
SEPTEMBER 2019 QUARTERLY REPORT AND APPENDIX 5B

Significant Events

- During July 2019 Karoon executed a binding sale and purchase agreement ('SPA') to acquire a 100% operating interest in Concession BM-S-40 containing the producing Baúna oil field and the undeveloped Patola oil discovery ('Baúna') located in the Santos Basin, offshore Brazil for a headline acquisition price of US\$665 million with an effective date of 1 January 2019.
- During August 2019 a competent person's report was completed by AGR Petroleum Services ('AGR') estimating the reserves and contingent resources for Concession BM-S-40. AGR estimates 2P reserves of 52.5 mmbbls and 2C contingent resources of 18.8 mmbbls as at 1 January 2019.
- Key milestones of the Baúna acquisition funding plan were advanced, including:
 - The debt Facility Agreement for a term loan was completed with ING for up to US\$275 million, an increase of 10% from the previous credit approved commitment.
 - Karoon launched a fully underwritten capital raising during October 2019 to raise A\$284 million. Gross proceeds of A\$175 million have been received through the completion of the institutional placement and institutional portion of the 1:1.06 pro-rata accelerated non-renounceable entitlement offer (the 'entitlement offer'). The retail component of the entitlement offer opened on 30 October 2019 and is expected to raise A\$109 million.
 - Subsequent to the end of the quarter Karoon signed a marketing agreement with Shell Western Trading and Supply Limited for the trading of the Baúna oil production for a term of up to 5 years. As part of the oil marketing negotiations Shell credit approval was given for a US\$50 million term loan facility.
- Karoon submitted a Development Plan ('PD') to the ANP, the Brazilian Petroleum regulator, for the Neon and Goiás fields.
- Karoon is finalising negotiations for a rig contract for the drilling of the Marina-1 exploration well in Tumbes Basin offshore Peru Block Z-38, currently targeting drilling in the early 2020 calendar year.
- \$256 million cash balance as at 30 September 2019. Note that the cash balance as at 30 September 2019 reflects the US\$50 million deposit, paid during July 2019 pursuant to the SPA, and does not include any contribution from the equity raising announced during October 2019. Karoon currently holds almost all its cash in United States dollars.

Comments from Mr. Robert Hosking, Managing Director:

"I am very pleased to say that during the quarter the company delivered on its top strategic priority, the acquisition of a quality, material oil production asset with the execution of a Sales and Purchase agreement for the Baúna oil field, including financing on attractive terms for a Latin American deal and Karoon as first time borrower.

I am extremely proud of, and, would like to thank the Karoon team for their hard work, diligence and patience over a number of years to ensure the right acquisition was made. We have worked tirelessly to deliver a transformational deal for our shareholders, the acquisition of a strategic asset that will serve as a platform for growth for the company during the next decade."

Corporate and Operational Summary

Corporate

On 25 July 2019 Karoon signed a binding SPA, via wholly owned subsidiary Karoon Petróleo e Gás Ltda, to acquire a 100% operating interest in Baúna.

The headline acquisition price is US\$665 million with a transaction effective date of 1 January 2019. The consideration payable at financial close will be the headline price adjusted for the deposit paid, operating and investing cashflows from effective date to financial close and accrued interest on the acquisition price. A US\$50 million deposit was paid during July 2019.

Karoon estimates the Baúna interim net cash and completion adjustment from the effective date is in a range between US\$150 to US\$180 million, assuming a financial close date at the end of the first quarter 2020. The transaction is subject to Brazilian regulatory approval and expected to close during the March quarter 2020. Subsequent to the end of the quarter Petrobras provided Karoon with an updated estimate of the Baúna cash flows.

During the quarter, the AGR competent persons report for the reserve and resource estimates for concession BM-S-40, assessed as at 1 January 2019, was received. The reserves estimates are based on the current Baúna development with an economic life extending to 2031 based on a 2P case using a US\$65/bbl oil price scenario. AGR estimated 2P reserves were 52.5 mmbbls and 2C contingent resources were 18.8 mmbbls.

Subsequent to the end of the quarter Karoon progressed the debt facility from a credit approved term loan facility commitment to a signed facility agreement for up to US\$275 million, an increase of 10% from the previous credit commitment.

Operations

Brazil

Santos Basin, Blocks S-M-1037, S-M-1101

100% Equity Interest

Operator

Work continued on the Neon and Goiás discoveries with third party service providers discussions continuing, alongside evaluating the potential to utilise a redeployed production system for a future field development.

Since the end of the quarter, in consultation with the ANP a joint PD for both fields will be submitted during the December 2019 quarter in place of the individual PD's. The submission of the PD does not mean that Karoon has reached, nor is compelled to reach a final investment decision to proceed into a development of the fields.

Karoon remains committed to farming down equity in its 100% owned Santos Basin Blocks and a renewed farmout process is underway. Discussions with several interested parties remain ongoing.

Santos Basin, Block S-M-1537

100% Equity Interest

Operator

Low cost internal geological and geophysical studies and mapping work was ongoing during the quarter.

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

Peru

Tumbes Basin, Block Z-38

40% Equity Interest¹

Operator

Karoon is currently finalising negotiations for a rig contract for the drilling of the Marina-1 exploration well. Karoon is continuing to prepare for drilling operations, currently targeting drilling early 2020 calendar year.

The Marina prospect has an unrisks best estimate prospective resource of 256 mmbbls at 100% (102 mmbbls net to Karoon ¹). This will be the first well drilled in Block Z-38.

Note, with respect to the prospective resources quoted in the above paragraph, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. There is no certainty that any portion of the prospective resource estimated on behalf of Karoon will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Tumbes Basin, Area 73

Technical Evaluation Agreement

Operator

Seismic reprocessing of 3D seismic previously acquired over the area continued through the quarter.

Australia

Northern Carnarvon Basin, Permit WA-482-P

50% Equity Interest

Non-Operator

Preparations are underway for seismic reprocessing of parts of the existing database of 3D seismic in the renewed permit area.

Ceduna Sub-basin, Great Australian Bight, Permit EPP46

100% Equity Interest

Operator

Karoon has commenced discussions with the regulatory authorities to surrender exploration permit EPP46.

Browse Basin, Permit WA-314-P

100% Equity Interest

Operator

The permit was surrendered on 10 October 2019 in good standing.

¹ Karoon's 40% equity interest remains subject to completion of farm-in obligations

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.



**Appendix 5B
(Unaudited)
ASX Quarterly Financial Report
For the Quarter Ended 30 September 2019**

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

Karoon Energy Ltd

ABN

53 107 001 338

Quarter ended ('current quarter')

30 September 2019

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (3 months) A\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) exploration and evaluation	(2,695)	(2,695)
(b) development	-	-
(c) production	-	-
(d) staff costs (employee benefits expense-net)	(2,053)	(2,053)
(e) administration and corporate costs	(2,513)	(2,513)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1,136	1,136
1.5 Interest and other costs of finance paid	(328)	(328)
1.6 Income taxes (paid)/ refund	32	32
1.7 Research and development refunds	-	-
1.8 Other (GST and VAT refunds)	636	636
1.9 Net cash from/ (used in) operating activities	(5,785)	(5,785)

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (3 months) A\$'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(72)	(72)
	(b) petroleum tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets (security deposits)	(36)	(36)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	15	15
	(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 (Bauna deposit and transition costs)	(73,686)	(73,686)
2.6	Net cash from/ (used in) investing activities	(73,779)	(73,779)

3.	Cash flows from financing activities		
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)	(25)	(25)
3.10	Net cash from/ (used in) financing activities	(25)	(25)

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (3 months) A\$'000
4.	Net increase/ (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	326,191	326,191
4.2	Net cash from/ (used in) operating activities (item 1.9 above)	(5,785)	(5,785)
4.3	Net cash from/ (used in) investing activities (item 2.6 above)	(73,779)	(73,779)
4.4	Net cash from/ (used in) financing activities (item 3.10 above)	(25)	(25)
4.5	Effect of movement in exchange rates on cash held	8,941	8,941
4.6	Cash and cash equivalents at end of period	255,543	255,543

5.	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	Current quarter A\$'000	Previous quarter A\$'000
5.1	Bank balances (cash at bank and on hand)	245,265	310,426
5.2	Call deposits (short-term bank deposits)	10,278	15,765
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	255,543	326,191

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

**Current quarter
A\$'000**

640

-

Directors' remuneration included in 1.2: \$551,128

Consulting fees included in 1.2: \$89,293

7.	Payments to related entities of the entity and their associates	Current quarter A\$'000
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	

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8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end A\$'000	Amount drawn at quarter end A\$'000
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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9.	Estimated cash outflows for next quarter	A\$'000
9.1	Exploration and evaluation	7,900
9.2	Development	-
9.3	Production	-
9.4	Staff costs (employee benefits expense-net)	1,800
9.5	Administration and corporate costs	3,100
9.6	Other (Bauna transition costs)	9,600
9.7	Total estimated cash outflows	22,400

10.	Changes in petroleum tenements (items 2.1(b) and 2.2(b) above)	Petroleum tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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: 31 October 2019

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 Energy Ltd Group

As at 30 September 2019

<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	- (1)
WA-482-P	Northern Carnarvon, Australia	Santos	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-1537	Santos, Brazil	Karoon	100
Block Z-38	Tumbes, Peru	Karoon	40 (3)

(1) This permit was surrendered in good standing, effective 10 October 2019.

(2) Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and a royalty in the event of production.

(3) The Group's 40% interest is subject to completion of farm-in obligations to Pitkin Petroleum Peru Z-38 SRL.