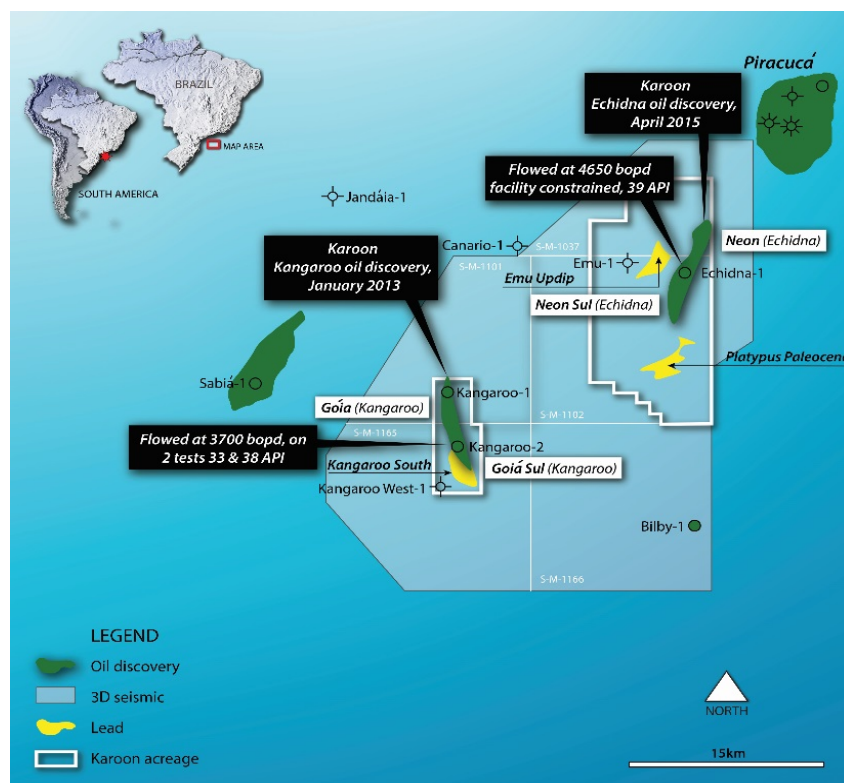


## Santos Basin Update

Karoon Energy Ltd. (“Karoon”) is pleased to provide an update on the development plan status for the 100% owned Santos Basin Brazil Neon (formerly Echidna) and Goiá (formerly Kangaroo) oil fields.

### Key Takeaways

- The initial 2 production well development concept for the Neon light oil discovery (Slim Development Project (SDP) Concept) remains unchanged
- Numerous tie-in opportunities beyond Stage 1 are being evaluated to materially expand resources and production over time
- Discussions and negotiations with service and equipment providers, including critical FPSO providers, remain ongoing
- A cost/benefit analysis of drilling a new well to reduce development risk for Neon’s SDP is currently being assessed
- A formal farmout process has commenced to attract a strategic partner
- A Development Plan (but not a Final Investment Decision (FID)) is due for submission to Brazil’s National Agency of Petroleum, Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) during Q3 2019



## Background

The Neon and Goiás light oil accumulations were discovered during 2013 and 2015 respectively with two wells drilled on Goiás (Kangaroo-2 included 2 side-tracks) and one well on Neon. Testing at both Kangaroo-2 and Echidna-1 supports commercial flow rates for future production wells.

Strong Neon production test results, higher contingent resource volumes and lower reservoir complexity led the Neon oil discovery to be prioritised over Goiás for development planning.

During April 2016 Karoon's Joint Venture (JV) partner in the blocks, Pacific Rubiales, filed for insolvency protection. This event came during a severe low point in the price of oil resulting in significant flow-on implications for the shape and timing of the forward work program, requiring Karoon to modify the Karoon/Pacific Rubiales JV structure. As a consequence, Karoon purchased Pacific Rubiales' 35% interest in the blocks for up to US\$20 million (plus costs) during September 2016. Pacific Rubiales had spent US\$330 million in JV expenditure on the blocks up to that point.

Recognising the weak oil price environment during 2016 and 2017 and the resultant depressing effect on investment, Karoon sought to leverage the extensive geotechnical dataset gathered from the JV's six exploration and appraisal wells along with high quality 3D seismic data. This information was used to develop a pathway to support the current development concept that suited a low oil price environment.

Accordingly, during July 2017 a Slim Development Project (SDP) concept for Neon, consisting of two horizontal wells and one gas injection well with a leased FPSO facility was selected as the field development concept for Neon. This concept provides options to assess tie-in opportunities of surrounding prospects and discoveries on their individual merits in the future without impacting the independent economics of Neon. The initial SDP concept was the result of extensive geotechnical and engineering evaluation and remains the development concept that Karoon continues to pursue today. Upon success, the SDP concept has the potential to be expanded over time as opportunities to create further value from nearby resources arise.

Following adoption of the SDP concept, Karoon went through an extensive tender process with service and equipment providers seeking to contract an integrated field development solution comprising wells, subsea infrastructure and an FPSO. These negotiations continued through 2018 and remain ongoing today.

## **Status of Brazilian Regulatory Process**

With respect to Brazilian regulatory approvals, during March 2018 Karoon submitted a Final Discovery Evaluation Report (RFAD) for the Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 and Declaration of Commerciality (DoC) relating to the Neon and Goiás light oil discoveries to the ANP. Approval of the RFAD and DoC was received during May 2018. Part of this process included formal annexation of the areas around the resources which was approved during January 2019. In addition, exploration block S-M-1166 was relinquished.

RFAD and DoC approval by the ANP transitioned the Blocks from the formal regulatory exploration phase in Brazil to the next development and production phase. However, this is a procedural step involving regulatory re-classification. It does not mean that Karoon has reached, nor is compelled to reach a final investment decision. Further progress towards regulatory approval requires completion of the 'Neon Development Plan' (using Brazil's regulatory terminology) currently due for submission to the ANP during Q3 2019.

## **Forward Plan**

Discussions with equipment and service providers have led Karoon to consider the benefits of drilling a further well in the Neon field prior to making a final investment decision. The well would have two primary objectives. The first objective, delineating the southern region of the field, is to reduce the range of uncertainty in the current contingent resource estimates. The second is to assist with planning and design of development wells (including production well pathways) and other infrastructure, thereby reducing the development risk.

Karoon is currently undergoing a cost/benefit analysis of the proposed additional well. It is anticipated that reducing risk of the resource size and infrastructure requirements will place Karoon in a better position to negotiate optimal commercial terms with equipment and service providers, and potential farminees.

Numerous tie-in opportunities beyond the SDP are also being evaluated to materially expand resources and production over time. Such opportunities include; the Neon field up-dip fault block, Neon Maastrichtian oil pool, Goiás oil field, and the Emu up-dip prospect.

In line with previous advice, Karoon remains committed to farming down equity in Neon prior to reaching FID on the development. Coincident with the foregoing work, a renewed farmout process for Neon and Goiás is underway, with updated detailed geotechnical material recently being made available to interested parties.

Karoon shareholders will continue to be updated as material information comes to hand.

### **Important Note**

Should investors have any questions or queries regarding the company, please contact James Wootton on 03 9616 7500 or [jwootton@karoonenergy.com.au](mailto:jwootton@karoonenergy.com.au). All **holding** enquiries should be directed to our share register, Computershare on 1300 850 505.

### **About Karoon Energy Ltd**

Karoon Energy Ltd. is an international oil and gas exploration company with projects in Australia, Brazil and Peru and is an ASX listed company.

Karoon has a core exploration growth strategy, focused on large targets in proven Petroleum Systems. The Company is looking to complete the acquisition of a foundation production asset that will underpin long-term sustainable growth and shareholder value.

Karoon's strategic vision is to transform into a global E&P company with material production to underpin growth through a highly prospective exploration portfolio and entrepreneurial spirit.

### **Forward-looking Statements**

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 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, 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.