
DECEMBER 2019 QUARTERLY REPORT AND APPENDIX 5B

Significant Events

- During the December 2019 quarter Karoon completed its funding plans relating to the acquisition of 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. Key funding and other significant milestones reached during the quarter included:
 - entering into a fully underwritten senior term loan facility for up to US\$275 million with ING Bank N.V, Singapore Branch at a competitive 4% margin over LIBOR. Karoon and ING have now received firm commitments from the early syndication process, with 3 major international banks providing commitments and another financier in the final approval process;
 - the successful completion of a A\$284 million equity capital raising consisting of a shareholder entitlement offer plus an institutional share placement;
 - entering an Oil Marketing Agreement with Shell Western Trading and Supply Limited, a member of the Royal Dutch Shell plc group, to market 100% of the volumes from Baúna for up to 5 years; and
 - submission of the majority of regulatory applications required to progress the Baúna transaction to financial close.
- Following preparatory activities during the quarter, on 26 January 2020 Karoon commenced drilling on the Marina exploration prospect located in Block Z-38 Tumbes Basin, offshore Peru.
- A\$496.5 million cash balance as at 31 December 2019. Karoon currently holds almost all its cash in United States dollars.

Comments from Mr. Robert Hosking, Managing Director:

"The December 2019 quarter saw a major milestone reached along the path to financial close, with the completion of the Baúna acquisition funding plan through the successful equity capital and debt raisings. The equity capital raising received strong support from existing and new shareholders and resulted in several high-quality institutional investors entering the register.

Karoon also made good progress during the quarter to secure the necessary regulatory approvals for the Baúna transaction. The documentation required by the Brazilian environmental agency ('IBAMA') and industry regulator ('ANP') has largely been submitted. Karoon is continuing to work with IBAMA and the ANP to satisfy their requirements.

Karoon is now well resourced to take over managing the operations of the Baúna asset. Additional personnel have already commenced working in Karoon's office, in preparation for the arrival of shore base personnel who will be hired directly during the March quarter."

Corporate and Operational Summary

Corporate

On 24 July 2019 Karoon signed a binding sale and purchase agreement with Petrobras to acquire a 100% operating interest in Baúna for a headline consideration of US\$665 million with a transaction effective date of 1 January 2019.

The consideration payable at financial close will be the headline consideration adjusted for the deposit paid (US\$50 million), the operating and investing cashflows from effective date to financial close and accrued interest on the acquisition price. Karoon estimates the purchase price adjustment resulting from the Baúna cashflows and accrued interest (excluding the deposit paid) from the effective date to financial close to be in a range of US\$150 to US\$180 million. The transaction is subject to Brazilian regulatory approvals.

During the quarter Karoon completed its funding plans by securing up to US\$275 million in debt funding and raising A\$284 million in equity capital. During the quarter Karoon converted A\$241 million of proceeds from the equity raising into USD at an average A\$/US\$ exchange rate of 0.68 to mitigate currency risk around funding the Baúna acquisition price.

The Baúna asset's annual production for calendar year 2019 is consistent with Karoon forecasting, producing 6.94 mmbbls oil, or 19kbpd, with a weighted average benchmark Brent oil price of US\$64.00/bbl, and a realised oil price of US\$60.20/bbl.

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 provider discussions continuing, alongside evaluating the potential to utilise a redeployed production system for a future field development.

A joint development plan for both fields was submitted to the ANP during the quarter. This submission does not mean Karoon has reached, nor is compelled to reach a final investment decision to proceed into a development of the fields.

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

During the quarter the Stena Forth drillship was contracted, and drilling operations were finalised. The Stena Forth drillship is state-of-the-art with an exceptional record of drilling wells successfully worldwide, and incident free. The Stena Forth was chosen because it meets all engineering, health, safety and environmental requirements of Karoon, its joint venture partners, together with the expectations of the Peruvian Government.

On 26 January 2020 the Marina-1 exploration well commenced drilling. Drilling operations are estimated to take 30 days and are expected to drill to a depth of approximately 3,000 metres subsea. This is the first well drilled in Block Z-38. During the quarter the total cash outflow for exploration and evaluation included approximately A\$3 million of payments relating to these drilling activities.

The Marina Prospect has an un-risked best estimate prospective resource of 256 mmbbls at 100% (102 mmbbls net to Karoon).

Note, with respect to the prospective resources quoted, 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

Seismic reprocessing is underway on parts of the existing database of 3D seismic for the renewed permit area.

Ceduna Sub-basin, Great Australian Bight, Permit EPP46

100% Equity Interest

Operator

During the quarter Karoon submitted a formal request to the regulatory authorities to surrender the permit.

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

This announcement was authorised for lodgement by:

Scott Hosking
Company Secretary

Should investors have any questions or queries regarding the Company, please contact

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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.

Investors 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 31 December 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

Karooon Energy Ltd

ABN

53 107 001 338

Quarter ended ('current quarter')

31 December 2019

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (6 months) A\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	57	57
1.2 Payments for:		
(a) exploration and evaluation	(3,774)	(6,469)
(b) development	-	-
(c) production	-	-
(d) staff costs (employee benefits expense-net)	(2,023)	(4,077)
(e) administration and corporate costs	(2,919)	(5,431)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	825	1,961
1.5 Interest and other costs of finance paid	(54)	(382)
1.6 Income taxes (paid)/ refund	9	42
1.7 Research and development refunds	-	-
1.8 Other (GST and VAT refunds)	360	996
1.9 Net cash from/ (used in) operating activities	(7,519)	(13,303)

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (6 months) A\$'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(185)	(257)
	(b) petroleum tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets (security deposits)	(260)	(296)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	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 (Baúna deposit and transition costs)	(9,440)	(83,125)
2.6	Net cash from/ (used in) investing activities	(9,885)	(83,663)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	284,121	284,121
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	(10,122)	(10,122)
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)	(9)	(34)
3.10	Net cash from/ (used in) financing activities	273,990	273,965

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (6 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	255,543	326,191
4.2	Net cash from/ (used in) operating activities (item 1.9 above)	(7,519)	(13,303)
4.3	Net cash from/ (used in) investing activities (item 2.6 above)	(9,885)	(83,663)
4.4	Net cash from/ (used in) financing activities (item 3.10 above)	273,990	273,965
4.5	Effect of movement in exchange rates on cash held	(15,634)	(6,695)
4.6	Cash and cash equivalents at end of period	496,495	496,495

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)	253,673	245,265
5.2	Call deposits (short-term bank deposits)	242,822	10,278
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)	496,495	255,543

6.	Payments to Directors of the entity and their associates	Current quarter A\$'000
6.1	Aggregate amount of payments to these parties included in item 1.2	668
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	

Directors' remuneration included in 1.2: A\$577,615 Consulting fees included in 1.2: A\$89,978

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	392,521	-
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.		

Syndicated Facility Agreement for an Underwritten Senior Secured Term Loan Facility for Baúna

Karoon Energy Ltd's wholly owned subsidiary Karoon Petróleo e Gás Ltda signed a senior secured term loan facility (the 'syndicated facility') of up to US\$275 million (equivalency of up to A\$392.521 million, based on A\$/US\$0.7006 foreign exchange spot rate on 31 December 2019). The syndicated facility agreement has been fully underwritten by ING Bank N.V., Singapore Branch. The syndicated facility is priced on a 4% margin over LIBOR for a term of up to 4 years and will be fully amortised over the loan life.

The syndicated facility will be used as part of the funding package for the acquisition of a 100% operating interest in the Baúna light oil field (Concession BM-S-40) in the Santos Basin, offshore Brazil. Drawdowns are subject to completing the Baúna acquisition.

In addition, the syndicated facility agreement provides for an option to provide additional funding for the tie-in development of the Patola oil discovery. The option is subject to final lender approval following Patola reserve certification, an approved updated bank model and project sanction.

9. Estimated cash outflows for next quarter	A\$'000
9.1 Exploration and evaluation	47,000
9.2 Development	-
9.3 Production	-
9.4 Staff costs (employee benefits expense-net)	2,150
9.5 Administration and corporate costs	3,100
9.6 Other (Baúna transition costs)	7,300
9.7 Total estimated cash outflows	59,550

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	WA-314-P Browse Basin, Australia	Exploration permit	100	-
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 January 2020

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 31 December 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-482-P	Northern Carnarvon, Australia	Santos	50 (1)
Block S-M-1037	Santos, Brazil	Karoon	100
Block S-M-1101	Santos, Brazil	Karoon	100
Block S-M-1537	Santos, Brazil	Karoon	100
Block Z-38	Tumbes, Peru	Karoon	40 (2)

- (1) Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and an over-royalty in the event of production. Phoenix Oil and Gas Limited is entitled to an over-riding royalty in the event of production.
- (2) The Group's farm-in obligations to Pitkin Petroleum Peru Z-38 SRL are still to be completed.