



Baúna Acquisition – Adjusted Terms

27 July 2020

Karoon signs binding agreement to amend Sale and Purchase Agreement to acquire the Baúna Oil Field, offshore Santos Basin, Brazil



Transformational Acquisition

- ▶ Karoon has signed a binding amendment to the sale and purchase agreement to acquire a 100% operated interest in the Baúna oil field in the Santos Basin, Brazil
- ▶ US\$380 MM firm purchase price offset by operating cash flows from the effective date, 1 January 2019
- ▶ Karoon to pay US\$150 MM at transaction close and a further adjustment figure of around US\$50 MM 18 months after transaction close
- ▶ US\$285 MM contingent payments linked to oil prices between US\$50-US\$70 Brent in the period between 2022-2026
- ▶ Current field production of ~16 Mbopd with a production growth target of 25-30 Mbopd⁽¹⁾, total 2P reserves of 46.8 MMbbls ⁽²⁾ and 2C contingent resources of ~20 MMbbls ⁽²⁾
- ▶ Located nearby and highly synergistic to Neon and Goiá (southern Santos Basin), which have total 2C Contingent Resources of 82 MMbbls ⁽³⁾
- ▶ Baúna will produce stable cashflows over the medium to long term

(1) Following proposed well-workovers to replace/install pumps and the drilling and tie-in of the Patola field.

(2) The reserves and contingent resource volume estimates presented for Baúna, Patola and SPS-57 were disclosed in the 27 February 2020 ASX announcement "Bauna Oil Reserves Upgrade and Contingent Resource Competent Persons Report Summary". The reserves are a result of stochastic summation of individual well reserves; and not arithmetic sum of the individual well reserves. 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.

(3) The contingent resource volume estimates presented for Neon and Goia were disclosed in the 8 May 2018 ASX announcement "Resources 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.

Transaction Summary

Transaction	- Karoon to acquire 100% operated interest in the Baúna field in the BM-S-40 concession from Petrobras (comprising the Baúna and Piracaba oil reservoirs and the Patola discovery) - Effective date of transaction is 1 January 2019
Revised Consideration	- Firm Purchase Price of US\$380 MM expected to be reduced by Consideration Adjustment at financial close - Firm Consideration - US\$150 MM payable at financial close - Estimated US\$180 MM reduction to firm purchase price through payment of deposit and field cash flows from 1 January 2019 - Estimated US\$50 MM payable in March 2022 - US\$49.9 MM deposit has been paid and is included above in the Purchase Price Adjustment - Contingent Payments of up to US\$285 MM, linked to Brent oil prices between US\$50 and US\$70 per barrel - Additional Contingent Consideration payable on oil prices averaging above US\$100/bbl in CY 2020 (US\$50 MM contingent payment)
Conditions and Timing	- Brazilian upstream regulator, Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) approval - Issue of new Environmental Licenses to Karoon by Brazilian environmental regulator, the Brazilian Institute of the Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (IBAMA)) - Final documentation for assignment of the floating production, storage and off-loading facility (FPSO) Charter and Service Contracts - No material adverse change to the assets to be transferred or petroleum operations - Expected transaction close during Q3, CY2020

Strategic Asset Supporting Southern Santos Basin Strategy

Baúna provides synergistic value creation from Karoon's other southern Santos Basin assets

Builds on established southern Santos Basin capabilities	• Karoon has been active in the southern Santos Basin for over 10 years • Karoon's team brings significant operating experience and is well equipped to optimise production from Baúna
Enhances development of nearby Neon and Goiá	• Proximity to Karoon's existing southern Santos Basin acreage including Neon and Goiá discoveries and Clorita exploration opportunity
Access to operational and logistical synergies	• Operational synergies utilising the same shore base to be realised through leveraging work programs across the asset base • Logistical synergies monetised through the use of a common shore base and shared services across multiple assets
Flexibility from 100% ownership and operatorship	• Ability to control investment in any value enhancing work programs and build operating production credentials • Opportunity to align interests and extract value from the Southern Santos Strategy in the event of any future farm-out of southern Santos asset position
Tax efficiencies	• Asset being acquired through Karoon's wholly owned subsidiary, Karoon Petróleo e Gás Ltda. • Enables utilisation of 272 MM BRL (~US\$ 70 MM) existing carry forward tax losses and operational integration with existing portfolio

Simplified Funding Structure

Revised consideration structure enables Karoon to fund the acquisition of Baúna with existing cash and pre-completion asset cash flows. Karoon retains flexibility to fund future developments via a farm-out on a portfolio basis with Neon and Goia, sell-down or debt funding

Existing cash reserves

- US\$280 MM cash reserves as at 30 June 2020
- No bank debt
- Post acquisition, Karoon will remain in a strong financial position

Optionality for funding future developments (e.g. Neon, Goia)

- Farmout/sell-down
- Debt financing

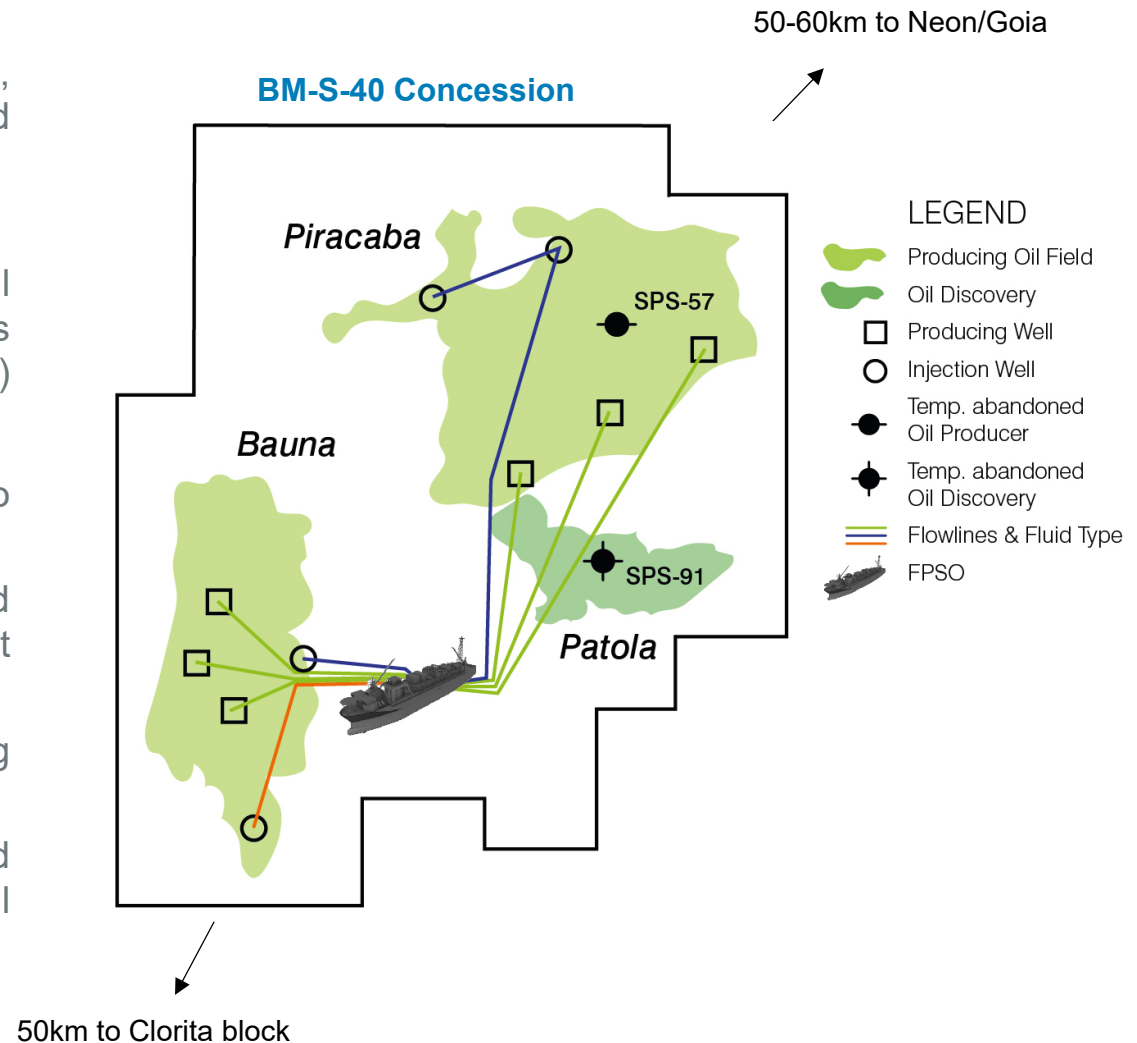
Acquisition price adjustments

- The firm acquisition price will be adjusted for:
 - Baúna's operating cash flows, from the acquisition effective date (1 January 2019) to acquisition close (expected second half 2020)
 - Interest on the headline acquisition price
- The net impact of these adjustments is estimated to reduce the headline acquisition price by ~US\$170 to 190 MM depending on the closing date for the transaction and final pre-completion cash flows

Baúna asset overview

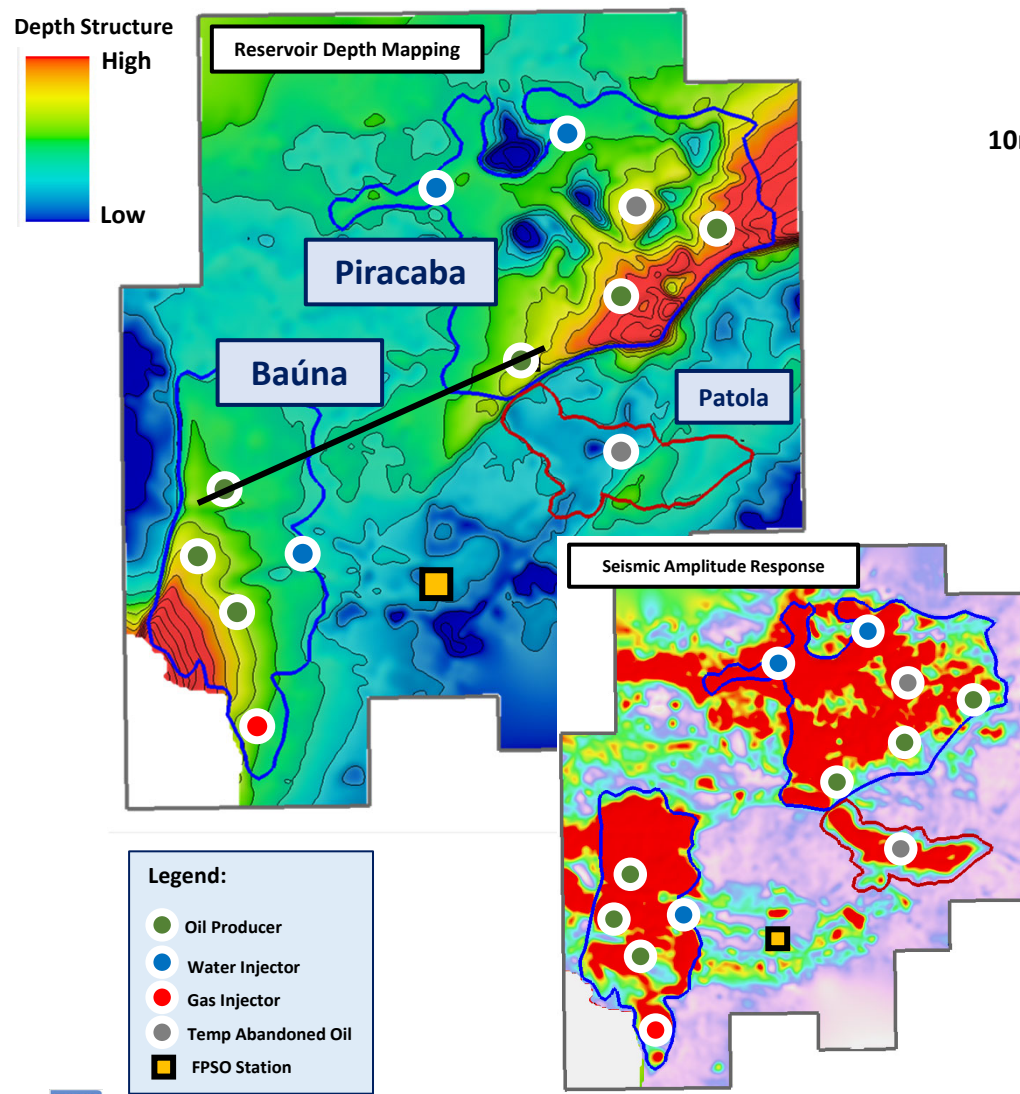
Baúna has excellent reservoir characteristics and identified production growth opportunities

- Concession BM-S-40 is in the southern Santos Basin, 50-60km from Karoon's Neon and Goiá discoveries and 50km from Karoon's Clorita exploration area
- Current Baúna production asset includes 6 oil production wells, 3 water injection wells and 1 gas injection well exploiting 2 reservoirs (Baúna & Piracaba)
- All wells are subsea completions with tie-ins back to the FPSO Cidade de Itajaí (**FPSO**)
 - Facility has 80,000 bopd processing capacity and ~600,000 bbl storage capacity with scope to accept additional tie-ins
 - FPSO is currently utilizing around 46% processing capacity
- Currently producing ~16,000 bopd, with identified production growth opportunities through well interventions and development of Patola



Baúna Geological Summary

Excellent Sub-surface Characteristics



- Combined structural/stratigraphic traps at a depths circa 2000m subsea
- High quality Oligocene turbidite reservoirs
- 10-40m net pay in discrete sand packages
- Excellent porosity and permeability characteristics: >30%, 2-6 Darcy
- High quality 3D seismic with strong amplitude response delineating field extent and features
- Strong aquifer support high recovery factors

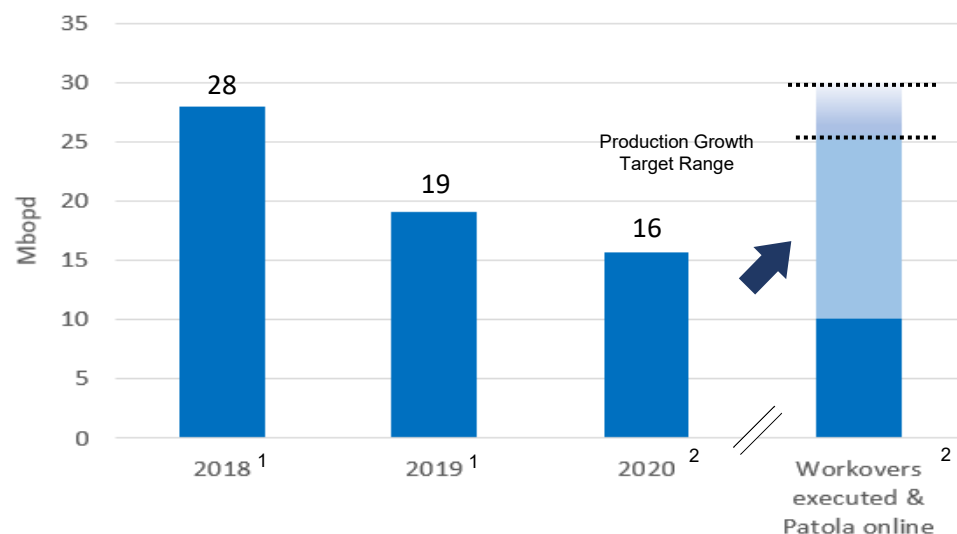


Data is proprietary to PGS Investigação Petrolífera Limitada

Baúna production and reserves

Established, reliable oil production and identified potential growth through ongoing investment in the southern Santos Basin

Production growth target (Mbopd)



- Total cumulative oil production up to 1 January 2020 of ~127 MMbbls
- Cumulative oil production since acquisition effective date of 10.2 MMbbls
- Current production will increase with the replacement of electronic submersible pumps and new installation requirements. In addition, risks associated with field production are aimed to be reduced by workover and pump replacements, however one highly productive well is still expected to contribute significantly to field production rates and reserves
- Karoon is targeting an average annual production rate of 25,000-30,000 bopd following the workover program. To be achieved through a combination of well interventions and development of the Patola oil discovery
- Patola to be funded by cash flows from the asset and possible debt or farmout/sell down

Baúna Reserves and Contingent Resources (MMbbls)³

Existing producing wells	MMbbls	46.8
Baúna 2P Reserves	MMbbls	46.8
Existing Patola undeveloped oil discovery ⁴	MMbbls	15.6
SPS-57 recompletion well	MMbbls	4.2
Baúna 2C Contingent Resources	MMbbls	19.8

- Karoon to proceed with a Patola development post-acquisition, subject to Karoon Board and other approvals⁴

1. Average 2018 and 2019 oil production rate, Petrobras filings with ANP;

2. Forecast annual average oil production rate;

3. The reserves and contingent resource volume estimates presented for Baúna, Patola and SPS-57 were disclosed in the 27 February 2020 ASX announcement 'Baúna Oil Reserves Upgrade and Contingent Resource Competent Persons Report Summary'. The reserves are a result of

stochastic summation of individual well reserves; and not arithmetic sum of the individual well reserves. 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.

4. The development of Patola expected to occur during 2022 and is subject to Karoon Board and other approvals.

Baúna work-over campaign

Mature plans to execute production enhancement opportunities

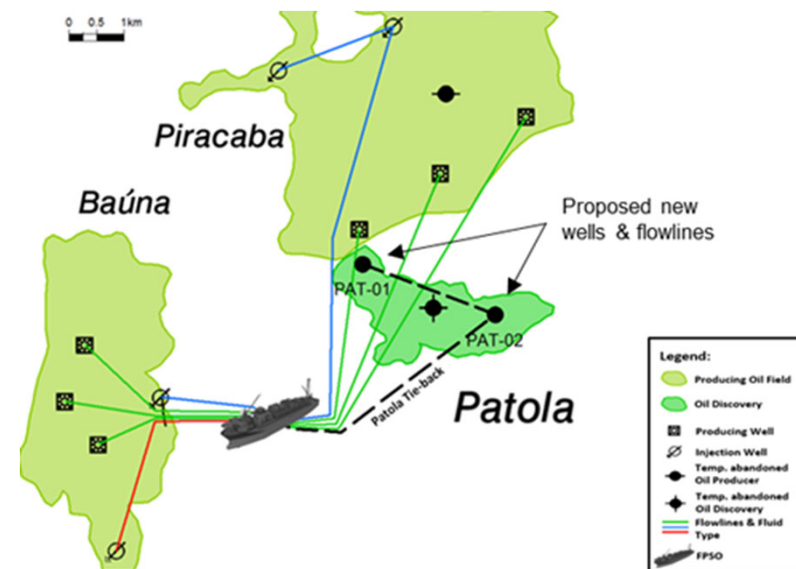
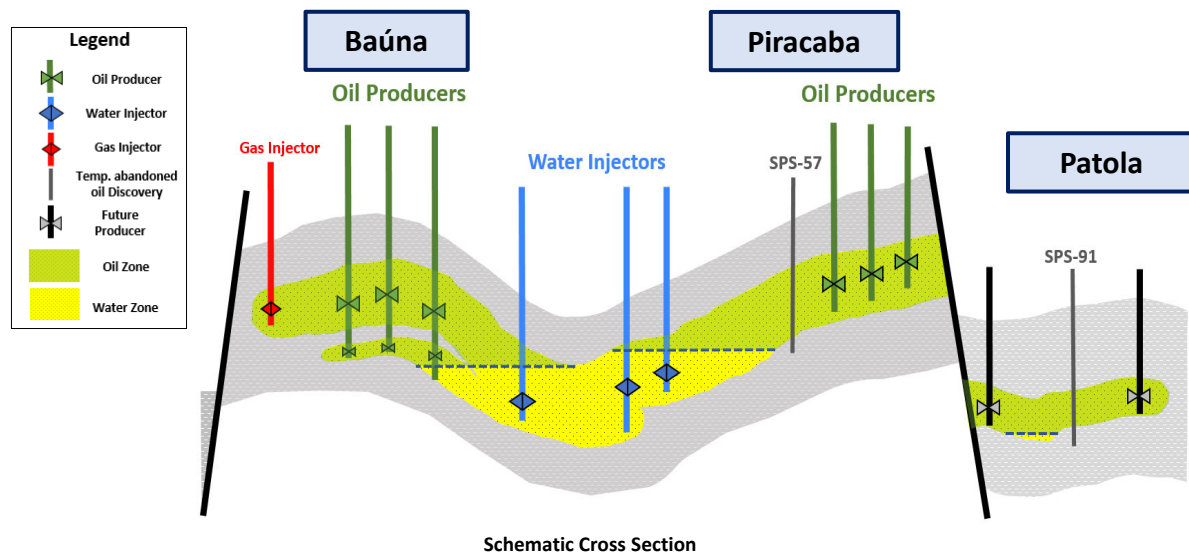
- Significant scope to improve field production through intervention work
- Workover campaign targeted to improve production performance in 4 of 6 producing wells
- Campaign consisting of replacing 2 failed down-hole pumps (previously 3), installing gas-lift and re-opening a previously shut-in reservoir zone – all considered routine field management procedures
- Programme costs to benefit optimised programme and low oil price environment resulting in weak rig and services markets
- Leverages Karoon's extensive experience of offshore operations in the Southern Santos basin, Brazil



Example drilling rig utilised in previous Karoon Santos Basin operational campaigns

Patola project summary

Bringing discovered undeveloped oil in the Patola reservoir to production



Patola project summary

- Patola oil discovery well (SPS-91) drilled within BM-S-40 production ring-fence confirming 28 degree API oil and similarly high quality reservoir characteristics to producing Baúna & Piracaba fields
- Similar seismic response to producing areas de-risking field extent & in-place resource volumes
- Development scenario to consist of 2 vertical wells plus tie-back, utilising existing FPSO capacity
- Ongoing tender for subsea equipment contract with bids expected in upcoming weeks
- Potential to bring significant initial flow rates of >10Mbopd and incremental reserves to the Baúna Asset

Transition to Operatorship

Karoon well placed with experienced production personnel ready for operation

Karoon's Production Capability

- Karoon has more than 10 years operating experience in Brazil
- Class A Operator status in Brazil with experienced production personnel in place
- Karoon has established shore base and other logistics so as to be operationally ready

Karoon Brazil Organisation

Project Oversight
Jose Formigli

30 years' experience: formerly Chief Exploration and Production Officer, Petrobras Brazil, member of the Executive Board

Project Lead
Ricardo Abi Ramia

30 years' experience in offshore oil and gas production in Brazil

Subsurface

Well
Construction

Production

Facilities

Contracts
Logistics

Asset
Manager

HSSE

FPSO Operations

- Key commercial terms in respect of the assignment of the FPSO Cidade de Itajai Charter and Services Agreements have now been agreed in writing. Final documentation is expected to be completed over the coming month
- The counterparty to the Charter and Services Agreements are joint venture companies owned equally by Teekay and Ocyan

Transition Period

- Karoon and Petrobras have agreed to put in place procedures to transfer operatorship on ANP approval
- During the transition period Karoon and Petrobras will confirm compliance with ANP and IBAMA requirements
- Transition expected to be complete at the end of the third quarter calendar 2020

Baúna COVID-19 Response

- TeekayOcyan, as operator of the Cidade do Itajai (the **FPSO**), has implemented systems for managing COVID-19 to ensure the FPSO continues operating throughout the pandemic
- These systems are compliant with ANVISA (Brazilian Health Regulations) and contemplate actions to prevent and mitigate the impacts of COVID-19 on operations (including in the event a case develops on the FPSO)
- In the event COVID-19 were to infect an entire crew, TeekayOcyan could utilise crew from one of its other operated assets or from its sister company Altera (formerly known as Teekay) or OCYAN who has a large E&P service company in Brazil

While a COVID 19 outbreak would strain the Baúna Operations Team, systems are in place to mitigate the impact of such an outbreak (to protect personnel and production levels).

Transformational Acquisition

Karoon's Managing Director, Mr. Robert Hosking said: "The company has been working diligently through a difficult time to progress regulators and counterparties regardless of global turmoil and we are very happy to have agreed a path forward that provides Karoon shareholders with an exciting opportunity to progress its long term strategic plans. Through the acquisition of the Baúna asset, Karoon will deliver on its highest strategic priority."

"Baúna will provide Karoon shareholders with material oil production (currently approximately 16 Mbopd before development workovers) and a platform for future growth. The transaction will be transformational for Karoon shareholders, providing significant exposure to reserves, resources and high margin oil production"

"Karoon can now execute on it's strategic plan for the Southern Santos Basin, including expanding production from nearby resources to Baúna and progressing the development of Karoon's current discoveries at Neon and Goia."

Glossary

3D seismic	A set of numerous closely-spaced seismic lines that provide a high spatially sampled measure of subsurface reflectivity	Contingent Resources	Those quantities of hydrocarbons estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable (as evaluation of the accumulation is insufficient to clearly assess commerciality).
4D seismic	4D seismic data is one of several forms of time lapse seismic data which seek to understand changes in a reservoir over time		
API	American Petroleum Institute's Inverted scale for denoting the "lightness" or "heaviness" of crude oils and other liquid hydrocarbons		1C – Denotes low estimate scenario of contingent resources. 2C – Denotes best estimate scenario of contingent resources. 3C – Denotes high estimate scenario of contingent resources
bbl or barrel	Barrel of oil = 42 United States gallons; equivalent to approximately 159 litres		
bopd	Barrels of oil per day	CY	calendar year
bpd	Barrels per day	Darcy	standard unit of measure of permeability
Brent	Platts Dated Brent	E&P	exploration and production
BRL	Brazilian Reals	Karoon	Karoon Energy Ltd and its subsidiaries
		km	kilometres
		m	metres
		Mbopd	Thousands of barrels per day
		MMbbls	Millions of barrels (1,000,000 barrels)

Glossary

MM	million
Q3	quarter 3
Reserves	Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial and remaining (as of a given date) based on the development project(s) applied. 1P – Denotes Proven Reserves 2P – Denotes Probable Reserves 3P – Denotes Possible Reserves
US\$	United States dollars

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