



# Acquisition of the Baúna Oil Field and Equity Raising

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23 October 2019

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  - eligible institutional shareholders of Karoon (**Institutional Entitlement Offer**); and
  - eligible retail shareholders of Karoon (**Retail Entitlement Offer**),

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# Section 1

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## Karoon investment highlights

# Acquisition of Baúna oil field and Equity Raising

Karoon to undertake underwritten Equity Raising of approximately A\$284 million to complete the funding of the Baúna acquisition and support future growth initiatives



## Acquisition of the Baúna oil field from Petrobras

- As announced on 25 July 2019, Karoon has agreed to acquire a 100% operating interest in the Baúna oil field, offshore southern Santos Basin, Brazil
- Headline purchase price of US\$665 million
- Asset currently 100% owned and operated by Brazil's National Oil Company, Petrobras
- Cash deposit of US\$50 million was paid to Petrobras
- Binding Marketing Agreement with Shell Western Trading and Supply ("Shell"), of up to 5 years to market, to trade and ship crude from Baúna



## Material oil production delivery

- Baúna delivers Karoon material immediate oil production of ~20,000 bopd with near-term upside through well interventions and development of the existing undeveloped Patola oil discovery
- Gross 2P Reserves of 52.5 MMbbls and gross 2C Contingent Resource of 18.8 MMbbls secured at an acquisition multiple of ~US\$12.66/bbl for 2P oil<sup>1</sup>
- Produced oil from Baúna is expected to be priced at Brent



## Transaction timing and conditions

- Subject to the conditions of the Brazilian upstream regulator's (ANP) approval, the transaction is expected to close in the first quarter of calendar year 2020
- The full list of transaction conditions is provided in Appendix A on slide 39



## Aligned with Karoon's strategy

- The transaction is consistent with Karoon's strategy to acquire a material production asset and leverages Karoon's decade of technical and exploration experience in Brazil
- Opportunity for synergies with Karoon's existing portfolio in the southern Santos Basin
- Ability to utilise accumulated gross tax losses in Brazil of ~US\$69 million<sup>2</sup>



## Fully-underwritten Equity Raising

- Karoon to undertake a fully underwritten placement and entitlement offer (**Equity Raising**) to raise approximately A\$284 million to complete the funding of the Baúna acquisition and support near-term exploration drilling program in Peru (Marina-1)
- Balance of US\$665 million Baúna purchase price and other completion adjustments to be funded by a combination of existing cash, debt and interim net cash flow adjustments from the effective transaction date of 1 January 2019

1. Independently assessed by AGR Petroleum Services as per Karoon's ASX announcement "Baúna Oil Reserves and Contingent Resources CPR", dated 29 August 2019, metric based on a headline acquisition price of US\$665 million;  
2. Converted at spot USD/BRL FX rate on 17 October 2019 of 4.14.



# Alignment with corporate strategy

The acquisition delivers on Karoon's 3 pillar corporate strategy

1

Acquire a high quality cash generating production asset



2

Realise value by developing existing discoveries



3

Exploration led growth

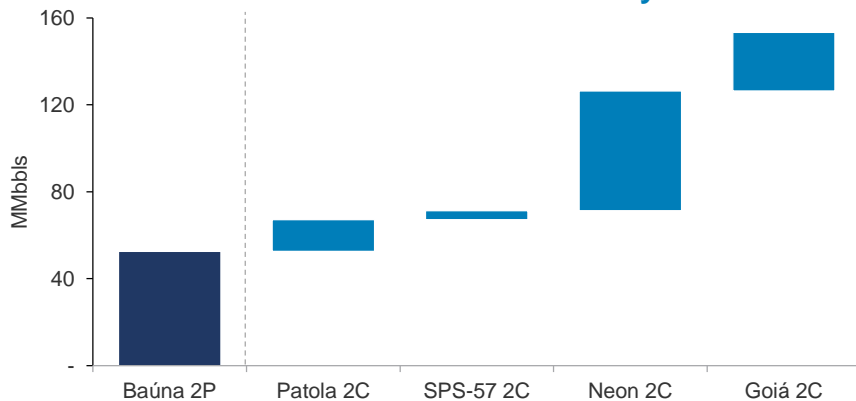
# Baúna complements the existing portfolio

## Baúna cash flows are expected to underpin Karoon's regional exploration and development opportunities in both the southern Santos Basin and offshore Peru

- Baúna includes a large proven and probable reserves base and is expected to provide Karoon with material oil production
- Baúna is also expected to complement Karoon's existing exploration and development activity in the southern Santos Basin, offshore Brazil
  - Potential to realise synergies through the development of the Neon and Goiás discoveries (2C Resource of 82 MMbbls)<sup>1</sup>
  - Karoon has the ability to utilise accumulated gross tax losses in Brazil of ~US\$69 million
  - Karoon's 100% operating interest in Baúna, along with its existing Santos Basin assets, presents significant farm-out optionality
- Karoon also expects to conduct exploration drilling in the Tumbes Basin offshore Peru in the first quarter of 2020



### Karoon 2P Reserves and 2C Resources by asset<sup>1,2</sup>



1. As per Karoon's ASX announcement "Resources Update", dated 8 May 2018. 2P denotes the best estimate of Proved plus Probable Reserves, 2C denotes best estimate of Contingent Resources;  
 2. Independently assessed by AGR Petroleum Services as per Karoon's ASX announcement "Baúna Oil Reserves and Contingent Resources CPR", dated 29 August 2019.



# Baúna asset overview

## Baúna has favourable reservoir characteristics and identified production growth opportunities

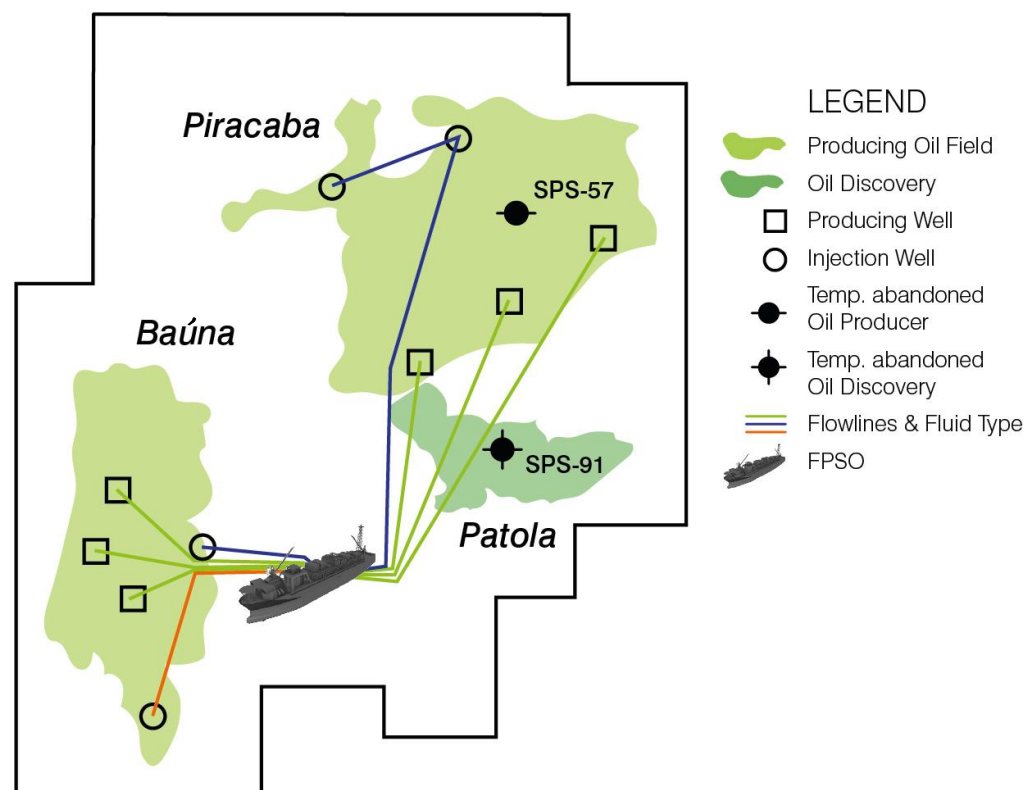
### Asset summary

- Concession BM-S-40 is in the southern Santos Basin, 50-60km from Karoon's Neon and Goiás discoveries and 50km from Karoon's Clorita exploration area
- Current Baúna production asset includes 6 oil production wells, 3 water injection wells and 1 gas injection well exploiting 2 reservoirs (Baúna & Piracaba)
- All wells are subsea completions with tie-ins back to the FPSO Cidade de Itajaí (FPSO)
  - Facility has 80,000 bpd processing capacity and ~600,000 bbl storage capacity with scope to accept additional tie-ins
  - FPSO is currently utilising ~56% processing capacity
- Currently producing ~20,000 bopd, with a targeted production rate of ~33,000 bopd by 2022 (through infill development of Patola and well interventions)

### Baúna Reserves and Contingent Resources<sup>1</sup>

Existing producing wells	MMbbls	52.5
<b>Baúna 2P Reserves</b>	<b>MMbbls</b>	<b>52.5</b>
Existing undeveloped Patola oil discovery <sup>2</sup>	MMbbls	14.6
SPS-57 recompletion well <sup>3</sup>	MMbbls	4.2
<b>Baúna 2C Contingent Resources</b>	<b>MMbbls</b>	<b>18.8</b>

### BM-S-40 Concession



1. Independently calculated by AGR Petroleum Services as per Karoon's ASX announcement "Baúna Oil Reserves and Contingent Resources CPR", dated 29 August 2019;

2. The development of Patola is subject to Karoon Board and other approvals;

3. Well SPS-57 recompletion to be de-risked using 4D seismic acquisition.

# Neon and Goiá developments

## The Neon and Goiá oil discoveries represent further opportunity for expansion in the southern Santos Basin

### Neon and Goiá developments (100% Karoon)

- **Karoon is progressing appraisal and development studies**
  - Development plan submitted to the ANP on 6 August 2019
  - Neon 2C contingent oil resource of 55 MMbbls<sup>1</sup>
  - Goiá 2C contingent oil resource of 27 MMbbls<sup>1</sup>
  - Target peak oil production of 25,000 - 28,000 bopd
- **Flexible funding opportunities are being explored**
  - Capital expenditure deferral
  - Equipment financing solutions
  - Farm-out opportunities to third parties
- **Preliminary development planning work contemplates a development including two horizontal production wells and one gas injection well**
  - Possible follow on development opportunities targeting sweeping additional oil in the Paleocene and Maastrichtian reservoirs
  - Goiá tie-in as an additional phase of the Neon development, optimised to coincide with the onset of FPSO spare capacity
  - Planning for the drilling of a control well during 2021, with cost saving synergies associated with Baúna workovers and a planned Patola oil discovery tie-in in the same drilling campaign



1. As per Karoon's ASX announcement 'Resources Update', dated 8 May 2018. 2C denotes best estimate of Contingent Resources.

# Peru exploration overview

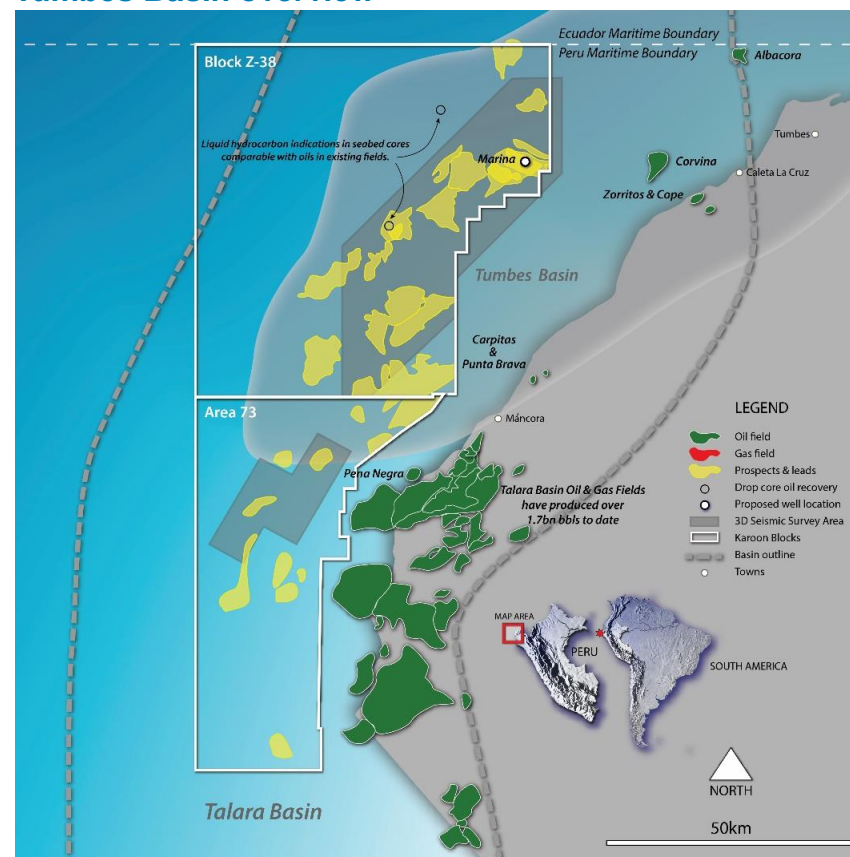
Drilling of the Marina-1 well in the Tumbes Basin, offshore Peru, during 2020 – this frontier well has the potential to be a play opener for the offshore Peruvian E&P industry

- Karoon 40% (Operator), Tullow 35%<sup>1</sup>, Pitkin 25%<sup>2</sup>
- Tullow (joint-venture partner) has an established track record of successful exploration in frontier basins
- 20 leads and prospects identified. Marina-1 has net prospective resources of 102 MMbbls
  - Shallower La Cruz/Mal Pelo prospects, many with clear seismic anomalies, potentially representing oil accumulations
  - Area 73 Technical Evaluation Agreement, for seismic reprocessing and rights to negotiate a licence contract over the area
- The drilling of Marina-1 exploration well has the potential to open up offshore exploration in the Tumbes Basin
  - Marina-1 will provide a calibration of shallow seismic anomalies and potentially de-risk many prospects

## Net unrisks prospective oil resource at completion of farm-out (MMbbls)<sup>3</sup>

	Interest	Low	Best	High
<b>Block Z-38</b>	40%	223	<b>549</b>	1,350
<b>Marina Prospect</b>	40%	42	<b>102</b>	247

## Tumbes Basin overview



Note: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and development is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

1. Tullow has an obligation to fund a portion of the Marina-1 well expenditure, as per Karoon's ASX announcement "Block Z-38 Farm-out to Tullow Oil Complete", dated 6 May 2019;

2. Subject to regulatory approvals and farm-in obligations. Karoon has an obligation to Pitkin to fund Pitkin's 25% participating interest in 2 wells;

3. As per Karoon's ASX announcement "Resources Update", dated 8 May 2018.

## Section 2

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Offer details

# Equity Raising details

<b>Equity Raising structure and size</b>	<ul style="list-style-type: none"> <li>• Approximately A\$284 million fully underwritten Equity Raising, including:             <ul style="list-style-type: none"> <li>– A\$67 million institutional placement (<b>Placement</b>)</li> <li>– A\$217 million 1 for 1.06<sup>1</sup> pro rata accelerated non-renounceable entitlement offer (<b>Entitlement Offer</b>)</li> </ul> </li> <li>• Approximately 305.5 million new ordinary shares (<b>New Shares</b>) representing 123.5% of existing shares on issue</li> </ul>
<b>Offer price</b>	<ul style="list-style-type: none"> <li>• The Placement and Entitlement Offer will be conducted at a price of A\$0.93 per new share (<b>Offer Price</b>), representing a:             <ul style="list-style-type: none"> <li>– 9.3% discount to TERP<sup>2</sup></li> <li>– 16.6% discount to the last traded price of A\$1.115 as at 22 October 2019</li> </ul> </li> </ul>
<b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>• Proceeds from the Placement and Entitlement Offer will be used to:             <ul style="list-style-type: none"> <li>– Fund the balance of the Baúna acquisition consideration and associated transaction costs</li> <li>– Fund Karoon’s exploration well in the Tumbes Basin (Marina-1)</li> <li>– Support the associated working capital and other needs of the business</li> <li>– Pay transaction costs associated with the Equity Raising</li> </ul> </li> </ul>
<b>Institutional investors</b>	<ul style="list-style-type: none"> <li>• The Placement and the institutional component of the Entitlement Offer (<b>Institutional Entitlement Offer</b>) will be conducted by way of a bookbuild process from 23 October 2019 to 24 October 2019<sup>3</sup></li> </ul>
<b>Retail investors</b>	<ul style="list-style-type: none"> <li>• The retail component of the Entitlement Offer (<b>Retail Entitlement Offer</b>) will open on 30 October 2019 and close on 12 November 2019<sup>3</sup></li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>• New Shares will rank pari passu with existing shares on issue</li> </ul>
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>• The Placement and Entitlement Offer are fully underwritten by Macquarie Capital (Australia) Limited and Royal Bank of Canada (trading as RBC Capital Markets)</li> </ul>
<b>Board participation</b>	<ul style="list-style-type: none"> <li>• All Directors of Karoon who are eligible may participate in the Entitlement Offer</li> </ul>
<b>Record date</b>	<ul style="list-style-type: none"> <li>• 25 October 2019</li> </ul>

1. Fractional entitlements to be rounded up to the nearest whole number of shares;

2. Theoretical ex-rights price (**TERP**) includes shares issued under the Institutional Entitlement Offer and the Retail Entitlement Offer and excludes shares issued under the Placement. TERP is a theoretical calculation only and the actual price at which Karoon shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP

3. All dates and times are indicative and subject to change without notice.

# Use of proceeds

Proceeds of the offer will be used to fund the balance of the Baúna acquisition consideration and associated transaction costs, as well as fund an exploration well in the Tumbes Basin, Peru

Sources	A\$m	US\$m	Uses (US\$m)	A\$m	US\$m
Equity Raising	284	195	Remaining Baúna acquisition funding <sup>4</sup>	894	615
Karoon existing cash reserves <sup>1</sup>	250	172	Baúna abandonment escrow account funding & minimum loan facility bank balance	73	50
New debt facility draw down <sup>2</sup>	364	250	Baúna transition and pre-operational costs	10	7
Baúna interim net cashflow & completion adjustments <sup>3</sup>	240	165	Peru exploration drilling (Marina-1) <sup>5</sup>	81	56
			Budgeted geological, geophysical and administrative costs	20	14
			Transaction costs	25	17
			Available liquidity	35	23
<b>Total funding sources</b>	<b>1,138</b>	<b>782</b>	<b>Total funding uses</b>	<b>1,138</b>	<b>782</b>

1. Karoon's unaudited cash at bank balance as at 30 September 2019;

2. Reflects drawdown of US\$250 million of a total US\$275 million term loan facility based on an expected completion of 31 March 2020;

3. The effective date of the transaction is 1 January 2019. Karoon receives the net cash flows from the Baúna operations from that date less other completion adjustments including interest payable on the purchase price. Figure represents the mid point of the estimated range and has been calculated using: actual production data, realised monthly oil prices and cost data for the period 1 January 2019 to 30 June 2019 as provided by Petrobras; actual production data and the Baúna reference price (adjusted in accordance with the terms of the SPA) as published by the ANP for the period 1 July 2019 to 31 August 2019; forecast production and prices are based on Karoon's estimates and a forecast Brent price of US\$60/bbl; the operating and capital expenditures are based on Karoon's estimates for the period using data previously supplied by Petrobras. For accounting purposes the net cash flows and completion adjustments will be recognised as a reallocation to the remaining Baúna acquisition funding amount disclosed above;

4. Baúna acquisition deposit of US\$50 million paid to Petrobras on 24 July 2019 has been deducted from the Baúna headline acquisition price of US\$665 million;

5. Peru exploration drilling costs are inclusive of VAT which is currently subject to an early recovery exemption;

6. Sources and uses have been translated to AUD at a spot AUDUSD rate of 1 USD = 0.6877 AUD, the FX spot rate on 22 October 2019.

# Debt funding and capital allocation strategy

**Strong stable cash flows from the asset, supported by existing cash and additional debt capacity will support future growth**

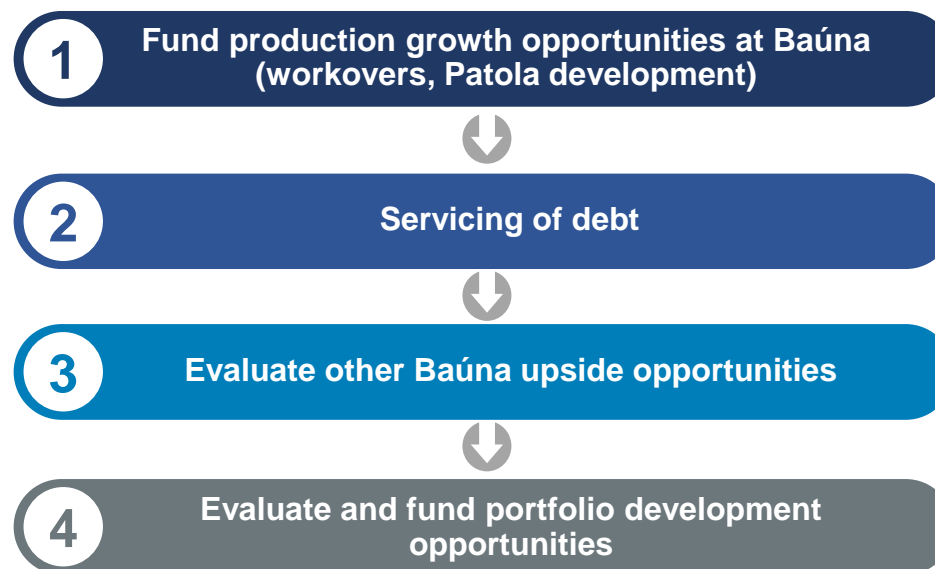
## Debt funding strategy

- The Baúna acquisition will be partially funded via a US\$275 million term loan facility, the actual amount to be drawn down under this facility will be adjusted at the drawdown date according to reserve base lending metrics (any shortfall will be paid out of cash)
- The senior Facility Agreement has been executed with a global banking group led by ING
- Karoon and Shell have agreed terms for a credit approved US\$50 million working capital facility
- Pro forma gearing as at 30 June 2019 is 31%<sup>1</sup>
- Debt facility has the following key terms:

ING facility terms	Summary
Loan maturity	30 September 2023
Scheduling	Fully amortised over loan life, first repayment scheduled for 30 September 2020
Hedging conditions	Rolling 3-year hedge program
Facility rate	LIBOR + 4%
Additional US\$75 million facility available for a Patola development subject to Patola reserve certification, final approval of necessary bank case model and commitments from new or existing lenders	

## Capital allocation strategy

- Sources of capital:
  - Existing cash
  - Net interim cash inflows from Baúna
  - Additional debt capacity
  - Equity Raising
- Karoon may consider a joint venture or farm-out arrangement for Concession BM-S-40 if and when appropriate to do so
- Priority uses of capital:



<sup>1</sup> Gearing ratio is Net Debt / (Net Debt + Equity) based on a 30 June 2019 pro forma consolidated statement of financial position shown on slide 27.



# Equity Raising timetable

Event	Date <sup>1</sup>
Trading halt and announcement of Equity Raising	Wednesday, 23 October 2019
Placement and Institutional Entitlement Offer opens	Wednesday, 23 October 2019
Placement and Institutional Entitlement Offer closes	Thursday, 24 October 2019
Trading halt lifted - Shares recommence trading on ASX on an "ex-entitlement" basis	Friday, 25 October 2019
Record Date for determining entitlement to subscribe for New Shares at 7.00pm (Melbourne time)	Friday, 25 October 2019
Retail Entitlement Offer opens	Wednesday, 30 October 2019
Settlement of New Shares under the Institutional Entitlement Offer and Placement	Thursday, 31 October 2019
Normal trading of New Shares under the Placement and Institutional Entitlement Offer	Friday, 1 November 2019
Retail Entitlement Offer closes at 5.00pm (Melbourne time)	Tuesday, 12 November 2019
Settlement of Retail Entitlement Offer	Monday, 18 November 2019
Allotment of New Shares under the Retail Entitlement Offer	Tuesday, 19 November 2019
Normal trading of New Shares under the Retail Entitlement Offer	Wednesday, 20 November 2019

1. All dates and times are indicative and subject to change without notice.

## Section 3

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### Baúna acquisition overview

# Transformational acquisition

The Baúna acquisition will produce positive cashflows over the medium to long-term, enabling Karoon to pursue further investment opportunities

- ➔ Current field production of ~20,000 bopd<sup>1</sup>
- ➔ Target production growth has the potential to deliver ~33,000 bopd<sup>2</sup> during 2022
- ➔ 2P Reserves of 52.5 MMbbls and 2C Resources of 18.8 MMbbls independently assessed by AGR<sup>3</sup>
- ➔ Production of 33° API oil at an estimated life of project operating cost oil of US\$19/bbl<sup>4</sup>, produced oil from Baúna expected to be priced at Brent
- ➔ Located nearby and synergistic to Karoon's oil discoveries Neon and Goiá, which have total Contingent Resources of 82 MMbbls<sup>5</sup>
- ➔ Effective utilisation of Karoon's existing technical personnel with strong development and production experience

1. As per Karoon's ASX announcement "Karoon Signs Binding Sale and Purchase Agreement", dated 25 July 2019;  
2. Following well-workovers to replace/install pumps and the drilling and tie-in of the existing undeveloped Patola oil discovery;  
3. Independently calculated by AGR Petroleum Services as per Karoon's ASX announcement, dated 29 August 2019;  
4. Estimates by Karoon internal modelling;  
5. As per Karoon's ASX announcement "Resources Update", dated 8 May 2018.

# Transaction details

**Expected financial close of the Baúna transaction is during first quarter 2020, with an effective transaction date of 1 January 2019**

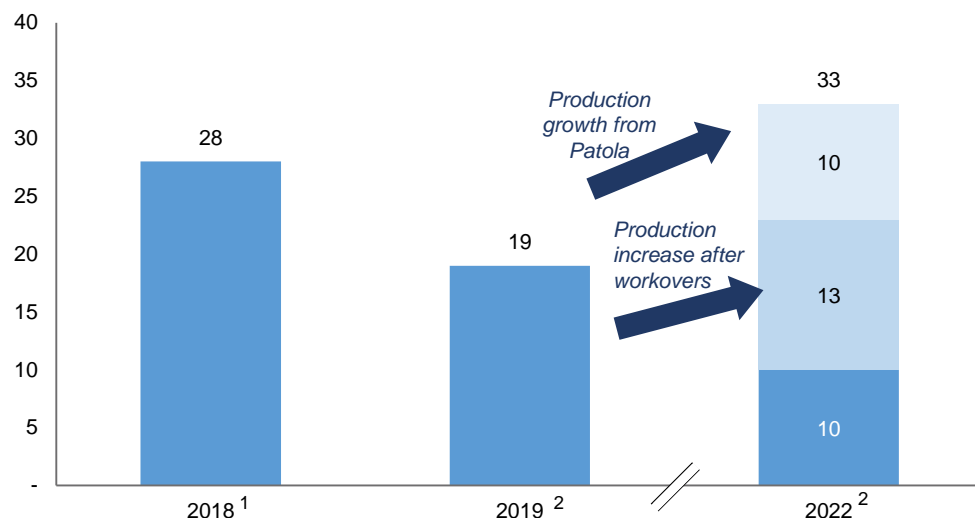
<b>Transaction</b>	<ul style="list-style-type: none"> <li>• Karoon to acquire 100% operated interest in the Baúna oil field in the Concession BM-S-40 from Petrobras (comprising the Baúna and Piracaba oil reservoirs and the existing undeveloped Patola oil discovery)</li> <li>• A purchase price adjustment for interim cash flows and other completion adjustments, from 1 January 2019 to transaction completion date</li> </ul>
<b>Consideration</b>	<ul style="list-style-type: none"> <li>• Headline purchase price of US\$665 million (inclusive of the paid deposit) expected to be reduced by the consideration adjustment for interim net cash flow from 1 January 2019 effective date</li> <li>• Adjustment expected to reduce purchase price by US\$150 – 180 million depending on timing of completion date and interim net cash inflows<sup>1</sup></li> <li>• US\$50 million deposit was paid to Petrobras</li> <li>• Transaction structure also includes an additional contingent consideration clause payable on oil prices averaging above US\$90/bbl during 2019 (US\$50 million contingent payment) and US\$100/bbl during 2020 (US\$50 million contingent payment)</li> </ul>
<b>Conditions and timing</b>	<ul style="list-style-type: none"> <li>• Transaction completion is subject to a number of conditions currently being progressed by Karoon, including:             <ul style="list-style-type: none"> <li>– Approval from the Brazilian upstream regulator - ANP</li> <li>– Issue of new Environmental Licenses to Karoon by Brazilian environmental agency - IBAMA</li> <li>– Consent to the assignment of the FPSO Charter and Service Contracts and to remain under contract with Teekay and Ocyan</li> <li>– No material adverse change to the petroleum operations between acquisition announcement and transaction completion</li> </ul> </li> <li>• Karoon expects transaction completion to occur during the first quarter of 2020</li> <li>• All transaction completion conditions are set out in Appendix A</li> </ul>

1. The effective date of the transaction is 1 January 2019. Karoon receives the net cash flows from the Baúna operations from that date less other completion adjustments including interest payable on the purchase price. The midpoint of this range is estimated and has been calculated using: actual production data, realised monthly oil prices and cost data for the period 1 January 2019 to 30 June 2019 as provided by Petrobras, actual production data and the Baúna reference price (adjusted in accordance with the terms of the SPA) as published by the ANP for the period 1 July 2019 to 31 August 2019; forecast production and prices are based on Karoon's estimates and a forecast Brent price of US\$60/bbl; the operating and capital expenditures are based on Karoon's estimates for the period using data previously supplied by Petrobras.

# Baúna production and reserves

Established, reliable oil production and identified potential growth through ongoing investment in the southern Santos Basin

## Production growth target (Mbopd)



- Cumulative oil production up to 1 January 2019 of ~120 MMbbls
- Currently producing below potential due to oil pump replacements and new installation requirements
- Karoon is targeting an average annual production rate of ~33,000 bopd during 2022
  - To be achieved through a combination of well interventions and development of the existing undeveloped Patola oil discovery
  - Patola to be funded by cash flows from the asset and possible debt funding

## Baúna Reserves and Contingent Resources (MMbbls)<sup>3</sup>

Existing producing wells	MMbbls	52.5
<b>Baúna 2P Reserves</b>	<b>MMbbls</b>	<b>52.5</b>
Existing Patola undeveloped oil discovery <sup>4</sup>	MMbbls	14.6
SPS-57 recompletion well <sup>5</sup>	MMbbls	4.2
<b>Baúna 2C Contingent Resources</b>	<b>MMbbls</b>	<b>18.8</b>

- Patola is a discovered resource, ready for development
- Karoon expects to proceed with a Patola development post-acquisition, subject to approval by Karoon and other regulatory approvals

1. Average 2018 oil production rate, Petrobras filings with ANP;

2. Forecast annual average oil production rate;

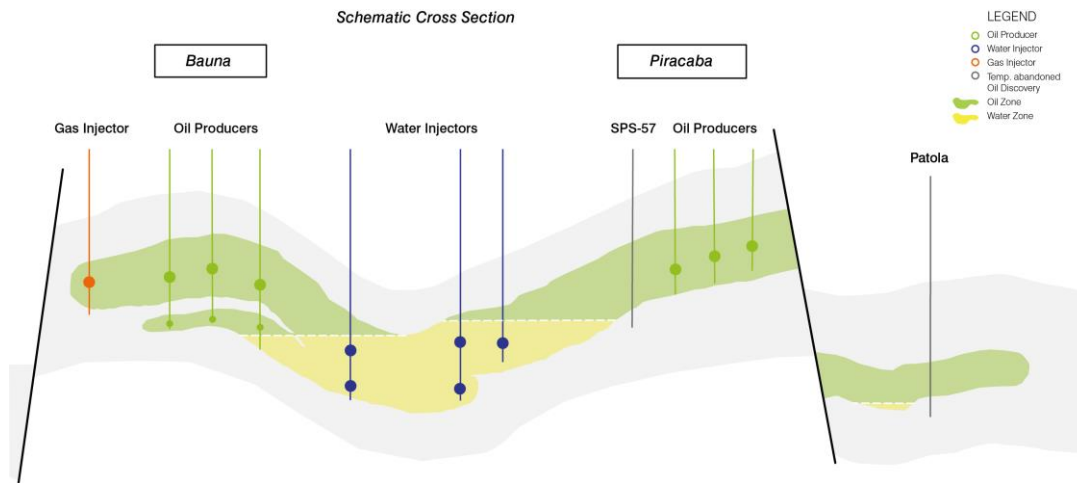
3. Independently calculated by AGR Petroleum Services as per Karoon's ASX announcement "Baúna Oil Reserves and Contingent Resources CPR", dated 29 August 2019;

4. The development of Patola expected to occur during 2021 and is subject to Karoon Board and other approval;

5. Well SPS-57 planned recompletion to be de-risked using 4D seismic acquisition.

# Baúna geological summary

The Baúna and Piracaba reservoirs have high porosity and permeability with an independent assessment by AGR supporting Karoon's interpretation of the reservoirs



## Geological summary

- Work undertaken by Karoon and independently assessed by AGR supports Karoon's interpretation of the subsurface characteristics of the Baúna oil field<sup>1</sup>
  - Combined structural/stratigraphic traps at depths ~2,000m subsea
  - Water depth ranges from 230 to 280m
  - High quality 3D seismic with strong amplitude response defining field extent
  - Opportunity to acquire 4D seismic to locate any undrained oil
  - Favourable quality oil due to low viscosity, low GOR, low sulphur
  - 33° API oil
- High porosity and permeability characteristics: >30%, 2-6 Darcy

1. Independently assessed by AGR Petroleum Services as per Karoon's ASX announcement "Baúna Oil Reserves and Contingent Resources CPR", dated 29 August 2019.

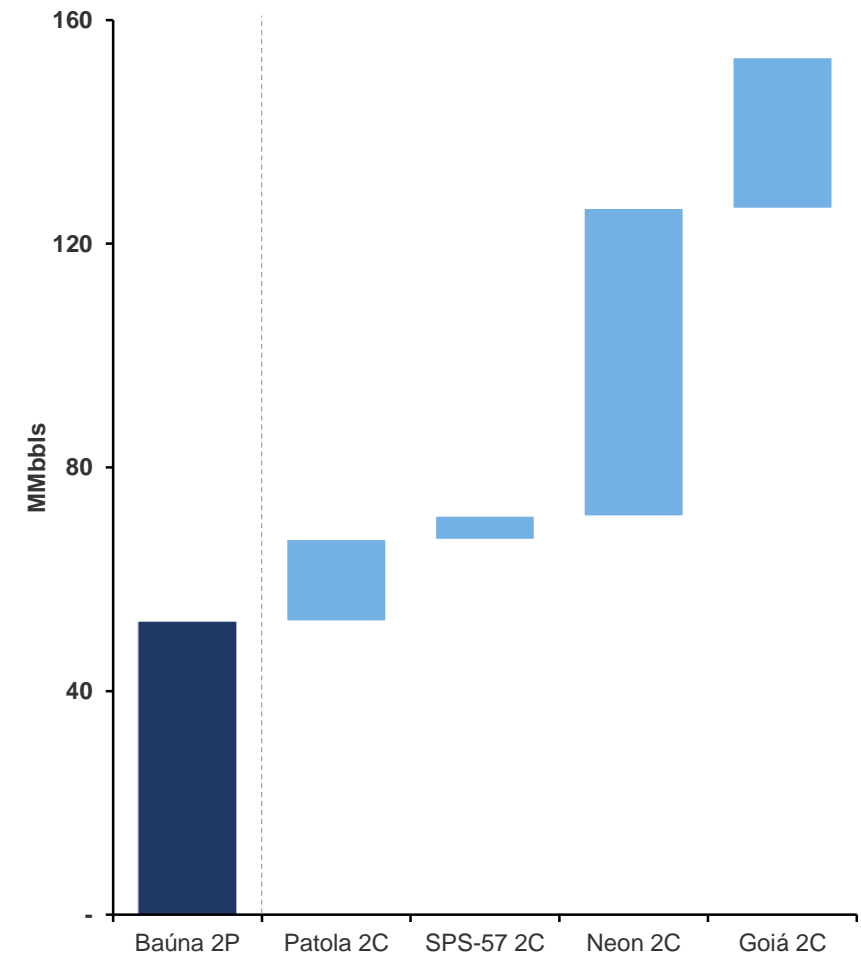
# Southern Santos Basin growth projects

## Identified production and development opportunities to establish an oil production hub

### Opportunity summary

<b>Patola tie-in</b>	<ul style="list-style-type: none"> <li>Patola oil discovery well (SPS-91) drilled during 2011</li> <li>Similar fluid and reservoir characteristics to Baúna and Piracaba reservoirs</li> <li>Potential development to consist of 1-2 wells plus 3.5km tie-in to FPSO Cidade de Itajaí</li> <li>Initial modelling indicates flow rates of ~10,000 bopd per well</li> </ul>
<b>SPS-57 tie-in</b>	<ul style="list-style-type: none"> <li>Opportunity to re-enter and tie-in Piracaba discovery well (SPS-57), which flowed &gt;5,000 bopd on early well testing (EWT) prior to temporary shut-in</li> <li>New seismic acquisition (4D) to be considered</li> </ul>
<b>Baúna/Piracaba infill drilling and EOR</b>	<ul style="list-style-type: none"> <li>Potential to apply improved reservoir management and enhanced oil recovery (EOR) opportunities to increase ultimate recovery</li> <li>Expected to include 4D seismic, infill drilling, and gas/water injection patterns</li> </ul>
<b>Neon/Goiá oil field developments</b>	<ul style="list-style-type: none"> <li>Leverage possible operational and logistical synergies throughout Karoon acreage in the southern Santos Basin</li> </ul>

Karoon 2P Reserves and 2C Resources by asset<sup>1,2</sup>



1. As per Karoon's ASX announcement "Resources Update", dated 8 May 2018. 2P denotes the best estimate of Proved plus Probable Reserves, 2C denotes best estimate of Contingent Resources.  
 2. Independently assessed by AGR Petroleum Services as per Karoon's ASX announcement "Baúna Oil Reserves and Contingent Resources CPR", dated 29 August 2019.



# Transition to operatorship

## Karoon to retain the existing FPSO operators to ensure operational continuity for the asset whilst leveraging its Basin knowledge from +10 years' operating experience in the region

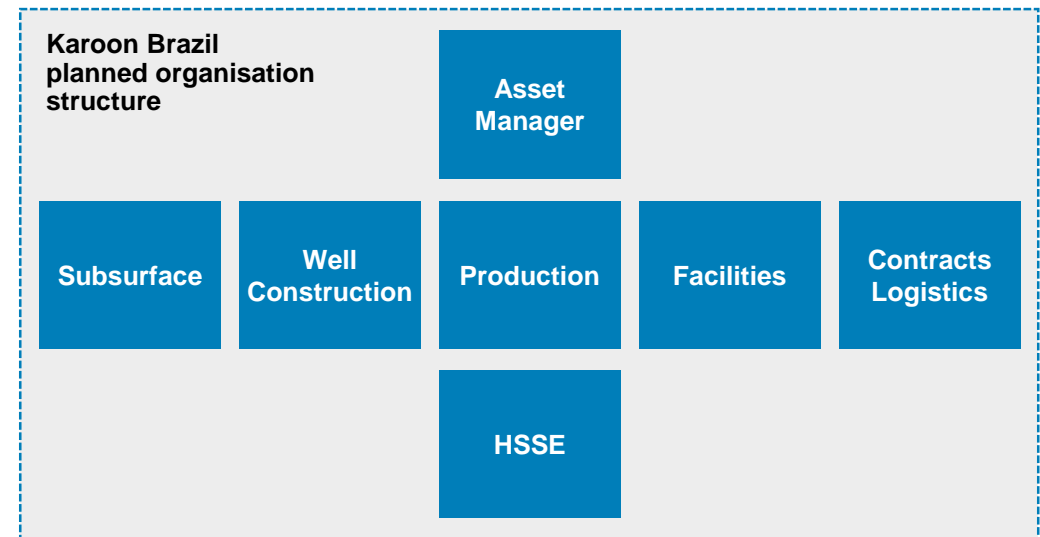
### Karoon's operatorship

- The services of Teekay and Ocyan will be retained for FPSO operations and maintenance (subject to a successful assignment of the existing FPSO contracts), providing continuity and +7 years production experience in the Santos Basin
- Karoon will leverage its +10 years' experience in Brazil and the southern Santos Basin
- Oversight and input will be provided to Teekay and Ocyan given Karoon's extensive knowledge of the asset
- The Karoon Board is undertaking a renewal program, which includes an assessment of the appropriate mix of skills and knowledge required at Board level as the company moves into operatorship of a major producing asset
  - This will also include succession planning for long-standing directors. Further details will be released closer to the date of the company's Annual General Meeting

Management role	Name	Relevant experience
Project oversight	Jose Formigli	30 years' experience, including Chief Exploration and Production Officer, Petrobras Brazil, member of the Executive Board
Project lead	Ricardo Abi Ramia	30 years' experience in offshore oil and gas production in Brazil

### Transition period

- Karoon and Petrobras have a Transition Agreement in place, providing the framework to facilitate a smooth transfer of the asset and operatorship
- Transition teams have been set up to review and coordinate the activities, processes, steps and actions required to ensure a smooth transfer of operatorship
- Steering Committee to consist of two representatives from each of Karoon and Petrobras
- One transition manager from each company (Project oversight) has been appointed



# Approvals and completion timing

## Final ANP approvals and transaction completion expected during the first quarter of 2020

- Under the Brazilian Government's revised asset tender process, Petrobras has signed more than 10 asset sale agreements for a total sale proceeds of greater than US\$13 billion
  - None of these asset sales has been revised beyond the SPA stage under the revised asset tender process
  - For the time being, no court injunctions have been progressed beyond the SPA stage, with the exception of the TAG divestment<sup>1</sup>
  - Further minor SPAs have also been progressed by Petrobras (below US\$10 million in size)
- The typical length of time to achieve ANP approvals under the recent Petrobras sales processes is estimated to be around 6 – 10 months
  - Karoon has not received any correspondence or indication that suggest the ANP approvals process for Baúna will extend beyond the typical period
- The Pargo (consisting of Pargo, Carapeba and Vermelho fields), Pasadena, Paraguai, TAG and Maromba cluster transactions have all completed in 2019

### Petrobras divestment summary

Date of SPA signing	Asset	Operatorship transfer?	Transaction size on signing (US\$m)
27 June 2018	Paraguai <sup>2</sup>	✓	380
28 Nov 2018	Pargo, Carapeba, Vermelho	✓	370
30 Jan 2019	Pasadena <sup>2</sup>	✓	560
8 Mar 2019	Maromba	✓	90
25 Apr 2019	Riacho de Forquilha	✓	384
25 Apr 2019	Tartaruga Verde	-	1,293
25 Apr 2019	TAG <sup>2</sup>	✓	8,600
<b>24 Jul 2019</b>	<b>Baúna</b>	✓	<b>665</b>
24 Jul 2019	Pampo / Enchova	✓	851
9 Aug 2019	Macau	✓	191
Not yet signed	Liquigas <sup>2</sup>	✓	840

1. Injunction was filed after SPA stage for the TAG transaction and before completion but the sale process promptly resumed with no further action;

2. Denotes the sale of shares of a subsidiary.

## Section 4

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### Pro forma financial summary

# Pro forma financial summary – basis of preparation

## Source of information

- The historical and pro forma consolidated statements of financial position as at 30 June 2019 on slide 27 is derived from financial information extracted from Karoon's FY19 audited statutory financial statements

## Basis of preparation

- The pro forma consolidated statement of financial position on slide 27 have been prepared as if the Offer, Debt Facility and Baúna Acquisition had occurred on 30 June 2019
- The Baúna purchase price is net of certain completion adjustments up to 30 June 2019. The pro forma consolidated statement of financial position does not include any anticipated cash inflows beyond 30 June 2019, which may reduce the Baúna purchase price below that which is disclosed in the pro forma consolidated statement of financial position on slide 27
- Where applicable, USD balances have been converted to AUD at the prevailing 30 June 2019 foreign currency exchange rate of 0.7013
- The historical and pro forma consolidated statements of financial position have been prepared under Australian Accounting Standards prevailing as at 30 June 2019, and disclosed in Karoon's audited financial statements for the year ended 30 June 2019
- Effective from the financial year ending 30 June 2020 (i.e. the financial year beginning 1 July 2019), Karoon will need to apply the revised Australian Accounting Standards Board (**AASB**) Standard: AASB 16 Leases. Whilst the statements of financial position disclosed do not incorporate this standard, further details are provided on slide 28

# Consolidated Statement of Financial Position (pro forma)

As at 30 June 2019 (\$million)	Karoon historical <sup>(1)</sup>	The Offer <sup>(2)</sup>	Debt Facility <sup>(3)</sup>	Acquisition of Bauna, incl. Transaction Costs <sup>(4)</sup>	Pro forma post acquisition
<b>Current assets</b>					
Cash and cash equivalents	326.2	274.6	382.2	(877.1)	105.9
Other current assets	5.8	-	-	-	5.8
<b>Total current assets</b>	<b>332.0</b>	<b>274.6</b>	<b>382.2</b>	<b>(877.1)</b>	<b>111.7</b>
<b>Non-current assets</b>					
Restricted cash	-	-	-	42.8	42.8
Production assets	-	-	-	994.2	994.2
Deferred tax assets	-	2.9	-	37.3	40.2
Other non-current assets	249.1	-	-	-	249.1
<b>Total non-current assets</b>	<b>249.1</b>	<b>2.9</b>	<b>-</b>	<b>1,074.3</b>	<b>1,326.3</b>
<b>Total assets</b>	<b>581.1</b>	<b>277.5</b>	<b>382.2</b>	<b>197.2</b>	<b>1,438.0</b>
<b>Current liabilities</b>					
Income tax payable	-	-	-	15.0	15.0
Other current liabilities	8.0	-	-	-	8.0
<b>Total current liabilities</b>	<b>8.0</b>	<b>-</b>	<b>-</b>	<b>15.0</b>	<b>23.0</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	31.2	-	-	(15.0)	16.2
Borrowings	-	-	382.2	-	382.2
Provisions	0.1	-	-	163.5	163.6
Other non-current liabilities	0.5	-	-	-	0.5
<b>Total non-current liabilities</b>	<b>31.8</b>	<b>-</b>	<b>382.2</b>	<b>148.5</b>	<b>562.5</b>
<b>Total liabilities</b>	<b>39.8</b>	<b>-</b>	<b>382.2</b>	<b>163.5</b>	<b>585.5</b>
<b>Net assets</b>	<b>541.3</b>	<b>277.5</b>	<b>-</b>	<b>33.7</b>	<b>852.5</b>
<b>Equity</b>					
Contributed equity	802.3	277.5	-	-	1,079.8
Accumulated losses	(243.1)	-	-	33.7	(209.4)
Other equity	(17.9)	-	-	-	(17.9)
<b>Total equity</b>	<b>541.3</b>	<b>277.5</b>	<b>-</b>	<b>33.7</b>	<b>852.5</b>

1. Derived from the 30 June 2019 audited consolidated financial statements of Karoon Energy Ltd.

2. Represents the Offer detailed on slide 13, raising gross cash proceeds of A\$284.1 million (issue of 305.5 million new shares at the issue price of A\$0.93 per share) net of estimated pre-tax transaction costs of A\$9.5 million, offset by the recognition of an associated deferred tax benefit of A\$2.9 million (which has been capitalised to issued capital).

3. As outlined on slide 15, Karoon has executed a facility agreement for a A\$392.1 million (US\$275 million) syndicated debt facility, excluding transaction costs. Under the terms of the facility arrangement, Karoon is required to maintain a minimum bank balance of A\$28.5 million (US\$20 million). Associated transaction costs of A\$9.9 million (US\$7.0 million) have been capitalised against borrowings.

4. As outlined in Section 3, Karoon has entered into an agreement to acquire Bauna for a cash payment of A\$830.7 million (US\$582.6 million, being the US\$665 million headline purchase price (inclusive of a US\$49.9 million deposit already paid to Petrobras on 25 July 2019) less certain net completion adjustments which amounted to US\$82.4 million as at 30 June 2019). Under AASB 3, the acquisition is recognised as a production asset of the same value, plus the present value of the restoration provision of A\$163.5 million. The estimated transaction costs of A\$3.6 million are expensed, with an associated A\$1.2 million deferred tax asset recognised. An upfront decommissioning guarantee (classified as Restricted Cash) may be required with the Brazilian Regulatory authority (ANP) for A\$42.8 million (US\$30 million) based on estimates currently approved by the ANP on the total decommissioning cost. Karoon plans to negotiate the decommissioning estimates with the ANP, following the conclusion of Karoon's technical assessment. A\$15.0 million has been recognised for Australian income tax payable on realised foreign exchange gains which crystallise as a result of utilisation of existing USD cash holdings to fund the acquisition. A net deferred tax asset of A\$36.1 million has been brought to account, relating to historical Brazilian tax losses not previously recognised.

# Accounting for leases and adoption of AASB 16 Leases

- AASB 16 Leases represents a significant change for lessees in the accounting treatment of operating leases. With the exception of low value and short-term leases, all leases must be recognised on the lessee's statement of financial position. Accordingly, lessees will have one accounting model for accounting for leases, which is similar to the current finance lease model in AASB 117 Leases
- AASB 16 must be adopted for financial periods commencing on or after 1 January 2019 (i.e. effective from the commencement of the financial year ending 30 June 2020) the liability associated with the non-cancellable leases (refer table below) as at 30 June 2019 that would need to be recognised if AASB 16 Leases applied has not been shown on the pro forma consolidated statement of financial position
- As part of the Baúna acquisition, Karoon will acquire floating production storage and offloading (FPSO) contracts which are treated as operating leases as at 30 June 2019, rather than as an asset on its pro forma consolidated statement of financial position. The adoption of AASB 16 Leases is expected to result in the recognition of right-of-use assets and lease liabilities on the pro forma consolidated statement of financial position representative of the present value of lease commitments. Assumptions are required regarding the inclusion of option periods which are reasonably certain to be exercised. Inclusion of these option periods will result in additional payments over and above the non-cancellable operating lease commitments being built into the liability calculation. Based on the requirements of AASB 16 Leases, a liability amounting to the present value of the total assumed future lease payments (i.e. assuming option renewal where reasonably certain to be exercised) would be recorded on the pro forma consolidated statement of financial position

Pro forma non-cancellable lease commitments as at 30 June 2019				
A\$million	Less than 1 year	1 - 5 years	More than 5 years	Total
Non-cancellable operating leases existing at 30 June 2019 <sup>1</sup>	0.9	1.0	-	1.9
Non-cancellable operating leases acquired with the Baúna acquisition <sup>2</sup>	95.9	146.6	-	242.4
<b>Total pro forma lease commitments as at 30 June 2019</b>	<b>96.8</b>	<b>147.6</b>	<b>-</b>	<b>244.3</b>

- For illustration purposes, had the new accounting standard been in force, the pro forma consolidated statement of financial position at 30 June 2019 would have also reflected the following impact of the above operating leases:
  - Based on certain assumptions regarding the inclusion of option periods which are reasonably certain to be exercised, a right-of-use asset amounting to A\$549.6 million would be recognised with a corresponding lease liability to the same amount. The current portion of the lease liability as at 30 June 2019 would total A\$56.1 million
  - The net impact on net assets and retained earnings on the pro forma consolidated statement of financial position as at 30 June 2019 would be nil
- The above information is intended to illustrate the expected impact of the new accounting standard if it were to be applied to Karoon's pro forma consolidated statement of financial position as at 30 June 2019. The impact would have consequential effect upon EBITDA, noting importantly that the new accounting standard has no impact upon cash flows and ability to service borrowing obligations

1. With effect from the adoption of AASB16 Leases on 1 July 2019, existing non-cancellable operating leases would be recognised on the pro forma consolidated statement of financial position.

2. Non-cancellable operating leases acquired with the Baúna acquisition relate to floating production storage and offloading (FPSO) contracts. With effect from the adoption of AASB16 Leases on 1 July 2019, these would be recognised on the pro forma consolidated statement of financial position.

## Section 5

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### Key risks



# Key risks

- This section sets out some key risks associated with any investment in Karoon, which may affect the value of shares in Karoon.
- The risks set out are not listed in order of importance and do not constitute an exhaustive list of all risks involved with an investment in Karoon.
- Before investing in Karoon you should be aware that a number of risks and uncertainties, which are both specific to Karoon and of a more general nature, may affect the future operating and financial performance of Karoon and the value of the shares.
- Before investing in the shares, you should carefully consider the risk factors and your personal circumstances. Potential investors should consider publicly available information on Karoon (such as that available on the ASX website), and consult their stockbroker, solicitor, accountant or other professional advisor before making an investment decision.
- Nothing in this presentation is financial product advice and this document has been prepared without taking into account your investment objectives or personal circumstances.

<b>Currency risk</b>	<ul style="list-style-type: none"> <li>• Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. Karoon carries on part of its business outside of Australia and intends to continue to do so. Accordingly, revenues and payments will be made in those countries' currencies and may deviate from budgeted expectations if there are adverse currency fluctuations against the Australian dollar.</li> </ul>
<b>Requirement to raise additional funding</b>	<ul style="list-style-type: none"> <li>• Karoon may be required to raise additional funds in the future. There is no guarantee that Karoon will be able to raise such additional capital when it is required, or on terms satisfactory to Karoon. If Karoon is unsuccessful in obtaining funding when required, Karoon may need to delay, scale down or cease its operations.</li> </ul>
<b>Securities investment</b>	<ul style="list-style-type: none"> <li>• Applicants should be aware that there are risks associated with any securities investment. The prices at which Karoon's securities trade may be above or below the issue price and may fluctuate in response to a number of factors. There can be no assurance that an active market may exist for Karoon's shares.</li> <li>• Furthermore, the stock market, and in particular the market for oil and gas companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These factors may materially affect the market price of the securities, regardless of Karoon's operational performance.</li> </ul>
<b>Share market conditions</b>	<ul style="list-style-type: none"> <li>• The market price of the securities may fall as well as rise and may be subject to varied and unpredictable influences on the market for securities in general and oil and gas stocks in particular. These factors may cause the shares to trade at prices above or below the price at which the shares were acquired. Neither Karoon nor the Directors warrant the future performance of Karoon or any return on an investment in Karoon.</li> </ul>
<b>General economic and share market conditions</b>	<ul style="list-style-type: none"> <li>• Karoon operates in certain markets (for example, Brazil and Peru) where economic policies and conditions can have a direct impact on Karoon's business. Factors such as global credit risks, inflation, government policies, currency fluctuation, interest rates and supply and demand have an impact on operating performance and stock market prices. Karoon's future performance and the market price for its listed securities may be affected by these factors that are beyond Karoon's control.</li> </ul>
<b>Underwriting risk</b>	<ul style="list-style-type: none"> <li>• Karoon has entered into an Underwriting Agreement under which the underwriters have agreed to fully underwrite the Equity Raising, subject to the terms and conditions of the Underwriting Agreement. If certain conditions are not satisfied or certain events occur, the underwriters may terminate the Underwriting Agreement. Termination of the Underwriting Agreement may have a material adverse impact on the proceeds raised under the Equity Raising. Termination of the Underwriting Agreement could materially adversely affect Karoon's business, cash flow, financial condition and results.</li> </ul>
<b>Litigation risk</b>	<ul style="list-style-type: none"> <li>• There is a risk that Karoon may have claims made against it and be the subject of litigation or be required to commence litigation, including with respect to its other contracting parties. The impact of such actions may have a material adverse impact on Karoon.</li> </ul>
<b>Taxation and Australian Accounting Standards risks</b>	<ul style="list-style-type: none"> <li>• Changes to the rate of taxes imposed on Karoon or changes in tax legislation or changing interpretations enforced by taxation authorities, whether in Australia or such other foreign jurisdictions in which Karoon may operate, may lead to an increase in Karoon's taxation obligations and a reduction in potential shareholder returns.</li> <li>• Personal taxation liabilities are the responsibility of each individual shareholder, Karoon is not responsible either for taxation or tax penalties incurred by investors.</li> <li>• Australian Accounting Standards are set by the AASB and are outside the Directors' and Karoon's control. Changes to accounting standards issued by the AASB may have a material adverse impact on the financial performance and position of Karoon as reported in its financial statements.</li> </ul>

# Key risks

<b>Dividends</b>	<ul style="list-style-type: none"> <li>Karoon cannot guarantee the payment of dividends, as payment is at the discretion of the Board and will depend on Karoon's financial circumstances at the relevant time.</li> </ul>
<b>Dilution risk</b>	<ul style="list-style-type: none"> <li>If you do not take up all of your Entitlement Offer, then your percentage holding in Karoon may be diluted. Even if you do exercise all of your entitlement, your percentage holding may be diluted by the Placement.</li> </ul>
<b>Force Majeure</b>	<ul style="list-style-type: none"> <li>Events may occur within or outside Australia that could have an adverse effect on the global economies and Karoon's share price. The events include hostilities, acts of terrorism, civil wars, labor strikes, natural disasters or other man-made disasters.</li> </ul>
<b>Resources assessment</b>	<ul style="list-style-type: none"> <li>The estimation of hydrocarbon Reserves and Resources is not precise and is subject to significant uncertainties associated with hydrocarbon reservoir geology and the interpretation of seismic and well data, as well as assumptions regarding recovery factors, future oil prices and development and operating costs. There is no guarantee that estimated hydrocarbon reserves are able to be successfully recovered or that hydrocarbon resources are able to be converted to reserves. Estimates may change significantly if new information becomes available. Changes in estimates may adversely affect Karoon's financial performance.</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>Insurance does not comprehensively cover all risks that may materialise and some insurances are prohibitively expensive making them not commercially viable. The occurrence of events which are uninsurable, not insured or partly insured may have a material impact on Karoon's financial performance.</li> </ul>
<b>Laws, regulations and government policies</b>	<ul style="list-style-type: none"> <li>Karoon's business is subject to extensive laws, regulations and government policies in the jurisdictions where Karoon operates its assets and carries out its business. Failures to comply may result in reputational harm, operations being suspended or delayed, permits, licenses and concessions being cancelled, and fines and penalties being imposed.</li> <li>Changes in laws, regulations or government policies cannot be predicted with any certainty. Such changes may result in the imposition of onerous requirements resulting in delays to operations and additional cost. Karoon is aware that IBAMA is considering new regulations that may lead to a zero overboard discharge policy for cuttings and fluids from drilling activities. The scope, timing and likelihood of any such regulation is uncertain, however, if formalized and enacted it may impact Karoon's operations.</li> <li>There is increasing political influence on the regulatory system in which Karoon operates. The influence of politics can make regulatory outcomes unpredictable.</li> </ul>
<b>Health and safety</b>	<ul style="list-style-type: none"> <li>Karoon's exploration, development and future production operations involve significant potential risks to the health and safety of personnel. Industry operating risks include fire and explosions, which could result in significant injury or destruction of property or natural resources. Non-compliance with appropriate health and safety standards and procedures may result in reputational harm as well as regulatory or other legal actions against Karoon.</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Oil and gas exploration, development and production activities may damage the environment. If Karoon is responsible, it will be required to remediate the damage which may involve substantial expenditure and adversely affect Karoon's reputation. A failure to comply with environmental legislation and regulations may result in reputational harm, operations being suspended or delayed, permits, licenses and concessions being cancelled, and fines and penalties being imposed.</li> </ul>
<b>Key personnel</b>	<ul style="list-style-type: none"> <li>The ability of Karoon to achieve its objectives depends on the engagement of key employees, Directors and contractors with appropriate experience and expertise. If Karoon cannot secure required personnel there is risk of additional costs and delays which may adversely affect Karoon's financial performance.</li> </ul>
<b>Drilling</b>	<ul style="list-style-type: none"> <li>Oil and gas drilling is subject to numerous risks such as delays due to weather conditions, mechanical difficulties, unexpected geological conditions, regulatory approvals and the availability of equipment and skilled technicians.</li> </ul>
<b>Industry competition</b>	<ul style="list-style-type: none"> <li>Karoon conducts its business in a highly competitive industry in which there are a number of competitors who have greater resources and capabilities. Karoon's financial performance, the future prospects of the business and the value of Karoon's shares could be materially adversely affected if Karoon cannot compete with its competitors.</li> </ul>
<b>Farm-out and joint venture partners</b>	<ul style="list-style-type: none"> <li>Karoon may enter into farm-out or joint venture agreements in relation to particular assets. Farm-out or joint venture partners may be unable to pay for their share of applicable costs. Karoon cannot guarantee the financial performance or financial viability of its farm-out or joint venture partners.</li> </ul>

# Key acquisition risks

- This section sets out some key acquisition risks associated with the acquisition of Baúna, which may affect the value of shares in Karoon

<b>Closing</b>	<ul style="list-style-type: none"> <li>The acquisition may not close or may not achieve closing within the expected timing due to a failure to satisfy the conditions precedent in the Sale and Purchase Agreement, which include a) approval from the Brazilian regulators including the oil and gas regulator (the ANP) and the environmental regulator (IBAMA), b) no breach of the seller's fundamental warranties and c) no material adverse change having occurred.</li> </ul>
<b>Due diligence</b>	<ul style="list-style-type: none"> <li>Karoon undertook a due diligence process which relied in part on the technical, financial and other information provided by the seller, Petrobras. Karoon considers the due diligence process undertaken to be appropriate. However, Karoon has not been able to verify the accuracy or completeness of all information provided. Similarly, Karoon has made a number of technical, financial and other assumptions and has carried out analysis based on the available information. Karoon's assumptions and analysis may be inaccurate including due to incorrect or missing information, flawed analysis methods or incorrect assumptions.</li> <li>As a result, the due diligence process may not have exhaustively or accurately identified or responded to all material risks and actual performance or circumstances may differ from Karoon's conclusions.</li> </ul>
<b>Oil price</b>	<ul style="list-style-type: none"> <li>The financial performance of Karoon is significantly influenced by oil prices. Oil prices are volatile and affected by numerous factors beyond Karoon's control, including consumer demand, industry supply trends, international financial market conditions, uncertainty in commodity markets, OPEC actions, global economic conditions, government pricing regulations, and competing fuel sources.</li> <li>Increases or decreases in oil prices will affect Karoon's profits, interim net cash flows from the acquisition and cash flow available for debt service and funding capital expenditure, and may impact Karoon's ability to borrow money or raise additional capital. Lower oil prices may reduce oil and gas reserves.</li> </ul>
<b>Acquisition funding</b>	<ul style="list-style-type: none"> <li>Karoon has entered into a Debt Facility Agreement to provide part of the acquisition funding. In certain circumstances, the Facility Agreement may be terminated, funding withdrawn and/ or repayments accelerated, which may adversely affect Karoon's financial performance.</li> </ul>
<b>Development activities</b>	<ul style="list-style-type: none"> <li>The proposed development work, including the existing undeveloped Patola oil discovery tie-in and infill drilling, involve drilling operations which are high risk and subject to hazards including unexpected geological conditions, equipment failure and other incidents. Karoon intends to take adequate precautions to manage risks associated with drilling activities. However, Karoon cannot guarantee that incidents will not occur which may have an adverse impact on operational and financial performance, including costs associated with control of well operations, recovery of plant and equipment and environmental rectification and compensation.</li> <li>Development work requires significant capital and operational expenditure and may be delayed or unsuccessful for many reasons including drilling outcomes, reservoir performance, regulatory approvals, technical requirements, weather events, cost overruns, equipment and labour shortages and industrial action.</li> </ul>
<b>SPA risk allocation</b>	<ul style="list-style-type: none"> <li>If the Baúna transaction closes, Karoon will become responsible for the asset from the effective date of 1 January 2019, subject to the risk allocation in the Sale and Purchase Agreement. The Sale and Purchase Agreement may not adequately compensate Karoon for materialised risks, including due to the warranty and indemnity regime not being exhaustive, liability limits and time bars on claims.</li> </ul>
<b>Decommissioning</b>	<ul style="list-style-type: none"> <li>Karoon may not have accurately anticipated required decommissioning costs and obligations, including due to higher standards being imposed in the future.</li> </ul>
<b>Transition of operations</b>	<ul style="list-style-type: none"> <li>The acquisition of Baúna will be transformational to Karoon's business. The integration of a producing oil field into Karoon's business carries risk, including potential delays, unforeseen implementation costs and difficulties in procuring personnel, services and equipment and in implementing and integrating necessary financial and operational systems, processes and procedures.</li> <li>Pursuant to a transition agreement, Petrobras and Karoon are carrying out planning and transitional activities designed to complete the transition of the Baúna assets from Petrobras to Karoon on the completion date. The success of the transition will depend on close cooperation with Petrobras up to the completion date.</li> </ul>
<b>Operations</b>	<ul style="list-style-type: none"> <li>While Karoon has undertaken due diligence, future operating conditions and operating costs may differ from Karoon's assumptions and forecasts.</li> </ul>
<b>Production</b>	<ul style="list-style-type: none"> <li>While Karoon has undertaken due diligence, future production rates and oil recovery volumes may differ from Karoon's assumptions and forecasts.</li> </ul>
<b>Completion</b>	<ul style="list-style-type: none"> <li>In the unlikely event that the Baúna acquisition is unsuccessful and the full proceeds of the Equity Raising have not been applied to the acquisition, Karoon will review its capital management strategy and consider whether a return of capital to shareholders or an on market buyback is appropriate, having regard to the ongoing capital requirements of the company.</li> </ul>

## Section 6

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Offering jurisdictions

# International selling restrictions

- This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

<b>Australia</b>	<ul style="list-style-type: none"> <li>This document and the offer of New Shares under the Placement is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act 2001 (Cth) ("Australian Corporations Act"). This document is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Australian Corporations Act, and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. If you are in Australia, this document is made available to you provided you are a person to whom an offer of securities can be made without a disclosure document such as a professional investor, sophisticated investor or wholesale client for the purposes of Chapter 6D of the Australian Corporations Act.</li> <li>This document has not been and will not be lodged or registered with the Australian Securities and Investments Commission or any other regulatory body or agency in Australia. The persons referred to in this document may not hold Australian financial services licences and may not be licensed to provide financial product advice in relation to securities. No "cooling-off" regime will apply to an acquisition of any interest in the Company.</li> <li>This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this document, you should assess whether the acquisition of any interest in the Company is appropriate in light of your own financial circumstances or seek professional advice.</li> <li>If you acquire the New Shares under the Placement in Australia, then you:               <ul style="list-style-type: none"> <li>represent and warrant that you are a professional or sophisticated investor;</li> <li>represent and warrant that you are a wholesale client; and</li> <li>agree not to sell or offer for sale any New Shares issued under the Placement in Australia within 12 months from the date of their issue under the Placement, except in circumstances where:                   <ul style="list-style-type: none"> <li>disclosure to investors would not be required under Chapter 6D of the Australian Corporations Act; or</li> <li>such sale or offer is made pursuant to a disclosure document which complies with Chapter 6D or Chapter of the Australian Corporations Act.</li> </ul> </li> </ul> </li> </ul>
<b>Bermuda</b>	<ul style="list-style-type: none"> <li>The Company is not licensed to conduct investment business by the Bermuda Monetary Authority and the Bermuda Monetary Authority does not accept any responsibility for the accuracy or correctness of any of the statements made or advice expressed herein.</li> <li>The New Shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 of Bermuda.</li> </ul>
<b>European Union</b>	<ul style="list-style-type: none"> <li>This document has not been, and will not be, registered with or approved by any national securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").</li> <li>In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).</li> </ul>
<b>Hong Kong</b>	<ul style="list-style-type: none"> <li><b>WARNING:</b> The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Placement. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.</li> <li>This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) (the "C(WUMP)O"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, (i) the New Shares may not be offered or sold in Hong Kong by means of this document or any other document other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the C(WUMP)O or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO. No person allotted New Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such shares.</li> </ul>

# International selling restrictions

- This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## Italy

- The offering of the New Shares has not been registered pursuant to Italian securities legislation and, accordingly, no New Shares may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the New Shares be distributed in the Republic of Italy, except:
  - (i) to qualified investors (investitori qualificati), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the “PD Regulation”) and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the “Financial Services Act”) and Italian CONSOB regulations; or
  - (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the PD Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.
- Any offer, sale or delivery of the New Shares or distribution of copies of the Offering Circular or any other document relating to the New Shares in the Republic of Italy under (i) or (ii) above must:
  - (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “Banking Act”); and
  - (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.<sup>1</sup>
- *Please note that, in accordance with Article 100-bis of the Financial Services Act, to the extent it is applicable, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the New Shares on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such New Shares being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

## New Zealand

- This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the “FMC Act”).
- The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.
- Other than in the Placement, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:
  - is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
  - meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
  - is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
  - is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
  - is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

<sup>1</sup> Inter alia, please note that, pursuant to Article 4-decies of the Financial Services Act, implementing article 5 of the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation (Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014), the PRIIP manufacturer, or the person who sells PRIIPs, transmits to CONSOB the document containing the key information drawn up in conformity to what is established by the PRIIPs Regulation before the PRIIPs in question are marketed (“commercializzati”) in Italy. This notification obligation also applies to the revised versions of the document containing the key information. In light of the above before using this selling restriction we recommend checking if the provisions of the relevant Prospectus/Offering Circular are capable of preventing the marketing in Italy of the New Shares and consulting the local counsel for any clarification.

# International selling restrictions

- This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

<p><b>Norway</b></p>	<ul style="list-style-type: none"> <li>This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.</li> <li>The New Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).</li> </ul>
<p><b>Singapore</b></p>	<ul style="list-style-type: none"> <li>This document and any other materials relating to the New Shares has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“MAS”). Accordingly, the New Shares may not be offered or sold or made the subject of an invitation for subscription or purchase, nor may this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person under Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.</li> <li>Where the New Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:               <ul style="list-style-type: none"> <li>(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or</li> <li>(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,</li> </ul> </li> <li>Securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Shares pursuant to an offer under Section 275 of the SFA except:               <ul style="list-style-type: none"> <li>(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;</li> <li>(2) where no consideration is or will be given for the transfer;</li> <li>(3) where the transfer is by operation of law;</li> <li>(4) pursuant to Section 276(7) of the SFA; or</li> <li>(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.</li> </ul> </li> <li><b>Notification under Section 309B(1)(c) of the SFA</b> - in connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “CMP Regulations 2018”) of Singapore, the Company has determined the classification of the New Shares as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).</li> </ul>
<p><b>United States</b></p>	<ul style="list-style-type: none"> <li>This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “U.S. Securities Act”) or the securities laws of any state or other jurisdiction of the United States. The New Shares to be offered and sold in the Placement may not be offered or sold, directly or indirectly, to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.</li> </ul>

# International selling restrictions

- This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## United Kingdom

- Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”) has been published or is intended to be published in respect of the New Shares.
- This document is issued on a confidential basis to “qualified investors” (within the meaning of Section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to Section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.
- Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 21(1) of the FSMA does not apply to the Company.
- In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“FPO”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.



# Appendix A

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## Transaction conditions

# Conditions and Timing

The Baúna transaction is expected to close during the first quarter of 2020, with a purchase price adjustment for interim cash flows and other completion adjustments from 1 January 2019

## Conditions and Timing

Transaction close is subject to a number of conditions currently being progressed by Petrobras and Karoon;

- **ANP approval.** Approval from the Brazilian upstream regulator, Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (**ANP**);
- **IBAMA licences.** Issue of new Environmental Operational Licenses to Karoon by Brazilian environmental agency, the Brazilian Institute of the Environment and Renewable Natural Resources (**IBAMA**);
- **Seller's fundamental warranties.** Seller's Fundamental Warranties each being true and accurate in all material respects, and where any such Seller's Fundamental Warranties are not true and accurate in any material respects, such fact (i) has been cured by Seller prior to the expiration of the period for the satisfaction of the conditions or (ii) has not caused or is expected to cause a Material Adverse Change;
- **Purchaser's warranties.** Purchaser's warranties each being true and accurate in all material respects, and where any such Purchaser's warranties are not true and accurate in any material respects, such fact is cured by Purchaser prior to the expiration of the period for satisfaction of the conditions;
- **No Governmental order.** No Governmental Order invalidating or nullifying the transfer of the Transferred Assets or prohibiting the performance of any obligations under the Sale and Purchase Agreement or the Concession Contract is in force;
- **No material adverse change.** No event or circumstance having arisen or occurred during the period following the Execution Date which (i) has not been cured by Seller prior to the expiration of the period for the satisfaction of the conditions and (ii) has resulted, or could reasonably be expected to result, in a Material Adverse Change as defined under the Sale and Purchase Agreement;
- **FPSO contracts.** The existing FPSO Contracts have been assigned, novated or otherwise Purchaser has entered into a contract with the counterparties of the existing FPSO Contracts to use the FPSO Cidade de Itajaí;
- **BV equipment nationalization.** The Nationalisation process for certain equipment subject to the sale shall have been completed;
- **Sanctions.** Neither Purchaser nor any of its Affiliates shall: (i) be subject to or be owned or controlled by a Sanctioned Person; (ii) be located, have been incorporated in, organized or resident in a Sanctioned Country; or (iii) have any commercial affiliation or business with, or investments in, any Sanctioned Country or Sanctioned Person<sup>1</sup>;
- **Restrictive list.** Neither Purchaser nor any of its Affiliates shall be included in "Cadastro Nacional de Empresas Inidoneas, Suspensas e Punidas (available at: <http://www.portaldatransparencia.gov.br/sancoes/ceis>)"; and
- **Oil pledge.** The field's oil pledge in favour of ANP has been released.

1. Where "Sanction" is a reference to any sanctions, regulations, embargoes or restrictive measures imposed by the World Bank, the United States of America and certain other countries and institutions.

# Appendix B

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## Glossary

# Glossary of Terms

Term	Definition
<b>3D Seismic</b>	A set of numerous closely-spaced seismic lines that provide a high spatially sampled measure of subsurface reflectivity.
<b>4D Seismic</b>	4D seismic data is one of several forms of time lapse seismic data which seek to understand changes in a reservoir over time.
<b>AGR</b>	AGR Petroleum Services.
<b>Amplitude</b>	In a seismic survey, seismic amplitude is a measure of the contrast in properties between two layers.
<b>ANP</b>	Agência Nacional do Petróleo, Gás Natural e Biocombustíveis.
<b>API</b>	American Petroleum Institute's Inverted scale for denoting the 'lightness' or 'heaviness' of crude oils and other liquid hydrocarbons.
<b>ASX</b>	ASX Limited (ACN 008 624 691), trading as Australian Securities Exchange.
<b>AUD</b>	Australian dollars.
<b>barrel or bbl</b>	Barrel of oil, = 42 United States gallons; equivalent to approximately 159 litres.
<b>Basin</b>	Sedimentary basins, or simply basins, vary from bowl-shaped to elongated troughs. If rich hydrocarbon source rocks occur in combination with appropriate depth and duration of burial, hydrocarbon generation can occur within the basin.
<b>Baúna oil field</b>	Part of the Concession BM-S-40 known as the Baúna oilfield, southern Santos Basin, offshore Brazil.
<b>Block</b>	The geographic area in which the government allows a company to operate.
<b>BM-S-40</b>	Concession BM-S-40, containing the Baúna, Piracaba and Patola oil fields, southern Santos Basin, offshore Brazil.
<b>Bn</b>	Billion.
<b>bopd</b>	Barrels of oil per day.
<b>bpd</b>	Barrels per day
<b>Brent</b>	A benchmark crude that serves as a quotable reference price for buyers and sellers of crude oil.
<b>BRL</b>	Brazilian Reals.
<b>Concession</b>	The geographic area in which the government allows a company to operate.

Term	Definition
<b>Contingent Resources</b>	Those quantities of petroleum 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 (owing to one or more contingencies).  1C- Denotes low estimate scenario of Contingent Resources. 2C- Denotes best estimate scenario of Contingent Resources. 3C- Denotes high estimate scenario of Contingent Resources.
<b>Darcy</b>	Standard unit of measurement of permeability.
<b>Development Plan</b>	The phase of petroleum operations that occurs after exploration has proven successful, and before full-scale production. The newly discovered oil or gas field is assessed during an appraisal phase, a plan to fully and efficiently exploit it is created, and additional wells are usually drilled.
<b>Discovery</b>	Discovered petroleum accumulation determined to exist when one of more exploratory wells have established through testing, sampling, and/ or logging the existence of a significant quantity of potentially recoverable hydrocarbons.
<b>EBITDA</b>	Earnings before cash, interest on debt, interest on the lease liability recognised under AASB 16, income tax expense, depreciation and amortisation.
<b>EOR</b>	Enhanced oil recovery.
<b>E&amp;P</b>	Exploration and production.
<b>Farm-out</b>	A contractual agreement with an owner who holds a working interest in an oil and gas lease to assign all or part of that interest to another party for fulfilling a contractually specified condition.
<b>Field</b>	An accumulation, pool, or group of pools of hydrocarbons or other mineral in the subsurface.
<b>FPSO</b>	Floating production, storage and off-loading facility.
<b>GOR</b>	Gas to Oil Ratio.
<b>HSSE</b>	Health, Safety, Security and Environment.
<b>Hydrocarbon</b>	An organic compound consisting entirely of hydrogen and carbon.
<b>IBAMA</b>	Brazilian Institute of the Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis).
<b>Infill drilling</b>	The process of increasing the number of wells in an area by drilling wells in spaces between existing wells.

# Glossary of Terms (cont'd)

Term	Definition
<b>ING</b>	ING Bank NV - a Dutch multinational banking and financial services corporation headquartered in Amsterdam.
<b>Intervention</b>	Any operation carried out on an oil or gas well during, or at the end of, its production life that alters the state of the well or well geometry, provides well diagnostics, or manages the production of the well.
<b>Joint venture</b>	A business entity created by two or more parties, generally characterised by shared ownership, shared returns and risks, and shared governance.
<b>Karoon</b>	Karoon Energy Ltd and its subsidiaries.
<b>km</b>	Kilometres.
<b>Lead</b>	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.
<b>m</b>	Metres.
<b>Maastrichtian</b>	The latest age of the Late Cretaceous epoch.
<b>MM</b>	Million.
<b>Mbbl</b>	Thousand barrels (1,000 barrels).
<b>MMbbls</b>	Millions of barrels (1,000,000 barrels).
<b>Mbopd</b>	Thousands of barrels per day.
<b>Ocyan</b>	Ocyan S.A.
<b>OPEC</b>	The Organization of the Petroleum Exporting Countries (OPEC) is an intergovernmental organization of 14 nations, founded on 14 September 1960 in Baghdad by the first five members (Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela), and headquartered since 1965 in Vienna, Austria. The stated mission of the organization is to "coordinate and unify the petroleum policies of its member countries and ensure the stabilization of oil markets, in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers, and a fair return on capital for those investing in the petroleum industry.
<b>Palaeocene</b>	Earliest epoch of the Tertiary period.
<b>Permeability</b>	The ability or measurement of a rock's ability to transmit fluids.
<b>Pitkin</b>	Pitkin Petroleum Peru Z-38 SRL.

Term	Definition
<b>Petrobras</b>	Petróleo Brasileiro S.A.
<b>Porosity</b>	Percentage of pore volume or void space or that volume within rock that can contain fluids.
<b>Prospect</b>	An exploration area in which hydrocarbons are predicted to exist in economic quantity.
<b>Prospective Resources</b>	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.  Low – Denotes the unrisks low estimate qualifying as Prospective Resources Best – Denotes the unrisks best estimate quality as Prospective Resources High – Denotes the unrisks high estimate qualifying as Prospective Resources
<b>Reserves</b>	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. 1P- Denotes low estimate of Reserves (Proved Reserves) 2P- Denotes the best estimate of Reserves (Proved plus Probable Reserves) 3P- Denotes the high estimate of Reserves (Proved plus Probable plus Possible Reserves)
<b>Reserve based lending</b>	A type of financing where a loan is secured by the undeveloped Reserves of Oil and Gas of a borrower. The facility is repaid using the proceeds that derive from sales in the field or portfolio of fields in production.
<b>Reservoir</b>	A subsurface body of rock having sufficient porosity and permeability to store and transmit fluids.
<b>Resources</b>	Term used to encompass all quantities of petroleum (recoverable and unrecoverable) naturally occurring in an accumulation on or within the Earth's crust, discovered and undiscovered, plus those quantities already produced. Further, it includes all types of petroleum whether currently considered conventional or unconventional.
<b>Risk (geological)</b>	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.

# Glossary of Terms (cont'd)

Term	Definition
<b>Seismic anomaly</b>	A seismic property that differs from what is typical, expected or predicted.
<b>Seismic survey</b>	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.
<b>SPA</b>	Sale and Purchase Agreement.
<b>SPE PRMS standards</b>	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.
<b>Stratigraphic trap</b>	Sealed geologic container capable of retaining hydrocarbons formed by changes in rock type or pinch outs, unconformities, or sedimentary features.
<b>Structural trap</b>	Sealed geologic structure capable of retaining hydrocarbons in deformed strata such as a fault or fold.
<b>Teekay</b>	Teekay Offshore Partners L.P.
<b>Tie-in</b>	A location on an existing plant where a new installation is to connect to.
<b>Tullow</b>	Tullow Oil plc.
<b>USD or US\$</b>	United States dollars.
<b>Viscosity</b>	A property of fluids and slurries that indicates their resistance to flow, defined as the ratio of shear stress to shear rate.

