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## MARCH 2018 QUARTERLY REPORT AND APPENDIX 5B

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### Significant Events

- During March the Final Discovery Evaluation Report ('RFAD') relating to Santos Basin Brazil blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 was submitted along with a Declaration of Commerciality ('DoC') relating to the Echidna and Kangaroo light oil accumulations to the Brazilian oil and gas regulator, Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ('ANP').
- During January Karoon signed a farm-out agreement with Tullow Oil plc ('Tullow') for a 35% equity interest in Block Z-38, Tumbes Basin Peru.
- During the quarter, Karoon continued to advance towards its stated strategy of purchasing a quality oil and gas production asset.
- \$329 million cash balance as at 31 March 2018. Karoon currently holds almost all its cash in United States dollars.

### Comments from Mr. Robert Hosking, Managing Director:

*"Following the pull back in the oil price during 2014 and subsequent broad based divestment programs from the oil and gas industry, Karoon sought to capitalise on this new environment and looked to supplement the exploration led growth strategy with acquiring material production.*

*Karoon has dedicated significant resources to pursuing this acquisition strategy, largely focusing on offshore Brazil due to Karoon's existing operational presence, successful track record and its view on the attractiveness of the geology.*

*Progress was made during the quarter with discussions continuing alongside technical and economic assessment of possible acquisition opportunities.*

*Karoon has existing strategic partnerships and has positioned itself to take advantage of acquisition opportunities that support the Brazilian growth strategy."*

## **Corporate and Operational Summary**

### **Corporate**

Karoon continued its evaluation of production and development acquisition opportunities, along with new strategic exploration acreage opportunities.

The majority of Karoon's production and development acquisition strategy is focused on offshore opportunities in Brazil where Karoon has an operational presence. There are a number of acquisition opportunities as a result of the Petrobras asset divestment program, along with divestments from other non-Petrobras companies.

Subsequent to the end of the quarter, Petrobras announced the relaunch of the Baúna oil field sales process. Baúna remains an opportunity of interest for Karoon and due to the proximity to Karoon's existing acreage position would provide the possibility for material operational synergies.

During the quarter Karoon signed a farm-out agreement with Tullow for a 35% equity interest in offshore exploration Block Z-38, Tumbes Basin Peru. Tullow has agreed to fund 43.75% of the gross cost of the first exploration well (capped at US\$27.5 million, beyond which Tullow will pay its 35% share), along with paying US\$2 million upon completion and a further US\$7 million payable upon declaration of commercial discovery and submission of a development plan to Perupetro SA, the Peruvian oil and gas regulator.

The Agreement remains subject to the satisfaction of certain licencing conditions and regulatory approvals. Following completion of the farm-out well, Tullow will have an option to assume operatorship of the block.

### **Operations**

#### **Brazil**

***Santos Basin, Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166***

***100% Equity Interest***

***Operator***

During the quarter the RFAD for the Blocks was submitted along with a DoC relating to the Echidna and Kangaroo light oil accumulations to the ANP.

The RFAD and DoC documents submissions mark the end of the Exploratory Phase and, upon approval, the commencement of the Development and Production Phase. While approval marks the start of the Development and Production Phase, this does not constitute a final investment decision ('FID').

The documents outline two distinct areas identified for retention which remain subject to ANP approval. These include the Echidna and Kangaroo oil accumulations along with some near field prospective resource opportunities.

Approval of the RFAD is expected within 60 days of submission to the ANP and Karoon will submit a development plan within 180 days of the DoC. A FID will be assessed by Karoon independently of these approvals and Karoon is expected to be in a position to decide on FID later in 2018.

Karoon currently has a Request for Proposals with tendering underway. Submitted proposals are expected to share risk and provide funding flexibility with possible deferred payment structures, equipment financing solutions, subsurface risk sharing, and / or equity ownership.

Karoon remains committed to farming down equity in the 100% owned Santos Basin blocks prior to FID.

Karoon continued work to complete the contingent resource estimates for Kangaroo and Echidna with the latest geoscience work.

***Santos Basin, Block S-M-1537***  
***100% Equity Interest***  
***Operator***

Following the award of Block S-M-1537 from Bid Round 14 during September 2017, Karoon has undertaken geological and geophysical studies of the block.

The Block contains one main prospect with the reservoir comprising Oligocene turbidite sands with very high porosity and permeability as seen in the producing Baúna and Piracaba fields.

The work program for the block consists of seismic acquisition and geological studies.

**Australia**  
***Ceduna Sub-basin, Great Australian Bight, Permit EPP46***  
***100% Equity Interest***  
***Operator***

Karoon's initial 3-year firm commitment term consists of the acquisition of 2D and 3D marine seismic surveys and geological and geophysical studies.

Karoon have engaged with regional communities and stakeholders in preparation for the seismic acquisition. Karoon is currently considering revised timing to acquire the seismic data.

***Northern Carnarvon Basin, Permit WA-482-P***  
***50% Equity Interest***  
***Non-Operator***

Following commencement of the Year 6 work program during September 2017, consisting of geophysical and geological studies, there were no further material updates during the March quarter.

Karoon continued work to complete the prospective resource estimates for the permit with the latest geoscience work incorporating Capreolus 3D seismic results.

Karoon will assess its forward plans for the permit once the Year 6 work program results have been received from the Operator and evaluated.

***Browse Basin, Permit WA-314-P***  
***100% Equity Interest***  
***Operator***

Following receipt of the final reprocessed Kraken 3D marine PSDM seismic data during the September 2017 quarter, interpretation commenced which will allow a more accurate evaluation of the Elvie prospect.

**Peru**

***Tumbes Basin, Block Z-38***

***40% Equity Interest<sup>1 2</sup>***

***Operator***

Karoon continued work to complete the prospective resource estimates for the block with the latest geoscience work incorporating the shallower La Cruz and Mal Pelo level prospects.

Following the farm-out to Tullow work is increasingly focused on the Marina Prospect, the most likely drilling candidate, in preparation of the necessary documentation for partner and Government approvals.

The block is currently in force majeure.

**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.

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<sup>1</sup> *Karoon’s 40% equity interest remains subject to completion of farm-in obligations*

<sup>2</sup> *Tullow’s 35% equity interest remains subject to certain conditions and regulatory approvals*



**Appendix 5B  
(Unaudited)  
ASX Quarterly Financial Report  
For the Quarter Ended 31 March 2018**

Introduced 01/07/96 Origin Appendix 8 Amended: 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

Karooon Gas Australia Ltd

**ABN**

53 107 001 338

**Quarter ended ('current quarter')**

31 March 2018

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (9 months) A\$'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) exploration and evaluation	(4,941)	(21,381)
(b) development	-	-
(c) production	-	-
(d) staff costs (employee benefits expense-net)	(1,691)	(6,038)
(e) administration and corporate costs	(4,268)	(10,366)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	115	241
1.5 Interest and other costs of finance paid	(46)	(195)
1.6 Income taxes (paid)/ refund	105	177
1.7 Research and development refunds	-	-
1.8 Other (GST and VAT refunds)	312	1,263
<b>1.9 Net cash from/ (used in) operating activities</b>	<b>(10,414)</b>	<b>(36,299)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter A\$'000</b>	<b>Year to date (9 months) A\$'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(68)	(200)
	(b) petroleum tenements (see item 10)	-	(7,744)
	(c) investments	-	-
	(d) other non-current assets (security deposits)	130	(2,436)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) petroleum tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets (security deposits)	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from/ (used in) investing activities</b>	<b>62</b>	<b>(10,380)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Payments for finance lease)	(35)	(154)
<b>3.10</b>	<b>Net cash from/ (used in) financing activities</b>	<b>(35)</b>	<b>(154)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter A\$'000</b>	<b>Year to date (9 months) A\$'000</b>
<b>4.</b>	<b>Net increase/ (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	333,889	375,069
4.2	Net cash from/ (used in) operating activities (item 1.9 above)	(10,414)	(36,299)
4.3	Net cash from/ (used in) investing activities (item 2.6 above)	62	(10,380)
4.4	Net cash from/ (used in) financing activities (item 3.10 above)	(35)	(154)
4.5	Effect of movement in exchange rates on cash held	5,628	894
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>329,130</b>	<b>329,130</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</b>	<b>Current quarter A\$'000</b>	<b>Previous quarter A\$'000</b>
5.1	Bank balances (cash at banks and on hand)	321,227	326,834
5.2	Call deposits (short-term bank deposits)	7,903	7,055
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>329,130</b>	<b>333,889</b>

**6. Payments to Directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter A\$'000</b>
625
-

Directors' remuneration included in 1.2: \$548,132  
Consulting fees included in 1.2: \$77,226

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter A\$'000</b>
-
-

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<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end A\$'000</b>	<b>Amount drawn at quarter end A\$'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>A\$'000</b>
9.1 Exploration and evaluation	4,100
9.2 Development	-
9.3 Production	-
9.4 Staff costs (employee benefits expense-net)	1,900
9.5 Administration and corporate costs	4,100
9.6 Other	-
<b>9.7 Total estimated cash outflows</b>	<b>10,100</b>

<b>10.</b>	<b>Changes in petroleum tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Petroleum tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1	Interests in petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in petroleum tenements acquired or increased	-	-	-	-



**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  
(Company Secretary)

Date: 30 April 2018

Print name: Scott Hosking

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6 '*Exploration for and Evaluation of Mineral Resources*' and AASB 107 '*Statement of Cash Flows*' apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

## Appendix 1

### Schedule of Interests in Petroleum Tenements

Held by Karoon Gas Australia Ltd Group (the 'Group')

As at 31 March 2018

<u>Exploration Permit/ Block</u>	<u>Basin</u>	<u>Operator</u>	<u>% Equity Interest Held</u>
EPP46	Ceduna Sub-basin, Australia	Karoon	100
WA-314-P	Browse, Australia	Karoon	100 (1)
WA-482-P	Northern Carnarvon, Australia	Quadrant	50 (2)
Block S-M-1037	Santos, Brazil	Karoon	100
Block S-M-1101	Santos, Brazil	Karoon	100
Block S-M-1102	Santos, Brazil	Karoon	100
Block S-M-1165	Santos, Brazil	Karoon	100
Block S-M-1166	Santos, Brazil	Karoon	100
Block S-M-1537	Santos, Brazil	Karoon	100
Block Z-38	Tumbes, Peru	Karoon	75 (3)

- (1) 1.5% over-riding royalty for first five years of production, going to 2% thereafter.
- (2) Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and a royalty in the event of production.
- (3) During January 2018 the Group entered into a Farm-out Agreement with Tullow Oil plc to reduce its equity interest to 40%, subject to conditions including regulatory approvals. Karoon's farm-in obligations to Pitkin Petroleum are also still to be completed.