

26 November 2021

Company Announcements Office  
ASX Limited

Dear Sir / Madam

**Karoon Energy Ltd**  
**2021 Annual General Meeting – Address by Chairman and Presentation**

In accordance with ASX Listing Rule 3.13.3, enclosed are the Chairman's address and a presentation to be delivered at Karoon Energy Ltd's 2021 annual general meeting.

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

Yours faithfully



**Nick Kennedy**  
Company Secretary

## Chairman's address

Good morning ladies and gentlemen.

The 2021 financial year (FY21) was one of the most significant in Karoon's 17-year history.

With the global Covid pandemic in full flight, the Company renegotiated and completed the acquisition of the Baúna oil field in Brazil, thereby entering a new era as an operator of material oil production.

Since the acquisition, the macro-oil environment has been very supportive for Karoon's business. The oil price increased from approximately US\$45/bbl at the beginning of FY21 to more than US\$80/bbl today, reflecting a recovery in oil demand as the global impacts of COVID- 19 eased, combined with supply constraints implemented by OPEC+. This has had a positive impact on cash flows generated from Karoon's operations, leading to a material strengthening in our financial position over the year.

The company's FY21 financial results were significantly complicated by foreign exchange losses, transaction costs and accounting standards associated with the acquisition of Baúna. Statutory Profit was US\$4.4 million and Underlying Profit was US\$33.4 million. From the Board's perspective, the key takeaways from FY21 are that as at year-end Karoon had US\$133.2 million in cash with no debt, approximately 13,300 bopd of high margin profitable production, and sanctioned projects targeting an increase to 30,000 bopd early in CY2023. Our CEO, Julian Fowles, will expand upon the financial results during his presentation.

## Evolution and delivery of strategy

At last year's AGM, the board outlined three strategic imperatives in its quest to build a global exploration and production company:

1. Firstly, in the near term, to complete the acquisition of the high-quality Baúna production asset and doubling the field's production to 30,000 bopd through a well intervention campaign and the development of the nearby Patola oil field.

During FY21 the Baúna transaction was completed and the board sanctioned investments in both of the associated organic-field projects. These projects remain on track to commence production in mid-2022 and early-2023 respectively;

2. Secondly, in the medium term, to advance growth opportunities. In the first instance the Neon/Goiá project, but also to pursue further production acquisitions and appraisal opportunities.

During FY21 progress was made on maturing and optimising the potential development of the Neon/Goiá project. This work is expected to be completed towards the end of calendar 2021, which will lead to a decision in early 2022 on whether to drill a Neon control well using the Maersk Developer rig. Evaluation of other production acquisition opportunities were also conducted during FY21 based on our strict technical and financial criteria; and

3. Thirdly, in the long term, the need to expand into energy markets beyond traditional oil and gas. Work on this final imperative is continuing to evolve in line with the first world's rapidly changing societal desire for a carbon-constrained future.

With the rapidly changing external environment, and a new CEO in the chair, the company initiated a refresh of its strategy during FY21, the results of which were recently released to the market. Julian will expand upon this in his presentation, but at a high level, our goal is to create a sustainable oil business, anchored by our Brazilian producing asset and the associated organic-field projects under development. We want to be a business which is well positioned for the challenges and opportunities of the energy transition, and a business which delivers strong long-term returns for our shareholders.

From the board's perspective, there are three overarching strategic imperatives we will now focus upon under the refreshed strategy:

1. Firstly, the safe & reliable production from the Baúna field and the seamless delivery of the Baúna intervention campaign & the Patola oil field development project;
2. Secondly, to move rapidly to "future proof" the company by ensuring we have a high quality sustainability program in place, not just for our current projects, but to align our growth aspirations with societal expectations of a low carbon future; and
3. Thirdly, to introduce another value accretive production asset over the near to medium term, to diversify our asset base as a risk mitigant, whilst also making the company a more attractive investment proposition to a deeper investor base.

In a broader context, while the board is focussed on the delivery of these strategic imperatives, we will also ensure that disciplined capital deployment, and risk management, are at the forefront of the company's actions.

## Building the team and processes to deliver the strategy

Making the transition from an exploration to an operating production company is a major transformational step for any organisation.

During FY21, several changes were made to Karoon's Board, management and corporate structures, to ensure we have the appropriate future skills and capabilities, corporate and operational governance processes, and the necessary accountabilities, to successfully make this transition and deliver on our strategy.

- In October 2020, Mr Peter Botten AC joined the board as an independent non-executive director.
- After an extensive international search process, Dr Julian Fowles was appointed as CEO and Managing Director in November 2020.
- In early 2021, the Company was restructured to help clarify reporting lines and accountabilities, leading to improved governance processes and faster decision making, which is essential for Karoon as a production operator.
- Mr Ray Church joined as Executive Vice President and Chief Financial Officer of Karoon Energy Limited in September 2021.
- At about the same time, Mr Antonio Guimarães joined as an Executive Vice President of Karoon Energy and President of Karoon's Brazilian operating subsidiary.
- Over the year, the Company also ramped up materially its operating capabilities in Brazil, and now has in place a team of highly experienced technical, operational and commercial professionals located in Rio de Janeiro and at our operational shore base in Itajaí.

These were major changes for any organisation, and the board acknowledges the great contributions made by retiring directors and managers who guided Karoon to where it is today.

## Capital management

Capital management has also been a strong focus of the board in FY21.

With this in mind, and in light of the challenging oil market in early FY21, Karoon successfully renegotiated with Petrobras the acquisition terms for the Baúna asset. The parties changed the structure of the transaction from an upfront payment of US\$665 million to a firm consideration of US\$380 million plus a tiered, contingent consideration of up to US\$285 million (plus interest), dependent on future oil prices.

The reduction in the upfront payment, combined with strong cash flows from operations since completion of the purchase, has left the Company in a strong financial position, with cash of US\$175 million and no debt as at the end of September 2021.

Our capital commitments for the Baúna intervention program and Patola development will be funded by a combination of cash flows from operations, our existing cash, and a new US\$160 million reserve-based, non-recourse, syndicated debt facility. The facility, with a high-quality international syndicate comprising Deutsche Bank, ING, Macquarie and Shell, represents the first time Karoon has accessed debt markets, and provides a cost competitive source of finance.

As part of the terms of the loan, Karoon has implemented a hedging program covering approximately 30% or less of its 2P production over the first 22 months of the loan life. This capital management program will protect operating cash flows against the risk of lower oil prices on the hedged barrels, while retaining material upside price exposure.

Going forward, Karoon's priorities for capital allocation will continue to be:

- Firstly, to ensure safe and reliable production from Baúna;
- Secondly, to build and maintain a strong and flexible balance sheet, including meeting debt repayments and satisfying debt covenants;
- Thirdly, to continue to invest in our already-sanctioned, high value organic growth projects (ie the Baúna intervention campaign and the Patola field development); and
- Thereafter future growth opportunities and/or dividends or capital returns to shareholders. Future growth opportunities, either organic or inorganic, will be subject to strict economic assessment and financial discipline and will compete against the value of returns to shareholders.

While oil prices are currently very buoyant, the challenging conditions experienced in early 2020 emphasise the need for our current, and future projects to be resilient to price volatility.

## **Remuneration**

Turning now to remuneration. During FY21 Karoon continued to maintain conservative remuneration settings. In this regard, it is noted that:

- Board and senior executive base salaries remained substantially unchanged from FY20;
- For the first third of FY21, the Board and key management personnel in Australia took a 20% reduction in fees and salaries to help preserve capital given the serious COVID-19 uncertainties;

- The company did not take any government salary subsidies during the pandemic;
- Based on the Company's significant operational progress, and in achieving most of Karoon's strategic targets set at the beginning of FY21, 61.5% of the possible Short-Term Incentive ('STI') outcome vested (subject to the satisfaction of a 12 month employment retention period); and
- Given the company's share price out-performance relative to the requisite peer group and with a 34.6% absolute total shareholder return, the Long-Term Incentive ('LTI') hurdles were satisfied and 100% of the possible LTI outcome as judged over the previous three years was achieved. It should be noted that over the past 5 years, FY21 is the only year in respect of which LTIs have vested to executives.

We are pleased the major proxy advisory firms have unanimously recommended voting in favour of our Remuneration Report this year. We hope shareholders also recognise the continued efforts being made by the Board and management in this area.

## ESG

No AGM in 2021 would be complete without addressing a company's position on its policies with respect to the Environment, Society and Governance (ESG).

Karoon has been pursuing continuous improvement in all aspects of ESG for several years now and has well developed policies, targets and monitoring procedures in place to ensure its future is sustainable. The Environmental and Social aspects are monitored by the board's Sustainability & Operational Risk Committee, and the Governance aspects are monitored by the board's People, Culture & Governance Committee and the Audit & Risk Committee. This board committee structure has been in place now for three years.

Since transforming into an oil production company during FY21, we have moved quickly to ensure Karoon can survive and thrive in a carbon constrained world. The company has committed to be carbon neutral from FY22 and meet "net zero" emissions by 2035 for its Scope 1&2 greenhouse gas emissions. We will achieve our carbon neutral target by undertaking projects to physically remove emissions from our operations and purchasing high quality carbon offset credits for the remaining emissions. Again, Julian will expand upon our sustainability strategy in his presentation.

## Outlook

Ladies & Gentlemen, the macro-oil environment is currently strong and, as a subset of energy demand, the outlook for conventional oil and gas assets should remain attractive for decades to come, as fields naturally decline at a faster rate than forecast demand declines.

Good progress has been made on planning and preparations for the Baúna intervention program and the Patola development with more than 70% of contracts by value now executed. We expect that almost all of the remaining contracts will be executed by the time of the release of our half year results at which time our FY22 key guidance parameters will be reviewed and updated.

## Conclusion

Finally, I would like to thank all of you, our shareholders, for your continued support.

On your behalf, I also acknowledge our employees in Australia, Brazil and Peru, for their dedication and hard work during what has been both a challenging and transformational year for the Company.

Karoon now has the asset base, the corporate culture, the governance structure, and the board & management team, to deliver on its strategy; a strategy that we believe will reward our shareholders while encompassing the aspects of good corporate citizenship.

Your board looks to the future with considerable optimism.

Thank you.

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

## For further information on this release, please contact:

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## About Karoon Energy Ltd

Karoon Energy Ltd. is an international oil and gas exploration and production company with assets in Brazil and Australia 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 seeks to provide energy to an ever-changing world, creating value for our shareholders and the broader community.

#### **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.

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**Karoon Energy**

**2021 AGM Presentation**

**26 November 2021**

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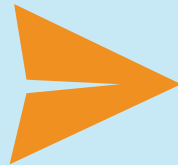
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When the question function is available, the messaging tab will appear at the top of the screen



To submit a question, type your question in the “Ask a question” box and press the send arrow



Your question will be sent immediately for review

✓ Received

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Messaging

Ask a question



**Moderator**

Type your question in the box above and then press the send arrow. Please include the number of the resolution at the beginning of your question. Questions may be moderated or amalgamated if there are multiple questions on the same topic

# ONLINE ATTENDEES – AUDIO QUESTION PROCESS



LUMI



When the audio questions line is available, a link will appear on the home tab titled **Asking Audio Questions**

If you would like to ask an audio question, **pause the meeting broadcast** and click on the link

You will be prompted to enter your name and the topic of your question before being placed in the audio questions queue

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## Instructions

### Watching the Webcast

Press **play** to begin the broadcast. Ensure your device isn't muted and the volume is turned up. On mobile devices, the broadcast can be minimised and audio will continue to play.

### Asking Text Questions

Select the **MESSAGING** tab at the top of this page, then type your question in the box provided and press the send arrow.

### Asking Audio Questions

If you would like to ask a question verbally, **pause the broadcast** and then click **HERE**. You will be connected to the audio questions line where you can listen to the meeting while waiting to ask your question. Please return to this page if you have any issues.

### Voting

When voting opens, a **VOTING** tab will appear at the top of the screen. Selecting this tab will open a list of resolutions, select **For**, **Against** or **Abstain** to cast your vote. There is no enter or send button. You may however cancel your vote and enter a new selection while voting is open.

# ONLINE ATTENDEES – VOTING



LUMI



When open, the vote will be accessible by selecting the voting tab at the top of the screen



To vote simply select the direction in which you would like to cast your vote. The selected option will change colour

For



Against



Abstain



There is no submit or send button, your selection is automatically recorded. You can change your mind or cancel your vote any time before the poll is closed

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MESSAGING



VOTING

Poll Open

You have voted on 0 of 2 items

## Resolution 1

Select a choice.

For



Against



Abstain



CANCEL

## Question 2

Select a choice.

Yes



No



Unsure





## Independent, Non-executive Directors



Bruce Phillips



Peter Turnbull



Clark Davey



Luciana Rachid



Peter Botten

## Management



Julian Fowles



Ray Church



Antonio Guimarães



Nick Kennedy

# Meeting Agenda

1. Chairman's Address
2. Management Presentation
3. Discussion of Resolutions
4. Financial Statements and Reports
5. Meeting close

# Chairman's Address

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Bruce Phillips





# Building Karoon's Future

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**Julian Fowles**

Managing Director and CEO



# Karoon has entered a new era as a producer

## Key strategic milestones achieved over FY2021

### Fundamental change from explorer to producer

#### Operational delivery

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

#### Material developments sanctioned

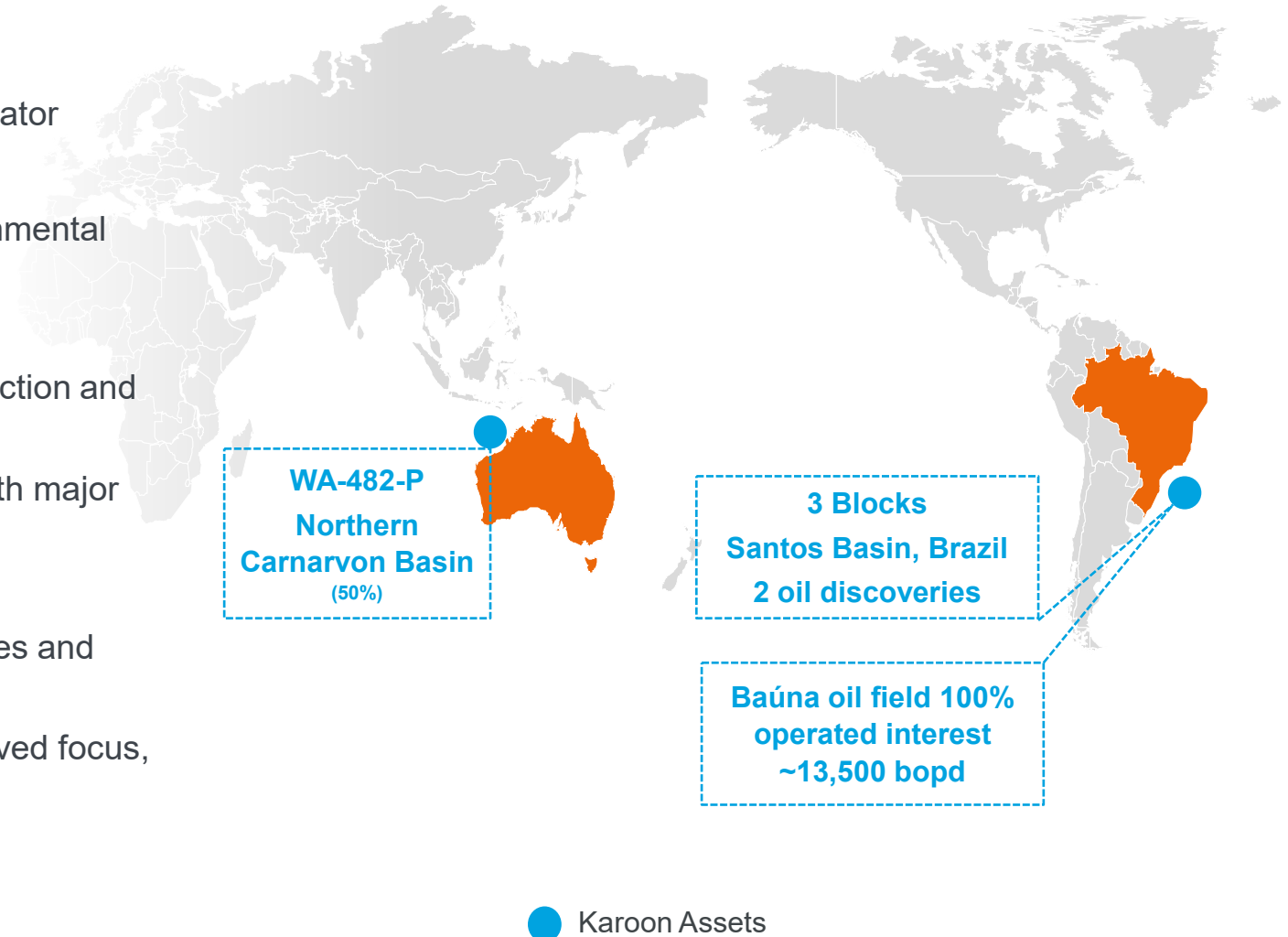
- Two near term projects targeting to more than double production and grow value
- Flexible debt funding package, establishing relationships with major banks

#### Board and executive changes completed

- 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



# 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 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

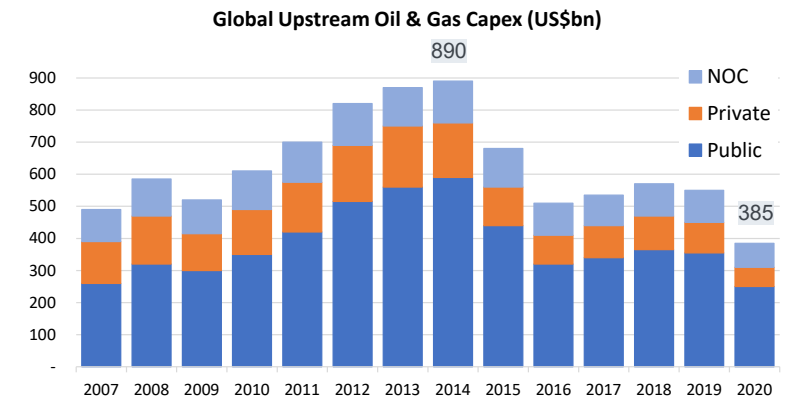
- Brazil is world's 10th largest oil producer, set to become fifth by 2030
- Oil and gas generates ~10% of GDP
- Prospectivity and favourable fiscal terms make Brazil attractive place to invest
- Portfolio rebalancing of Petrobras and IOCs creating opportunities to acquire high quality, well-understood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

## Changing stakeholder expectations

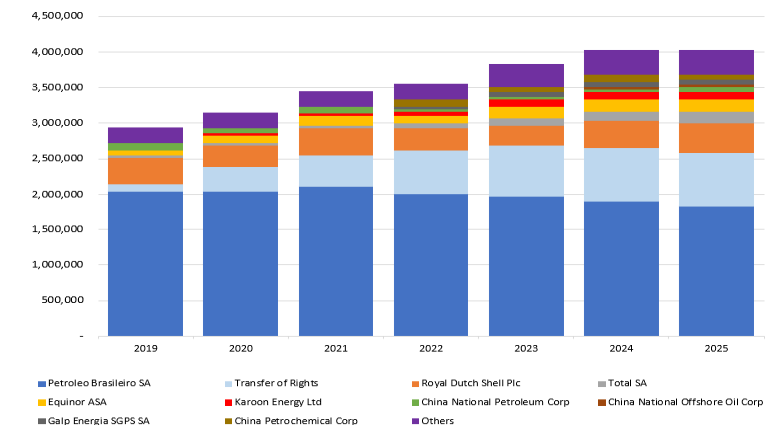
- Energy transition is underway
- Stakeholder expectations driving focus on social and environmental sustainability and carbon emissions reductions

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

**Upstream capex fell 40% during 2014–19**  
**In 2020, it declined another 30%<sup>1</sup>**



**Brazil production to grow by 1MMbpd by 2025<sup>2</sup>**



# Optimising Brazilian Production

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**Antonio Guimarães**

Executive Vice President  
and President Karoon Brazil



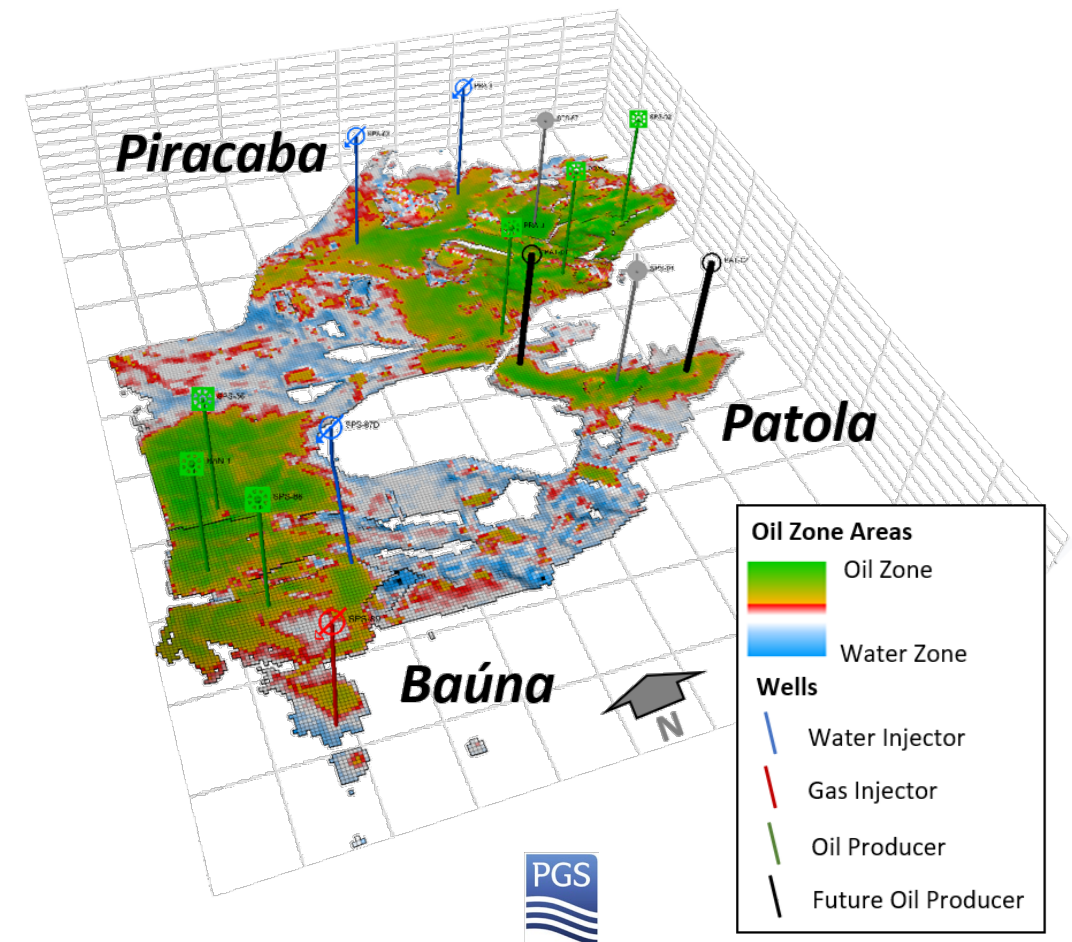
# Baúna: Karoon's anchor asset in Brazil

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
- Current production ~13,500 bopd of high quality, 34° API light oil
- 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 on development advancing
- Potential for incremental resource addition through targeted field management:
  - Material operational and logistical synergies for any new barrels developed

**HSSE core to all Karoon activities, with focus on setting strong safety culture throughout Baúna operations**

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



# Maximising value of Baúna

Focus on high operational uptime and active field management

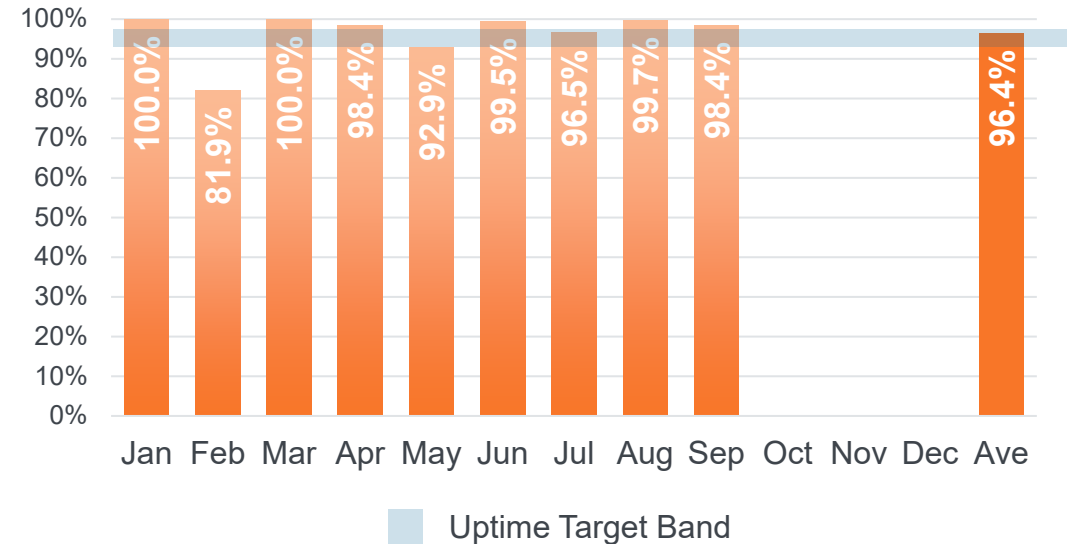
## Process safety, facility integrity & preventive maintenance

- 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 plant uptime of 92–97%, with consistent high availability and reliability. Average uptime in YTD towards upper end of target

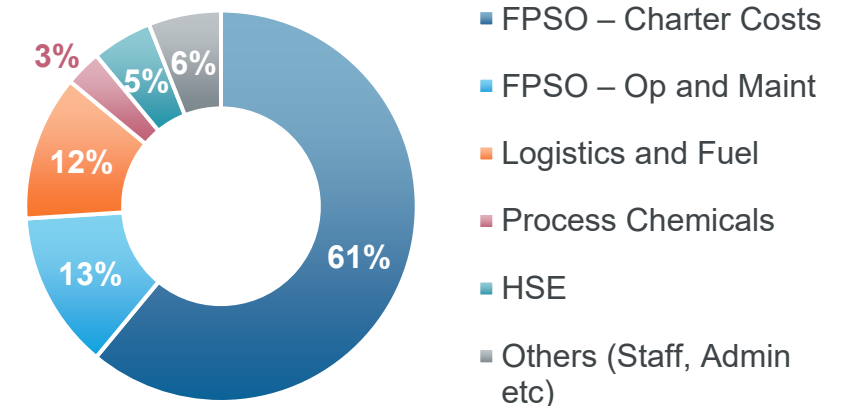
## Continuously assessing production enhancing opportunities, with aim to minimise existing field decline to <15% per annum

- Focus on extracting maximum value and resource from Baúna asset
- Multi-disciplinary 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. Potential for 4D seismic survey

## FPSO – Monthly Uptime 2021



## Current Operating Cost Breakdown





# Baúna interventions and Patola development on track\*

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

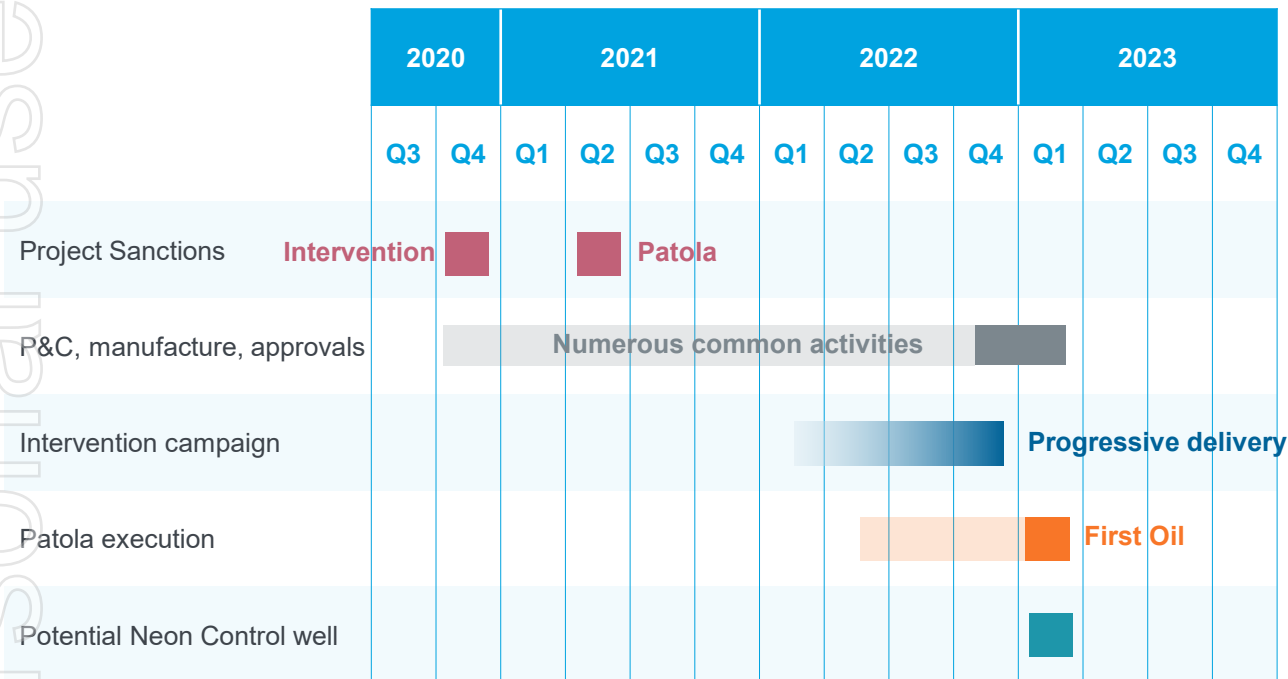


## Baúna well intervention project

- 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

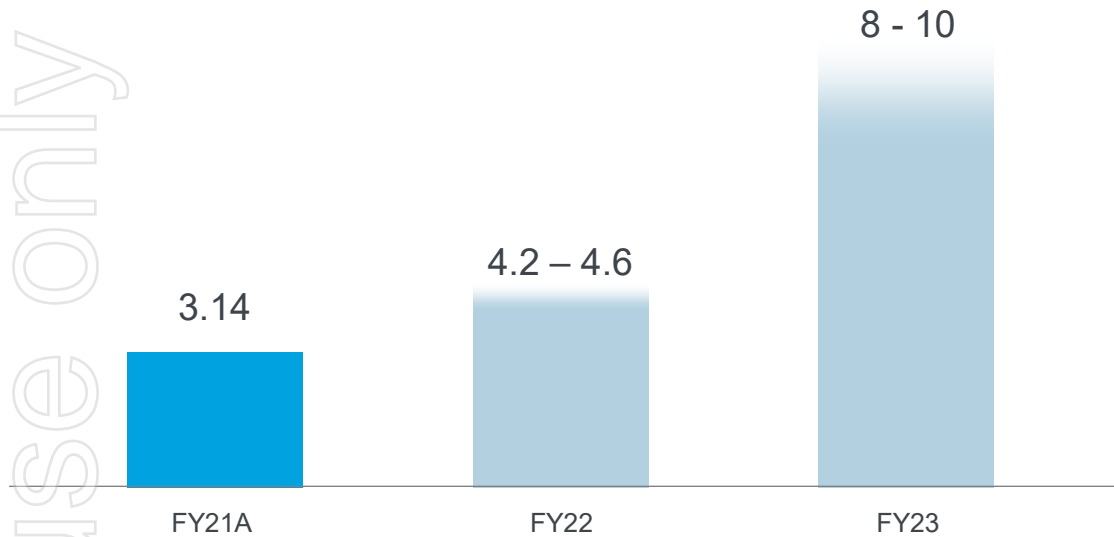
- Suppliers have been selected for >95% of contracts and more than 70% (by value) already signed
- Maersk Drilling and TechnipFMC contracts signed:
  - Being actively managed, no major issues or delays at present
- Schedule:
  - 60-day window of operational commencement confirmed, between 1 April to 31 May 2022
  - Window narrowing to 30 days to be confirmed by Maersk in Dec 2021

\* 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)\*



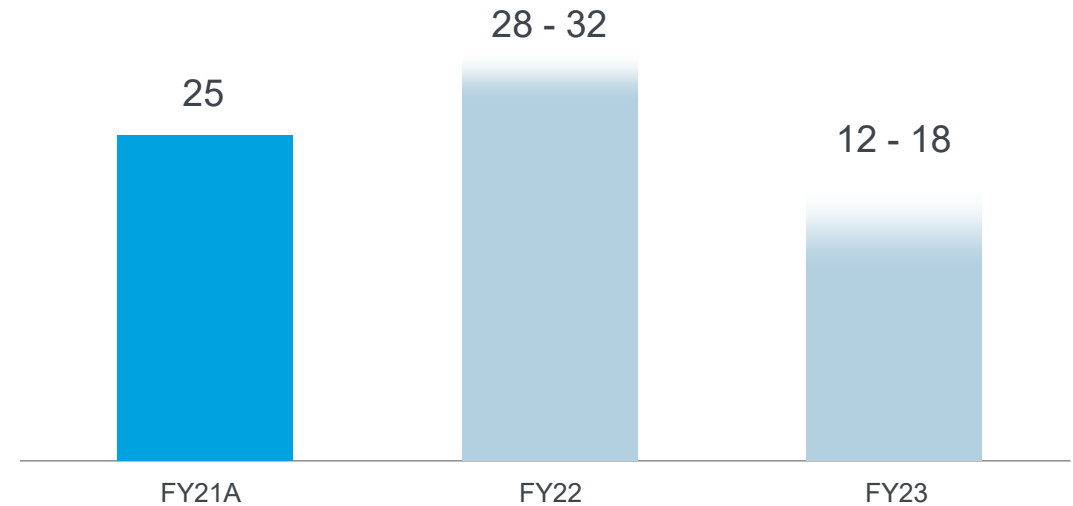
## Deliver BM-S-40 base business

- 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



# Growth Opportunities and Sustainability

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**Julian Fowles**

Managing Director and CEO



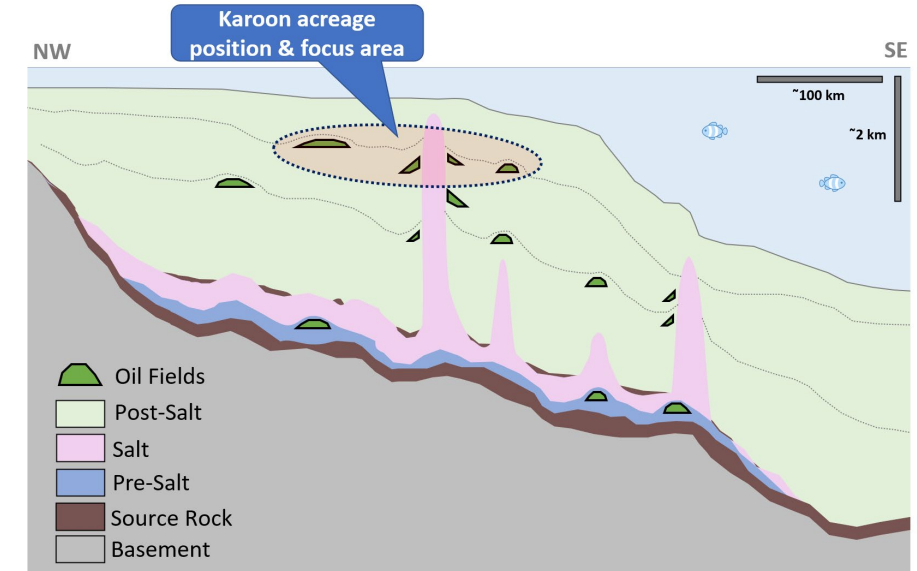
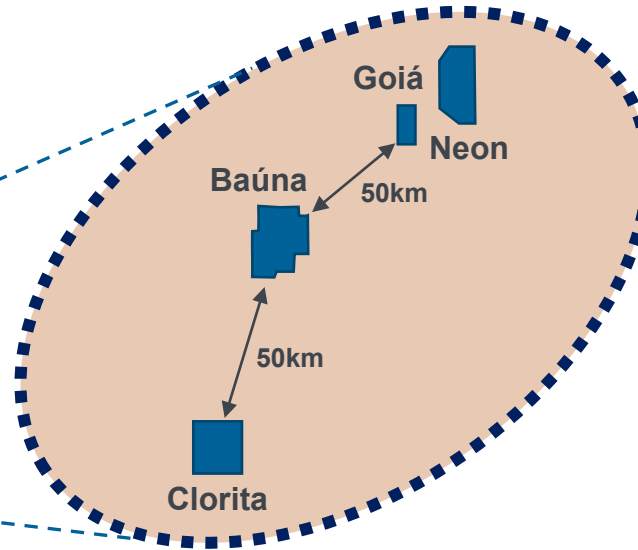
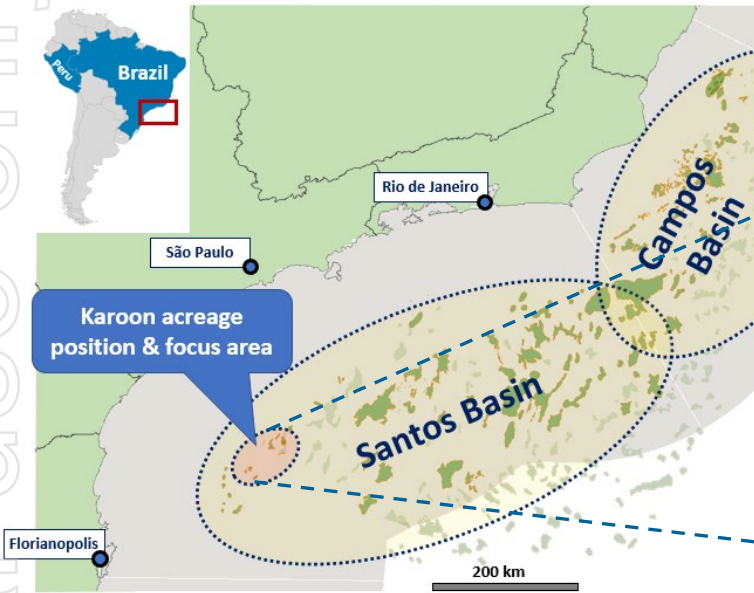
# Potential Neon hub development

Within Karoon's Southern Santos heartland

## Great address

## Karoon portfolio

## Subsurface Characteristics



*Brazilian offshore oil basin schematic cross-section*

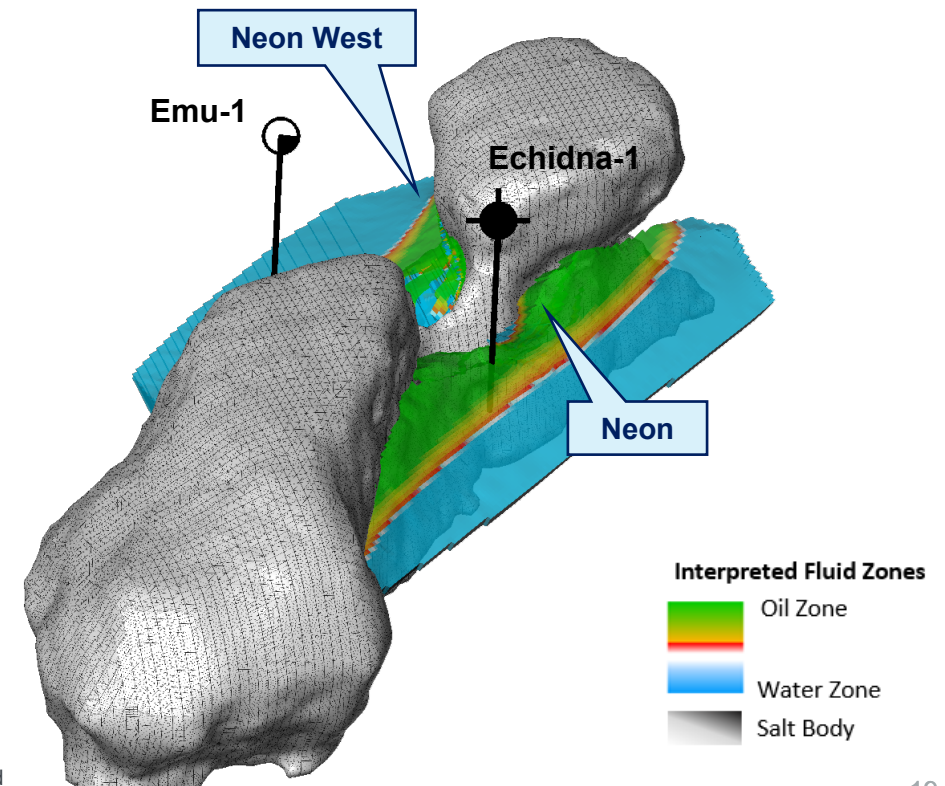
- Brazilian offshore basins world renowned for “Super Basin” scale prospectivity
- Karoon focus on targets in shallower water areas with high deliverability reservoirs, high-quality light oils and strong project economics
- Leveraging advanced seismic analysis and integrated subsurface modelling to de-risk 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
- Contains high quality 39° API light oil. Strong production rate 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
- Potential for Neon hub, with Goiás field subsurface modelling and exploitation plan being revised and Neon West a potentially low risk, prospective opportunity

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

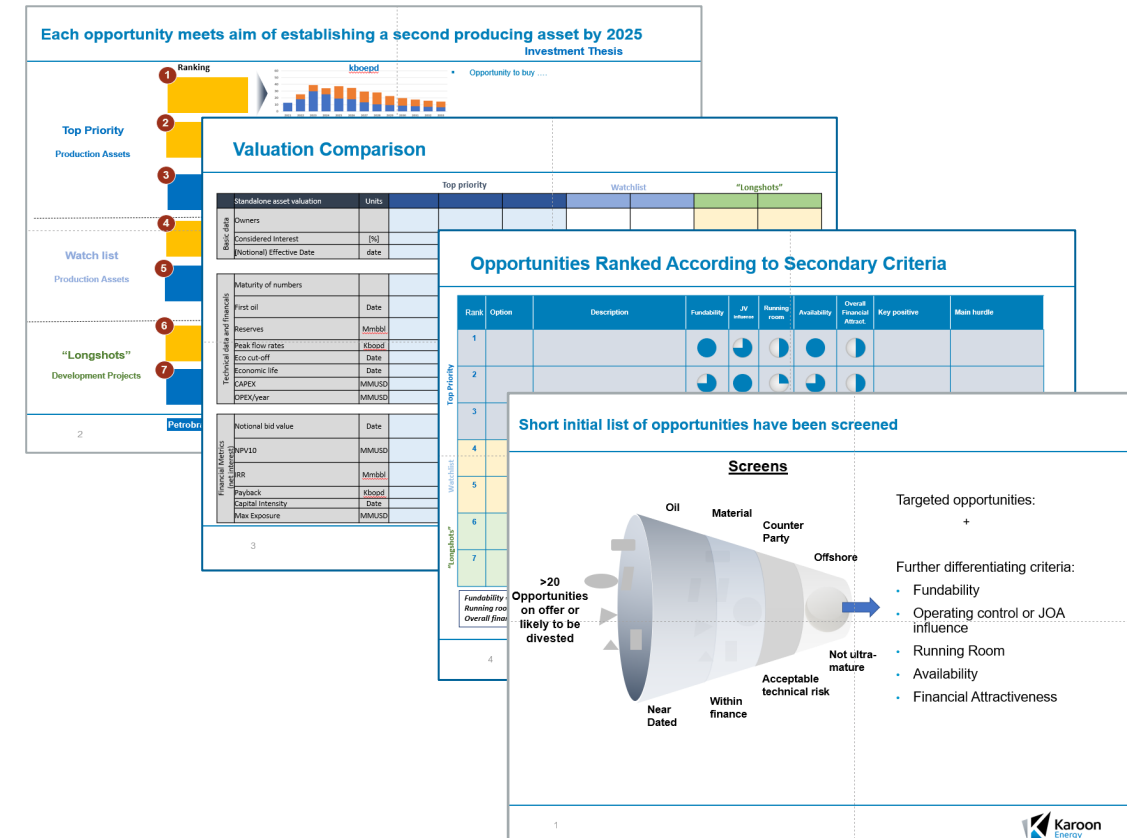


Note 1. Contingent resource volume estimates presented for Neon and Goiás were disclosed in the 8 May 2018 ASX announcement "Resources Update" and published in the 2021 Annual Report. Karoon is not aware of any new information or data that materially affects these resource estimates and all material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

# Using 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

- 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

- Carbon management core focus of Karoon's sustainability strategy
- New emissions targets, with Carbon Management Action Plan



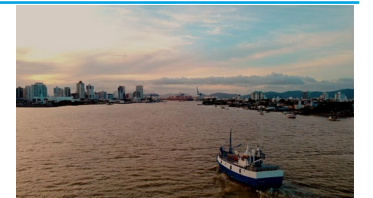
## Our People and Human Rights

- 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

- 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:
  - Develop new social investment programs
  - Identify projects that can deliver both environmental and social benefits



## Environment

- 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

**Carbon  
Neutral<sup>2</sup>  
FY 2022**

**Scope 1 and 2  
GHG Emissions**

To be Carbon Neutral on Baúna-Patola<sup>1</sup> FY21 onwards

Carbon Neutral on new assets within five years of purchase<sup>1</sup>

Internal carbon pricing for new investment decisions

Scope 3 Materiality Analysis and reporting FY 2022

**Net Zero  
2035<sup>3</sup>**

**Scope 1 and 2  
GHG Emissions**

**First Priority: Avoid and Reduce**

**Assess investments in high quality offsets**

**Purchase additional high quality offsets if needed**

**Internal carbon pricing incorporated into investment decisions**

<sup>1</sup> Scope 1 and 2 GHG emissions.

<sup>2</sup> Carbon neutral refers to having a balance between emitting and offsetting GHG emissions. To be achieved through acquiring carbon offsets in respect of scope 1 and 2 GHG emissions.

<sup>3</sup> Net zero refers to reducing GHG emissions as far as possible and balancing the residual GHG emissions produced and GHG emissions removed from the atmosphere. To be achieved through future transition planning in respect of scope 1 and 2 emissions.

# Funding and capital priorities

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**Ray Church**

Executive Vice President and CFO



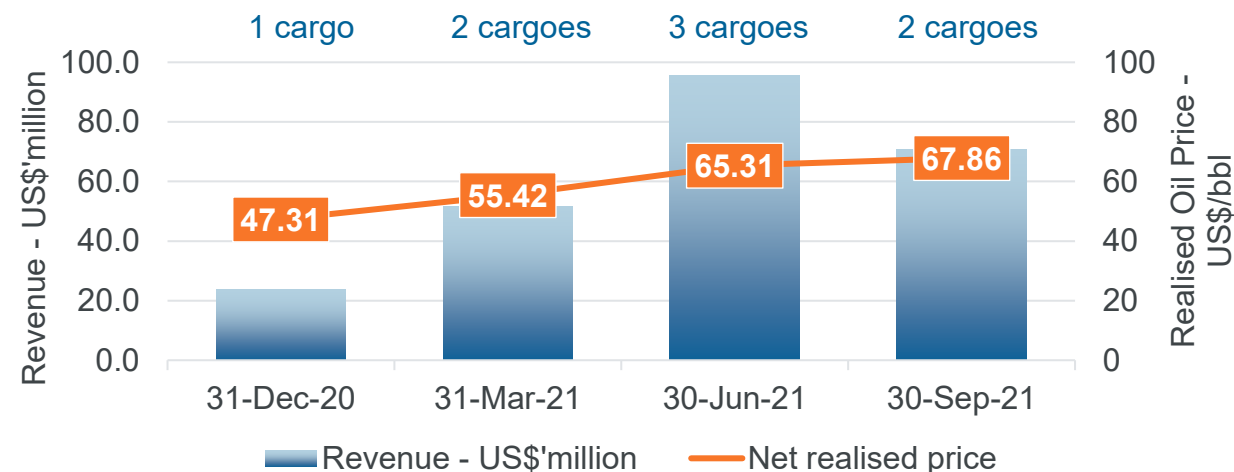
# Strong and improving cash position

## Consistent Baúna production delivering strong cash flow foundation

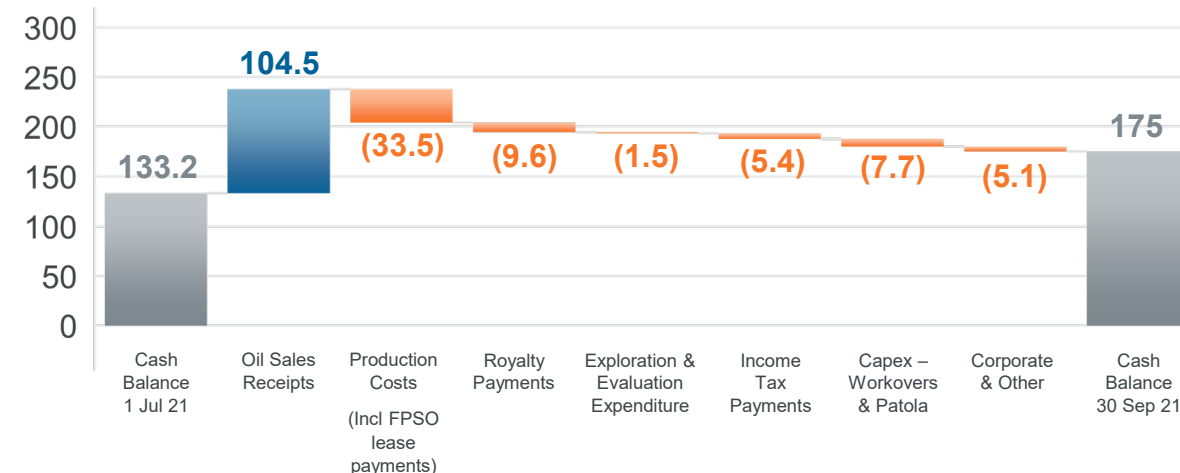


- Current Baúna production provides solid foundation for growth
- In FY21, generated oil revenues of US\$171 million (eight months of production) at average realised Brent price of US\$59/bbl. Strong operating cashflow margin, with unit production costs of US\$25/bbl
- In September 2021 quarter, average 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 entered into across FY22-FY24 to support investment plans and ongoing debt obligations, retaining material exposure to oil price upside
- Over balance of FY22 and FY23, around 30% or less of forecast production has been hedged
- US\$175 million cash at 30 September 2021
- High oil prices may result in revaluation upwards in fair value of Petrobras contingent consideration (which would negatively impact profit or loss in half year and full year financial results)
- Amount of any revaluation (and resulting impact on profit or loss) would be recognised and disclosed in half year / full year financial results

### Quarterly Revenue v Realised Oil Price per bbl



### September 2021 Quarter Cashflow Performance (US\$ million)





## Deliver safe and reliable operations

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

## 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**

# Summary

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**Julian Fowles**

Managing Director and CEO



# Summary

Pure oil play with exposure to exciting Brazilian oil industry and 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 Goiás 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

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