23 February 2022

Company Announcements Office
ASX Limited

Dear Sir / Madam

Interim Financial Report – 2022 Financial Year – ASX Release and Investor Presentation

Attached are the following documents in relation to Karoon Energy Ltd's interim financial report for the financial half-year ended 31 December 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 Energy Ltd
ABN 53 107 001 338
Level 3/6 Riverside Quay
Southbank Vic 3006 I Australia
+ 613 9616 7500

ASX RELEASE Issued 23 February 2022

Underlying net profit after tax of US$21.1 million[1] for the first half of FY2022

Highlights:

Six months to December	2021	2020^
Sales revenue (US$ million)	**186.5**	23.8
Unit Production costs (US$/bbl)	**23.50**	22.18
Underlying EBITDA[1] (US$ million)	**89.5**	3.7
Unit depreciation and amortisation (US$/bbl)[2]	**11.80**	12.70
Underlying net profit after tax[1] (US$ million)	**21.1**	9.4
Statutory net loss after tax (US$ million)	**(97.7)**	(1.5)
Operating cash flow (US$ million)	**83.9**	(42.4)
Closing cash and cash equivalents (US$ million)	**204.1**	102.4

^ Reflects Baúna operations from 7 November to 31 December 2020 and is therefore not directly comparable.

- **Underlying net profit after tax (NPAT) for the first half of FY2022 was US$21.1 million[1].**
- **A statutory net loss after tax of US$97.7 million was reported, which included a non-cash adjustment to the anticipated contingent consideration payable to Petrobras for the Baúna asset of US$121.3 million net of tax (US$183.8 million pre-tax), following an increase in Karoon's oil price outlook.**
- **The solid underlying NPAT[1] reflected oil production from the Baúna Field of 2.50 million barrels (MMbbl), and oil sales of 2.57 MMbbl. The weighted average realised price, net of selling expenses and logistics, was US$72.43/bbl, which was 23% higher than the average price of US$59.00/bbl realised in FY2021. Oil revenue received from the five cargoes lifted was US$186.5 million.**
- **Unit production costs were US$23.50/bbl, below the US$28 – 32/bbl FY2022 guidance range due to higher than anticipated first half production over a largely fixed cost base. Unit depreciation and amortisation was US$11.79/bbl, in line with prior market guidance.**
- **Cash and cash equivalents at 31 December 2021 were US$204 million and the Company had US$130 million of undrawn debt, placing Karoon in a strong financial position.**
- **Production guidance for FY2022 has been narrowed to 4.4 – 4.6 MMbbl, while guidance for unit production costs has been reduced to US$28 – 30/bbl. Unit depreciation and amortisation guidance is unchanged at US$12 – 13/bbl. Additional guidance is shown in Table 1 on page 4.**
- **Activities on 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, are targeted to commence in late April/early May 2022.**
- **The recent entry into an agreement to purchase more than 480,000 Verified Emission Reductions (carbon credits) from Shell, which have VCS and CCB Verra certifications, will enable Karoon to be carbon neutral**

[1] EBITDA (earnings before interest, tax, depreciation, depletion, and amortisation), underlying EBITDA and underlying net profit after tax (NPAT) are non-IFRS measures that are unaudited but are derived from financial statements, which have been subject to review by the Company's auditor. These measures are presented to provide further insight into Karoon's performance. See notes on page 4 of the Interim Financial Report to derive EBITDA, underlying EBITDA and underlying NPAT.
[2] Excludes depreciation on the FPSO right of use asset.

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Southbank Vic 3006 I Australia
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for its Scope 1 and 2 Baúna greenhouse gas (GHG) emissions in FY2021, and result in an estimated 60% of total Baúna-Patola Scope 1 and 2 emissions to be offset between 2022 and 2030.

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

Financial and Operational Performance

"Karoon's underlying NPAT for the six months to end December 2021 of US$21.1 million[1] was a pleasing result. It reflected an outstanding operational performance from the Baúna asset, aligned with Karoon's goal to be a safe and reliable producer, despite ongoing challenges from the global COVID-19 pandemic. The result also reflected the global strength in oil prices, with the average price realised for the period nearly 25% higher than that received during FY2021.

"Based on the recent rise in oil prices and considering external forecasts, we now anticipate that the oil price over the next few years will be considerably higher than our forecast in June 2021. As a result, we have recognised a material increase in the assessed net present value of the contingent consideration payable to Petrobras for the Baúna asset, resulting in a statutory net loss after tax for the half year of US$97.7 million (details of the contingent consideration calculation are shown in Note 10 on page 27 of the *Interim Financial Report* for the financial half year ended 31 December 2021). It should be noted that higher oil prices should generate additional cash flows to fund the higher Petrobras payments.

"A key highlight for the half year was achieving 99% facilities uptime, including 99.8% uptime in the fourth quarter of CY2021. This excellent performance is a testament to the hard work from our Brazilian operational team and underlines the benefit of our policy of undertaking proactive maintenance, which seeks to ensure the integrity and reliability of the Baúna FPSO. Unit production costs of US$23.50/bbl were below our guidance range, largely due to higher production than anticipated over a largely fixed cost base. Finance fees and interest, excluding capitalised FPSO lease interest expense, were also below guidance at US$2.3 million, as certain debt establishment costs have been capitalised during Patola's development period. Other costs were in line with guidance provided in January 2022 in the December 2021 quarterly results.

"The results included US$1.7 million of exploration and evaluation expenditure expensed, primarily related to the ongoing evaluation of the Neon project. In addition, a net foreign exchange gain of US$3.4 million was recognised, due to the appreciation of Karoon's cash balances held in Australia relative to the US dollar during the half-year. The forex gain has been excluded from underlying EBITDA and underlying NPAT.

"After adjusting the statutory tax benefit for US$13.3 million of foreign exchange impacts on Brazilian tax assets and liabilities, the result reflected an effective tax rate of 32%. Permanent differences, largely resulting from different overseas corporate tax rates, accounted for the remaining gap to the Brazilian 34% corporate tax rate.

"Operating cash flow for the first half was US$83.9 million, which, together with the draw-down of US$30 million from the Company's new debt facility, helped lift the cash balance from US$133 million at the end of June 2021 to US$204 million at the end of December 2021. Including US$130 million of undrawn debt, our liquidity position is US$334 million, which should be sufficient to fund the estimated cost of the forthcoming Baúna intervention campaign and Patola development program.

Development Projects

"Since taking FID on these projects in mid-2021, we have made good progress with our execution preparations and costs remain within guidance. Assuming no major delays with regulatory approvals or the maintenance and inspection of the Maersk Developer rig, currently taking place in Trinidad and Tobago, and its mobilisation to Brazil, the first Baúna well intervention is expected to commence between 15 April and 15 May 2022. The Baúna campaign is scheduled to take approximately 4 – 6 months to complete, and Patola development drilling is targeted to commence immediately afterwards. Given that the interventions and Patola wells will utilise existing infrastructure, we expect to capture material operating and logistical efficiencies as production rates increase. Indicative unit operating costs are targeted to fall from US$28-30/bbl in FY2022 to US$12 – 18/bbl in FY2023.

"We are continuing to undertake substantial analysis, engineering and technical work on the potential development of the Neon oil discovery. A decision whether to drill one or more control wells on Neon, to assist with development planning, will be taken in coming months. We are also continuing to assess the market for value accretive acquisitions, using a highly disciplined approach to capital allocation and rigorous assessment of potential opportunities.

Sustainability

"A key focus for Karoon is to ensure that our operations are sustainable. During the first half of FY2022, we completed two projects - replacing a low-pressure flare and installing a new mooring buoy - that will reduce greenhouse gas (GHG) emissions from our operations. In addition, we have recently entered into an agreement to purchase high quality carbon credits from Shell over 2022 – 2030, which will offset an estimated 60% of GHG emissions from Baúna and Patola. Together with carbon credits acquired in November 2021, the Shell agreement will enable us to achieve our target of being carbon neutral for Scope 1 and 2 Baúna emissions in FY2021. This represents a significant step towards Karoon being carbon neutral on Scope 1 and 2 Baúna-Patola emissions from FY2021 onwards and net zero on all Scope 1 and 2 emissions by 2035. Investigations into additional ways to avoid and reduce emissions within our operations and investment opportunities in carbon offset projects in Brazil, which provide both climate related and social benefits, are progressing.

Outlook

"Karoon enters the second half of FY2022 in a strong financial and operating position with more than US$200 million in cash and US$130 million undrawn from our debt facility. Reliable production from our high quality Baúna asset combined with higher oil prices are currently generating strong cash flow to help fund Karoon's sanctioned growth projects. Over the longer term we shall continue to balance investment in high value growth relative to returns to shareholders."

For further information on this release, please contact:

Investors:	**Media:**	
Ann Diamant SVP Communications and Investor Relations Mob: +61 407 483 128 Email: ADiamant@karoonenergy.com.au	**Australia** *P&L Corporate Communications* Ian Pemberton Mob: + 61 402 256 576 Email: ian.pemberton@plcorporate.com.au	**Brazil** *InPress Porter Novelli* Mariana Sant'Anna Mob: + 55 21 96674-6381 Patricia Odenbreit Mob: + 55 21 96674-6403 Email: karoon@inpresspni.com.br
Shareholding enquiries:		
Computershare Tel: 1300 850 505		

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 2022 Half Year Results on **Wednesday, 23 February 2022 at 11am** (Melbourne time). The conference call will be streamed live and can be accessed via the following link:

https://webcast1.boardroom.media/watch_broadcast.php?id=61e0ee55a0d48

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

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

Table 1: Guidance for FY2022

(As at 23 February 2022)[1]	Low	High
Production (MMbbl)	4.4	4.6
Costs		
Unit Production Costs (US$/bbl)[2]	28	30
Other Operating Costs (US$ million)[3]	15	17
Business Development, share-based payments & other costs (US$ million)[4]	14	16
Finance costs and Interest (US$ million)	6	7
Unit DD&A (US$/bbl)[5]	12	13
Investment Expenditure		
Intervention and Patola Projects (US$ million)[6]	100	135
Deferred Baúna acquisition consideration (US$ million)[7]	43	44
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 and foreign exchange gains/losses.
4. Other costs include exploration expensed and hedge premiums.
5. Excludes depreciation on FPSO right-of-use asset capitalised under AASB 16 'Leases', which is included as part of Unit Production Costs.
6. The variance between low and high guidance is largely related to timing of the commencement of the Maersk Developer drilling rig activities in Brazil, with the exact timing subject to mobilisation to Brazil. Excludes any borrowing costs associated with the Patola development that may be capitalised.
7. Relates to deferred consideration payable to Petrobras 18 months after closing and is separate from the contingent consideration payable to Petrobras which is dependent on future oil prices.

All guidance is subject to the statement below regarding "Forward-looking statements".

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 FY2022 First Half Results

23 February 2022

Disclaimer / Definitions

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Definitions

1H	Financial period from 1 July to 31 December
2H	Financial period from 1 January to 30 June
API	American Petroleum Institute's Inverted scale for denoting the "lightness" or "heaviness" of crude oils and other liquid hydrocarbons
bbl or **barrel**	Barrel of oil = 42 United States gallons; equivalent to approximately 159 litres
bn	billion
bopd	Barrels of oil per day
CY	Calendar year
FPSO	Floating, production, storage and offloading vessel
FY	Financial year ending 30 June
FY2022	Financial year ending 30 June 2022
Karoon	Karoon Energy Ltd and its subsidiaries
LTI	Lost time incident
MMbbl	Million barrels of oil
m/million	Million
NPAT	Net profit after tax

Highlights

Julian Fowles

Managing Director and CEO

1H FY2022 – Key Highlights

Excellent performance from Baúna as Karoon completes its first year as an oil producer

Karoon Energy

Safe and Reliable Operating Performance

- Safety remains top priority - Lost time injury rate: 0.47 per 200,000 hours
- One LTI (slip in FPSO galley)
- Oil production: 2.50 MMbbl
- Oil sales: 2.57 MMbbl
- Average realised oil price: US$72.43/bbl
- 99% operational uptime
- No incidents of COVID on FPSO in CY2021

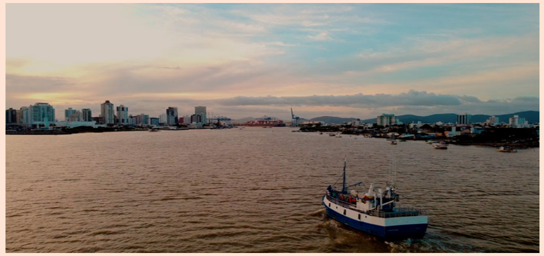
Strong Financials

- Underlying NPAT[1,2]: US$21.1m
- Underlying EBITDA[2]: US$89.5m
- Statutory net loss after tax: US$97.7m
- Unit production costs: US$23.50/bbl
- Unit DD&A: US$11.80/bbl
- Cash at 31/12/21: US$204.1m
- Liquidity at 31/12/21: US$334.1m

Growth Projects Advancing

- Preparations for Baúna intervention and Patola development progressing
- Maersk Developer rig arrival scheduled for 15 April – 15 May
- Production target of >30,000 bopd in early CY2023
- Assessing potential Neon development and value-accretive acquisition opportunities

Sustainable Business



- Completion of LP flare and mooring buoy projects to reduce emissions
- Entry into carbon credit agreements to result in carbon neutral Scope 1 & 2 Baúna emissions in FY2021[3]
- Goal to be Net Zero[4] by 2035 on Scope 1 & 2 emissions through operational reductions, and offset projects and credits that provide climate and social benefits

1 Adjustments to derive underlying NPAT are detailed on slide 11.
2 EBITDA (earnings before interest, tax, depreciation, depletion, and amortisation), underlying EBITDA and underlying net profit after tax (NPAT) are non-IFRS measures that are unaudited but are derived from financial statements, which have been subject to review by the Company's auditor. These measures are presented to provide further insight into Karoon's performance. See notes on page 4 of the Interim Financial Report to derive EBITDA, underlying EBITDA and underlying NPAT.
3 Carbon neutral refers to having a balance between emitting and offsetting greenhouse gas (GHG) emissions. Achieved through acquiring carbon offsets in respect of Scope 1 and 2 GHG emissions.
4 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.

HSSE performance

Safe and reliable operations core priority for Karoon

- One LTI in November 2021 (slip in FPSO galley). Slips and trips education program underway throughout Karoon
- No material environmental incidents
- Strict COVID-19 protocols successful in reducing COVID risks for workforce, ensuring operating continuity during 1H FY2022
- No COVID cases on board FPSO in CY2021. Early CY2022, experienced first outbreak of COVID on FPSO since December 2020. Quarantine/screening efforts redoubled, operational continuity plans in place. No impact on production to date
- >10 socio/environmental licence projects underway related to Baúna operations

Six months to Dec 2021	Actual	Target
TRIR	0.47	<2.0
LTI	1	0
HiPos	2	1
Safety Cards	70/mth	70/mth
Safety Observations	17/mth	≥15/mth
‘Permits to Work’ Audited	24%	≥20%

Financial Results and Capital Management

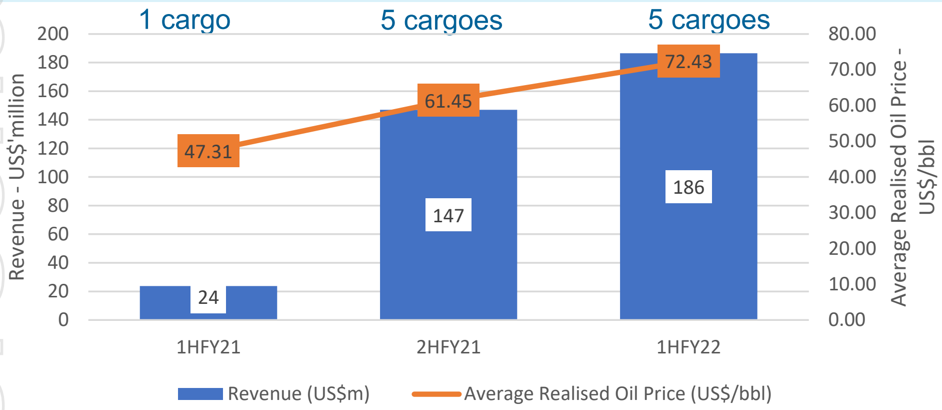
Ray Church

Executive Vice President and CFO

Underlying result

US$ million	1H22	1H21
Revenue	186.5	23.8
Production Costs (incl FPSO depn & fin)	(58.8)	(18.1)
Royalties	(19.1)	(3.9)
O&G Assets DD&A	(29.8)	(10.5)
Inventory Movements	(5.3)	12.2
Corporate, Exploration & Other	(13.9)	(10.6)
Finance & Interest	(2.3)	(0.3)
Underlying Pre-Tax Profit	57.3	(7.5)
Income Tax Benefit/ (Expense)	(36.2)	16.9
Underlying NPAT[1]	21.1	9.4

Revenue & Realised Oil Price per bbl

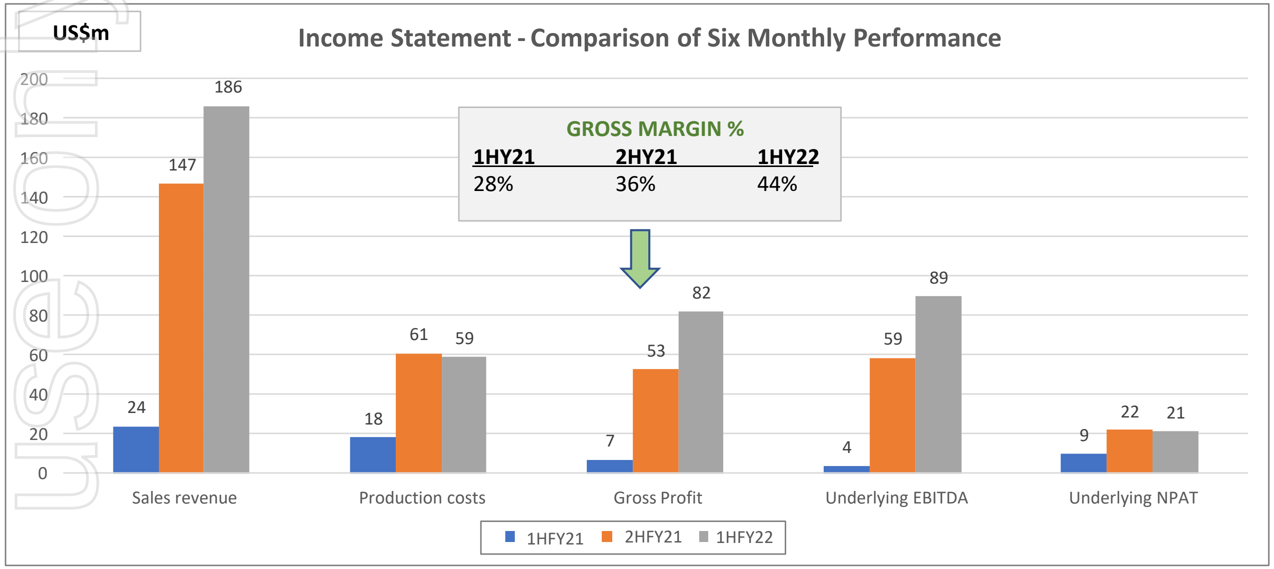


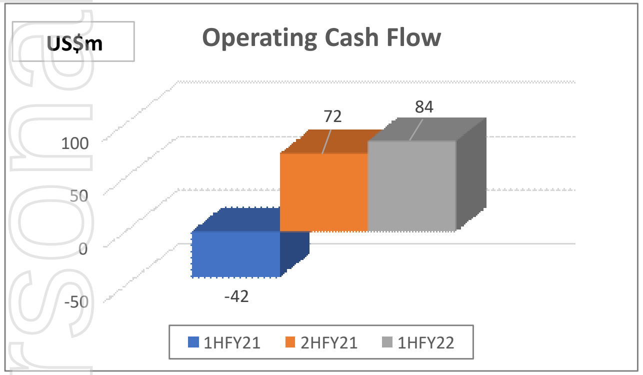
	1H22	1H21
Production (MMbbl)	2.5	0.82
Sales Volume (MMbbl)	2.57	0.5
Realised Oil Price (US$/bbl)	72.43	47.31

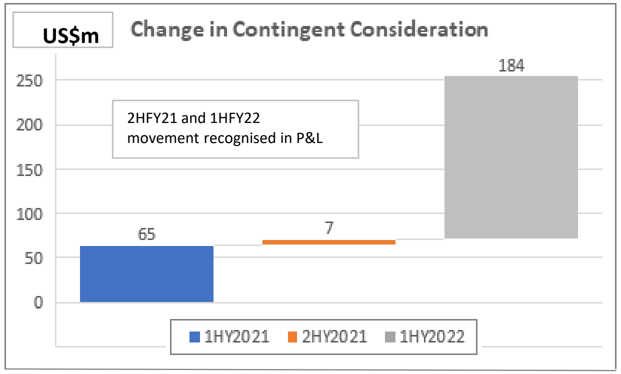
- Production of 2.50 MMbbl, US$5.7m inventory
- Five cargoes, sales volume of 2.57 MMbbl
- Average realised price of US$72.43/bbl benefited from rising global oil prices over period
- Unit production cost of US$23.50/bbl, increasing in 2H due to maintenance and shutdowns
- Royalties 10% of production at ANP reference price
- Corporate, Exploration and Other costs included Corporate costs of US$7.3m, share based payments of US$3.5m and exploration and business development expense of US$2.6m
- Income Tax Expense includes US$13.3m non-cash FX movement on Brazilian Real (BRL) tax assets/liabilities (timing difference) and US$2.1m permanent differences

[1] Underlying net profit after tax (NPAT) is a non-IFRS measure that is unaudited but is derived from financial statements, which have been subject to review by the Company's auditor. This measure is presented to provide further insight into Karoon's performance. See notes on page 4 of the Interim Financial Report to derive underlying NPAT.

Strong financial performance in 1HY2022







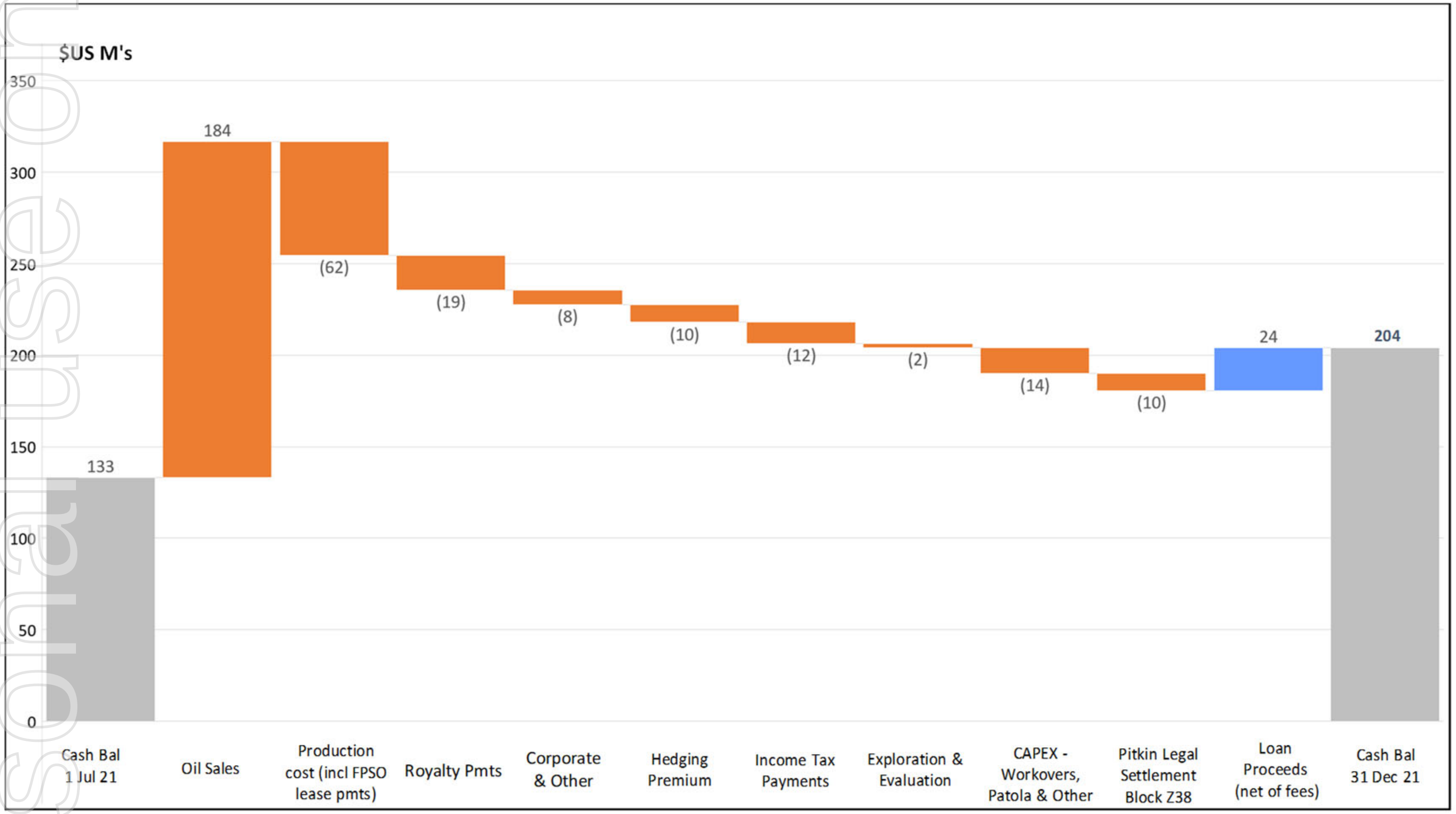
- US$186.5m revenue for 1HFY22 (July – Dec 2021), 27% higher than 2HFY21 (Jan – June 2021)
- Production costs slightly lower half-on-half
- US$83.9m operating cash flows, 17% higher than 2HFY21
- Underlying EBITDA of US$89.5m, 52% up on 2HFY21 (US$58.6m)
- 1HFY22 underlying NPAT of US$21.1m (3% lower than underlying NPAT of US$21.7m in 2HFY21) was adversely impacted by a US$13.3m non-cash FX movement of BRL-based future net tax benefit (US$5.1m positive non-cash FX movement in 2HFY21). Adjusted for this, 1HFY22 underlying NPAT was US$34.4m, 107% higher than 2HFY21 underlying NPAT of US$16.6m
- 1HFY22 result includes expense for fair value movement of contingent consideration payable to Petrobras of US$183.8m[1]

[1] The movement in the Petrobras contingent consideration is due to an increase in Karoon's current and forecast oil price outlook and is dependent on future oil prices each calendar year from 2022 to 2026 inclusive. It is excluded from underlying EBITDA and underlying NPAT as it is not considered to be reflective of ongoing performance, but rather the additional amount the Company expects to pay as consideration for Baúna.

Cash flow

Karoon Energy

1HFY22 Cash flow (US$ million)



- Stable Baúna production continues to provide strong foundation for operating cash flow and is further supported by improving oil price. US$184.5m oil sales receipts
- US$62.3m production cost outflows incl FPSO lease and US$19.1m royalty payments
- After US$7.7m corporate costs, US$9.8m hedge premium, US$11.7m Income Tax and US$2.1m exploration & evaluation spend, US$70.9m cash produced from operations to support growth investments
- US$14.1m used to fund capex and US$9.6m for prior-period Pitkin settlement
- US$30m drawn on new debt facility, less US$6m borrowing costs
- US$204m cash at 31 December 2021 (US$133 million at 30 June 2021)

Balance sheet profile and available liquidity

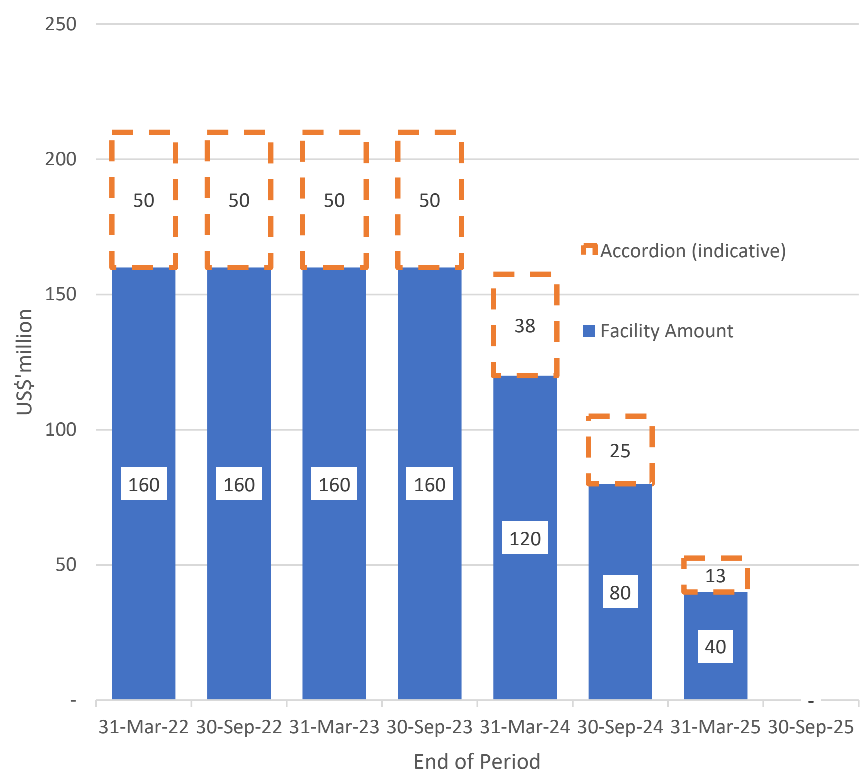
Balance Sheet Highlights

- **Cash and cash equivalents** US$204m (30 June 2021: US$133m)
- **Non-Cash working capital** broadly stable. US$3.7m movement from (US$79.7m) 30 June to (US$76m) 31 Dec, predominantly receivables growth
- **Total assets** increased from US$1.01bn at 30 June 2021 to US$1.1bn, led by cash
- **Net assets** decreased by US$99.9m to US$280.4m. Key driver was increase in contingent consideration potentially payable to Petrobras, offset by underlying profit

Debt and Liquidity at 31 December 2021

- **US$160m** reserve-based, non-recourse loan facility, 425bps margin over LIBOR, or equivalent (SOFR). US$30m drawn
- **Additional US$50m** uncommitted accordion facility can be established to provide additional funding flexibility
- **Total liquidity** (cash plus US$130m undrawn debt) of US$334m at 31 December 2021. Liquidity positioned for investment in Baúna intervention campaign and Patola development
- Hedges, comprising bought puts and sold calls recognised on balance sheet. Mitigates oil price downside risk while retaining substantial exposure to upside on portion of production. Required by debt facility terms

Facility Amount (US$ million)



Reconciliation of Underlying NPAT[1] to Statutory Result

Six months to December	2021	2020
	US$ million	US$ million
Underlying NPAT[1]	21.1	9.4
Change in FV of Contingent Consideration	(183.8)	-
Restructure costs	(0.9)	-
FX gains/ (losses)	3.4	(17.0)
Baúna transition costs	-	(14.6)
Income tax benefit (non-underlying items)	62.5	-
Recognition of historical tax losses	-	20.7
Statutory net (loss)	(97.7)	(1.5)

- Material increase recognised in fair value of contingent consideration payable to Petrobras for Baúna asset (US$183.8m pre-tax, US$121.3m after tax) due to higher future oil price expectations
- Higher oil prices and target production will generate additional cash flows to fund higher Petrobras payments
- FX gains predominantly attributable to accounting restatement of US$ cash holdings in Australian entities

[1] Underlying net profit after tax (NPAT) is a non-IFRS measure that is unaudited but is derived from financial statements, which have been subject to review by the Company's auditor. This measure is presented to provide further insight into Karoon's performance. See notes on page 4 of the Interim Financial Report to derive underlying NPAT.

FY2022 guidance[1]

Production guidance narrowed towards upper end of range, unit opex reduced

	Low	High
Production (MMbbl)	4.4	4.6
Costs		
Unit Production Costs (US$/bbl)[2]	28	30
Other Operating Costs (US$ million)[3]	15	17
Business Development, share-based payments & other costs (US$ million)[4]	14	16
Finance costs and interest (US$ million)	6	7
Unit DD&A (US$/bbl)[5]	12	13
Investment Expenditure		
Intervention and Patola Projects (US$ million)[6]	100	135
Deferred Baúna acquisition consideration (US$ million)[7]	43	44
Subsurface Evaluation and New Ventures (US$ million)	5	7
Other Plant and Equipment (US$ million)	9	11

- Strong 1HFY22 production due to high facilities uptime has narrowed production guidance towards high end of prior range
- Baúna production expected to be lower in 2H FY2022 due to scheduled maintenance and commencement of intervention program
- Production costs largely fixed, expected to result in increase in unit production costs in 2HFY22 vs 1H. Despite this, overall, FY22 guidance range reduced
- DD&A expected to remain largely unchanged on a unit basis
- Intervention and Patola projects expenditure for FY2022 includes long lead items for Patola, planning, internal personnel allocation and mobilisation and commencement of intervention campaign
- Baúna acquisition payment due May 2022

Notes:

1. Guidance as at 23 February 2022. 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 and foreign exchange gains/losses.
4. Other costs include exploration expensed and hedge premiums.
5. Excludes depreciation on FPSO right-of-use asset capitalised under AASB 16 'Leases', which is included as part of Unit Production Costs.
6. The variance between low and high guidance is largely related to timing of the commencement of the Maersk Developer drilling rig activities in Brazil, with the exact timing subject to mobilisation to Brazil. Excludes any borrowing costs associated with the Patola development that may be capitalised.
7. Relates to deferred consideration payable to Petrobras 18 months after closing and is separate from the contingent consideration payable to Petrobras which is dependent on future oil prices.

Strategy and Outlook

Julian Fowles
Managing Director and CEO

Recap on Karoon's key strategic objectives

Deliver safe and reliable operations and sanctioned projects to create foundation for growth

Delivering our Transformation

Safely execute Baúna base business
- Deliver targeted production, safely and reliably
- Build reputation for operational excellence
- Optimise and enhance operations with financial discipline to grow margins

Deliver sanctioned development projects
- Aim to double production by early CY2023 through Baúna interventions and Patola development
- Materially reduce unit operating costs by increased production utilising existing infrastructure
- Deliver projects safely, on schedule and within budget

Re-evaluate and de-risk Neon-Goiá with new perspectives
- Potential standalone development or tie-back to Baúna
- Must be value-accretive and compete with alternative investment opportunities

Develop and/or acquire second producing asset
- High-quality experienced team in place in Brazil
- World class petroleum systems, running room, mature industry and growing economy

Balance capital allocation to high value growth and returns to shareholders

Enablers to deliver strategy

Deliver operations and sanctioned projects to create foundation for growth

Delivering our Transformation

Organisation and capabilities

- Management and Board revitalised
- New systems and processes
- Subsurface focus pivoted from greenfields exploration to production, exploitation and near-field opportunities

Funding growth

- Cash flow from operations and expanded debt capacity with strict capital discipline
- 'Ready to go' debt plan to fund growth options
- Growth opportunities to be balanced against capital returns to shareholders

Sustainability Credentials

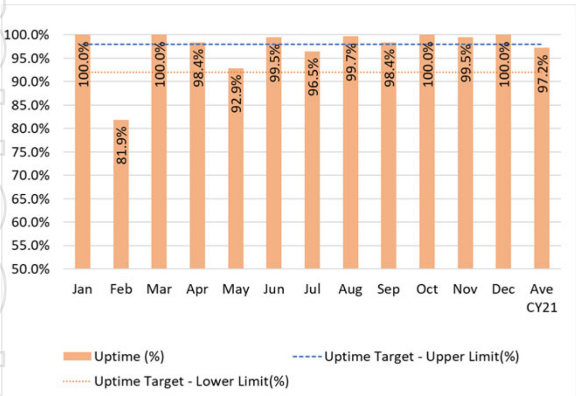
- Target of carbon neutral on Baúna-Patola Scope 1 and 2 GHG emissions by FY2022 ahead of schedule
- Invest in high quality carbon offset initiatives with positive social impact to achieve Net Zero by 2035

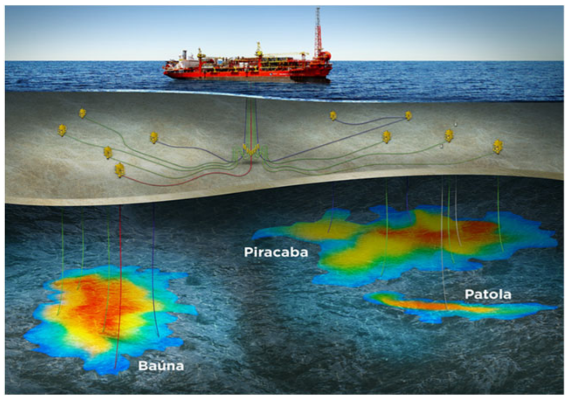
Strong production performance from Baúna field

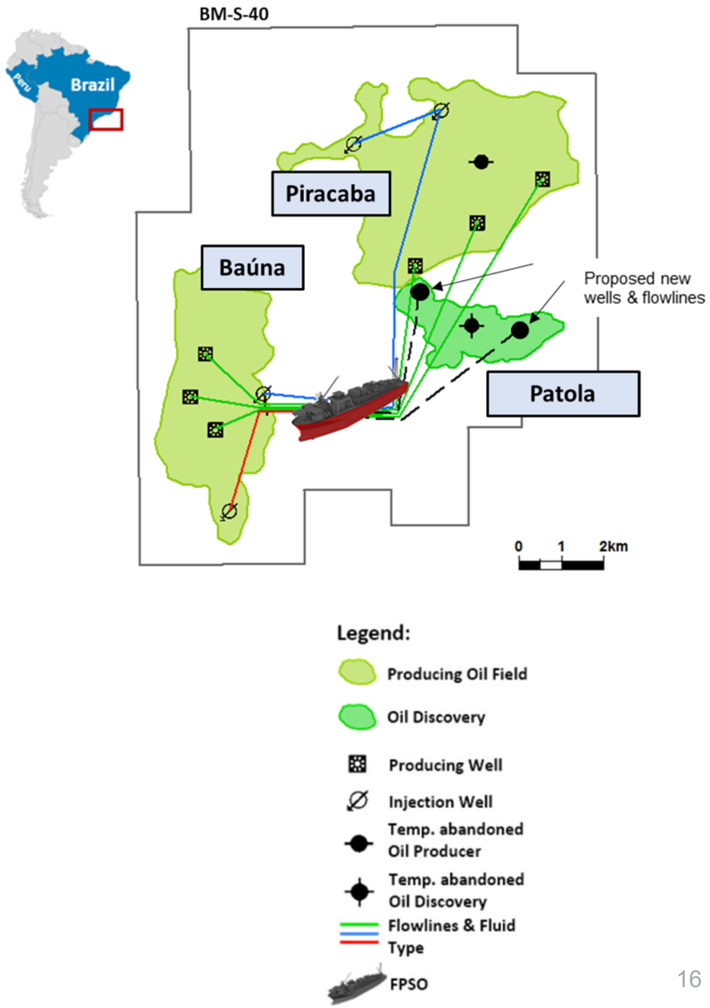
High facilities availability and active well management

Delivering high operational uptime through focus on process safety, facility integrity and preventive maintenance

- Achieved outstanding operational uptime of 99% in 1HFY22, with few unplanned shutdowns and no scheduled maintenance
- Reflects work undertaken during CY2021 (audits, proactive maintenance etc) to establish reliable platform
- Together with active well management, annual decline rate has been mitigated to ~10% vs 15% when KAR took over operatorship
- Production anticipated to be lower in 2HFY22 due to 11 days scheduled maintenance in March 2022 and commencement of Baúna intervention campaign in April/May 2022. Included in FY2022 production forecasts





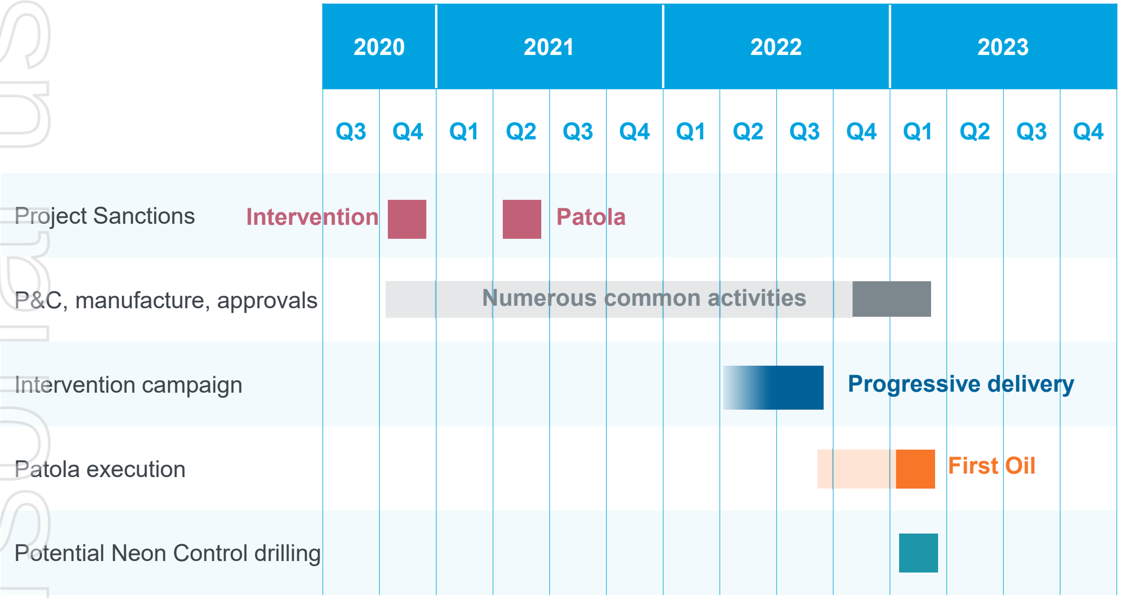


Baúna interventions and Patola development on track

Targeting increase in production to >30,000 bopd in early CY2023

Baúna well intervention project

- Targeting 5,000 – 10,000 bopd incremental production from four interventions - 2 downhole pump replacements, 1x gas lift and 1x oil zone re-opening
- Expected to commence 15 April - 15 May 2022, subject to Maersk rig arrival
- Estimated cost US$110 – 130 million unchanged



Patola Development

- Drilling of two new development wells scheduled to commence immediately following completion of Baúna campaign in late CY2022
- Targeting first Patola production in early CY2023
- Expected peak production rate >10,000 bopd, short plateau prior to onset of decline
- Estimated cost US$175 – 195 million unchanged

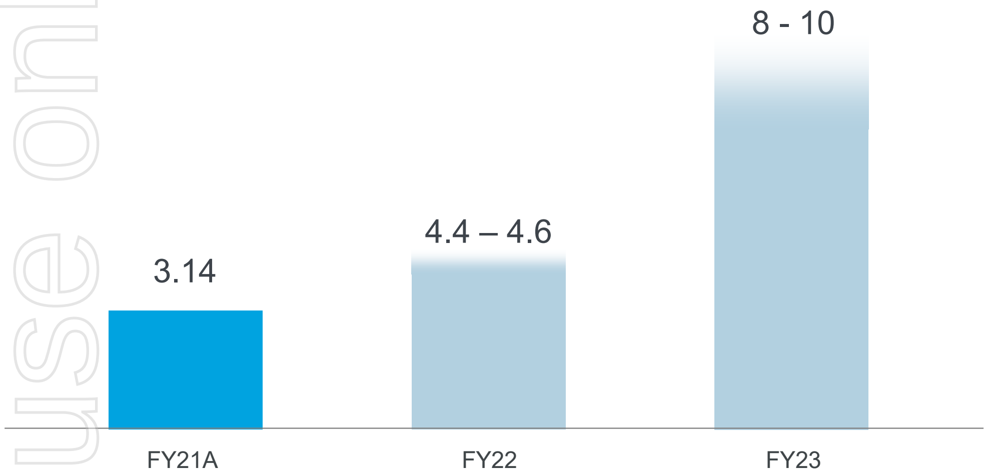
Current Status

- Maersk has confirmed 30-day window for operational commencement of Maersk Developer rig, between 15 April to 15 May 2022
- As at February 2022, suppliers have been selected for >95% of contracts with >92% by value executed and majority of outstanding contracts to be signed in 1Q CY2022
- No material changes in costs experienced to date

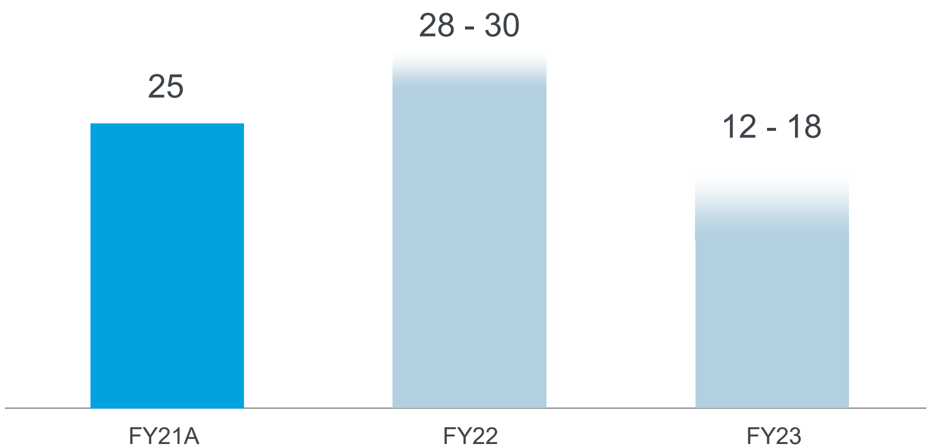
Indicative production and cost profile*

Sanctioned projects targeting material production increase and opex/bbl reduction

Indicative production profile (MMbbl)*



Indicative unit operating cost outlook (US$/bbl)*



Production from BM-S-40 base business

- Multidisciplinary focus on optimising reservoir management, well operations, cost structure and facilities integrity, to maximise value from Baúna asset
- Production outcomes driven by operating reliability and uptime as well as Baúna interventions and Patola

Production cost outlook

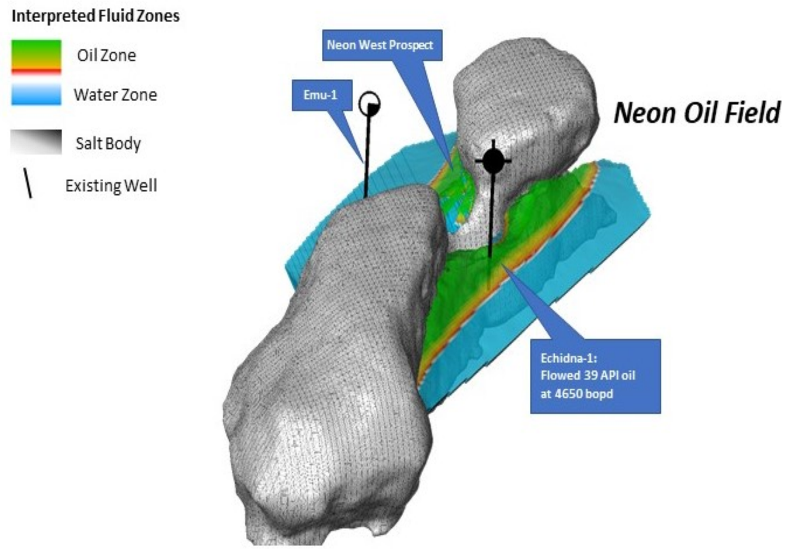
- Intervention and Patola projects will utilise existing infrastructure
- With ~90% of operating costs fixed, increased production expected to reduce operating cost per barrel materially in CY2023
- Charter, operations and maintenance (O&M) contract cost to reduce to 85% of current rate from Feb 2022, with small lift to 90% of current rate once production rate > 15,000 bopd (expected in 4Q CY2022)

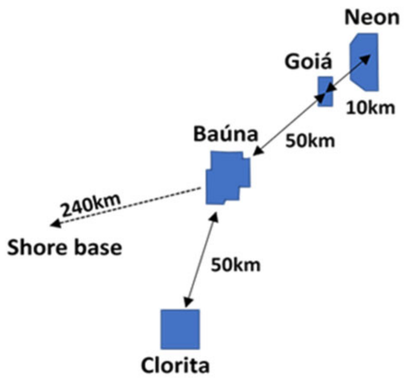
* Production profile and cost outlook in FY2022 and FY2023 indicative only and assume Baúna intervention and Patola projects are delivered within target timeframes

Optimising Neon development concept

Alternative development concepts being explored, to maximise value

- Neon and Goiá light oil discoveries located 50 - 60km NE of Baúna in ~300m water depth
- Work ongoing to update preliminary field development planning and re-evaluate commercial potential
- Focus on how to maximise oil recoveries most cost effectively, given current subsurface uncertainties
- Neon initial development subject to drilling potential control well/s and finalising engineering studies
- Options to extend contract with Maersk Developer rig to drill control well/s after completion of Patola. Decision whether to drill expected in 1Q CY2022
- Working on two development options:
  - Standalone
  - Tie-back to Baúna





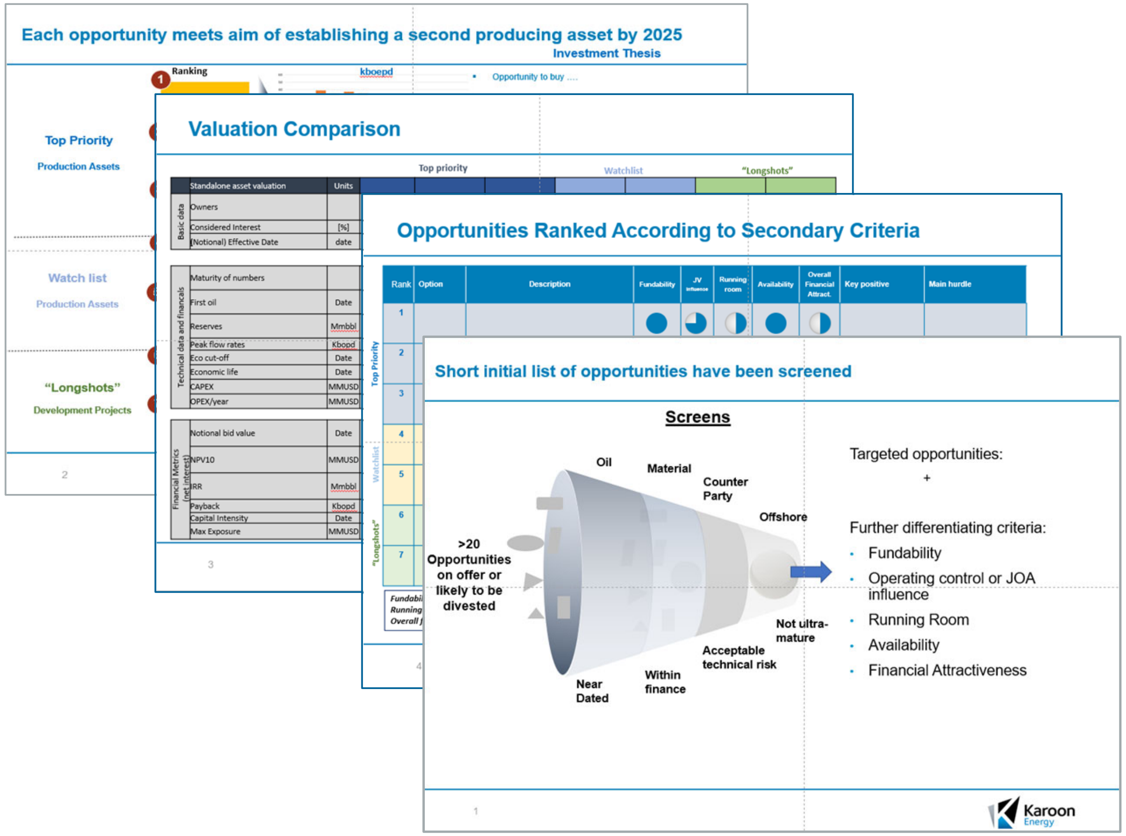
Field	Contingent Resources[1]		
	1C (MMbbl)	2C (MMbbl)	3C (MMbbl)
Neon	30	55	92
Goiá	16	27	46

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

Assessing inorganic growth options

Disciplined process underway to identify and pursue value-accretive growth opportunities

- Karoon continuing to actively screen inorganic growth opportunities
- Well placed to take advantage of ongoing M&A in Brazil
- Competing against relatively small but highly motivated field of potential buyers, including Brazilian independents and private equity
- Rigorous screening process being followed
- Key asset selection priorities:
  - Value accretive opportunities, exceeding Karoon's return threshold, with acceptable risk profile
  - Fundable
  - Producing or close to production



Carbon Management Action Plan to achieve emissions targets

Targeting carbon neutral for Baúna/Patola from FY2021, Net Zero by 2035[1]

Karoon Energy

Priority 1

Avoid and Reduce

First priority is to avoid or reduce emissions within existing operations

- Emissions reduction projects implemented in operations:
  - Installation of mooring buoy to reduce diesel consumption in support vessels
  - Replacement of low-pressure flare blower to improve flare efficiency

Priority 2

Assess direct and indirect investments in high quality offsets

- Assessing investment in high quality projects with social benefits to offset residual emissions

Priority 3

Purchase additional offsets if needed

- Purchased 19,800 carbon credits to offset 40% of FY2021 residual Scope 1 and Scope 2 emissions from Baúna in Nov 2021 from Brazil REDD+ project with VCS and CCB certification
- Finalised agreement with Shell Western Supply and Trading in Feb 2022 to purchase 480,000 carbon credits with VCS and CCB certification over 2022 – 2030, to offset approximately 60% of residual Scope 1 and Scope 2 emissions from Baúna
- Entry into carbon credits agreements to result in carbon neutrality on Baúna emissions for FY2021, major step towards longer term targets

[1] Carbon neutral refers to having a balance between emitting and offsetting greenhouse gas (GHG) emissions. Achieved through acquiring carbon offsets in respect of Scope 1 and 2 GHG emissions. 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.

Summary: Karoon positioned to deliver shareholder value

Safe, reliable oil producer with clear sustainable growth path

Oil producer with exposure to exciting Brazilian oil industry

- One of the few 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

- Experienced Board and management, knowledgeable and experienced operations and development teams
- Proactive maintenance program combined with financial discipline, aimed at ensuring long term viability of asset
- Integrating sustainability, including carbon neutrality and net zero, into strategic decision framework

Clear growth path

- High value near term production growth potential through sanctioned Baúna interventions and Patola development
- Potential growth through organic and inorganic opportunities

Strong financial position with a robust balance sheet

- Strong cash flows at relatively low unit operating cost
- Unit costs expected to reduce materially with doubling of production over next year
- Demonstrated ability to access debt financing - additional US$50m accordion facility available
- Current favourable oil price outlook

Appendix

Karoon Energy

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 1H FY2022 results:

Six months to 31 December 2021	US$ million
Profit and Loss	
Cost of sales – depreciation on FPSO right of use asset	23.6
Finance costs – interest on FPSO lease	8.7
Cash flow	
Cash flow from operating activities – interest and other costs of finance paid	8.7
Cash flows from financing activities - principal elements of lease payments	23.2

Q&A

Karoon Energy