



Baúna Acquisition

25 July 2019

Karoon signs binding Sale and Purchase Agreement to purchase the Baúna Oil Field, offshore Santos Basin, Brazil



Resources Assessment

Reserves and contingent resources estimates (in accordance with SPE-PRMS 2011 guidelines) shown in this presentation are Karoon Energy Ltd's assessment of the fields contained in the BM-S-40 concession at 14 May 2019. The resources assessment is based on data provided by Petróleo Brasileiro S.A. (Petrobras) and was performed by Karoon Energy Ltd's technical staff under the supervision of its Engineering Manager, Mr Lino Barro. Mr Barro has the following qualifications B.Eng. (Chemical), MBA. Data underpinning the assessment was primarily provided by Petrobras but also sourced independently from seismic contractors and government bodies. Mr Barro is a member of the Society of Petroleum Engineers.

As the resources remain subject to final regulatory approval, Karoon Energy will not provide a full resources statement to the ASX until deal completion, estimated to occur in the first half of calendar year 2020.

Karoon Energy Ltd undertook the following analytical procedures to estimate resources:

- Independent interpretation of 3D seismic data
- Construction of 3D geological models and dynamic reservoir simulation models used to history match past production and predict future production forecasts
- Decline curve analysis of historical production data to determine future production forecasts
- Well outflow and artificial lift studies to provide optimised well completion specifications
- Field economic cut-off based on recovering the cost of operations
- Resource estimates were prepared using deterministic methods

An independent third party resources assessment is currently being finalised and will be provided to the ASX when available.

Transformational Acquisition

- ▶ Karoon has signed a binding sale and purchase agreement to acquire a 100% operated interest in the Baúna oil field in the Santos Basin, Brazil
- ▶ Current field production of ~20 Mbopd ⁽¹⁾ and target production growth to an average of ~33 Mbopd⁽²⁾ during 2022 with total reserves and contingent resources of ~68 MMbbls⁽³⁾
- ▶ US\$665 MM headline purchase price offset by operating cash flows from the effective date, 1 January 2019
- ▶ Effective utilisation of Karoon's existing technical personnel with strong development and production experience
- ▶ Low operating cost production of light sweet 33° API crude
- ▶ Located nearby and highly synergistic to Neon and Goiás (southern Santos Basin), which have total Contingent Resources of 82 MMbbls ⁽⁴⁾
- ▶ Baúna will produce strong stable cashflows over the medium to long term

⁽¹⁾ Petrobras announcement, 24 July 2019

^(2,3) Following well-workovers to replace/install pumps and the drilling and tie-in of the Patola reservoir

⁽⁴⁾ Karoon Resources Update ASX release, 8 May 2018

Transaction Summary

Transaction	<ul style="list-style-type: none">• Karoon to acquire 100% operated interest in the Baúna field in the BM-S-40 concession from Petrobras (comprising the Baúna and Piracaba reservoirs and the Patola discovery)• Effective date of transaction is 1 January 2019
Consideration	<ul style="list-style-type: none">• Purchase Price of US\$665 MM expected to be reduced by Consideration Adjustment at financial close• Consideration adjustment expected to reduce purchase price by ~US\$140 MM to US\$200 MM depending on timing of financial close and cash flow⁽¹⁾• US\$49.9 MM deposit has been paid• Additional Contingent Consideration payable on oil prices averaging above US\$90/bbl in calendar year (CY) 2019 (US\$50 MM contingent payment) and US\$100/bbl in CY 2020 (US\$50 MM contingent payment)
Conditions and Timing	<ul style="list-style-type: none">• Subject to Brazilian upstream regulator, Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) approval.• Issue of new Environmental Licenses to Karoon by Brazilian environmental agency, the Brazilian Institute of the Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (IBAMA))• Assignment of the floating production, storage and off-loading facility (FPSO) Charter and Service Contracts• No material adverse change to the petroleum operations• Expected financial closing during the first half of CY 2020

⁽¹⁾ This range has been calculated using: actual production data and the Baúna reference price (adjusted in accordance with the terms under the SPA) as published by the ANP up to 31/5/19; forecast production and prices are based on Karoon's estimates; the operating and capital expenditures are based on Karoon's estimates for the period using data previously supplied by Petrobras. .

Funding Summary

Karoon is proposing to fund the acquisition of Baúna with a combination of existing cash, debt, equity and pre-completion cash flows from the acquisition

Existing cash reserves

- US\$228 MM current cash reserves as at 30 June 2019
- Currently no bank debt

Debt funding

- Up to US\$250 MM credit-approved commitment from ING for an underwritten senior term loan facility
- Subject to confirmatory due diligence and final documentation

Acquisition price adjustments

- The final acquisition price will be adjusted for:
 - Baúna's operating cash flows, from the acquisition effective date (1 January 2019) to acquisition close (expected first half 2020)
 - Interest on the headline acquisition price
- The net impact of these adjustments is estimated to reduce the headline acquisition price by ~US\$140 to 200 MM depending on the closing date for the transaction and final pre-completion cash flows

Equity

- Karoon intends to undertake an equity raising to existing shareholders and new investors for any remaining acquisition funding requirement

Alignment with Corporate Strategy

Delivering on Karoon's 3 Pillar Corporate Strategy

Key Pillar 1: Acquire high quality cash generating production asset



Key Pillar 2: Bring existing assets to production

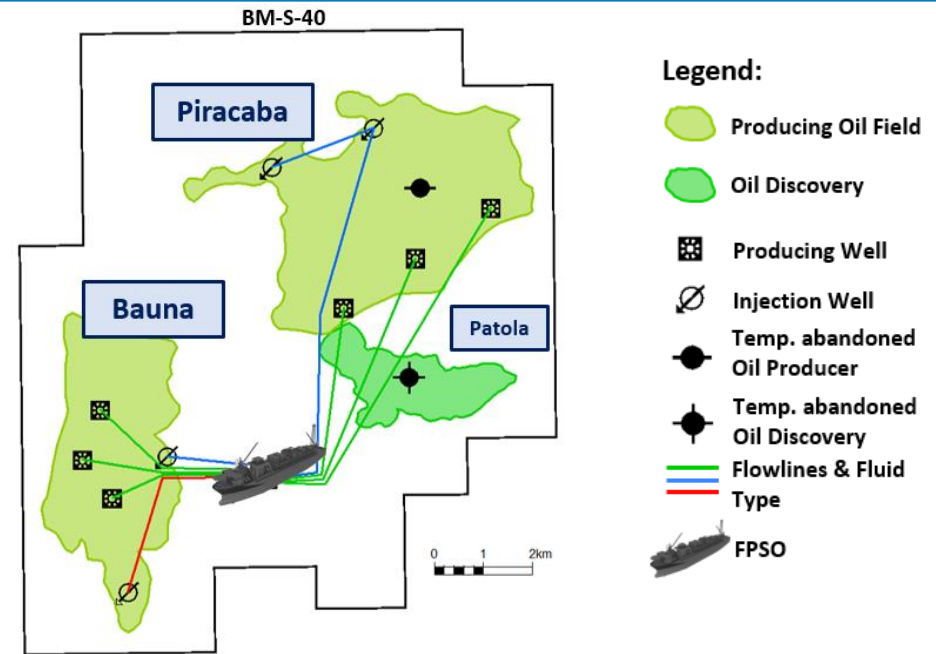


Key Pillar 3: Targeted exploration

Baúna Asset Overview

Well located with simple and efficient operations

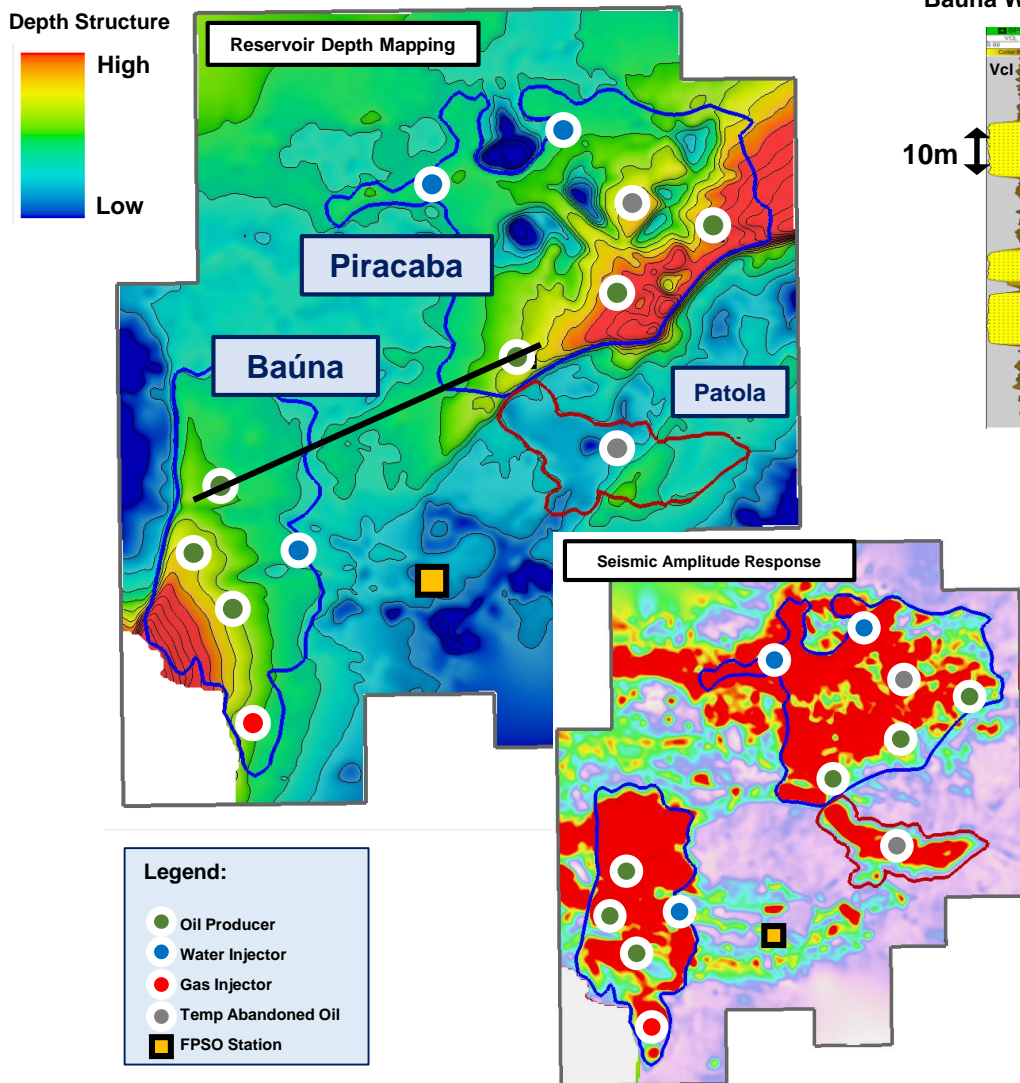
- BM-S-40 concession is located in the southern Santos Basin, 50-60km from Karoon's Goiá and Neon fields and 50km from the Clorita exploration block
- Shore base located near Itajaí in Santa Catarina state ~200km from Baúna.



- Current development includes 6 oil production wells, 3 water injection wells and 1 gas injection well exploiting 2 reservoirs (Baúna & Piracaba)
- All wells are subsea completions tied back to the FPSO Cidade de Itajaí, stationed in 275 metre water depth
- FPSO Cidade de Itajaí leased from and operated by joint venture companies owned by Teekay Offshore Partners L.P. (Teekay) and Ocyan S.A. (Ocyan)
- FPSO has 80 Mbopd processing capacity and ~600 Mbbl storage capacity with scope to accept additional tie-ins. Currently utilising only ~56% processing capacity

Baúna Geological Summary

Excellent subsurface characteristics



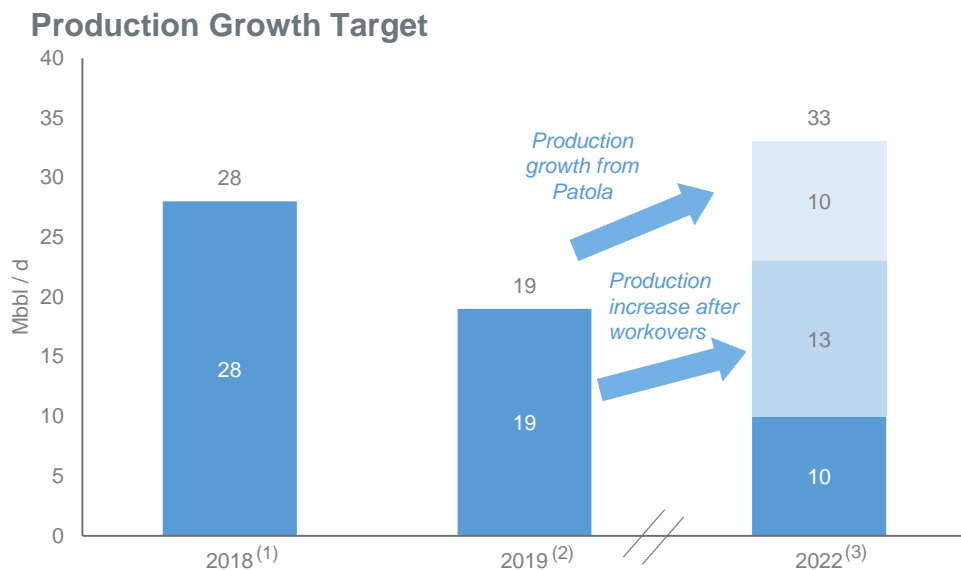
*not to scale

- Combined structural/stratigraphic traps at depths circa 2,000 metres subsea
- High quality Oligocene turbidite reservoirs
- 10 to 40 metre net pay in discrete sand packages
- Excellent porosity and permeability characteristics: >30%, 2-6 Darcy
- High quality oil; low viscosity and low Gas to Oil Ratio (GOR)
- High quality 3D seismic with strong amplitude response delineating field extent and features
- Strong aquifer support promoting high recovery factors
- 4D seismic survey planned to define locations of undeveloped reserves

PGS Data is proprietary to PGS Investigação Petrolífera Limitada

Baúna Production and Reserves

Established production and strong potential through ongoing investment



- Cumulative production up to 1 Jan 2019 of ~120 MMbbl
- High operational efficiencies maintained by FPSO operator
- Currently producing below potential due to oil pump replacements and new installations requirements
- Average annual production rate expected to grow to 33 Mbopd in 2022 through development of Patola and well interventions
- Highly marketable crude product with light and sweet composition

Reserves and Contingent Resources

Karoon Resources Assessment ⁽⁴⁾ Oil Resources at 1 January 2019 (MMbbl)	
Reserves	2P
Existing ⁽⁵⁾ producing wells	53
<i>Subtotal</i>	53
Contingent Resources	2C
Patola ⁽⁶⁾ undeveloped resource	10
SPS-57 ⁽⁷⁾ recompletion well	5
<i>Subtotal</i>	15

- Patola is a discovered resource ready for development, which Karoon expects to sanction following completion

⁽¹⁾ Actual Average 2018 oil production rate

⁽²⁾ Forecast Annual Average 2019 oil production rate

⁽³⁾ Forecast Annual Average 2022 oil production rate

⁽⁴⁾ Full resource statement will be provided and reserves to be booked to Karoon upon deal completion

⁽⁵⁾ Some existing producing wells will be worked-over to replace/install new Down Hole pumps

⁽⁶⁾ Patola is expected to be sanctioned ready for development in 2021

⁽⁷⁾ Well SPS-57 recompletion to be de-risked using 4D seismic acquisition

Base Case Growth Projects

Incremental production and development opportunities to establish a production hub

Patola Tie-in

- Patola oil discovery well (SPS-91) drilled in 2011 within BM-S-40 production ring-fence
- Similar reservoir characteristics to Baúna and Piracaba reservoirs and confirmed high quality (38° API) oil
- Similar seismic response to producing areas de-risking field extent
- Potential development to consist of 1-2 wells plus 3.5km tie-back to FPSO
- Potential initial flow rates of ~10 Mbopd per well

SPS-57 Tie-in

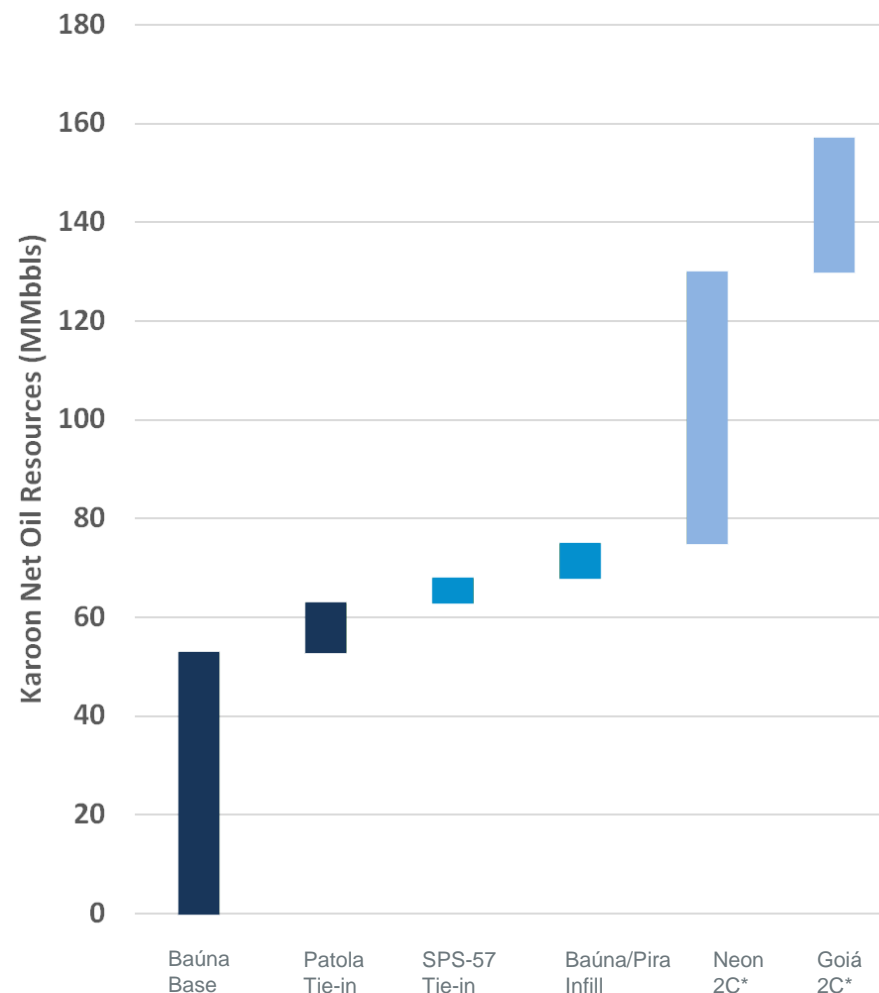
- Opportunity to re-enter and tie-in Piracaba discovery well (SPS-57) which flowed >5 Mbopd on early well testing (EWT) prior to temporary shut-in
- A new seismic acquisition (4D) will be considered to de-risk the project

Baúna/Piracaba Infill Drilling and EOR

- Potential to apply improved reservoir management and Enhanced Oil Recovery (EOR) opportunities to increase ultimate recovery
- To include 4D seismic, infill well drilling, and gas/water injection patterns

Neon/Goia field developments

- Leverage all possible operational and logistical synergies throughout Karoon acreage in the southern Santos Basin



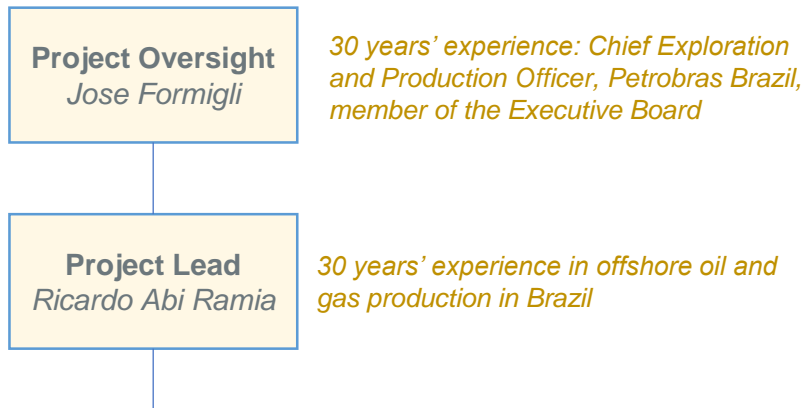
* Reference 8 May 2018 resource update ASX release

Transition to Operatorship

Karoon well placed with experienced production personnel ready for operation

Karoon's Production Capability

- Karoon has more than 10 years operating experience in Brazil
- Class A Operator status in Brazil with experienced production personnel in place
- Karoon has extensive pre-existing knowledge of the asset



FPSO Operations

- The FPSO Cidade de Itajai Charter and Services Agreements are to be assigned to Karoon
- the Charter and Services Agreements have been made between joint venture companies owned equally by Teekay and Ocyan

Transition Period

- Karoon and Petrobras have agreed to put in place procedures to transfer operatorship on ANP approval
- During the transition period Karoon and Petrobras will confirm compliance with ANP and IBAMA requirements

Strategic Asset Supporting Southern Santos Basin Strategy

Baúna provides synergistic value creation from Karoon's other southern Santos Basin assets

Builds on established southern Santos Basin capabilities	<ul style="list-style-type: none">• Karoon has been active in the southern Santos Basin for over 10 years• Karoon's team brings significant operating experience and is well equipped to optimise production from Baúna
Enhances development of nearby Neon and Goiá	<ul style="list-style-type: none">• Proximity to Karoon's existing southern Santos Basin acreage including Neon and Goiá discoveries and Clorita exploration opportunity
Access to operational and logistical synergies	<ul style="list-style-type: none">• Operational synergies utilising the same shore base to be realised through leveraging work programs across the asset base• Logistical synergies monetised through the use of a common shore base and shared services across multiple assets
Flexibility from 100% ownership and operatorship	<ul style="list-style-type: none">• Ability to control investment in any value enhancing work programs and build operating credentials• Opportunity to align interests in the event of any future farm-out of southern Santos asset position
Tax efficiencies	<ul style="list-style-type: none">• Asset being acquired through Karoon's wholly owned subsidiary, Karoon Petróleo e Gás Ltda.• Enables utilisation of 272 MM BRL (~US\$ 70 MM) existing carry forward tax losses and operational integration with existing portfolio

Transformational Acquisition

Karoon's Managing Director, Mr. Robert Hosking said: "The company has been working very hard over the past three years to acquire a high quality production asset with robust economic returns. Through the acquisition of the Baúna asset Karoon has delivered on its highest strategic priority."

"Baúna will provide Karoon shareholders with material oil production (currently approximately 20 Mbopd before development workovers) and a platform for future growth. The transaction will be transformational for Karoon shareholders, providing significant exposure to reserves, resources and high margin oil production"

"The acquisition of Baúna opens a new phase for Karoon as a significant ASX listed oil producer. It is expected to generate significant operational and logistical synergies with Karoon's other 100% owned Southern Santos Basin exploration and development assets. "

Glossary of Terms

Term	Definition
ANP	Agência Nacional do Petróleo, Gás Natural e Biocombustíveis.
API	American Petroleum Institute's Inverted scale for denoting the 'lightness' or 'heaviness' of crude oils and other liquid hydrocarbons
ASX	ASX Limited (ACN 008 624 691), trading as Australian Securities Exchange.
barrel or bbl	Barrel of oil, = 42 United States gallons; equivalent to approximately 159 litres.
bopd	Barrel of oil per day
CAPEX or capex	Capital expenditure
Contingent Resources	<p>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).</p> <p>1C- Denotes low estimate scenario of contingent resources. 2C- Denotes best estimate scenario of contingent resources. 3C- Denotes high estimate scenario of contingent resources.</p>
CY	Calendar year
E&P	Exploration and production.
EWT	Early Well Testing
IBAMA	Brazilian Institute of the Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis).
Teekay	Teekay Offshore Partners L.P.
Ocyan	Ocyan S.A.
Petrobras	Petróleo Brasileiro S.A. .
BRL	Brazilian Reals

Term	Definition
EOR	Enhanced Oil Recovery
FPSO	Floating production, storage and off-loading facility.
GOR	Gas to Oil Ratio
JV	Joint Venture
Karoon	Karoon Energy Ltd and its subsidiaries.
Kms	Kilometres
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a Prospect
MM	Million
Mbbl	Thousand barrels (1,000 barrels)
MMbbls	Millions of barrels (1,000,000 barrels)
Mbopd	Thousands of barrels per day
OPEX	Operating expenditure
p.a.	Per annum.
Reserves	<p>Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied</p> <p>1P- Denotes Proven Reserves 2P- Denotes Probable Reserves 3P- Denotes Possible Reserves</p>

Glossary of Terms (cont'd)

Term	Definition
Risk (geological)	Prospect risk or geologic risk is the assessed chance that the drilling of the prospect will be successful in finding significant volumes of hydrocarbons. The risk is calculated by multiplying the chance of success of each of the petroleum system elements involved in the prospect.
Seismic Survey	A type of geophysical survey where the travel times of artificially created seismic waves are measured as they are reflected in a near vertical plane back to the surface from subsurface boundaries. This data is typically used to determine the depths and form of stratigraphic units and in making subsurface structural contour maps and ultimately in delineating prospective structures.
SPE PRMS standards	Society of Petroleum Engineers Petroleum Resource Management System Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet to be discovered accumulations, resource evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resource management system provides a consistent approach to estimating petroleum quantities, evaluating development projects and presenting results within a comprehensive classification framework
USD or \$US	United States dollars

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