

25 February 2021

Company Announcements Office  
ASX Limited

Dear Sir / Madam

**Interim Financial Report – 2021 Financial Year –  
ASX Release and Investor Presentation**

Attached are the following documents in relation to Karoon Energy Ltd's interim financial report for the financial half-year ended 31 December 2020:

- ASX release; and
- investor presentation.

The documents referred to above have been authorised for release by the Board of Directors.

Yours faithfully



**Nick Kennedy**  
Company Secretary

**ASX RELEASE**

Issued 25 February 2021

**Karoon Completes Transformational Baúna transaction and Delivers First Profitable Production**

Karoon (ASX:KAR) is pleased to announce its first financial result following the transformational acquisition of a 100% interest in the producing Baúna oil field (including the undeveloped Patola discovery) from Petrobras, the successful transition to operatorship and becoming one of the largest oil producers on the ASX.

Karoon recorded an overall net loss after income tax of A\$2.4 million for the half-year. While the Baúna asset generated a gross profit of A\$9.3 million in respect of oil produced and sold during the period from 7 November 2020 to 31 December 2020, Baúna's contribution to revenues over the half-year was limited to the 7 week period during which Karoon owned the asset. The net loss was driven primarily by costs associated with the transition to operating Baúna, exploration and finance costs, and net foreign currency losses almost entirely attributable to unrealised losses resulting from the depreciation of Karoon's United States dollar cash and cash equivalent balances against the Australian dollar equivalent value during the full financial half-year.

In relation to the period between 7 November 2020 and 31 December 2020, A\$32.9 million in oil sales revenue was realised from the sale of 503 kbbls of Baúna crude oil, at a net realised sales price of A\$65.43 (US\$47.31) per bbl and a unit production cost of US\$22.10 per bbl (excluding royalties).

Karoon produced 816 kbbls in total during the period from 7 November 2020 to 31 December 2020. The oil inventory remaining on board the FPSO Cidade de Itajaí at the end of the financial half year was lifted and sold in January 2021.

**1H FY21 Key Financial and Operational Measures**

Production (kbbls)	816
Sales Volume (kbbls)	503
Realised Oil Price (US\$/bbl)	47.31
Oil Sales Revenue (A\$ million)	32.92
Unit Production Costs (US\$/bbl)	22.1
Gross Profit from oil produced and sold from 7/11/2020 to 31/12/2020 (A\$ million)	9.33
Net Profit (Loss) after Tax (A\$ million)	(2.39)
Cash at Bank (A\$ million)	133

## FY21 Initial Guidance (as at 25 February 2021)<sup>1</sup>

	Low	High
Production (mmbbls)	3.0	3.4
<b>Operating Expenditure</b>		
Unit Production Costs (US\$/bbl) <sup>2</sup>	23	27
Other Operating Costs (A\$ million) <sup>3</sup>	14	16
<b>Investment Expenditure</b>		
- Intervention and Patola Projects (US\$ million) <sup>4</sup>	34	38
- Exploration and Evaluation (US\$ million) <sup>5</sup>	7	8

### Notes:

1. Guidance is subject to various risks (including those “Specific Risks” set out in Karoon’s 2020 Annual Report).
2. Unit Production Costs: based on daily operating costs associated with Baúna Production, excludes government royalties, depreciation on oil and gas assets and right-of-use assets capitalised under IFRS 16.
3. Other Operating Costs: includes corporate, financing (excluding finance charges on right-of-use assets), and new ventures costs. Excludes government royalties and one-off transition costs associated with the Baúna acquisition of A\$20.6 million spent during the financial half-year.
4. Estimate includes Patola capital expenditure up to Final Investment Decision (“FID”). A positive FID according to the current plan would result in incremental, additional Patola capital expenditure in the period between FID and 30 June 2021.
5. E&E costs include time written to global exploration projects, new ventures and residual Z-38 costs.

Where necessary, US\$ is translated to A\$ using the average rate of A\$1:US\$0.7231 for the 6 months ended 31 December 2020.

Operating activities during the financial half year resulted in a cash outflow of A\$57.84 million primarily resulting from payments to suppliers and employees for production costs, transition costs associated with the handover of Baúna and the payment of final costs associated with the previous exploration drilling campaign in Peru.

During the financial half year, total assets increased from A\$579.3 million to A\$1,307 million, total liabilities increased from A\$56.1 million to A\$822.1 million (primarily related to FPSO lease liability additions of A\$454.2 million and Baúna restoration obligations of A\$220.2 million) and total equity decreased by A\$38.3 million to A\$484.9 million (largely as a result of changes in exchange rates). This balance sheet expansion resulted primarily from the acquisition of Baúna and the recognition of a right of use asset and associated lease liabilities in respect of the FPSO Cidade de Itajaí and abandonment provisioning for Baúna.

During the financial half year, Karoon recorded cash outflows from investing activities of A\$204.6 million, which includes the refund of work program related security deposits of A\$4.8 million and the completion payment for the Baúna acquisition of A\$206.6 million.

Karoon is considering voluntarily changing its presentation currency from A\$ to US\$ in accordance with AASB 108 ‘Accounting policies’. Karoon will keep the market updated in relation to any such change.

## **Balance sheet strength**

At the end of the year, Karoon had cash holdings of A\$133 million, and nil bank debt.

## **Comments from Chief Executive Officer and Managing Director Dr Julian Fowles:**

“The first half of financial year 2021 has been a transformational period for Karoon, becoming a producing global energy company and delivering a gross profit in respect of oil that was produced and sold in the period from 7 November 2020 to 31 December 2020 from its high-quality Baúna production asset.

I am pleased that Karoon was able to revisit the agreement with Petrobras to acquire the Baúna oil field for a revised purchase price, in what was a very difficult market in 2020. The revised transaction allowed Karoon to complete the acquisition utilising existing cash and organic cashflows from Baúna. Karoon is now in a position to utilise cash flow generated by Baúna and raise debt to complete its planned Baúna intervention campaign, the development of Patola and the potential drilling of the Neon control well.

Despite one-off costs associated with the transition to owning and operating Baúna, Karoon delivered an overall operating cost of US\$22.10 per bbl (excluding royalties) in line with pre-completion forecasts, during the financial half year. It is anticipated that operating efficiencies will be captured over time as Karoon increases production and optimises its operating model for Baúna.

### *Initial production rate ahead of expectations*

The production rate under Karoon’s operatorship during the financial half year was ahead of expectations. The operations team has already identified the potential to improve individual well productivity (including via previously shut-in wells) at low cost in the short term to reduce the natural decline rate of the wells.

### *Smooth transition to operatorship*

Taking over operatorship of a producing asset is a challenging task for any company, even more so when the company is not already a producer. I should like to commend the Karoon team and previous Managing Director and Founder Bob Hosking who succeeded in making this happen. I should also like to recognise the effort that continues to be made in ensuring the safety of our people and our contractor partners and the integrity of our new asset and the environment in which we are operating, especially during the challenging circumstances of the ongoing global pandemic.

Karoon enters the second half of financial year 2021 in a strong financial and operating position with A\$133 million in cash and with higher oil prices generating further cash flow to help fund Karoon’s aspirations of increasing production and bringing value to shareholders.

As previously announced, Karoon has signed a letter of intent with TechnipFMC related to certain long lead items required for the potential development of the Patola field. A final investment decision in respect of the development of Patola is expected to be made in the second quarter of 2021.

In regard to the Baúna intervention campaign, Karoon expects the well activity to commence in the first half of calendar year 2022, with the Patola development to follow immediately after the workover campaign is complete. First oil from Patola is currently expected in early calendar year 2023. The combined impact of the intervention campaign and Patola development together with existing Baúna production is currently expected to deliver average oil rates through the FPSO of between 24 and 30 thousand barrels per day during 2023.”

This announcement has been authorised for release by the Board of Karoon Energy Ltd.

## Glossary

Term	Definition
1H	First half
A\$	Australian dollars
bbl	barrel
FY21	Financial year ending 30 June 2021
Karoon	Karoon Energy Ltd and its subsidiaries
kbbls	thousand barrels of oil
mmbbls	million barrels of oil
US\$	United States dollars

## Important Note

Should investors have any questions or queries regarding the company, please contact James Wootton on 03 9616 7500 or [jwootton@karoonenergy.com.au](mailto:jwootton@karoonenergy.com.au). Media please contact Tim Duncan on 0408 441 122 or [tduncan@gracosway.com.au](mailto:tduncan@gracosway.com.au). All **holding** enquiries should be directed to our share register, Computershare on 1300 850 505.

## Conference call

Karoon Chief Executive Officer and Managing Director, Dr Julian Fowles, will hold a conference call to discuss the financial half year results on Thursday, 25 February 2021 at 11am (Melbourne time). The conference call will be streamed live and can be accessed via the following link: <https://webcast.boardroom.media/karoon-energy-ltd/20210127/NaN60348c2c4e991e001a72e346>

A recording of the conference call will be available on Karoon's website.

## About Karoon Energy Ltd

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

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

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

### **Forward-looking Statements**

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.

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.