896	-
<b>Reconciliation</b>		
The reconciliation of the carrying amount for right of use assets is set out below:		
Balance at beginning of financial period	-	
Additions	454,165,434 <sup>^</sup>	
Depreciation expense	(10,103,003)	
Net foreign currency differences	(25,327,535)	
Carrying amount at end of financial half-year	418,734,896	-
Total Oil and Gas assets	1,003,057,877	-

<sup>^</sup> Total additions \$1,087,064,511 (refer note 7)

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 11. Other Assets

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<b>Current</b>		
Prepayments	4,680,188	2,382,002
Total current other assets	4,680,188	2,382,002
<b>Non-Current</b>		
Deposit paid for production asset	-	49,420,402
Total non-current other assets	-	49,420,402

### Note 12. Provisions

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<b>Current</b>		
Provision for long service leave	580,112	595,987
Total current provisions	580,112	595,987
<b>Non-Current</b>		
Provision for long service leave	111,421	120,348
Provision for restoration (refer note (a) below)	220,207,293	-
Total non-current other assets	220,318,714	120,348
<b>(a) Reconciliation of provision for restoration</b>		
Balance at the beginning of the financial period	-	
Additions (refer note (i) below)	233,246,520	
Discount unwinding on provision for restoration	304,300	
Net foreign currency differences	(13,343,527)	
Total provision for restoration	220,207,293	

- (i) A provision was recognised for a Brazilian restoration obligation relating to the producing oil and gas asset acquired during the period (refer note 7). The measurement and recognition criteria relating to restoration obligations are as described in note 1(i).

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 13. Lease Liabilities

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<b>Current</b>	<b>59,994,129</b>	294,846
Non-current	370,102,691	1,910,342
Total lease liabilities	<b>430,096,820</b>	2,205,188
<b>Reconciliation</b>		
Balance at the beginning of the financial period	2,205,188	
Additions (refer note (i) below)	454,165,434	
Accretion of interest	4,454,537	
Payments	(4,546,318)	
Net foreign currency differences	(26,182,021)	
Total Lease Liabilities	<b>430,096,820</b>	

(i) A right-of-use asset was recognised as part of the oil and gas assets acquired during the period in relation to an FPSO Charter agreement (refer note 7), which includes the corresponding lease liability above.

### Note 14. Other financial liabilities

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<b>Non-Current</b>		
Embedded derivative - contingent consideration payable (refer note (a) below)	83,782,603	-
Total non-current other financial liabilities	<b>83,782,603</b>	-
<b>(a) Reconciliation of contingent consideration payable</b>		
Balance at the beginning of the financial period	-	
Additions (refer note (i) below)	88,858,938	
Unrealised fair value changes recognised in profit or loss during the period	-	
Net foreign currency differences	(5,076,335)	
Total contingent consideration payable at fair value	<b>83,782,603</b>	

(i) As part of the acquisition of Baúna (refer note 7), Karoon's wholly owned subsidiary, Karoon Petróleo & Gás Ltda., has agreed to pay Petrobras contingent consideration of up to USD285 million. The fair value of the contingent consideration was estimated calculating the present value of the future expected cash out flows. The estimates are based on Group's internal assessment of future oil prices, which considers industry consensus and observable oil price forecasts. A discount rate of 0.36% and 2% inflation factor has also been applied.

The contingent consideration accrues interest at 2% per annum from 1 January 2019 with any amounts payable by 31 January after the completion of the relevant testing period. The relevant testing periods are each calendar year from (and including) 2022 to (and including) 2026 and are based on the achievement of annual average Platts Dated Brent oil prices thresholds commencing at ≥USD50 and ending at ≥USD70 a barrel.

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 *(continued)*

### Note 14. Other financial liabilities *(continued)*

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

Average Brent Price (in USD units)	CY2022	CY2023	CY2024	CY2025	CY2026	Total
B < 50	-	-	-	-	-	-
50 <= B < 55	3	3	3	2	2	13
55 <= B < 60	17	17	17	8	4	63
60 <= B < 65	34	34	34	15	6	123
65 <= B < 70	53	53	53	24	10	193
B >= 70	78	78	78	36	15	285

### Note 15. Contributed Equity

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<b>(a) Contributed Equity</b>		
Ordinary shares, fully paid	1,076,533,774	1,076,725,456
Total contributed equity	1,076,533,774	1,076,725,456

#### (b) Movement in Ordinary Shares

Date	Details	Number of ordinary shares	\$
1 July 2019	Opening balance in previous financial year	246,216,477	802,295,334
31 October 2019	Ordinary shares issued at \$0.93 per share	187,955,140	174,798,280
19 November 2019	Ordinary shares issued at \$0.93 per share	117,551,329	109,322,736
	Transaction costs arising on ordinary shares issued	-	(10,309,386)
	Deferred tax credit recognised directly in equity	-	618,492
	Performance rights conversion	1,261,747	-
30 June 2020	Balance at end of previous financial year	552,984,693	1,076,725,456
	Deferred tax credit recognised directly in equity	-	(191,682)
	Performance rights conversion	661,730	-
31 December 2020	Balance at end of financial half-year	553,646,423	1,076,533,774

## Notes to the Condensed Consolidated Financial Statements

For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 16. Dividends

There were no ordinary dividends declared or paid during the financial half-year by the Company (31 December 2019: \$Nil).

### Note 17. Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, receivables, security deposits, trade and other payables and embedded derivatives. The fair values of financial assets and financial liabilities are represented by their carrying values as disclosed in the condensed consolidated statement of financial position.

### Note 18. Commitments

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<b>(a) Capital and Service Expenditure Commitments</b>		
Contracts for capital and service expenditure in relation to assets not provided for in the condensed consolidated financial statements and payable. Note, the service commitments as at 31 December 2020 include the provision of services related to the charter of the FPSO acquired as part of Baúna acquisition.		
<b>Capital commitments for Baúna workovers</b>		
Not later than one year	15,787,841	-
Total capital commitments	15,787,841	-
<b>Service commitments</b>		
Not later than one year	17,731,279	416,950
Later than one year but not later than five years	57,971,416	-
Total service commitment	75,702,695	416,950
Total capital and service expenditure commitments	91,490,536	416,950
<b>(b) Exploration Expenditure Commitments</b>		
The Group has guaranteed commitments for exploration expenditure arising from obligations to governments to perform minimum exploration and evaluation work and expend minimum amounts of money pursuant to the award of exploration tenements WA-482-P, Block S-M-1537 and Block Z-38 (30 June 2020: WA-482-P, Block S-M-1537 and Block Z-38) not provided for in the condensed consolidated financial statements and payable.		
Not later than one year	374,785	258,765
Later than one year but not later than five years	1,541,643	607,356
Later than five years	-	1,639,596
Total guaranteed exploration expenditure commitments	1,916,428	2,505,717

In addition to the guaranteed work commitments shown above, the Group has non-guaranteed work commitments in relation to these tenements due later than one year but not later than five years of \$106,136,783 (30 June 2020: \$116,636,420). These commitments will become firm commitments if the Group elects to retain the tenements by proceeding into the unguaranteed work periods.

Estimates for future exploration expenditure commitments to government are based on estimated well and seismic costs, which will change as actual drilling locations and seismic surveys are completed and are calculated in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties. The commitments may also be reduced by the Group entering into farm-out agreements, which are typical of the normal operating activities of the Group and by relinquishing exploration permits or blocks.

Where exploration and evaluation expenditure included in this category relates to an existing contract for expenditure, the amount will be included in both categories (a) and (b) above.



# Notes to the Condensed Consolidated Financial Statements

## For the Financial Half-Year Ended 31 December 2020 (*continued*)

### Note 19. Contingent Liabilities

A Parent Company guarantee was provided by Karoon to Petrobras for payment of all amounts that may become payable under the SPA.

A Parent Company guarantee totalling Brazilian REALS 117.7 million (\$29.3 million equivalent as at 31 December 2020) was provided to the ANP (the Brazilian oil and gas regulator) in respect of existing decommissioning obligations relating to the Baúna field. In addition, Karoon has provided deeds of guarantee to, respectively, OOG-TKP FPSO GMBH & CO KG (the FPSO operator) and OOG-TKP Produção de Petróleo Ltda (the FPSO service provider) in relation to satisfying Karoon Petróleo & Gás Ltda's payment obligations in respect of the charter of an FPSO for Baúna and the provision of related services.

During the period, the Performance Guarantee (via a letter of credit) of \$5,391,198 as at 30 June 2020, provided to Perupetro SA for Block Z-38 for Karoon's share of third period work commitments, was released with the respective commitments being satisfied.

With the exception of matters noted above, there were no material changes to the contingent liabilities since 30 June 2020.

### Note 20. Subsequent Events

The Interim Financial Report was authorised for issue by the Board of Directors on 24 February 2021. The Board of Directors has the power to amend and reissue the condensed consolidated financial statements and notes.

Since 31 December 2020, there have been no material events that have occurred.

## Directors' Declaration

### For the Financial Half-Year Ended 31 December 2020

The Directors declare that:

- (a) in the Directors' opinion, the condensed consolidated financial statements and notes, set out on pages 11 to 32, are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- (b) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This Directors' Declaration is made in accordance with a resolution of the Directors.

On behalf of the Directors:



**Mr Bruce Phillips**  
Independent Non-Executive Chairman



**Dr Julian Fowles**  
Managing Director and Chief Executive Officer

24 February 2021  
Melbourne

# Independent Auditor's Review Report

## To the Members of Karoon Energy Ltd



### **Independent auditor's review report to the members of Karoon Energy Ltd**

#### ***Report on the half-year financial report***

##### *Conclusion*

We have reviewed the half-year financial report of Karoon Energy Ltd (the Company) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Karoon Energy Ltd does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

##### *Responsibility of the directors for the half-year financial report*

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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# Independent Auditor's Review Report

To the Members of Karoon Energy Ltd (*continued*)



## *Auditor's responsibility for the review of the half-year financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Anthony Hodge'.

Anthony Hodge  
Partner

Melbourne  
24 February 2021

## Glossary

Term	Definition
2D seismic	Two-dimensional seismic.
3D seismic	Three-dimensional seismic.
AUD, \$ or cents	Units of Australian currency.
AASB	Australian Accounting Standards Board.
ANP	Agência Nacional do Petróleo, Gás Natural e Biocombustíveis.
ASX	ASX Limited (ACN 008 624 691), trading as Australian Securities Exchange.
barrel or bbl	Barrel of oil, inclusive of condensate. A quantity of 42 United States gallons; equivalent to approximately 159 litres.
Baúna	Concession BM-S-40 containing the producing Baúna oil field and the undeveloped Patola oil discovery.
block	A licence or concession area. It may be almost any size or shape, although usually part of a grid pattern.
bopd	Barrels of oil per day.
Company	Karoon Energy Ltd.
contingent resources	Those quantities of hydrocarbons estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable (as evaluation of the accumulation is insufficient to clearly assess commerciality). 1C- Denotes low estimate scenario of contingent resources. 2C- Denotes best estimate scenario of contingent resources. 3C- Denotes high estimate scenario of contingent resources.
Director	A Director of Karoon Energy Ltd.
economically recoverable reserves	The estimated quantity of hydrocarbons in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.
exploration	The process of identifying, discovering and testing prospective hydrocarbon regions and structures, mainly by interpreting regional and specific geochemical, geological, geophysical survey data and drilling.
field	An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area although it may refer to both the surface and underground productive formation.
financial half-year	Financial half-year ended 31 December 2020.
FPSO	Floating production, storage and off-loading facility.
G&G	Geological and geophysical.
HSSE	Health, safety, security and environment.
hydrocarbon	A chemical compound of the elements hydrogen and carbon, in either liquid or gaseous form. Natural gas and petroleum are mixtures of hydrocarbons.
Karoon or Group	Karoon Energy Ltd and its subsidiaries.
kbbbls	One thousand barrels (1,000) barrels.
LIBOR	London interbank offered rate.
mmbbls	Millions of barrels (1,000,000 barrels).
Operator	One joint operation participant that has been appointed to carry out all operations on behalf of all the joint operation participants.

## Glossary *(continued)*

Term	Definition
ordinary shares	The ordinary shares in the capital of Karoon Energy Ltd.
permit	A hydrocarbon tenement, lease, licence, concession or block.
Petrobras	Petróleo Brasileiro SA.
play	A trend within a prospective basin that has common geologic elements containing one or more fields, prospects or leads with common characteristics.
prospect	A geological or geophysical anomaly that has been surveyed and defined, usually by seismic data, to the degree that its configuration is fairly well established, and on which further exploration such as drilling can be recommended.
prospective resource	<p>The estimated quantities of petroleum that may potentially be recoverable by the application of a future development project related to undiscovered accumulations.</p> <p>Low estimate (P90): P90 refers to a 90% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded.</p> <p>Best estimate (P50): P50 refers to a 50% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded.</p> <p>High estimate (P10): P10 refers to a 10% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded.</p> <p>Mean estimate (Mean): Mean is the expected value, equal to the sum of the values in that distribution divided by the number of values.</p>
prospectivity	Referring to the likelihood of finding commercial hydrocarbons.
REAL	Brazilian currency.
reservoir	A porous and permeable rock formation to store and transmit fluids such as hydrocarbons and water.
rig	The equipment needed for drilling a well. It includes the onshore and offshore vehicles, mobile platforms or vessel on which the equipment is stored.
seismic survey	A type of geophysical survey where the travel times of artificially created seismic waves are measured as they are reflected in a near vertical plane back to the surface from subsurface boundaries. This data is typically used to determine the depths to form of stratigraphic units and in making subsurface structural contour maps and ultimately in delineating prospective structures.
SPA	Sale and Purchase Agreement.
TEA	Technical Evaluation Agreement.
TRIR	Total Recordable Incident Rate.
Tullow	Tullow Peru Limited Sucursal del Peru or Tullow Oil plc.
USD or US\$	United States dollars.