

ASX RELEASE

Issued 23 October 2019

Karoon Energy Ltd (Karoon) to undertake a fully underwritten equity raising of approximately A\$284 million to complete the funding of the Baúna oil field acquisition and to support future growth initiatives

Highlights

- Fully underwritten equity raising comprising a A\$67 million institutional placement and a 1 for 1.06 pro rata entitlement offer to raise approximately A\$217 million
- The placement and entitlement offer proceeds will be used to fund the balance of the Baúna oil field acquisition and its associated completion adjustments and transaction costs; the Tumbes Basin exploration well (Marina-1); and working capital requirements
- Baúna will deliver Karoon material and immediate oil production of circa 20,000 bopd with a pathway to near-term production upside through well interventions and the development of the Patola undeveloped oil discovery, targeting an average production rate of circa 33,000 bopd by 2022
- The Baúna oil field acquisition is subject to final Brazilian regulatory approvals, which are expected to be achieved in the first quarter of calendar year 2020

Karoon (ASX:KAR) is pleased to announce a fully underwritten¹ equity raising comprising of an institutional placement of A\$67 million (**Placement**) and a 1 for 1.06 pro rata accelerated non-renounceable entitlement offer of A\$217 million (**Entitlement Offer**). The Placement and Entitlement Offer will raise approximately A\$284 million (**Equity Raising**), with the issue of approximately 305.5 million new ordinary shares (**New Shares**) representing 123.5% of existing shares on issue.

The Placement and Entitlement Offer will be conducted at an offer price of A\$0.93 per share (**Offer Price**), representing a:

- 9.3% discount to TERP²; and
- 16.6% discount to the last traded price of A\$1.115 per share before announcement of the Equity Raising.

New shares issued under the Placement and Entitlement Offer will rank equally with existing Karoon shares.

Karoon's Managing Director, Mr. Robert Hosking said: "Since the announcement of the Baúna Sale and Purchase Agreement on 25 July 2019, the company has been working with Petrobras on transition arrangements at the same time as progressing the required regulatory approvals. In addition, we have finalised documentation of a senior term loan facility and secured a crude marketing agreement with Shell West, the pre-eminent crude marketer in the region. The equity raising announced today represents the final piece of the Baúna acquisition funding package.

The acquisition of Baúna represents a new phase for Karoon as a significant ASX listed oil producer, providing Karoon shareholders with immediate and material oil production as well as a platform for

¹ The Underwriting Agreement is subject to conditions precedent, termination events, representations and warranties customary for a transaction of this nature.

² Theoretical ex-rights price (**TERP**) includes shares issued under the Entitlement Offer and excludes shares issued under the Placement. TERP is a theoretical calculation only and the actual price at which Karoon shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP.

future growth. The transaction is transformational for the company and strengthens Karoon's strategic position in the southern Santos Basin."

Use of Proceeds

Karoon intends to use proceeds from the Equity Raising for the following purposes:

- **To fund the balance of the Baúna acquisition amount**– along with Karoon's existing cash reserves, the secured US\$275 million ING debt facility and interim net cash inflows from the asset (as announced to the ASX on 25 July 2019), proceeds from the Equity Raising will be used to fund the balance of the Baúna purchase price (US\$615 million net of the US\$50 million deposit already paid) and other completion adjustments;
- **To fund abandonment escrow account requirement and minimum loan facility bank balance** - Karoon anticipates that it may be required to provide a US\$30 million abandonment escrow and a minimum cash balance of US\$20 million in Brazil under the ING debt facility;
- **To fund Karoon's exploration well in the Tumbes Basin (Marina-1)** – drilling of the Marina-1 well in the Tumbes Basin, offshore Peru, to commence in calendar year 2020;
- **To strengthen the balance sheet and support associated working capital;** and
- **To fund the transaction costs associated with the Equity Raising.**

Following the completion of the Equity Raising and financial close of the Baúna acquisition, Karoon expects to have A\$34 million cash and cash equivalents and A\$364 million³ debt outstanding (US\$250 million) relating to the secured ING facility.

Placement Details

The Placement to institutional investors will raise A\$67 million at an Offer Price of A\$0.93 per share. The Placement comprises the issue of 72.1 million shares to eligible sophisticated, professional and other institutional investors located in Australia and select international jurisdictions. The Placement represents 15% of Karoon's shares on issue following the entitlement offer. In accordance with a waiver to Listing Rule 7.1 granted by the ASX, the placement is within Karoon's placement capacity as calculated by reference to the number of ordinary Karoon shares that will be on issue immediately following completion of the Entitlement Offer, and accordingly no shareholder approval is required in connection with the Placement.

Entitlement Offer Details

The 1 for 1.06 Entitlement Offer will raise a total of approximately A\$217 million at a price of A\$0.93 per share. The Entitlement Offer will be conducted in two parts, a component to institutional investors (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). The Entitlement Offer is non-renounceable, and entitlements will not be tradeable or otherwise transferrable.

Eligible shareholders under the Institutional Entitlement Offer include sophisticated, professional and other institutional shareholders located in Australia and select international jurisdictions at the record date of 25 October 2019 (**Eligible Institutional Shareholders**). The Institutional Entitlement Offer will be conducted from 23 October 2019 to 24 October 2019.

The Retail Entitlement Offer will be offered to eligible retail shareholders with registered addresses within Australia and New Zealand at the record date of 25 October 2019 (**Eligible Retail Shareholders**). The Retail Entitlement Offer will open on 30 October 2019 and close on 12 November 2019 (unless extended). The Retail Offer Booklet, containing full details of the Entitlement Offer, will be sent to Eligible Retail Shareholders on 30 October 2019.

³ Assumes foreign exchange rate conversion of 0.6877 AUDUSD, the foreign exchange spot rate on 22 October 2019

Indicative Timetable⁴

Event	Date
Trading halt and announcement of Equity Raising	Wednesday, 23 October 2019
Placement and Institutional Entitlement Offer opens	Wednesday, 23 October 2019
Placement and Institutional Entitlement Offer closes	Thursday, 24 October 2019
Trading halt lifted - Shares recommence trading on ASX on an "ex-entitlement" basis	Friday, 25 October 2019
Record Date for determining entitlement to subscribe for New Shares at 7.00pm (Melbourne time)	Friday, 25 October 2019
Retail Entitlement Offer opens	Wednesday, 30 October 2019
Settlement of New Shares under the Institutional Entitlement Offer and Placement	Thursday, 31 October 2019
Normal trading of New Shares under the Placement and Institutional Entitlement Offer	Friday, 1 November 2019
Retail Entitlement Offer closes at 5.00pm (Melbourne time)	Tuesday, 12 November 2019
Settlement of Retail Entitlement Offer	Monday, 18 November 2019
Allotment of New Shares under the Retail Entitlement Offer	Tuesday, 19 November 2019
Normal trading of New Shares under the Retail Entitlement Offer	Wednesday, 20 November 2019

Baúna light oil field acquisition

On 25 July 2019, Karoon announced the execution of a binding Sale and Purchase Agreement to acquire a 100% operating interest in the Baúna oil field (Concession BM-S-40) located in the Santos Basin, offshore Brazil for a headline purchase price of US\$665 million.

The Baúna project consists of two producing oil reservoirs, Baúna and Piracaba, which are both tied back to the leased FPSO Cidade de Itajaí, and the existing undeveloped Patola oil discovery. The asset is currently producing a light sweet crude at a rate of approximately 20,000 bopd. Karoon is targeting an average annual production rate of circa 33,000 bopd during 2022, to be achieved through a combination of well interventions and the development of the undeveloped Patola oil discovery.

The acquisition is also expected to deliver material operational and logistical synergies for the potential future development of Karoon's existing Southern Santos Basin assets, the Neon and Goiás oil fields.

Supporting the transaction, Karoon announced on 14 October 2019 the execution of a binding agreement for a US\$275 million senior term loan facility. On 21 October 2019, Karoon announced it had completed an oil marketing agreement and agreed terms for a credit approved US\$50 million term loan. These agreements ensure the best access to global markets and complement the sale and shipping of oil from Baúna.

⁴ This timetable is indicative only and may change without notice at the company's discretion or subject to the requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules. Karoon has the ability at its discretion to make changes including to extend the closing date for the Retail Entitlement Offer, to withdraw the Entitlement Offer at any time prior to the issue of New Shares and/or to accept late applications either generally or in specific cases.

Please refer to the ASX announcement and supporting presentation lodged with ASX on 25 July 2019 for further information on the transaction. Karoon continues to progress ancillary documentation, regulatory approvals and the transitional field operations required for completion of the Baúna acquisition, expected during the first quarter of calendar year 2020.

Additional Information

Additional information regarding the Equity Raising is contained in the investor presentation released to the ASX today. The investor presentation contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision.

Macquarie Capital (Australia) Limited and Royal Bank of Canada (trading as RBC Capital Markets) are acting as Joint Lead Managers, bookrunners and underwriters to the Placement and Entitlement Offer.

If you have any questions in relation to the Entitlement Offer, please contact the Karoon Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 8:30am and 5:00pm (AEDT). For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

Further information

Investors: please contact James Wootton on +61 3 9616 7500 or jwootton@karoonenergy.com.au.

Media: please contact Tim Duncan, GRACosway, on +61 408 441 122 or tduncan@gracosway.com.au.

All **holding** enquiries should be directed to our share registrar, Computershare on 1300 850 505.

About Karoon Energy Ltd

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

Karoon has a core exploration growth strategy, focused on large targets in proven Petroleum Systems. The Company utilises its depth of technical experience to find and assess opportunities with a current focus of production assets to complement its existing portfolio.

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

Important Notice and Disclaimer

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States.

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Forward-looking Statements

This announcement contains certain “forward-looking statements”. These forward-looking statements are based on Karoon’s expectations and beliefs concerning future events and include statements about the completion of the Baúna acquisition, the impact of the Baúna acquisition, the timing and amount of synergies, the future strategies, results and outlook of Karoon post acquisition and the opportunities available to it, certain plans and objectives of the management of Karoon, the outcome of the Offer and the use of proceeds. 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, the general economic climate, climate conditions, political risks, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised. 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 known and unknown risks may arise, many of which are outside the control of Karoon. The risks, uncertainties, assumptions and other factors cannot be predicted by Karoon and include changes in circumstances or events that may cause objectives to change as well as the risks, circumstances and events specific to the industry, countries and markets in which Karoon operates. Such statements may cause the actual results or performance of Karoon, Karoon’s producing and exploration assets, any joint-venture arrangements or the broader industry that Karoon participates in 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.

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