

3 June 2021

Company Announcements Office
ASX Limited

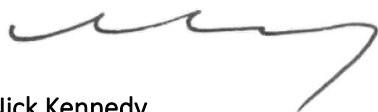
Dear Sir / Madam

Investor Presentation – Patola FID

Enclosed is an investor presentation entitled “Patola FID – Karoon Energy”.

The investor presentation has been authorised for release by the Board of Directors.

Yours faithfully



Nick Kennedy
Company Secretary

personal use only

Patola FID Karoon Energy

3 June 2021



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Patola Final Investment Decision

Investment Highlights

**Pathway to
potentially double
current production**

- Low risk, near-field, two well development, consistent with corporate strategy
- Targeting first Patola production in early CY 2023, with expected peak rates >10,000 bopd. Takes total potential BM-S-40 production (including Baúna interventions) to ~30,000 bopd, more than double current levels
- Excellent reservoir properties and oil quality, similar to Baúna and Piracaba
- Accesses 13.2 mmbbl of 2C contingent resources in Patola and additional 1.5 mmbbl in Baúna from Patola gas injection

Value accretive

- Leverages existing underutilised facilities
- Expected to significantly reduce unit OPEX with rapid payback

**Major contracts and
funding finalised**

- FID follows thorough reserves, financial, legal, HSE, facilities and insurance due diligence by Karoon, independent advisers and financiers
- Key contracts signed with Maersk Drilling and TechnipFMC:
 - Long leads already on order to preserve timetable
- Funded by US\$160 million debt facility and cash flow from operations
- New facility broadens depth of Karoon's capital providers, accessing debt finance for the first time with high-quality banking syndicate

Patola FID next step to becoming major oil producer

Delivery of key milestones

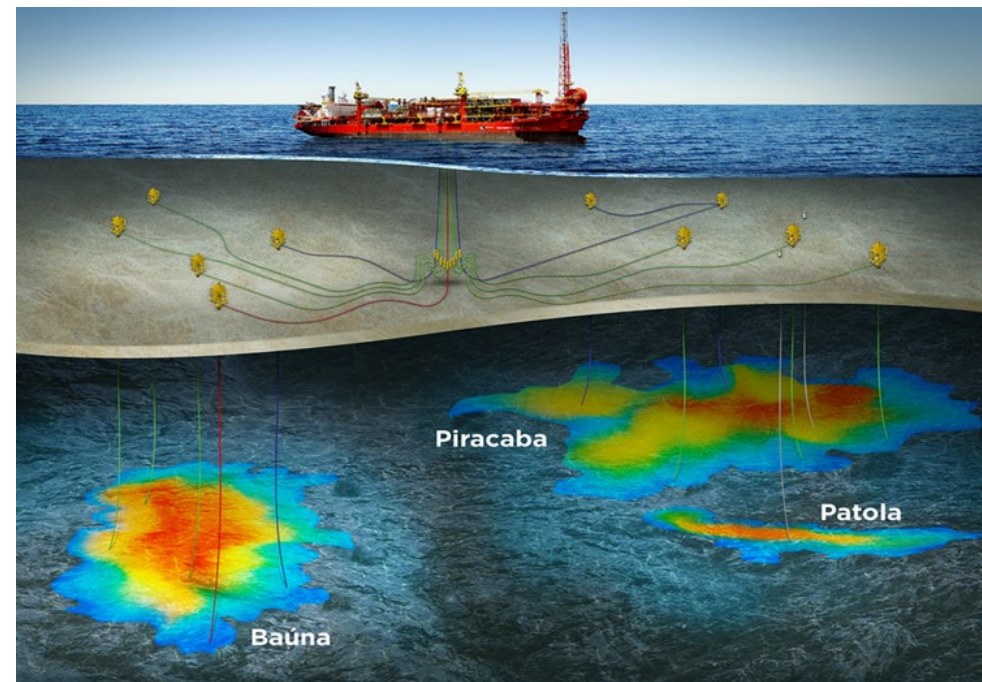
- Seamless transition to operatorship:
 - Safe, reliable operations with Baúna base production performing in line with expectations
 - Strict COVID protocols in place, no impact on operations to date
 - Seen as credible new offshore operator in Brazil
- Achieving approval of Baúna intervention program and Patola FID within seven months of Baúna acquisition reflects Karoon's depth of operational, technical, financial and commercial capabilities in Brazil and Australia
- Baúna intervention program and Patola development have the potential to double current production
- Option to drill control well on Neon light oil discovery potentially provides further medium-term upside

Activity	2019		2020				2021	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Baúna SPA signed	■							
SPA renegotiated				■				
Acquisition completed						■		
Rig contracted for intervention program							■	
Patola FID								■

Patola Project

Discovered oil pool 5km from Baúna

- Patola discovered in 2011 by exploration well 4-SPS-91, located adjacent to producing Baúna and Piracaba accumulations
- Same play of Oligocene turbidite sandstone reservoirs as Baúna and Piracaba, with similar petrophysical properties
- Water depth ~280 metres, 38°API oil
- Within BM-S-40 production ring-fence
- Development plan comprises two vertical wells and subsea infrastructure tied back to spare riser slots on Baúna FPSO, Cidade de Itajaí:
 - FPSO currently running at ~50% liquids handling capacity, plenty of ullage
- Targeting initial flow rates of more than 10,000 bopd, with first oil forecast by early CY2023



FID expected to result in 2P Reserves being ascribed to Patola

Patola development to access 14.7 MMbbl incremental 2C Contingent Resource across Patola and Baúna

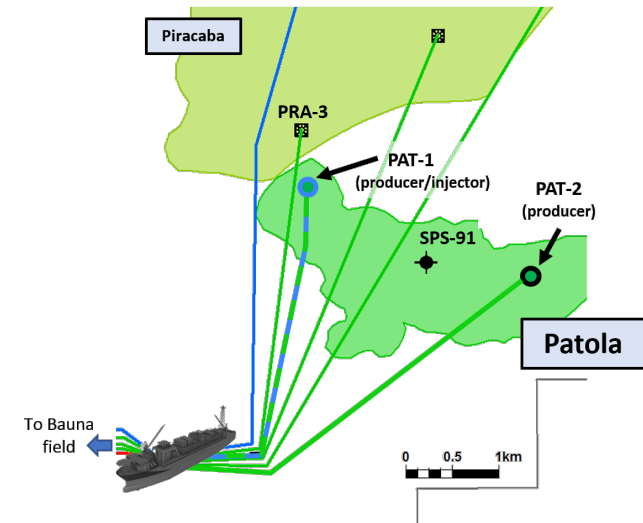
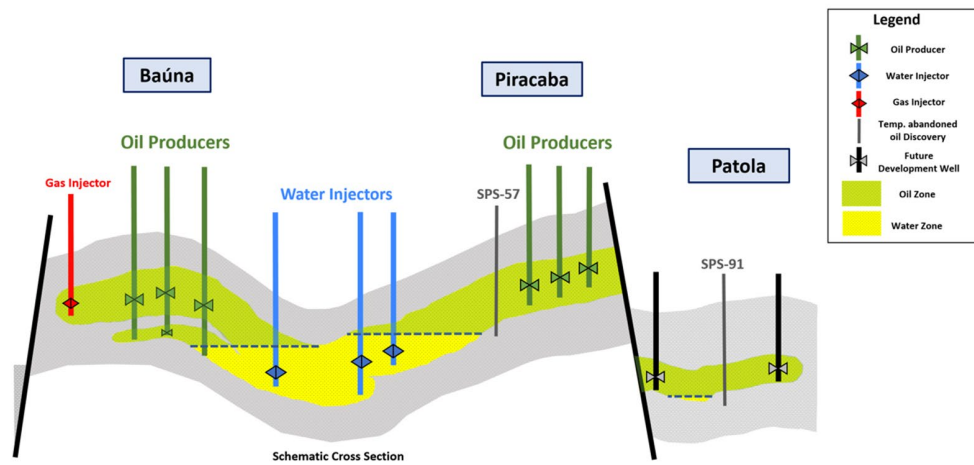
	Contingent Resources 31/12/2020 ¹		
	1C (MMbbl)	2C (MMbbl)	3C (MMbbl)
Patola Development	9.6	13.2	18.6
Baúna benefit from Patola	1.2	1.5	1.6

- Independent expert assessment provided by AGR updated as at 1 Jan 2021 based on US\$55/bbl oil price
- Following approval of Patola development plan, KAR expects to book reserves in 30 June 2021 Reserves and Resources Report

1. The contingent resource volume estimates presented for Patola and Baúna were disclosed in the ASX announcement, dated 28 January 2021, "Baúna Oil Reserves and Contingent Resource Update". 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.

Key Components of Patola Project

Major contracts signed



- Option exercised to extend Maersk Developer rig contract to drill two Patola production wells commencing late CY2022
- iEPCI™ contract signed with TechnipFMC:
 - Integrated package from design and fabrication through to installation of sub-surface infrastructure
 - Long Lead Items (connectors, flowlines, wet christmas trees, control systems) already committed, to preserve timetable
 - Delivery and installation scheduled to commence 2H 2022
- Minor works required on FPSO

Patola Capital Costs and Funding

Karoon's first debt facility secured from syndicate of global lenders

- Total Patola development budget US\$175 – 195 million
- ~US\$17 million already invested in long lead items:
 - Transformational first production expected within two years of development decision
- Balance to be funded primarily by US\$160 million reserve-based, non-recourse facility:
 - Syndicate comprises Deutsche, ING, Macquarie and Shell
 - Represents first debt facility for Karoon
 - Cost-competitive funding source
 - Establishes relationships with high quality global banks
 - Potential to expand facility provides additional future funding flexibility
- OPEX/bbl expected to significantly improve once Patola is onstream due to additional production over largely fixed cost base

Hedging arrangements

Hedging to partially protect downside oil price risk

- Karoon to hedge portion of oil sales over next two years:
 - Prudent management of downside risk during investment phase
 - Will hedge 30 – 40% of production over first two years of loan facility, with balance of production remaining unhedged
- Intention is to protect downside, ensure cash is available for debt repayments
- In the hedged portion, will seek to retain exposure to oil price upside at a reasonable cost, most likely through use of instruments such as puts/collars

Health, Safety, Security and Environment

Commitment to safe, reliable execution

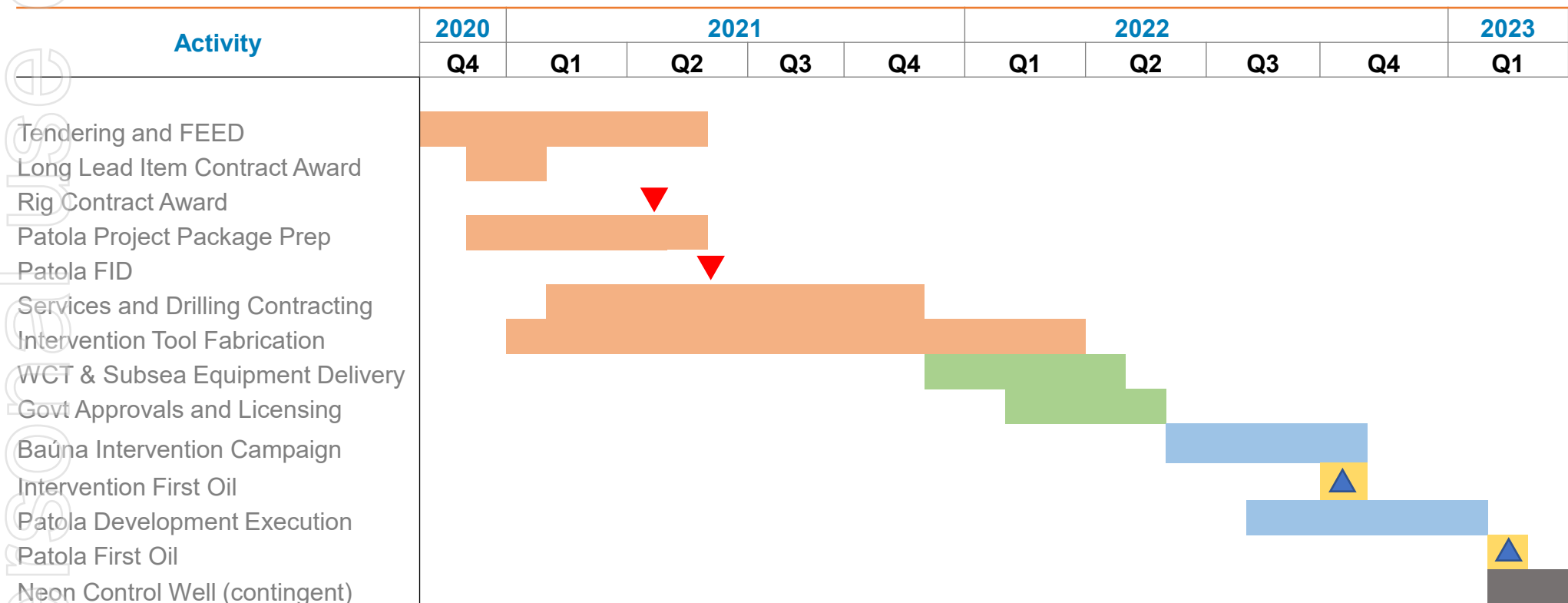
- Early engagement with contractors to develop plans and procedures to mitigate risks and impacts on people, environment, assets and company reputation during project execution
- Actively managing COVID, to ensure health and safety of employees and contractors
- Focus on developing leadership behaviours, strict procedures and execution discipline to prevent HSSE incidents, reinforce HSSE culture
- Nearfield project utilising existing infrastructure expected to lead to a reduction in greenhouse gas emissions intensity



Proposed Timeline to Full Production

Program

- Baúna intervention program to commence mid-2022, two Patola development wells to be drilled after the interventions
- Option remains to drill potential Neon control well



Summary – Transition From Explorer to Producer Complete

A new era has begun...

Pure oil producer

- Stable, low cost production from Baúna
- 3Q 2020/21 production rate of 12,641 bopd (11.5 days maintenance outage)
- Oil price realisations linked to Brent, crude marketed by Shell

Clear growth opportunities

- Baúna interventions expected to commence in late 2Q CY2022
- Patola FID taken
- Sets path to potentially double current production rates by CY2023
- Strategic refresh underway to examine potential future growth opportunities

Improved balance sheet and corporate structure

- Interventions to be funded from cash and Baúna cash flow
- Patola funding provides balance sheet flexibility, with oil price downside risk protected by partial hedging
- With 100% interest in production/development and appraisal licenses, potential to farm down acreage if additional funding is required
- Improved governance structures in place

