



SEPTEMBER 2023 QUARTERLY ACTIVITIES REPORT

26 October 2023 | ASX: KAR

HIGHLIGHTS

- **September 2023 quarter oil production of 2.85 million barrels (MMbbl), up 69% on the June quarter.**
- **Currently, production is averaging just under 30,000 bopd, with expectations of approximately a 15% annual decline rate unchanged.**
- **Oil sales of 2.50 MMbbl, average net realised oil price up 11% on the prior quarter to US\$81.44/bbl.**
- **Oil sales revenue of US\$203.9 million, up 66% on the June quarter.**
- **91.6% FPSO efficiency in September quarter, from 47.3% in the prior quarter.**
- **No recordable personal safety or Lost Time Injury incidents in the September quarter.**
- **30 September 2023 cash/cash equivalents of US\$181.5 million. No additional debt drawn.**
- **Undrawn funds (US\$180 million) from US\$210m debt facility expired on 30 September, refinancing expected to be completed during the December quarter.**
- **Ongoing evaluation of nature-based carbon offset and removal opportunities in Brazil.**
- **Active evaluation of production growth opportunities, including Neon development and potential acquisitions.**

Karoon CEO and MD, Dr Julian Fowles, said:

“Production of 2.85 MMbbl in the September 2023 quarter was a record for Karoon and 69% higher than in the June 2023 quarter, which was impacted by a six week unplanned shut in. The strong performance reflected the first full quarter of production following the delivery of the Baúna intervention campaign and Patola oil development. FPSO efficiency¹ for the September 2023 quarter was 91.6%, within our target range of 90-95%. Karoon and the FPSO operator, Altera&Ocyan (A&O), conducted routine inspection and maintenance

¹ FPSO efficiency is defined as the proportion of actual and potential production.

activities over the period. This is part of an enhanced maintenance program to address a number of issues identified in the recent shutdown to ensure the ongoing safety and reliability of the FPSO. The Company is working closely with A&O to finalise the length and scope of further maintenance and inspection works which will take place prior to and after the existing planned two week maintenance shutdown in March 2024.

Six cargoes were offloaded during the quarter (four in the prior quarter) with the final offload in transit at the end of the period and held as inventory. Sales revenue from the five completed liftings was US\$203.9 million, 66% higher than sales revenue in the June quarter of US\$122.7 million, with the cargoes sold to refineries in North and South America as well as Asia. In addition to higher volumes sold, the average realised oil price, net of marketing expenses, rose 11% to US\$81.44/bbl. Oil receipts for the quarter were US\$187.1 million and included US\$71 million related to two of the cargoes sold in the prior quarter. Nearly US\$131 million from three cargoes sold towards the end of this quarter are expected to be received in October.

There were no Lost Time or Recordable incidents during the quarter, which was a pleasing result, reflecting Karoon's focus on ensuring a safe and healthy working environment.

The Company ended the quarter with cash of US\$181.5 million, up from US\$74.8 million at 30 June 2023, with no change in drawn debt in the quarter. The increase in cash reflected strong operating cashflows from current production combined with reduced capital expenditure (capex) following the completion of the major capex programs in FY23.

Technical and commercial feasibility studies for Neon continued during the quarter. Updates to subsurface geotechnical evaluations are being incorporated into the engineering and commercial study workstreams to refine the development concepts. Current concepts under consideration include a stand-alone FPSO or a subsea tieback, either from Neon to the Baúna FPSO or from Baúna to an FPSO at Neon. Subject to the results from the feasibility studies, a Concept Select phase decision is targeted for late first quarter CY24.

In addition, Karoon continued to review potential acquisition opportunities in Brazil and the Gulf of Mexico. The key criteria for potential acquisitions are unchanged, with a focus on value-accretive producing oil assets with growth potential that can provide Karoon with increased scale and diversification.

To support any possible future acquisitions, as well as organic growth, the Company is at an advanced stage of negotiations with both existing and potential new lenders to refinance the current debt facility, with the US\$180 million undrawn component (US\$30 million drawn) having expired on 30 September 2023.

Following the completion of the work program that has revitalised the Baúna asset, and the development of a first class team in Brazil, Antonio Guimarães, EVP and President of Karoon Brazil, has decided to leave the Company to pursue other opportunities. We thank Antonio for his hard work, dedication and deep insights into the Brazilian oil and gas sector over the last two years, which have helped Karoon become a force in the Brazil upstream sector. Antonio has committed to support Karoon through his notice period as we transition to a new leader in our Brazil office.

During the quarter, Karoon's Brazilian management team capabilities were bolstered by the appointment of Dr Mario Carminatti as Senior Vice President of Exploration. Dr Carminatti has more than 45 years of experience in the oil and gas sector, primarily with Petrobras where he was most recently Executive Manager responsible for exploration. His background and extensive upstream knowledge, not just in Brazil but globally, will undoubtedly enrich Karoon as we continue to advance our growth strategy.

Guidance on production, costs and other key financial metrics is unchanged from that provided in the FY23 results release.² Production for the period to end June 2024 is expected to be in the range of 9 - 11 MMbbl, compared to FY23 production of 7.0 MMbbl, while unit production costs are forecast to drop to US\$11 - 15/bbl, from US\$15.75/bbl in FY23. As already highlighted, capex is expected to be substantially lower than in FY23 at US\$19 - 24 million (compared to US\$238 million in FY23)."

² Refer ASX release dated 23.8.23 "FY23 Full Year results & Investor Presentation."

PRODUCTION SUMMARY

BAÚNA FIELD (BM-S-40, SANTOS BASIN, BRAZIL – 100% EQUITY INTEREST, OPERATOR)

Key Data	September Quarter 2023	June Quarter 2023	% change
Production rate ('000 bopd)	30.95	18.50	+67
Production volume (MMbbl)	2.85	1.68	+69
Sales volume (MMbbl)	2.50	1.68	+49
Weighted average net realised price (US\$/bbl)	81.44	73.10	+11
Oil sales revenue (US\$ million)	203.9	122.7	+66
Oil sales cash proceeds (US\$ million)	187.1	121.3	+54
Capital expenditure (US\$ million)	1.3	10.1	-87
Closing cash and cash equivalents (US\$ million)	181.5	74.8	+143
Closing debt (US\$ million)	30.0	30.0	-
Closing net cash and cash equivalents (US\$ million) ¹	151.5	44.8	+238
Closing no. of ordinary shares on issue (million)	566.5	563.4	+1
Lost time injury rate (incidents/200,000 hours)	0.00	0.00	NA
Total recordable incident rate (Incidents/200,000 hours)	0.00	0.00	NA

1. Net of drawn debt.

Production data relating to Baúna can be found in monthly newsletters produced (in Portuguese) by the ANP and on the ANP's dynamic panel of oil and gas production, both of which can be accessed via the ANP's website at <http://www.anp.gov.br>.

CORPORATE AND COMMERCIAL SUMMARY

CASH FLOWS

During the September 2023 quarter, Karoon received cash proceeds of US\$187.1 million from the sale of five oil cargoes. Major cash expenditures included the following:

- US\$56.3 million related to Baúna production costs which included US\$15.7 million in royalties, US\$10.2 million in export tax payments relating to cargoes sold in the prior quarter³, and US\$12.5 million spent on FPSO lease charter payments.
- US\$8.3 million of Brazilian income tax instalments.
- US\$5.2 million spent on property, plant and equipment, primarily comprising the Baúna interventions, Patola development and Neon drilling campaign.

At 30 September 2023, Karoon had a net cash position of US\$151.5 million, comprising US\$181.5 million in cash and cash equivalents and US\$30 million of drawn debt.

³ Export tax relates to the temporary export tax from 1 March 2023 to 30 June 2023. Refer ASX dated 2.3.23 "Temporary Brazilian crude oil export tax announced".

DEBT FACILITY

Due to the current strong cash position and no material planned capital expenditure in the near term, Karoon did not draw any additional debt during the quarter. The outstanding drawn amount at the end of the quarter of US\$30 million remains in place. The availability period on the current debt facility expired on 30 September 2023 when undrawn commitments, totalling US\$180 million, were cancelled.

Karoon is currently in advanced negotiations with existing lenders and potential new lenders regarding refinancing its debt facility, to support the Company's growth strategy. Karoon expects to complete the refinancing process during the December quarter and will update the market as appropriate.

HEDGING

During the quarter, 780,000 bought Asian put options and 730,800 sold Asian call options expired. Karoon paid out US\$2.65 million on the expiring call options.

Given Karoon's low level of drawn debt and modest debt service requirements, no additional oil hedges were entered into as part of the September redetermination process on the debt facility.

Karoon's remaining hedge program consists of 1,260,000 bought Asian US\$65/bbl strike put options and 846,720 sold Asian US\$98/bbl strike call options in place out to 31 March 2024. The sold call options cover approximately 15-20% of forecast production for the period to end March 2024.

SURETY BOND ESTABLISHED TO REPLACE PARENT COMPANY GUARANTEE FOR DECOMMISSIONING LIABILITY

During the quarter, Karoon replaced the Parent Company Guarantee provided to the ANP (the Brazilian oil and gas regulator) in respect of the existing decommissioning obligations relating to the Baúna Project, with a Surety Bond of BRL\$475 million (approximately US\$95 million). The net present value of Karoon's decommissioning obligations as at 30 June 2023⁴ is estimated at US\$153.3 million.

FIRST KAROON-MANAGED SHIP TO SHIP (STS) OIL OFFLOADING IN PORT OF SANTOS, BRAZIL

In September, Karoon undertook its first Baúna STS oil transfer operation in the Port of Santos, Brazil. Historically, Baúna crude has been offloaded from the Baúna FPSO into Shell-operated shuttle tankers and transported to Uruguay, a 15 day round trip. There it is transferred by Shell from the tanker to larger vessels (STS) and co-mingled with other similar grade Brazilian oil, prior to transportation to end users. With a round trip of just seven days, the commencement of Karoon-managed STS oil offloading in Santos, Brazil for selected cargoes is expected to result in modest cost savings for Karoon.

MANAGEMENT CHANGES

Antonio Guimarães, Executive Vice President and President of Karoon Brazil, has decided to leave Karoon to pursue other opportunities. The Company has commenced the process of recruiting for his replacement. Antonio will remain available during his notice period to assist with the handover of responsibilities. Mr Guimarães will cease his employment during the December quarter.

In September, Dr Mario Carminatti was appointed as Senior Vice President of Exploration, located in Karoon's Rio de Janeiro office. His responsibilities include evaluating the exploration potential within, and near, Karoon's Brazilian assets and assisting with screening potential acquisition opportunities in Brazil and North America and their upsides, as well as providing mentoring to Karoon's team of subsurface professionals.

Dr Carminatti has more than 45 years' experience in the oil and gas industry in Brazil, holding various positions in Petrobras. He is highly respected within the sector and played a leading role in the 2006 discovery of Brazil's first pre-salt oil reserves. From 2008 to 2023, Dr Carminatti was Petrobras' Executive Manager Exploration. Dr Carminatti is a geologist and holds a PhD in Earth Sciences from Parma University, Italy.

⁴ Refer to Note 19 (b) of the Consolidated Financial Statements in the FY23 Annual Report.

SUSTAINABILITY

In August 2023, Karoon published its second standalone Sustainability Report. The report provided updates on each of Karoon's five pillars of sustainability, which include Health, Safety and Security, Climate, People and Culture, Community and Environment. Various reporting improvements were implemented, including reporting with reference to the Global Reporting Initiative (GRI) Standards. In addition, the Climate section better reflects the Task Force on Climate-Related Financial Disclosure (TCFD) reporting guidance, demonstrating Karoon's commitment to addressing climate-related risks.

During the quarter, Karoon's sustainability team continued to mature a number of nature-based carbon offset and removal opportunities, with potential partnerships with local organisations in Brazil being evaluated. This is part of Karoon's Carbon Management Action Plan, which is detailed in the Company's FY23 Sustainability Report.

EXPLORATION, APPRAISAL AND POTENTIAL DEVELOPMENT UPDATE, BRAZIL

SANTOS BASIN, BLOCKS S-M-1037, S-M-1101 (100% EQUITY INTEREST, OPERATOR)

Key study streams on a potential Neon development, including core analysis, seismic reprocessing as well as facilities definition, advanced during the September quarter. The potential development concepts being evaluated include a standalone FPSO development (utilising a new build, conversion or redeployed unit) or a subsea tie-back either of Neon to the Baúna FPSO or of Baúna to an FPSO at Neon. These workstreams will be integrated into the larger technical and commercial feasibility studies currently underway.

Subject to the Neon studies confirming that the project meets Karoon's internal technical and commercial hurdles at each of the decision gates, the current indicative timeline remains as follows:

- Concept Select in late 1QCY24.
- Front End Engineering and Design in early CY25.
- Final Investment Decision in late CY25.
- First oil in late 2028/early 2029.

SANTOS BASIN, BLOCK S-M-1537 (100% EQUITY INTEREST, OPERATOR)

Desktop geological and geophysical studies on the Block S-M-1537 continued during the quarter.

SCHEDULE OF INTERESTS IN PETROLEUM TENEMENTS

Held by Karoon Energy Ltd Group at 30 September 2023

Exploration Permit/ Block	Basin	Operator	% equity interest held
Concession BM-S-40	Santos, Brazil	Karoon	100
Block S-M-1037	Santos, Brazil	Karoon	100
Block S-M-1101	Santos, Brazil	Karoon	100
Block S-M-1537	Santos, Brazil	Karoon	100

This announcement was authorised by the Board of Karoon Energy Ltd.

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Forward-looking statements

Petroleum exploration and production operations rely on the interpretation of complex and uncertain data and information which cannot be relied upon to lead to a successful outcome in any particular case. Petroleum exploration and production operations are inherently uncertain and involve significant risk of failure. All information regarding reserve and contingent resource estimates and other information in relation to Karoon's assets is given in light of this caution.

Oil and gas Reserves and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly due to new information or when new techniques become available. Additionally, by their nature, Reserves and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further data becomes available through, for instance, production, the estimates are likely to change. This may result in alterations to production plans, which may in turn, impact the Company's operations. Reserves and resource estimates are by nature forward looking statements and are the subject of the same risks as other forward-looking statements.

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

You are cautioned not to place undue reliance on forward-looking statements as actual outcomes may differ materially from forward-looking statements. Any forward-looking statements, opinions and estimates provided in this announcement necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise (including, without limitation, in respect of imprecise reserve and resource estimates, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling, demand for oil, commercial negotiations and other technical and economic factors) many of which are outside the control of Karoon. Such statements may cause the actual results or performance of Karoon to be materially different from any future results or performance expressed or implied by such forward-looking statements. Forward-looking statements including, without limitation, guidance on future plans, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward-looking statements speak only as of the date of this announcement. Karoon disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

ABOUT KAROON ENERGY LTD

Karoon Energy Ltd. is an ASX listed international oil and gas exploration and production company with assets in Brazil and Australia.

Karoon's vision is to be a leading, independent international energy company that adapts to a dynamic world in an entrepreneurial and innovative way. Karoon's purpose is to provide energy safely, reliably and responsibly, creating lasting benefits for all its stakeholders.