

20 September 2021

Company Announcements Office
ASX Limited

Dear Sir / Madam


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

Attached are the following documents in relation to Karoon Energy Ltd's full year financial report for the financial year ended 30 June 2021:

- 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

Karoon posts full year net profit after tax of US\$4.4 million and underlying net profit after tax of US\$33.4 million following transformational year

Highlights:

- Oil production from the Baúna Field totalled 3.14 million barrels (MMbbl), produced at an average rate of 13,317 barrels of oil per day (bopd), since Karoon's assumption of ownership and operatorship on 7 November 2020 until 30 June 2021.
- Six oil cargoes were lifted, totalling 2.90 MMbbl, realising a weighted average price, net of selling expenses and logistics, of US\$59.00/bbl, reflecting the strength in global oil markets and healthy demand for Baúna crude.
- Oil revenue for the 2021 financial year (FY2021) from the cargoes lifted was US\$170.8 million.
- Unit production costs were US\$25.11/bbl, while unit depreciation and amortisation was US\$11.97/bbl, both in line with prior market guidance.
- Karoon recorded a statutory net profit after tax (NPAT) of US\$4.4 million and an underlying NPAT of US\$33.4 million (see adjustments to derive underlying NPAT in Note 5 to Table 1 on page 3).
- The result included a number of significant items, including net foreign currency losses of US\$17 million, Baúna transition costs of US\$15.7 million and US\$9.6 million relating to settlement of a dispute with Pitkin Petroleum Peru.
- Cash and cash equivalents at 30 June 2021 were US\$133.2 million, placing Karoon in a strong financial position.
- Production in FY2022 is expected to be in the range of 4.2 – 4.6 MMbbl, while unit production costs are forecast to be between US\$28 – 32/bbl, with unit depreciation and amortisation of US\$12 – 13/bbl.
- Sanction of both the Baúna well intervention program and Patola field development, which together have the potential to increase Karoon production to over 30,000 bopd by early 2023.

Commenting on the results, Chief Executive Officer and Managing Director Dr Julian Fowles said:

"The 2021 financial year has been transformational for Karoon.

Following the acquisition of the Baúna oil field in Brazil in November 2020, the Company has now entered a new era as a material oil producer and operator. A strong emphasis on safety and reliability, coupled with operating and financial discipline, has enabled Karoon to safely deliver a strong underlying profit from our first eight months as an oil producer. This is testament to the commitment and hard work from our teams across our operating regions. Substantial changes to the Board and management have enabled the transformation and provided the Company with new skills and capabilities to support our production, development and growth aspirations.

Karoon's new phase as an oil producer has been delivered against a backdrop of the unprecedented COVID-19 pandemic, which continues to cause significant hardship for many of our staff and contractors, as well as disruption to normal operational practices. On a more positive note, the macro-oil environment has been very supportive, with the oil price increasing from US\$45/bbl to more than US\$70/bbl during the year. With no hedging in place over the year, Karoon benefited from the oil price strength, ending the year in a robust financial position. Following the sanctioning of the Baúna intervention campaign and the Patola development, Karoon

has two projects which are expected to add between 15,000 – 20,000 bopd by early 2023 and more than double current production before natural decline resumes.

Having completed our transition into an oil producer, in April 2021, a Strategic Refresh commenced, aimed at updating Karoon’s corporate strategy and our key objectives for the next five years and beyond. Our goal is to create a sustainable oil business, anchored by our current Brazilian producing asset and projects under development.

The Refresh has considered the Company’s operational and financial objectives, as well as evaluating organic and inorganic growth options. In addition, a major component of the Refresh has been our approach to the communities where we operate and managing our carbon emissions. Sustainability and management of our carbon footprint will form a key component of our strategy and how we position ourselves for both the challenges and opportunities that the energy transition brings. The Strategic Refresh is now nearing its conclusion and we intend to share the outcomes with the market in late October 2021.

Our highest priority in FY2022 will be on continuing to deliver safe and reliable production from the Baúna concession while we focus on progressing the Baúna intervention and Patola projects, on time and on budget, and implementing the Strategic Refresh initiatives.”



FPSO, Cidade de Itajai

Financial Results for FY2021

Table 1 - Financial Summary

Year to 30 June	2021	2020
Production volume (MMbbl)	3.14	-
Oil sales volume (MMbbl)	2.90	-
Unit Production Costs ^{1,2} (US\$/bbl)	25.11	-
Weighted average net realised price ¹ (US\$/bbl)	59.00	-
	<u>US\$ million</u>	<u>US\$ million</u>
Sales revenue	170.8	-
EBITDA ^{1,3}	9.8	(85.4)
Depreciation and amortisation ⁴	(37.6)	(0.7)
Loss before income tax	(27.8)	(86.8)
Net profit/(loss) after income tax	4.4	(86.1)
Underlying net profit/(loss) after income tax ^{1,5}	33.4	(65.2)
Operating Cash flows	29.8	(67.1)
Net Assets	380.2	359.5
Investment Expenditure:		
- Baúna intervention and Patola CAPEX ⁶	18.6	-
- Exploration and evaluation expenditure and new ventures ⁷	7.1	53.6
- Other Plant and Equipment ⁸	6.1	1.3

1. EBITDA (earnings before interest, tax, depreciation, depletion, and amortisation) and underlying net profit after tax are non-IFRS measures that are unaudited but are derived from audited financial statements. These measures are presented to provide further insight into Karoon's performance.
2. Unit production costs are based on operating costs as disclosed in Note 5(a) of the Financial Statements, adjusted for depreciation on the FPSO right-of-use asset and associated finance costs to reflect the accounting expense related to the FPSO charter lease.
3. Includes depreciation on FPSO charter lease right-of-use asset refer Note 2 above.
4. Excludes depreciation on FPSO charter lease right-of-use asset refer Note 2 above.
5. The Statutory net profit after tax has been adjusted for the following items:

Year to 30 June	2021 US\$ million	2020 US\$ million
Net profit/(loss) after income tax	4.4	(86.1)
Initial recognition of historical Brazilian tax losses and temporary differences	(20.7)	-
Baúna transition costs	15.7	13.5
Impairment and inventory write-down	0.7	12.8
Pitkin legal settlement	9.6	-
Foreign exchange losses/ (gain)	17.1	(5.4)
Change in fair value of contingent consideration	6.6	-
Underlying net profit/(loss) after income tax	<u>33.4</u>	<u>(65.2)</u>

6. Excludes Baúna acquisition costs and capitalised borrowing costs associated with the Patola development.
7. Includes exploration and evaluation capitalised of US\$1.9 million and exploration and evaluation and new venture expenses US\$5.2 million
8. Excludes leased right-of-use asset additions.

Karoon recorded a statutory net profit after tax (NPAT) of US\$4.4 million and an underlying NPAT of US\$33.4 million (see note 5 to Table 1 for adjustments to derive underlying NPAT) for FY2021.

Key items impacting statutory reported profit included net foreign currency losses of US\$17.0 million and a US\$6.6 million increase in the assessed fair value of the contingent consideration payable to Petrobras which is dependent on future oil prices from 2022 to 2026. The results also included US\$3.4 million of exploration and evaluation expenditure expensed, transition costs incurred prior to completion of the Baúna acquisition of US\$15.7 million and US\$9.6 million relating to the settlement of a dispute with Pitkin Petroleum Peru Z-38 SRL in respect of Z-38, offshore Peru.

These items were partially offset by an income tax benefit of US\$32.3 million, of which US\$20.7 million was related to the recognition of historical Brazilian tax losses and temporary differences.

Operating cash flow for FY2021 was US\$29.8 million, while at the end of June 2021, Karoon had cash and cash equivalents of US\$133.2 million.

Guidance for FY2022

Initial guidance for key operational and financial metrics in FY2022 is as follows:

Table 2 – FY2022 Guidance (as at 20 September 2021)¹

	Low	High
Production (MMbbls)	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 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.

Baúna production in FY2022 is expected to be between 11,500 bopd and 12,500 bopd. This forecast assumes facilities uptime of 92% - 97%, excluding nine days of scheduled maintenance. Production excludes any impact from the Baúna intervention campaign, which, subject to the timing of the arrival of the drilling rig into Brazil, is expected to commence contributing to production early in FY2023.

With production costs largely fixed, unit production costs are expected to increase, reflecting lower production rates in FY2022, combined with additional costs related to preventive maintenance projects on the FPSO to ensure future reliability and safety.

Unit depreciation and amortisation is expected to remain largely unchanged.

Investment expenditure on the Baúna Intervention and Patola Projects expenditure in FY2022 relates to ordering long lead items for Patola, detailed planning for both projects, internal personnel allocation and rig mobilisation and commencement of the intervention campaign. Investment expenditures are expected to be funded from existing cash, cash flow and drawdowns from the Company's US\$160 million debt facility.

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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Conference call

Karoon's Chief Executive Officer and Managing Director, Dr Julian Fowles, will hold a conference call for analysts and investors to discuss the 2021 Full Year Results on **Monday, 20 September 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/20210923/NaN6125d3283a0931001bbbe303>

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

Glossary

Term	Definition
bbbl	barrel
FY2021	Financial year ending 30 June 2021
FY2022	Financial year ending 30 June 2022
Karoon	Karoon Energy Ltd and its subsidiaries
MMbbbl	million barrels of oil
US\$	United States dollars

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.

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.



Karoon Energy FY2021 Full Year Results

20 September 2021

Disclaimer / Definitions

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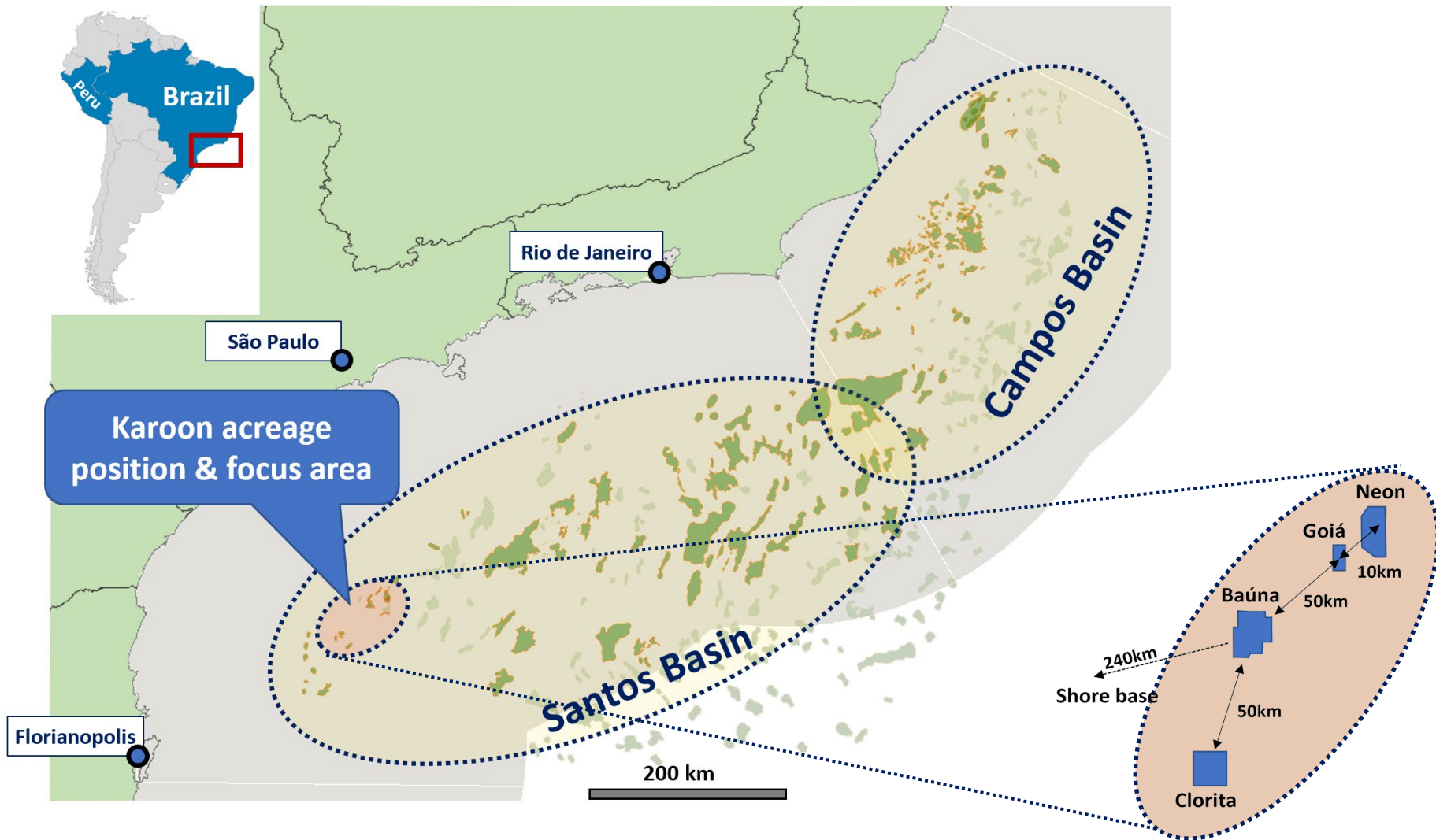
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Definitions

2H	Second half	FY2021	Financial year ending 30 June 2021
API	American Petroleum Institute's Inverted scale for denoting the "lightness" or "heaviness" of crude oils and other liquid hydrocarbons	FY2022	Financial year ending 30 June 2022
bbl or barrel	Barrel of oil = 42 United States gallons; equivalent to approximately 159 litres	Karoon	Karoon Energy Ltd and its subsidiaries
bopd	Barrels of oil per day	LTI	Lost time incident
CY	Calendar year	MMbbl	Millions of barrels of oil
FID	Final investment decision	NPAT	Net profit after tax
FPSO	Floating, production, storage and offloading vessel	2Q	Second quarter
FY	Financial year ending 30 June	3Q	Third quarter

Karoon – pure oil play with exposure to exciting Brazilian oil industry



Key Strategic Goals delivered in FY2021

Transformation into safe, reliable and profitable producer

- Completed Baúna purchase in Brazil's Santos Basin in November 2020 for US\$380 million firm consideration plus up to US\$285 million plus interest¹, contingent on oil prices
- Produced 3.14 MMbbl in FY2021 (from 7 Nov 2020 to 30 June 2021)
- Average realised oil price of US\$59/bbl, sales revenue of US\$170.8 million, unit production cost of US\$25.11/bbl
- Reported NPAT US\$4.4 million, underlying NPAT US\$33.4 million², operating cash flow US\$29.8 million
- Excellent safety record

Sanctioned growth projects, capitalising on Brazil infrastructure base

- Rig contracted for Baúna intervention program, to commence 2Q CY2022, dependent on rig arrival timing
- FID taken on Patola field development, expected onstream early CY2023
- Together, intervention program and Patola development represent relatively low risk pathway to doubling production
- Strategic Refresh examining potential future growth opportunities

Strong balance sheet provides solid platform to underpin growth

- Cash position of US\$133 million at end June 2021
- Interventions to be funded from cash and Baúna cash flow
- New US\$160 million debt facility secured for Patola provides balance sheet flexibility
- Oil price downside risk protected by partial hedging

4 1. The contingent consideration accrues interest at 2% per annum from 1 January 2019.
2. Non-IFRS measure that is unaudited but derived from audited financial statements. This measure is presented to provide further insight into Karoon's performance.

Key Strategic Goals delivered in FY2021 cont.

Refreshed Karoon Board and management team, with capabilities and experience to deliver production and growth opportunities

- Retirement of Founding MD, Mr Robert Hosking, appointment of new CEO and MD, Dr Julian Fowles
- Retirement of long standing non-executive directors, Mr Geoff Atkins and Mr Jose Coutinho Barbosa and appointment of independent, non-executive director, Mr Peter Botten AC, CBE
- Appointment of Mr Antonio Guimarães as EVP/President Karoon Brazil and Mr Ray Church as CFO (both in FY2022)

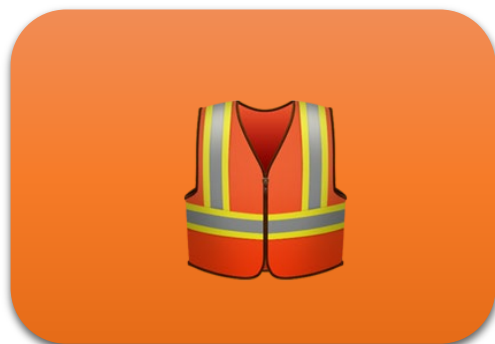
Improved corporate structure, clarifying accountabilities and enabling faster decision- making

- Full capability Brazil Business Unit established, reporting to CEO. Responsible for executing in-country business within parameters set by Melbourne and culture, governance, strategy and budgets approved by Board
- Melbourne office provides strategic, governance, technical assurance and specialist services to Brazil Business Unit, with responsibility for corporate performance management
- Scalable to manage addition of new projects and assets

Focus on sustainability

- Major review of Karoon's Environmental, Social and Governance practises as part of Strategic Refresh
- Key focus is carbon management as world transitions to lower carbon environment
- New Sustainability Strategy, including approach to climate change and carbon emissions goals, to be shared later in CY2021

FY2021 Key operational and financial metrics



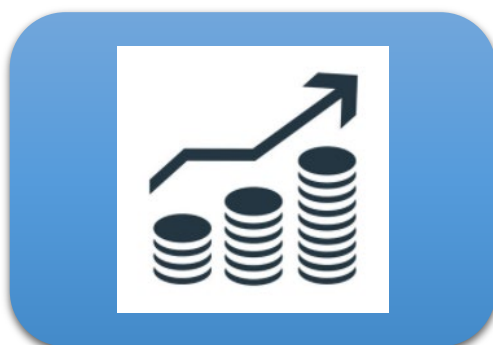
One LTI, TRIR 0.64*
Zero Tier 1/2 process safety incidents**



Production 3.14 MMbbl
Sales 2.90 MMbbl



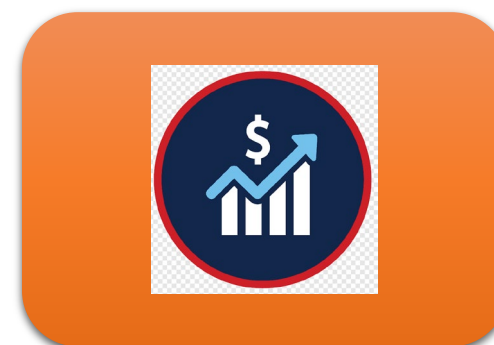
Unit Production Costs
US\$25.11/bbl



Revenue
US\$170.8 million



Year-end Cash
US\$133.0 million



Operating Cash Flow – US\$29.8 million
Underlying NPAT– US\$33.4 million
Reported NPAT - US\$4.4 million

*Per 200,000 hours

** Tier 1 and Tier 2 Loss of Primary Containment (LOPC) events as defined in the International Oil and Gas Producers Report Number 456: "Process safety – Recommended practice on Key Performance Indicators"

HSSE and sustainability core to all Karoon activities

- Key focus in FY2021 on setting strong safety culture throughout Baúna operations
- Fully integrated operating management system developed, to ensure comprehensive and robust risk management
- One LTI on supply vessel during pre-operatorship training. No significant safety or environmental incidents since taking operatorship
- Strict COVID-19 protocols successful in reducing COVID risks for workforce and ensuring operating continuity
- Diverse workforce, 50% female in Karoon Group
- More than 12 socio/environmental projects underway related to Baúna operations
- Full review of environmental, social and governance practises, including approach to communities, climate change and managing carbon emissions, being finalised as part of Strategic Refresh. Includes setting targets, goals and management accountability



NPAT of US\$4.4 million, underlying NPAT of US\$33.4 million

Year to 30 June 2021

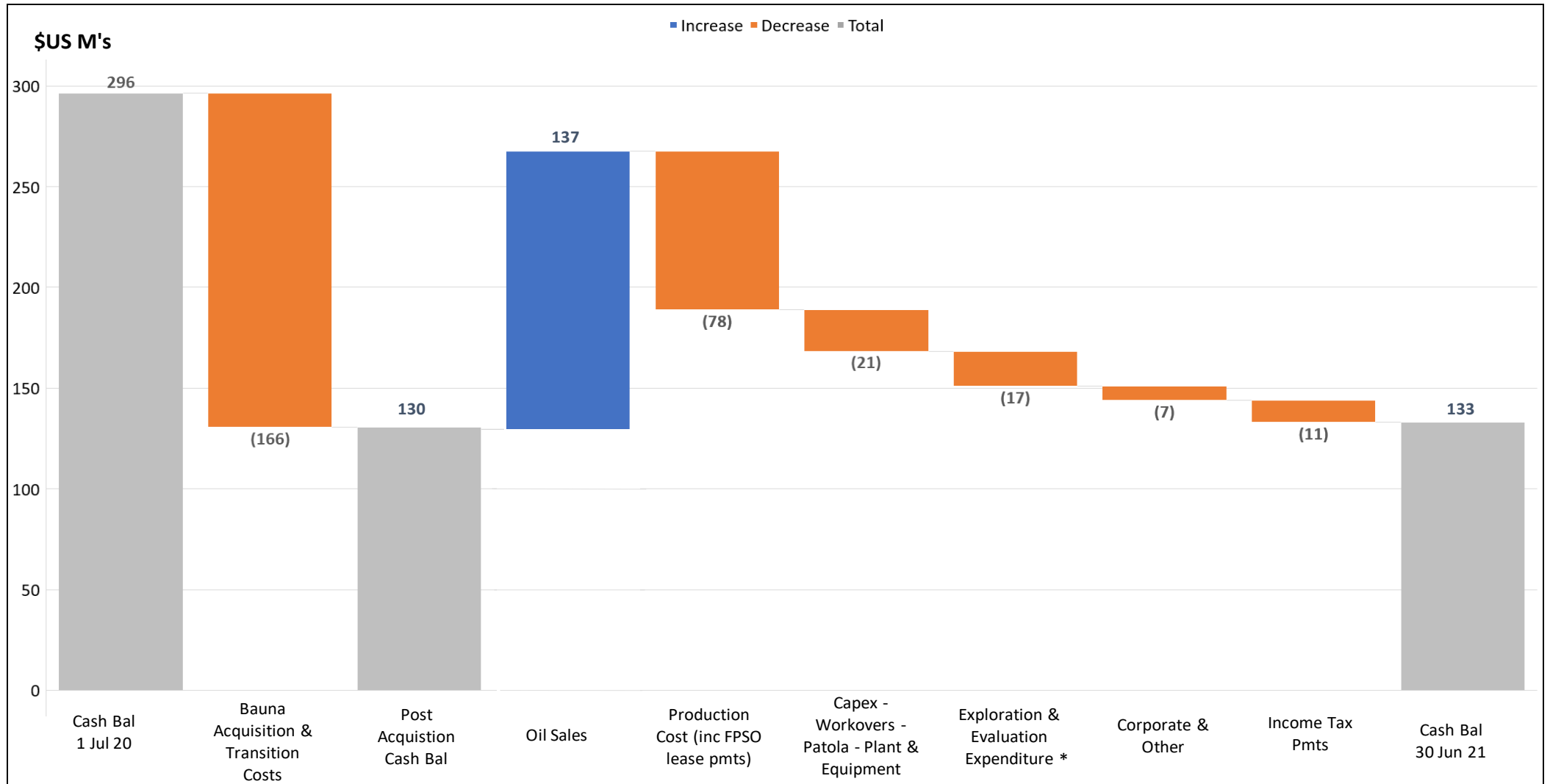
Production (MMbbl)	3.14
Sales Volume (MMbbl)	2.90
Realised Oil Price (US\$/bbl)	59.00

	US\$ million
Oil Sales Revenue	170.8
Production Costs (incl FPSO depn & finance costs)	(78.9)
Royalties	(19.0)
Other	<u>(63.1)</u>
EBITDAX ¹	9.8
D, D & A	<u>(37.6)</u>
Net loss before tax	(27.8)
Tax benefit	<u>32.2</u>
Net profit after tax	4.4
Underlying net profit after tax ¹ (refer Appendix 1)	33.4

- Production of 3.14 MMbbl in period from 7 Nov 2020 to 30 June 2021
- Six cargoes lifted, sales volume of 2.9 MMbbl generating revenue of US\$170.8 million, with US\$10.9 million inventory at year end
- Average realised price of US\$59/bbl benefited from rising global oil prices over period. No hedging in place during FY2021
- Unit production cost of US\$25.11/bbl
- Royalties calculated at rate of 10% of production multiplied by reference price from ANP (Brazilian Oil and Gas Regulator)
- Other costs included US\$17.0 million forex losses, US\$15.7 million Baúna transition costs, US\$10.4 million corporate costs, US\$6.6 million change in fair value of Petrobras contingent consideration and Pitkin legal settlement US\$9.6 million
- Tax benefit includes US\$20.7 million relating to initial recognition of historical Brazilian tax losses

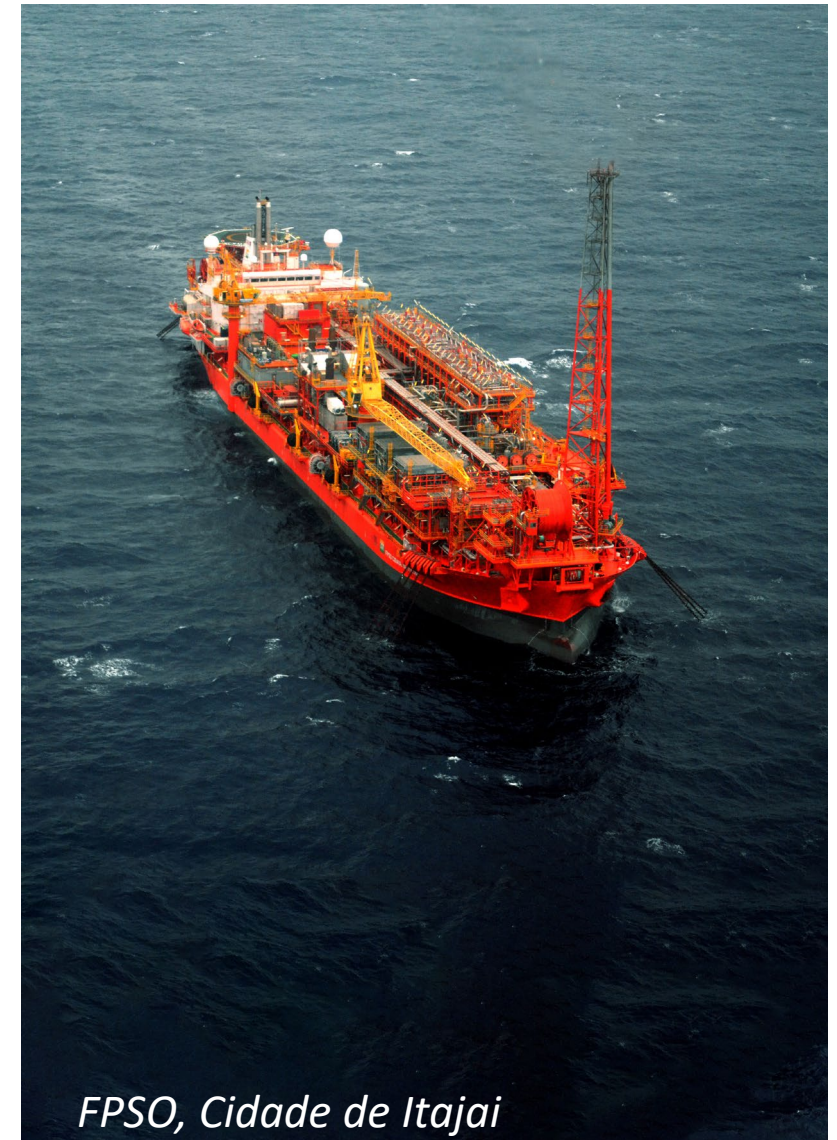
8 1. Non-IFRS measures that are unaudited but are derived from audited financial statements. These measures are presented to provide further insight into Karoon's performance

Movements in cash over FY2021



Strong production performance from Baúna field

- FY2021 production of 3.14 MMbbl (in line with guidance), average production rate of 13,317 bopd between November 2020 and June 2021
- 92% average uptime and 97% uptime excluding scheduled maintenance on FPSO
- Annualised decline rate in eight months of operations ~10% vs 15% anticipated, achieved largely through optimisation of gas lift
- Aiming to maintain decline rate at <15% pa, depending on reservoir response
- Strong focus on preventive maintenance to ensure continued strong operational uptime and reliable production rates
- Marketing arrangement with Shell provides access to wide range of potential international customers



FPSO, Cidade de Itajai

Maersk rig contracted for Baúna Intervention Program

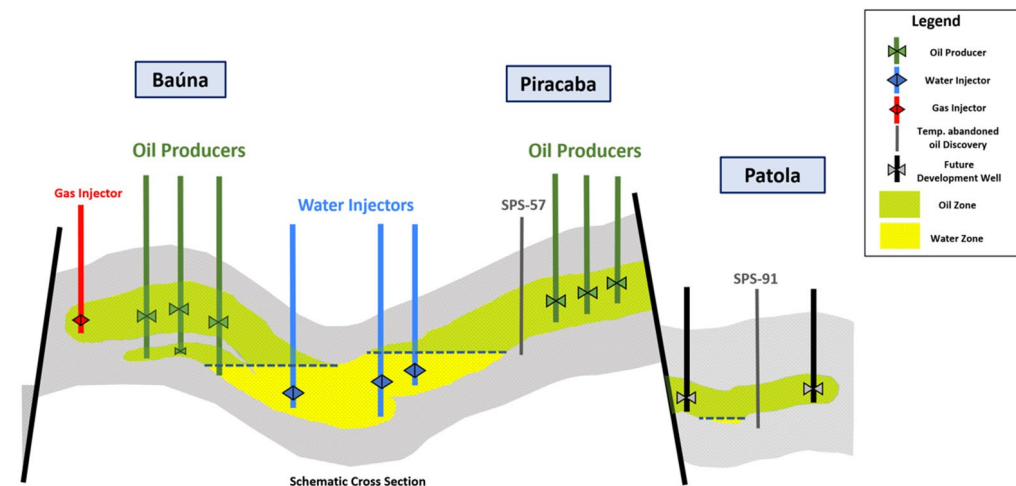
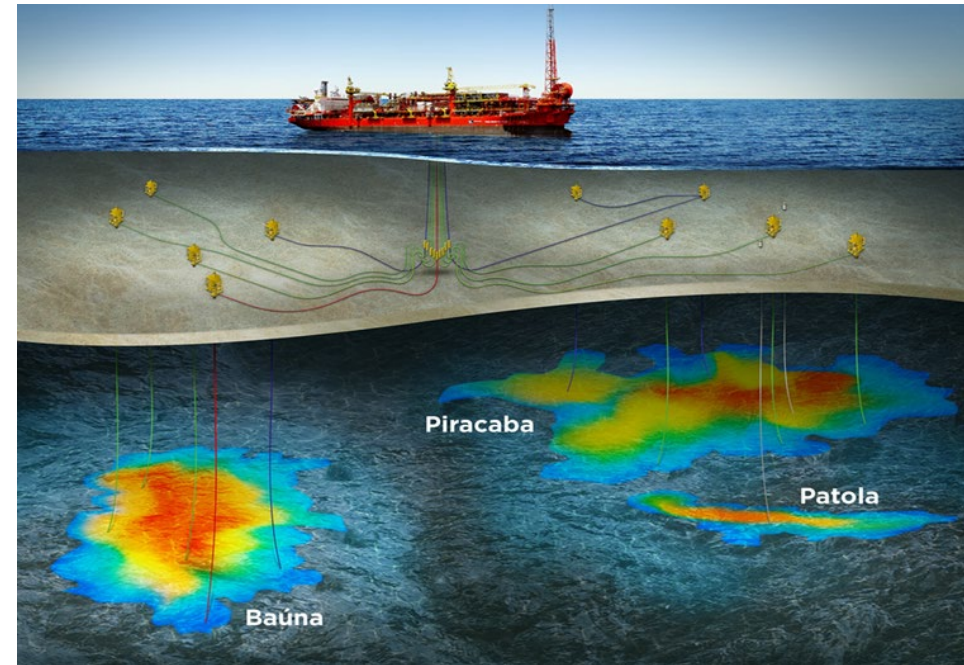
- Maersk Developer Rig contracted for Baúna intervention campaign
- Currently located in Suriname, expected to arrive in Brazil in 2Q CY2022, dependent on options on existing drilling program
- Four interventions planned - 2 downhole pump replacements, 1x gas lift and 1x oil zone re-opening
- Intervention program targeting 5,000 – 10,000 bopd production boost, commencing mid CY2022
- Estimated cost US\$110 - 130 million, to be funded from cash and cash flows
- Project delivery team in place, ongoing consultation and planning with Maersk on intervention program design and mobilisation of rig, placement of orders for long lead items and workover tools, specialised tools being manufactured
- Options to extend Maersk contract to drill two Patola wells (exercised in June 2021) and potential Neon control well (decision to be made 1Q CY2022)



Maersk Developer

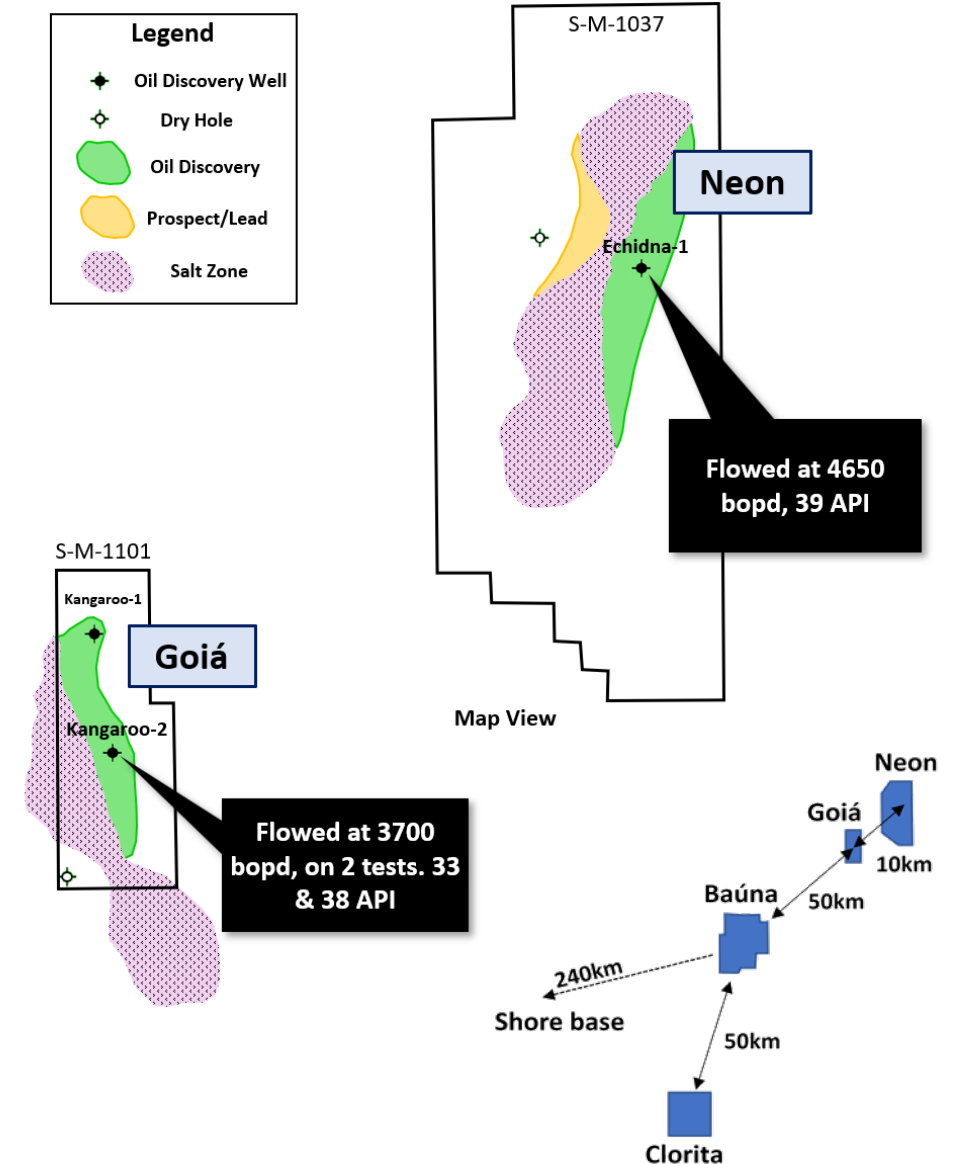
Patola development sanctioned

- Patola field located adjacent to producing Baúna and Piracaba fields, within BM-S-40 production ring-fence
- Development plan comprises two vertical wells and subsea infrastructure (to be designed, manufactured and installed by TechnipFMC) tied back to spare riser slots on Baúna FPSO, Cidade de Itajaí
- Targeting first Patola production in early CY2023, with expected peak rates >10,000 bopd
- Expected to take total BM-S-40 production (including Baúna interventions) to ~30,000 bopd, more than double current levels
- Leverages existing underutilised facilities, expected to significantly reduce unit OPEX with rapid payback
- FID follows thorough reserves, financial, legal, HSE, facilities and insurance due diligence by Karoon, independent advisers and financiers
- Fabrication by TechnipFMC of subsea equipment, detailed planning of drilling and completion and acquisition of additional long lead items underway
- Estimated cost US\$175 – 195 million, to be funded from cash flow and new debt facility



Optimising Neon development concept

- Neon and Goiá light oil discoveries, located 50-60km from Baúna
- Moderate water depth, shallow reservoirs and high quality seismic dataset - analogous to Baúna asset
- Subsurface, engineering and economic review of previous development concept initiated in March 2021
- Focus on how to maximise oil recoveries most cost effectively, given current subsurface uncertainties
- Neon initial development subject to drilling a potential control well and further engineering studies
- Decision expected 1Q CY2022 on whether to exercise Maersk rig option to drill potential well in early 2023, following Patola drilling



Karoon's first debt facility arranged

- US\$160 million reserve-based, non-recourse facility:
 - Syndicate comprises Deutsche, ING, Macquarie and Shell
 - Cost-competitive funding source
 - Establishes relationships with high quality global banks
 - Potential to expand via US\$50 million accordion facility provides additional future funding flexibility
- Access to debt markets provides Karoon with ability to secure optimal funding mix for future growth opportunities
- As part of facility, establishing structured hedging program with floors/ceilings for 30 – 40% of production over first two years of loan facility
- Prudent management of downside risk during investment phase to ensure cash is available for debt repayments



June 2021 Reserves and Resources Statement

Reserves at 30 June 2021

	1P (MMbbl)	2P (MMbbl)	3P (MMbbl)
Developed ¹	30.0	34.7	46.8
Undeveloped ²	<u>11.1</u>	<u>14.7</u>	<u>19.3</u>
Total	41.1	49.4	66.1

¹ Baúna producing

² Patola under development

Contingent Resources at 30 June 2021

	1C (MMbbl)	2C (MMbbl)	3C (MMbbl)
BM-S-40 (Baúna)	1.9	4.2	8.3
S-M-1037 (Neon)	30.0	55.0	92.0
S-M-1101 (Goia)	<u>16.0</u>	<u>27.0</u>	<u>46.0</u>
Total	47.9	86.2	146.3

- Internal estimate of reserves and contingent resources. Reserves and Resources estimates are prepared in accordance with the guidelines of the Petroleum Resources Management System (SPE-PRMS) 2018 jointly published by the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), and American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE). All statements are net to Karoon's interests at 30 June 2021 and use a combination of deterministic and probabilistic methods.
- Major changes from June 2020 comprise movement of Patola Resources to Reserves following approval of Patola development plan, field production over period and revisions related to better than expected field decline from existing wells
- All Reserves and Resources statements in this presentation are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of, Mr Lino Barro, Karoon Energy Ltd, Engineering Manager. Mr Barro holds a Bachelor of Engineering (Chemical - Hons) and a Master of Business Administration and is a member of the Society of Petroleum Engineers. Mr Barro has consented in writing to the inclusion of this information in the format and context in which it appears.

Strategic Refresh nearing completion

- Strategic Refresh commenced in April, aimed at updating corporate strategy and key objectives for five years+ following completion of Baúna acquisition
- Goal is to create a sustainable oil business, based on current Brazilian producing assets and projects under development, which delivers strong returns for shareholders
- Has considered key operational and financial objectives, including operational excellence and capital management, as well as organic (Neon) and inorganic growth options, with key focus areas for investment identified
- Sustainability a major component of the Refresh, particularly approach to communities and managing carbon emissions
- Key outcomes of Strategic Refresh (including sustainability strategy and carbon management plan) to be shared with market in late October 2021



FY2022 Guidance¹

Year to 30 June 2022	Low	High	
Production (MMbbl)	4.2	4.6	• Baúna production expected to average 11,500 – 12,500 bopd, based on 92% - 97% uptime, excluding nine days scheduled maintenance
Costs			• Production costs largely fixed, resulting in increase in unit production costs based on production decline ahead of interventions and Patola, plus costs related to preventive maintenance projects, to ensure future reliability and safety
Unit Production Costs (US\$/bbl) ²	28	32	
Other Operating Costs (US\$ million) ³	15	17	
Unit DD&A (US\$/bbl) ⁴	12	13	• DD&A expected to remain largely unchanged on a unit basis
Investment Expenditure			• Intervention and Patola projects expenditure for FY2022 relates to long lead items for Patola, planning, internal personnel allocation, and mobilisation and commencement of intervention campaign
Interventions and Patola (US\$ million) ⁵	100	135	
Subsurface Evaluation and New Ventures (US\$ million)	5	7	
Other Plant and Equipment (US\$ million)	9	11	

Notes:

- Guidance is subject to various risks (including those “Key Risks” set out in Karoon’s 2021 Annual Report).
- Unit Production Costs: based on daily operating costs associated with Baúna Production, excluding government royalties.
- Other Operating Costs: includes corporate and non-oil and gas related depreciation, excludes government royalties.
- Excludes depreciation on FPSO right-of-use asset capitalised under IFRS 16, which is included as part of Unit Production Costs.
- 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 Patola development that may be capitalised.

Summary and Outlook

A new era as an oil producer

- Becoming established as a safe and reliable oil producer and operator
- Continued focus on scheduled and preventive maintenance to optimise uptime
- Mature reservoirs performing well
- Generating strong cashflows, with Shell marketing arrangement providing access to global oil markets

Baúna interventions and Patola

- Both projects progressing, with project management teams targeting delivery on time and budget
- Majority of contracts awarded
- Expect Baúna intervention program to commence 2Q CY2022, first production contributions expected 2H CY2022
- Patola onstream early CY2023, taking total forecast Baúna concession production to >30,000 bopd prior to decline

Costs and Funding

- Strong balance sheet position with cash of US\$133 million and strong cash flows
- Interventions to be funded from cash and Baúna cash flow
- Patola funding facility locked in, potential to expand, provides significant balance sheet flexibility for future activities
- Hedging will help manage downside oil price risk

Unique investment opportunity

- Only pure oil play listed on ASX
- Exposure to exciting Brazilian oil sector
- Potential for strong growth through sanctioned projects as well as organic and inorganic growth opportunities

Appendix 1

Reconciliation of Statutory NPAT to Underlying NPAT¹

Year to 30 June 2021	US\$ million
Net profit after tax	4.4
Recognition of historical Brazilian tax losses	(20.7)
Forex losses	17.1
Baúna transition costs	15.7
Pitkin legal settlement	9.6
Change in fair value of contingent consideration	6.6
Other	0.7
Underlying profit after tax¹	33.4



1. Non-IFRS measure that is unaudited but derived from audited financial statements and presented to provide further insight into Karoon's performance

Appendix 2

Impact of AASB 16 ‘Leases’

The Baúna FPSO charter contract lease has been accounted for in accordance with AASB 16 ‘Leases’. The following amounts have been reflected in the FY2021 results:

Year to 30 June 2021	US\$ million
Profit and Loss	
Cost of sales – depreciation on FPSO right of use asset	28.1
Finance costs – interest on FPSO lease	12.4
Cash flow	
Cash flow from operating activities – interest and other costs of finance paid	10.5
Cash flows from financing activities - principal elements of lease payments	23.3



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