

Baúna Acquisition Update

In light of recent market conditions, Karoon Energy Ltd (“Karoon”) would like to provide an update on the company’s Baúna asset (Brazil) acquisition.

Process Update

- Karoon remains in a strong financial position with A\$500 million in cash at 30 January 2019 (excluding the majority of Marina 1X well costs) and no drawn debt.
- Karoon is continuing to complete the regulatory and commercial processes associated with the proposed acquisition of the Baúna asset from Petrobras.
- Baúna continues to be cash flow positive at current oil prices and is expected to provide Karoon with access to additional reserves with positive long-term financial returns on expansion projects.
- While Karoon is conscious of current financial market conditions, Baúna is a quality asset and the Company will work towards to completing the transaction on acceptable terms for shareholders.
- Karoon no longer expects to complete the transaction in the first quarter of 2020 and will keep the market updated on progress regarding a new timeline.

Karoon is in the process of obtaining necessary Government, FPSO and other contractual approvals and assignments ahead of the Baúna transaction completion. Agreement of terms for these components of the transaction are critical to completing on time and achieving an acceptable result for shareholders.

The Asset - Current Baúna Production

The Brazilian upstream regulator – National Agency for Petroleum, Natural Gas and Biofuels (ANP) has reported production from Baúna for calendar year (CY) 2019 was 6.94 million barrels of oil, or an average of 19,000 barrels a day during 2019, with *an average* realised sale oil price of US\$60.20 a barrel to Petrobras.

Transaction Close is subject to conditions which are being completed by Petrobras and Karoon including:

- IBAMA licences: Issue of new Environmental Operational Licenses to Karoon by Brazilian environmental agency, the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA), expected for completion early in the second quarter 2020.
- ANP approval: The final approval from the ANP, is now expected in the second quarter 2020.
- Final Assignment of FPSO charter contract.

In the event the transaction does not complete, the deposit would be returned to Karoon, unless Karoon is responsible for the failure to complete in which case the deposit would be forfeited to Petrobras.

Debt Funding

Karoon and ING have now completed the syndication process for the senior secured term loan and the Company is pleased to have received commitment letters from a strong lender group consisting of ING, Citibank, Deutsche Bank, Bradesco and Shell Western Supply and Trading Limited (SWST), a member of the Royal Dutch Shell group of companies.

Karoon continues to work with its bank group to ensure the best outcome possible for a funding package on Baúna. The increase in reserves, greater certainty around abandonment requirements from the ANP, refinement of workover planning and operating costs has assisted to provide a well provisioned bank case on technical fundamentals, however discussions on the oil curve are expected to remain open until closer to financial close given the recent market movements.

Robert Hosking, Karoon Managing Director said:

“The recent financial market conditions have created a more complex backdrop for the completion of transactions, however Karoon continues to believe Baúna to be a quality asset that can deliver long term value to its shareholders. Karoon is always looking to create value wherever it can be found for its investors and we will work through the current environment in an attempt to complete this acquisition successfully to the satisfaction of the stakeholders involved.”

This announcement was authorised by Scott Hosking, Company Secretary, Karoon Energy Ltd.

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. 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 aims to be an agile and sustainable global energy company delivering profits through a high-quality portfolio of production, development and exploration assets. The Company looks to provide energy to an ever-changing world, creating value for our shareholders and the broader community.

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.