

4 November 2021

Company Announcements Office
ASX Limited

Dear Sir / Madam

Presentation to EurozHartleys

Enclosed is a presentation to be made by the CEO and Managing Director later today.

This announcement was authorised by the CEO and Managing Director.

Yours faithfully



Nick Kennedy
Company Secretary

Karoon Energy

**EurozHartleys Energy
Snapshot**

4 November 2021

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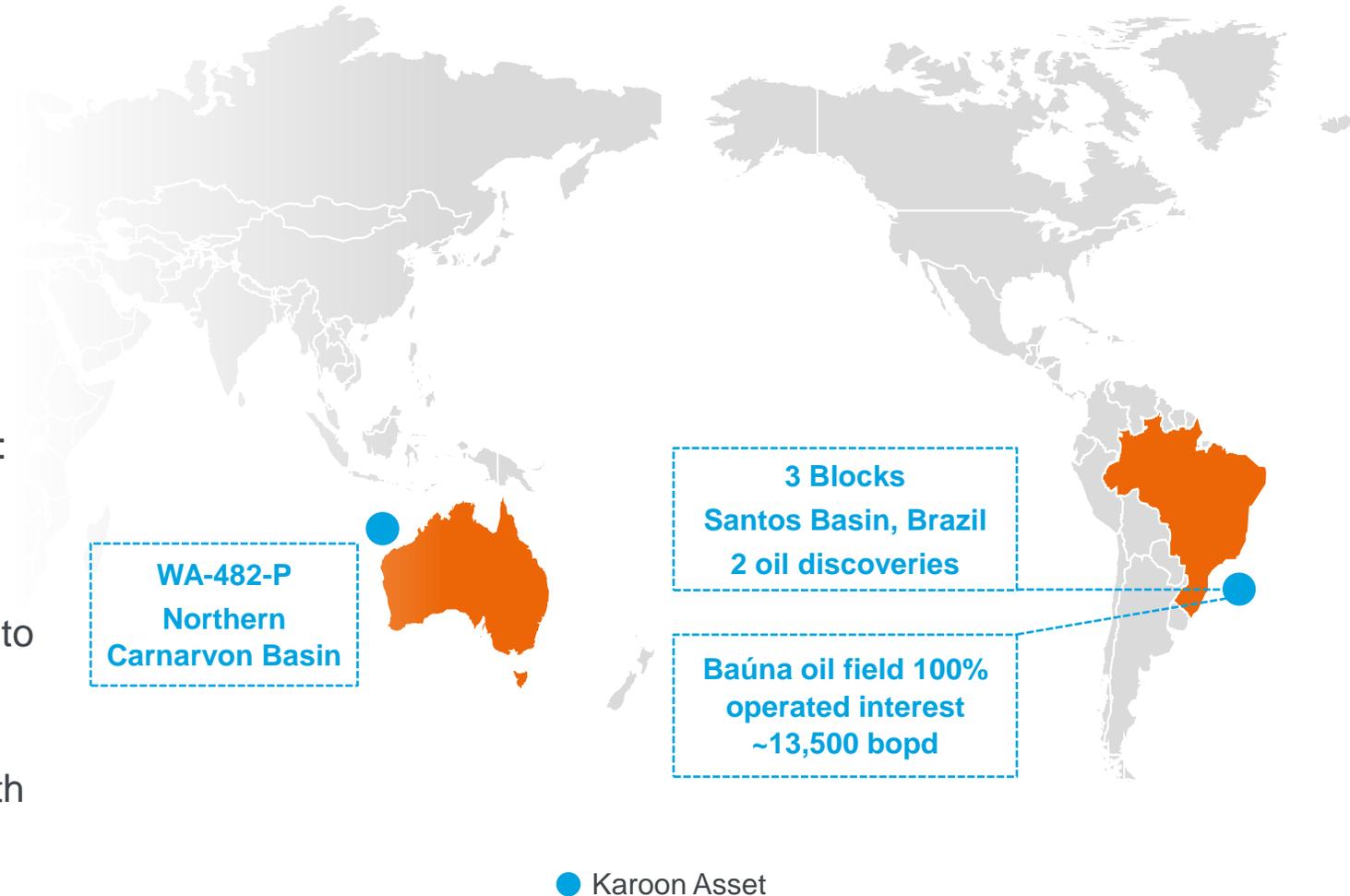
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Overview of Karoon Energy

Pure oil play with exposure to exciting Brazilian oil industry



- ASX-listed and Melbourne headquartered, Brazil-focused oil production and development company
- Pure oil play, directly exposed to Brent oil price
- Independent Board and Chairman, strong governance and assurance processes
- Highly experienced leadership team, located across Australia and Brazil
- Relatively low cost operator, driving value through:
 - Safe and reliable operations
 - Exposure to oil price
 - Sanctioned near term growth projects expected to more than double production and almost halve unit production costs
 - Developing opportunities for further oil-led growth



Karoon has entered a new era

Key strategic milestones achieved since 4Q 2020



Fundamental change from explorer to producer – Karoon has delivered

Operational delivery

- Executed transition of Baúna operations from previous operator
- Delivered safe and reliable production and operations
 - No material safety incidents, no significant injuries or environmental incidents

Material developments sanctioned

- Two near term projects to more than double production and grow value
- Flexible debt funding package, establishing relationships with major banks

Board and executive changes completed

- Brand new leadership team – deep industry experience, capabilities and networks
- Business re-structured – Brazil business unit formed, improved focus, financial discipline and accountability

Strategy refresh completed

- Focus on priorities for growing near to medium term value
- Value-accretive organic and inorganic growth opportunities available

Highlights of 1Q FY22 Report

US\$71m

Revenue from two cargoes

US\$175m

Cash at end September 2021, +US\$42m in quarter

1.28 MMbbl

Production

98%

Plant uptime

Strategic Context

Karoon well positioned to capture emerging oil opportunities



Oil industry dynamics

- Crude oil demand supported to at least 2035
- Many years of underinvestment have led to structural undersupply, supporting a long-term constructive oil price environment
- Strong near-term demand rebound driving attractive prices
- Geopolitical uncertainty creating demand for supply diversification

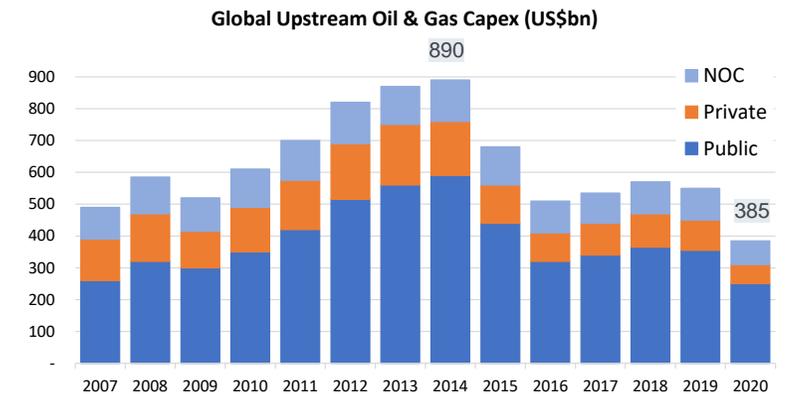
Growth opportunities in Brazil

- Brazil is world's 10th largest oil producer, set to become fifth by 2030
- Oil and gas generates ~10% of GDP
- Prospectivity and favourable fiscal terms make Brazil attractive place to invest
- Portfolio rebalancing of Petrobras and IOCs creating opportunities to acquire high quality, well-understood assets

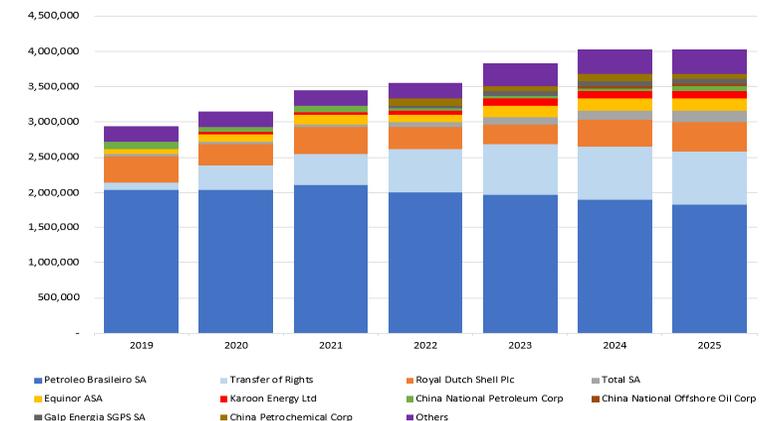
Changing stakeholder expectations

- Energy transition is underway
- Stakeholder expectations driving focus on social and environmental sustainability and carbon emissions reductions

Upstream capex fell 40% during 2014–19
In 2020, it declined another 30%¹



Brazil production to grow by 1MMbpd by 2025²



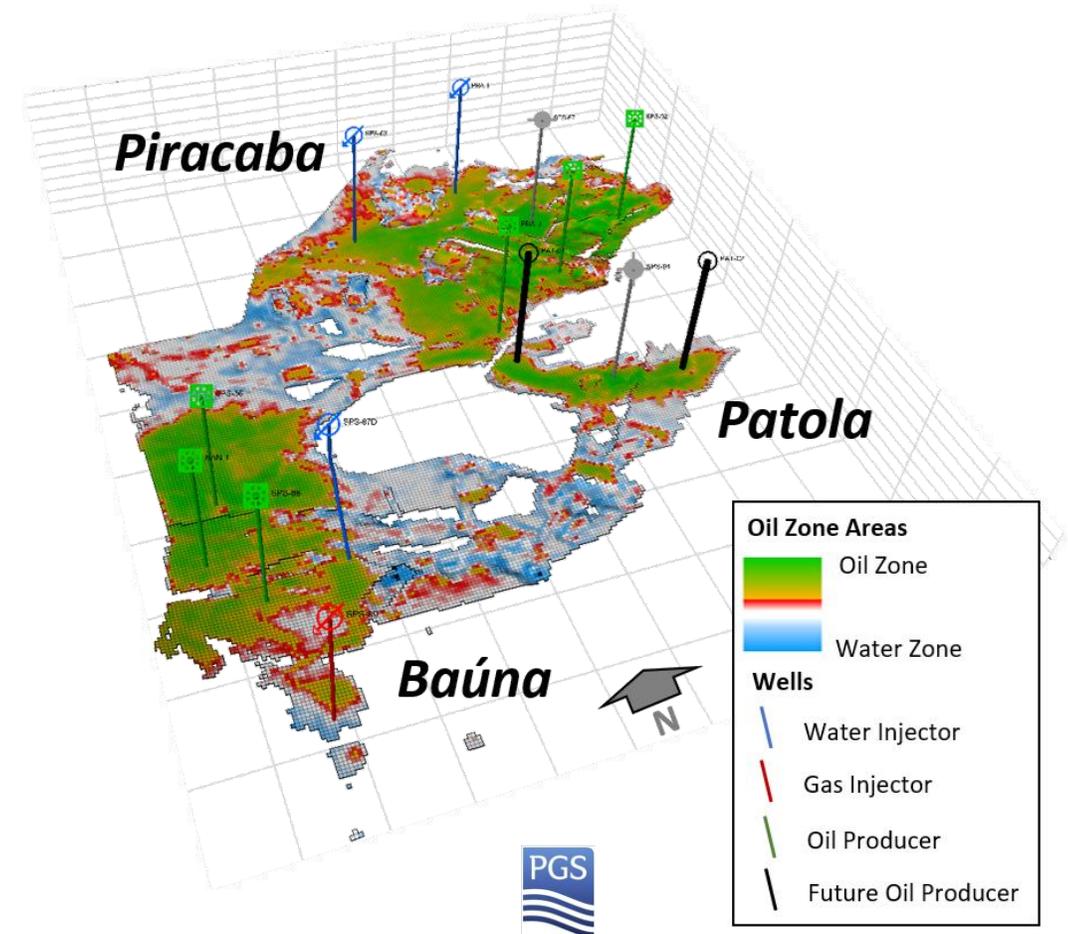
Source: ¹From industry sources and internal analysis; ² Production includes both Sanctioned and Pre-FID developments

Baúna: Karoon's anchor asset in Brazil

High quality producing field with excellent sub-surface characteristics

- Baúna came onstream in 2013
- Production peaked at 70,000 bopd, >135 MMbbl produced to date
- Karoon acquired 100% and became operator in November 2020
- HSSE core to all Karoon activities, with focus on setting strong safety culture throughout Baúna operations
- Current production ~13,500 bopd of high quality, 34° API light oil. Reservoir depth ~2,000 metres, water depth ~280 metres
- High productivity and recovery rates, with producing Baúna and Piracaba wells tied back to leased FPSO
- Patola oil discovery well confirmed 38° API light oil – work focused on optimising development underway
- Potential for incremental resource addition through targeted field management:
 - Material operational and logistical synergies to be gained for any new barrels developed

Seismic derived 3D models used for field management and development planning



Maximising value of Baúna

Focus on high operational uptime and active field management

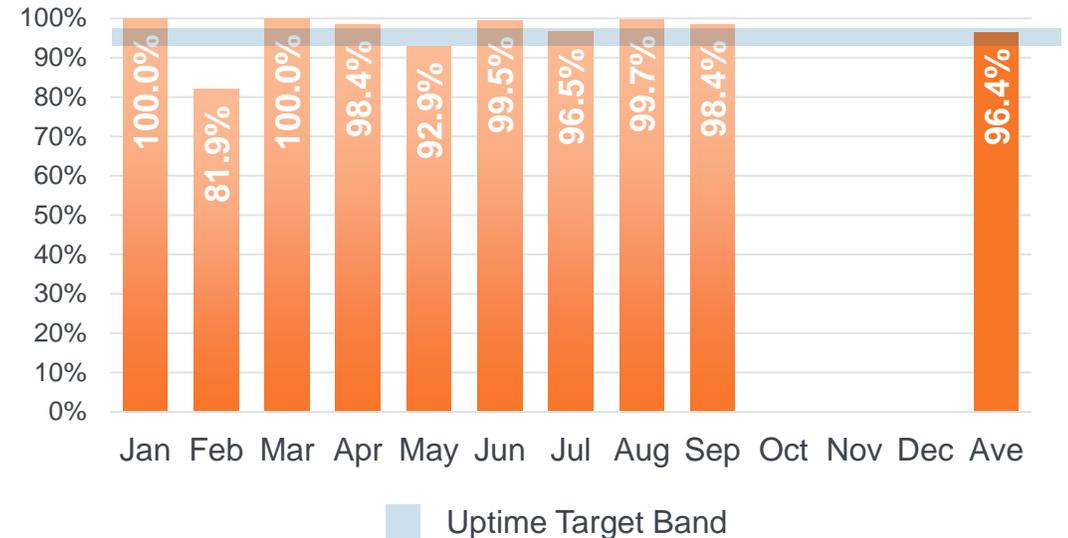
Process safety, facility integrity & preventive maintenance

- Minimising unplanned shutdowns and downtime due to equipment failure
- Ensuring scheduled maintenance delivered on time and budget
- Comprehensive diagnostic audits of FPSO and operating practices
- Goal is to achieve annual process plant uptime of 92–97%, with consistent high availability and reliability. Average uptime in YTD towards upper end of target

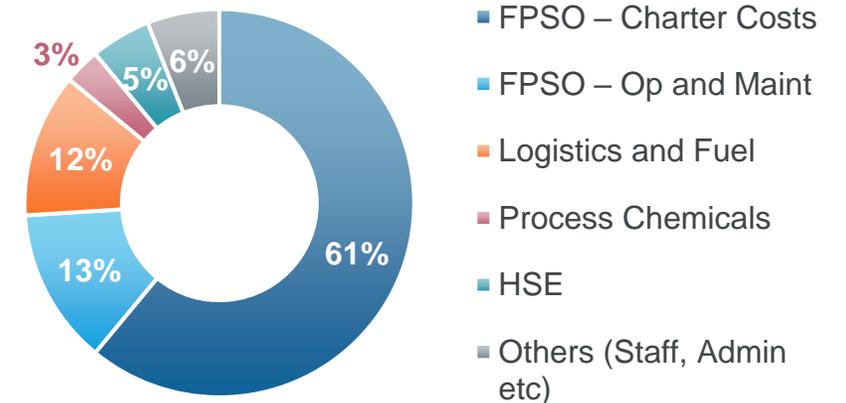
Continuously assessing production enhancing opportunities, with aim to minimise existing field decline to <15% per annum

- Focus on extracting maximum value and resource from Baúna asset
- Multidisciplinary focus on optimising reservoir management, well operations, cost structure and facilities integrity
- Intervention and Patola project expected to grow production base while materially improving unit cost base
- Seismic reprocessed to improve static and dynamic reservoir model, to be delivered 2Q 2022
- Potentially 4D seismic survey depending on positive Value of Information assessment

FPSO – Monthly Uptime 2021



Operating Cost Breakdown



Baúna interventions and Patola development on track*

Forecast to more than double current production, to >30,000 bopd in early CY2023

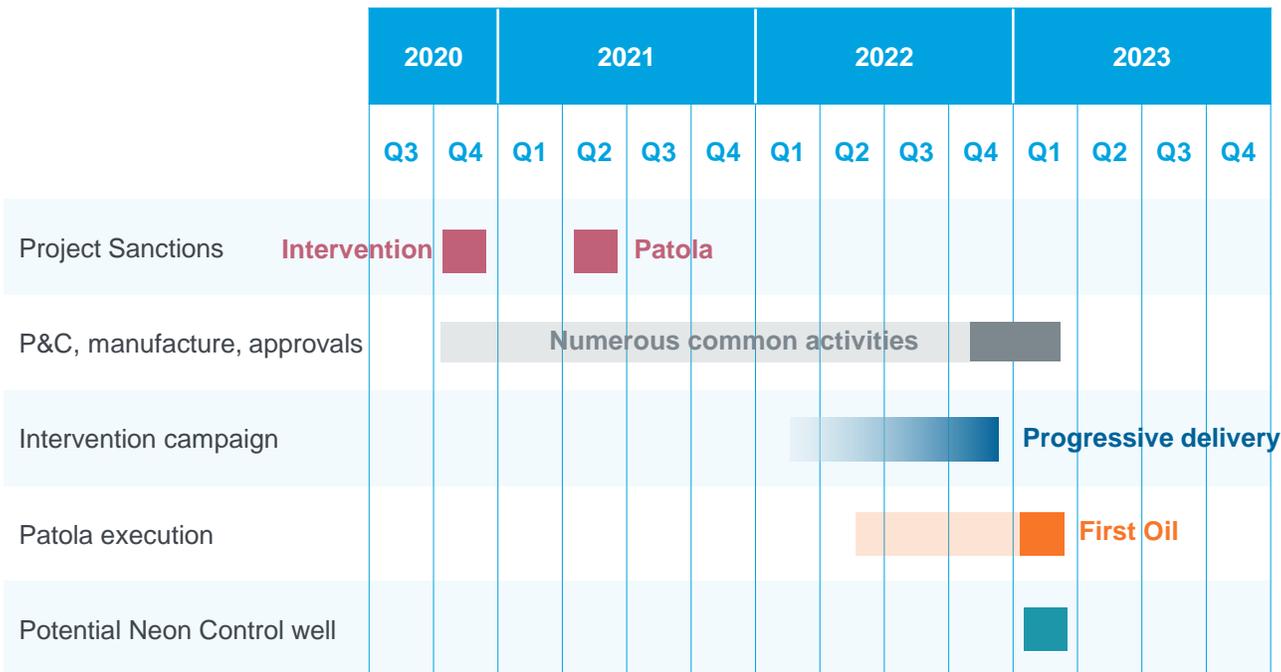


Baúna well intervention project

- Targeting 5,000 – 10,000 bopd incremental production
- Expected to commence mid CY2022
- Estimated cost US\$110 – 130 million

Patola Development

- Targeting first Patola production in early CY2023
- Expected peak production rate >10,000 bopd
- Estimated cost US\$175 – 195 million



Current Status

- Suppliers have been selected for >95% of contracts and more than 60% already signed
- Maersk Drilling and TechnipFMC contracts signed:
 - Being actively managed, no major issues or delays at present
- Schedule:
 - 60-day window of operational commencement confirmed, between 1 April to 31 May 2022
 - Window narrowing to 30 days to be confirmed by Maersk in Dec 2021
- Despite global inflationary pressures, no cost increases identified so far

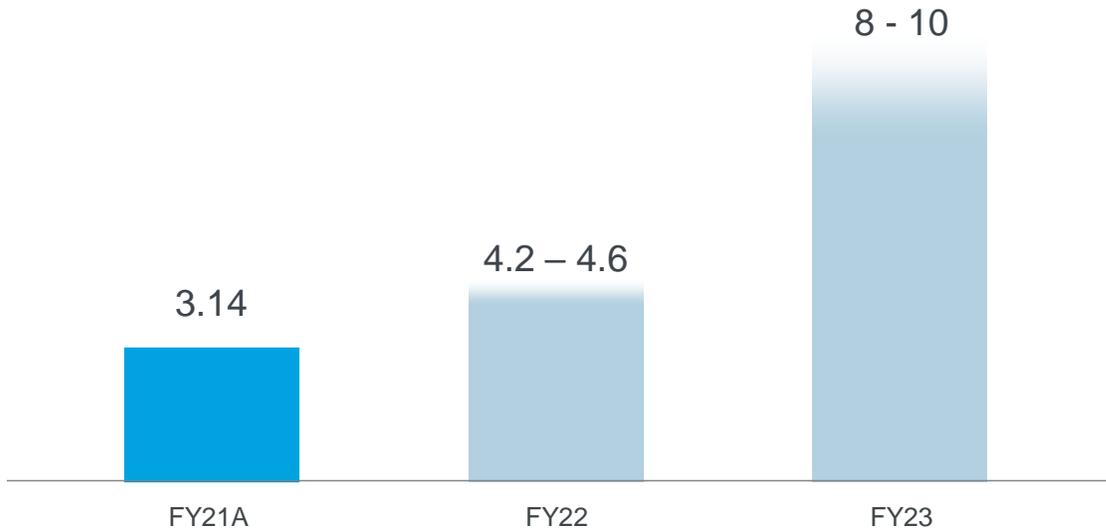
* Subject to timing of arrival of Maersk Developer rig

Indicative production and cost profile*

Sanctioned projects targeting material production increase and opex/bbl reduction



Indicative Production Profile (MMbbl)*



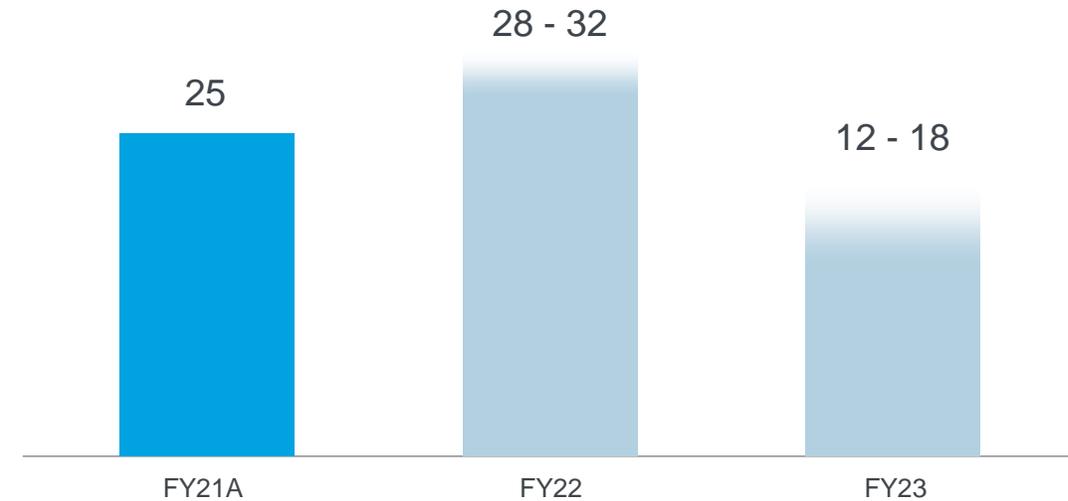
Deliver BM-S-40 base business

- Operational excellence, Baúna interventions and Patola

Beyond FY2023, deliver potential growth opportunities

- Offset natural decline post FY2023 through active management of Baúna production system
- Progress Neon development
- Brazil M&A
- Near-field production opportunities

Indicative Unit Operating Cost Outlook (US\$/bbl)*



Production cost outlook

- Intervention and Patola projects will utilise existing infrastructure
- With ~90% of costs fixed, increased production expected to reduce operating cost per barrel materially in CY2023
- Charter, operations and maintenance (O&M) contracted cost reduction of 15% from Feb 2022

* Profile from FY2022 is indicative only, based on natural decline and operational uptime assumptions and assumes Baúna intervention and Patola projects are delivered within targets

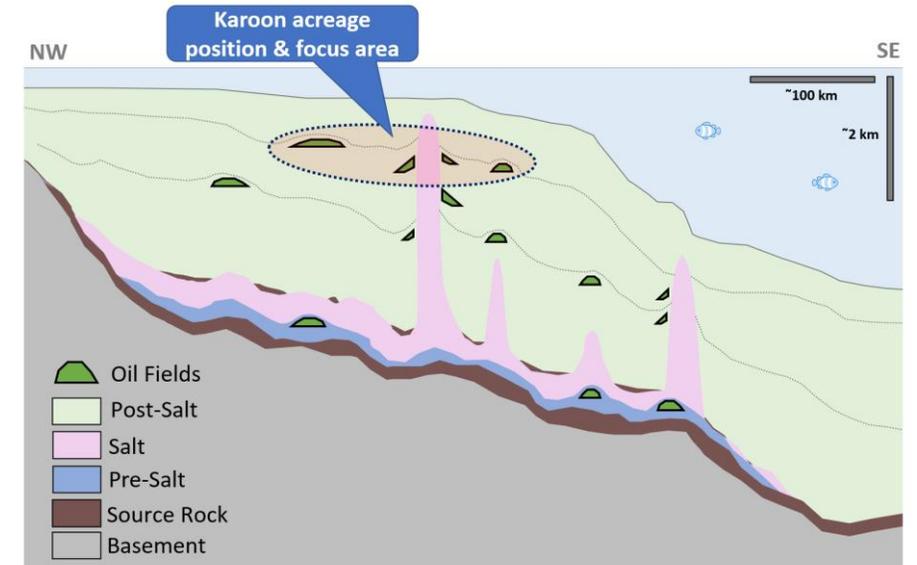
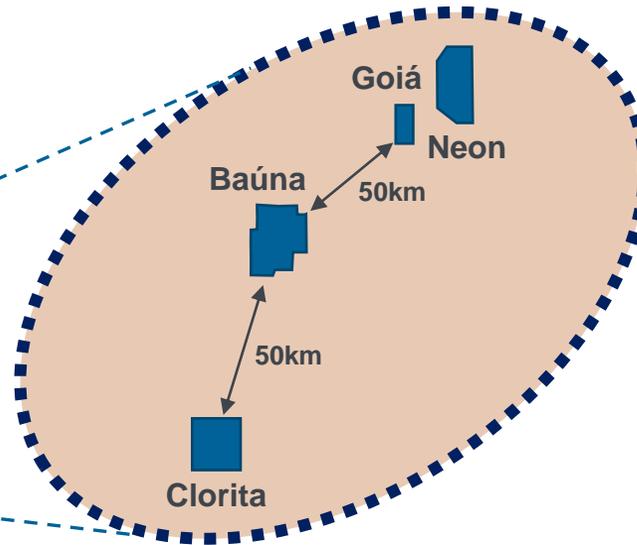
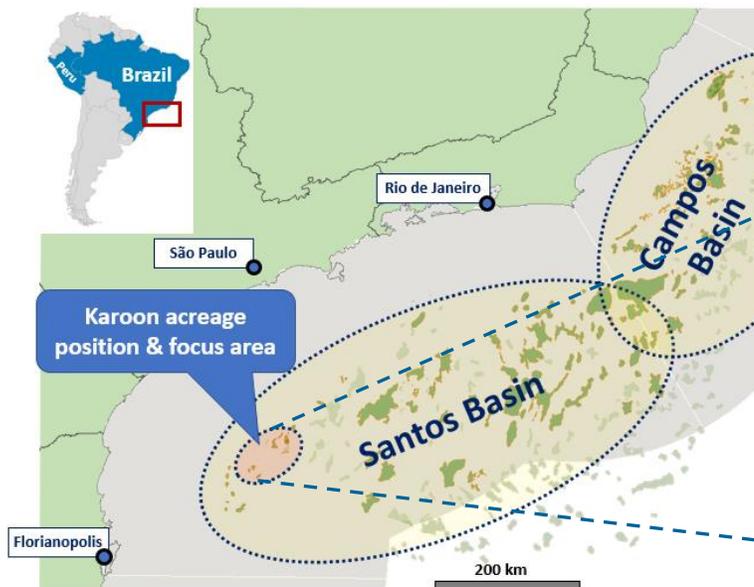
Potential Neon hub development

Within Karoon's Southern Santos heartland

Great address

Karoon portfolio

Subsurface Characteristics



Brazilian offshore oil basin schematic cross-section

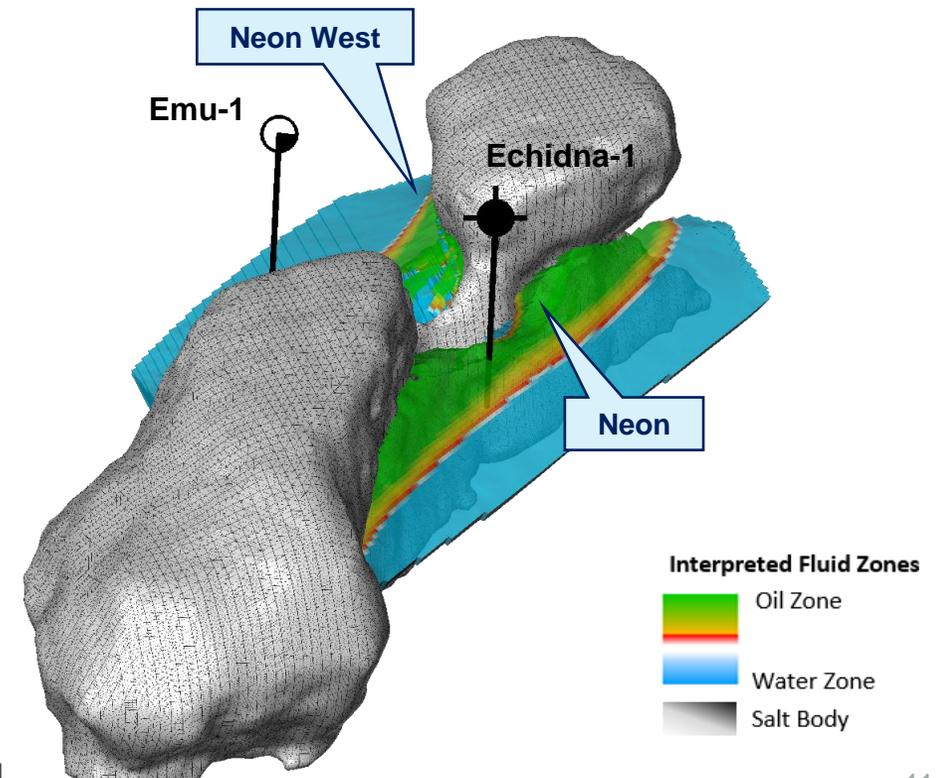
- Brazilian offshore basins world renowned for “Super Basin” scale prospectivity
- Karoon focus on targets in shallower water areas with high deliverability reservoirs, high-quality light oils and strong project economics
- Leveraging advanced seismic analysis and integrated subsurface modelling to de-risk near-field exploration targets and optimise exploitation

Maximise potential value of Neon Oil Field

Alternative development concepts being explored

- Neon oil field discovered by Echidna-1 exploration well in 2015
- Located 60km NE of Baúna, ~300m water depth, targeted reservoirs <2km burial depth
- Contains high quality 39° API light oil. Strong production rates potential confirmed by flow testing
- Detailed subsurface modelling, to update preliminary field development planning and re-evaluate commercial potential
- Potential control well to assess remaining subsurface uncertainties, subject to meeting internal business case
- Feasibility of pipeline connection to Baúna being investigated, as alternative to Neon-dedicated FPSO. Likely reduction in development capex and potential to extend Baúna field life, improving economics, partially offset by potential impacts on Neon recovery factors
- Production rates of >30,000 bopd modelled (100%)
- Subject to success, could enter Concept Select phase 2Q23, first oil end 2026
- Goiá field subsurface modelling and exploitation plan being revised
- Neon West emerging as potentially low risk, prospective opportunity

Field	Contingent Resources ¹		
	1C (MMbbl)	2C (MMbbl)	3C (MMbbl)
Neon	30	55	92
Goiá	16	27	46



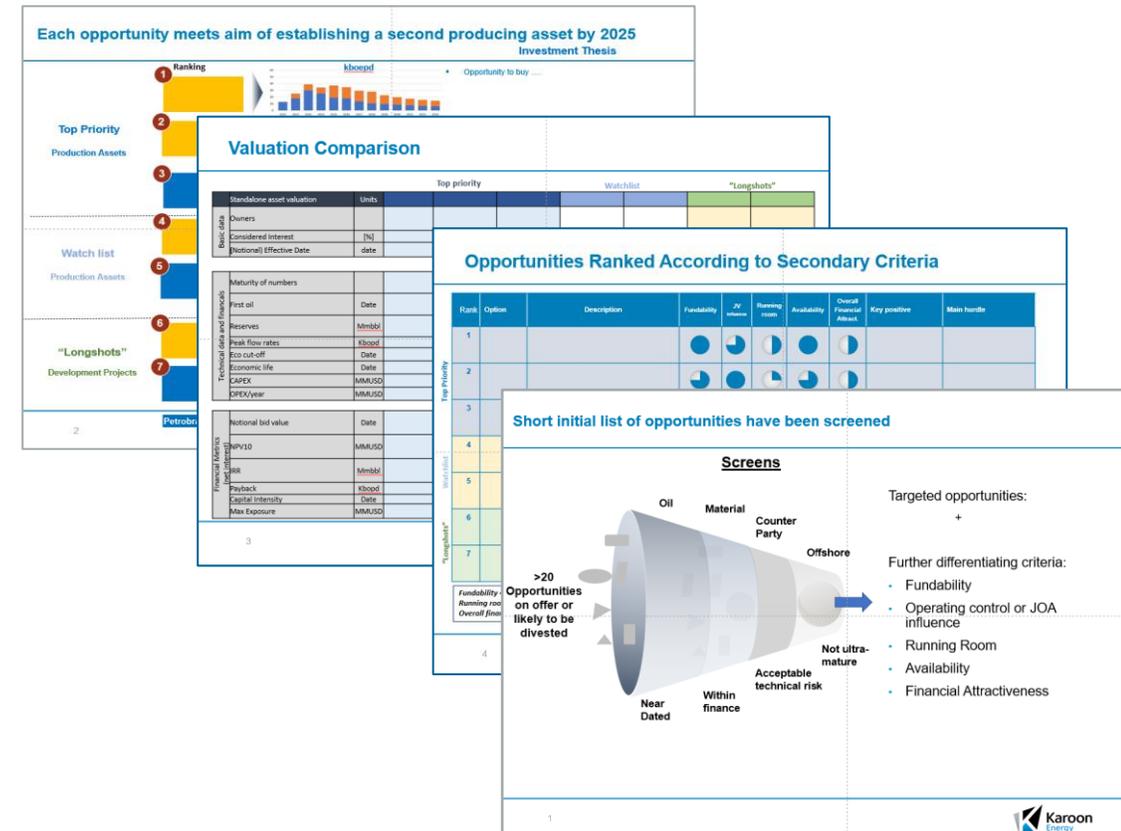
Note 1. Contingent resource volume estimates presented for Neon and Goiá were disclosed in the 8 May 2018 ASX announcement "Resources Update" and published in the 2021 Annual Report. Karoon is not aware of any new information or data that materially affects these resource estimates and all material assumptions and technical parameters underpinning the estimates in the relevant ASX announcement continue to apply and have not materially changed.

Use Karoon's technical and commercial skills for M&A

Actively assessing inorganic growth options through a disciplined process



- Karoon actively screening for inorganic growth opportunities
- Petrobras divestment process well-established with motivated seller
- High-quality conventional E&P assets with large remaining resource and redevelopment potential are among potential divestment targets
- Karoon well placed to take advantage of ongoing M&A wave
- Competing against relatively small but highly motivated field of potential buyers, including Brazilian independents and private equity
- Rigorous process being followed utilising two criteria sets:
 - Initial screen to get working short-list
 - Secondary screen fine tuning based on asset characteristics
- Key asset selection priorities:
 - Value accretive opportunities, exceeding Karoon's return threshold
 - Fundable
 - Producing or close to production



Karoon's five pillars of sustainability

Underpinned by oversight from Board Sustainability and Operational Risk Committee



HSE	<ul style="list-style-type: none">▪ Safety is our first priority▪ Working closely with FPSO operator to improve already strong safety record, >3.5 years without a Lost Time Incident	
Climate	<ul style="list-style-type: none">▪ Carbon management core focus of Karoon's sustainability strategy▪ New emissions targets, with action plan to ensure success	
Our People and Human Rights	<ul style="list-style-type: none">▪ 50% female employees across Karoon Group at 30 June 2021▪ Target of 30% female participation on the Board, in senior management and across Karoon Group by 2025▪ Karoon's first Modern Slavery Statement to be submitted December 2021	
Community	<ul style="list-style-type: none">▪ Opportunity to build on 'Project RUMO', Karoon's primary social consultation project in Brazil▪ Establishing new local sustainability team to engage and consult with local communities to:<ul style="list-style-type: none">◦ Develop new social investment programs◦ Identify projects that can deliver both environmental and social benefits	
Environment	<ul style="list-style-type: none">▪ Establishing Sun Coral research project aiming to protect biodiversity in waters around Baúna▪ Additional environmental monitoring and education projects already in place▪ No significant environmental incidents recorded	

Carbon management action plan – carbon neutral in FY2022

As a new oil producer, Karoon has opportunity to achieve meaningful emissions targets



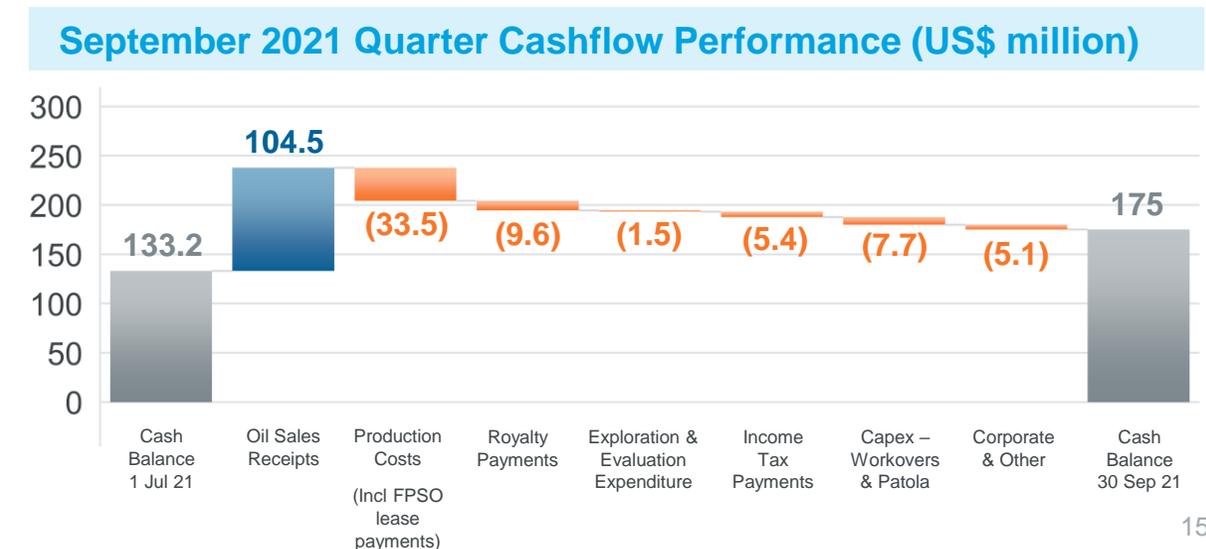
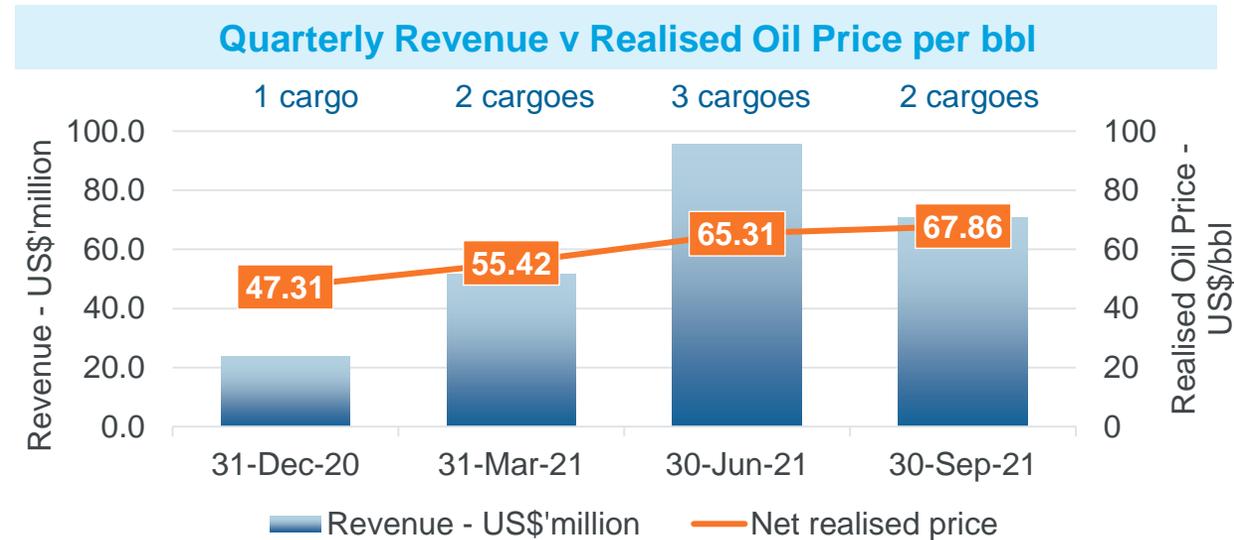
* Scope 1 and 2 GHG emissions

Strong and improving cash position

Consistent Baúna production delivering strong cash flow foundation



- Current Baúna production provides solid foundation for growth
- In FY21, generated oil revenues of US\$171 million (eight months of production) at average realised Brent price of US\$59/bbl. Strong operating cashflow margin, with unit production costs of US\$25/bbl
- In September 2021 quarter, average realised oil price of US\$68/bbl, operating cashflow of US\$60 million before long-lead capex, corporate and tax outflows of US\$18 million
- Cargo shipped in early October 2021, ~US\$40m revenue
- New US\$160 million reserve-based, non-recourse facility to fund Patola development an important step in diversifying funding mix to include debt finance. KAR's first debt facility
- Potential to expand via US\$50 million accordion facility provides additional future funding flexibility
- Oil hedging to be entered into (~30-40% year 1 & 2 production) to support investment plans and ongoing debt obligations, retaining material exposure to oil price upside
- US\$175 million cash at 30 September 2021



Order of Priority

Deliver safe and reliable operations

- Deliver production from on-going operations
- Investment in long term maintenance to maximise life of facilities

Build and maintain strong, flexible balance sheet

- Meet debt obligations and covenants
- Develop new sources of debt finance as production and asset base grows

Baúna interventions and Patola development

- Baúna interventions to maximise recoveries
- Brownfield tie-back developments, i.e. Patola

Future growth opportunities (organic and acquisitions) and/or dividends/returns of capital

- New growth investments to compete with value of returns to shareholders
- Progress Neon discovery
- Consider complementary strategic oil acquisition opportunities
- Project plans and economics to include sustainability investments

Capital prioritisation framework for incremental investment will ensure disciplined use of capital

FY2022 guidance unchanged¹

Will be reviewed with H1 2022 results



	Low	High
Production (MMbbl)	4.2	4.6
Costs		
▪ Unit Production Costs (US\$/bbl) ²	28	32
▪ Other Operating Costs (US\$ million) ³	15	17
▪ Unit DD&A (US\$/bbl) ⁴	12	13
Investment Expenditure		
▪ Intervention and Patola Projects (US\$ million) ⁵	100	135
▪ Subsurface Evaluation and New Ventures (US\$ million)	5	7
▪ Other Plant and Equipment (US\$ million)	9	11

Notes:

1. Guidance as at 28 October. Is subject to various risks (including those “Key Risks” set out in Karoon’s 2021 Annual Report).
2. Unit Production Costs: based on daily operating costs associated with Baúna production, excluding government royalties.
3. Other Operating Costs: includes corporate and non-oil and gas related depreciation, excludes government royalties.
4. Excludes depreciation on FPSO right-of-use asset capitalised under AASB 16 ‘Leases’, which is included as part of Unit Production Costs.
5. The variance between low and high guidance is largely related to timing of the commencement of the Maersk Developer drilling rig in Brazil, with the exact timing subject to the completion of its current drilling program. Excludes any borrowing costs associated with the Patola development that may be capitalised.

Summary: Karoon well positioned to deliver significant value

Transformation from explorer to producer with clear growth path



Successful transition from explorer to oil producer following acquisition of Baúna

- One of the only companies with pure oil exposure listed on the ASX
- 100% owner/operator of a high-quality asset, delivering on promises

Building reputation as safe and reliable operator

- Knowledgeable and experienced operations and development teams
- Thorough maintenance program combined with financial discipline to ensure long term viability of asset
- High value near term production growth through sanctioned Baúna interventions and Patola development
- Additional growth potential at Neon and Goiá light oil discoveries
- Integrating sustainability into strategic decision framework, with target carbon neutral (scope 1 and 2 emissions) by FY2022 and net zero (scope 1 and 2 emissions) by 2035
- Clear growth path

Strong financial position with a robust balance sheet

- Strong cash flows at relatively low unit operating cost, set to grow strongly with potential doubling of production over the next 15 months
- Demonstrated ability to access debt financing
- Favourable oil price outlook currently

Experienced Board and management team leading a refreshed and agile organisation

