



DECEMBER 2021 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B*

Issued 31 January 2022

Highlights:

- During the quarter ended 31 December 2021, oil production from the Baúna Field in the Santos Basin, Brazil, totalled 1.23 million barrels (MMbbl), produced at an average rate of 13,360 barrels of oil per day (bopd). This took total production for the first half of Financial Year (FY) 2022 to 2.51 MMbbl. The strong production rates achieved during the quarter reflected good reservoir performance combined with facilities uptime of nearly 100%.
- Oil sales for the quarter were 1.53 MMbbl, with three cargos lifted during the quarter, compared to two cargos lifted in the September 2021 quarter. The average net realised oil price was US\$75.44/bbl, up from US\$68.00/bbl in the prior quarter, due to stronger global oil prices and good demand for Baúna crude.
- Oil revenue from the three cargoes lifted was US\$115.8 million, while cash receipts from oil sales were US\$79.1 million (proceeds from the December 2021 cargo were received in January 2022). This resulted in total revenue for the first half of FY2022 of US\$186.5 million.
- Work advanced on the Baúna intervention program and the Patola development, which presently are progressing on time and within budget. The window for commencement of operations by the drilling rig, the Maersk Developer, has been narrowed to between 15 April and 15 May 2022. The rig has concluded its work for the previous Operator and is currently in Trinidad and Tobago undergoing maintenance and inspection.
- There was one Lost Time Incident (LTI) recorded in the quarter, relating to a slip onboard the FPSO. There were no significant environmental incidents or impacts from COVID-19.
- In November 2021, Karoon closed its inaugural US\$160 million debt facility and made an initial draw down of US\$30 million in preparation for investments in the Baúna intervention campaign and Patola development. To support the facility, the Company also established hedges to partially protect against oil price downside risk.
- Cash and cash equivalents at 31 December 2021 were US\$204.1 million and undrawn and available debt was US\$130.0 million, providing total available liquidity of US\$334.1 million.
- Karoon will be releasing its results for the six months to 31 December 2021 on Wednesday 23 February 2022. Due to higher forecast oil prices, which are driving an increase in Karoon's oil revenues, the Company expects to recognise a material upwards revaluation in the fair value of the contingent consideration payable to Petrobras for the Baúna asset in the half year. Updated guidance on other key metrics is shown on page 8.

Comments from Chief Executive Officer/Managing Director, Dr Julian Fowles:

“During the December 2021 quarter, Karoon celebrated its first full year as an oil operator. Since taking control of Baúna in November 2020, we have produced more than 5.5 MMbbl of oil, safely and without any serious

* While Karoon is now an oil producer, it remains an “oil and gas exploration entity” for the purposes of the ASX Listing Rules and, as such, will continue to report as one until it becomes an “oil and gas producing entity” for the purposes of the ASX Listing Rules.

incidents. Given the significant challenges of 2021, with many of our staff under lockdown from COVID-19 for part of the year, this is a substantial achievement.

The safe and reliable operating performance seen during the first nine months of 2021 continued through the December quarter. Our team in Brazil achieved facilities uptime of 99.8%, an outstanding performance, resulting in total oil production of 1.23 MMbbl, down just 4% on the record September quarter despite the maturity of the Baúna field. Three cargoes were lifted during the quarter which were sold to customers in North and South America. Strong bids were received for all three cargoes, demonstrating good recognition in the market of the high quality of Baúna crude. The Company realised an average oil price of US\$75.44/bbl, 11% higher than the previous quarter, which resulted in quarterly revenue of US\$115.8 million.

Disappointingly, we recorded one LTI during the period, involving a slip onboard the FPSO, the first LTI on the Cidade de Itajai FPSO in more than 3.5 years. We are re-energising our focus on slips, trips and falls with a targeted safety campaign, to improve awareness of this important issue. Although there were no instances of COVID-19 onboard the FPSO through the whole of 2021, with 98% of the FPSO crew in Brazil double vaccinated by year-end, several cases, largely asymptomatic, were detected in January 2022, highlighting the importance of continued adherence to our strict COVID-19 protocols.

In November 2021, a major milestone was achieved when we reached financial close on our new US\$160 million debt facility, with a high-quality lending group. This marked Karoon's first time as a corporate borrower and broadens the Company's access to capital sources. In line with the facility agreement, we drew down US\$30 million from the facility, which was used to meet initial fees for the facility and supplement our cash position ahead of an expected ramp-up in expenditures on the Baúna intervention campaign and Patola development. At the end of December 2021, Karoon had cash and cash equivalents of US\$204.1 million, up from US\$175.0 million at 30 September 2021, and US\$130 million of undrawn available debt, providing strong liquidity. Hedges, comprising a combination of bought puts and sold calls that mitigate oil price downside risk while retaining substantial exposure to the upside, were also established in November, providing greater operating cash flow certainty to support Karoon's investment plans and the debt facility.

We are continuing to prepare for the Baúna intervention campaign and the Patola development, which together are expected to more than double Karoon's production by early calendar 2023. Maersk Drilling has narrowed the window for when the Maersk Developer rig will be ready to commence operations, to between 15 April – 15 May 2022. Evaluation work is also progressing on the Neon discovery, which has the potential to be a valuable production asset that could take advantage of our existing infrastructure and resources in Brazil.

Karoon is committed to meaningful action to achieve its emissions reduction and mitigation targets. During the quarter we commenced implementing our Carbon Management Action Plan, with two carbon reduction projects undertaken and work ongoing to ensure we meet our carbon neutral¹ and net zero commitments².

2022 promises to be an exciting year. Following the Strategic Refresh, which was completed in the December 2021 quarter, we have a clear strategy and objectives. I look forward to reporting our FY2022 half year results and updating the market on progress of our growth plans in February."

¹ Carbon neutral refers to having a balance between emitting and offsetting greenhouse gas (GHG) emissions. To be achieved through acquiring carbon offsets in respect of Scope 1 and 2 GHG emissions.

² Net zero refers to reducing GHG emissions as far as possible and balancing the residual GHG emissions produced and GHG emissions removed from the atmosphere. To be achieved through future transition planning in respect of Scope 1 and 2 emissions.

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Production Summary

Baúna Field (BM-S-40, Santos Basin, Brazil - 100% Equity interest, Operator)

Key Data	Dec Quarter 2021	Sept Quarter 2021	% change	1H FY2022
Production rate ('000 bopd)	13.36	13.86	-4	13.64
Production volume (MMbbl)	1.23	1.28	-4	2.51
Sales volume (MMbbl)	1.53	1.04	+47	2.57
Weighted average net realised price (US\$/bbl)	75.44	68.00	+11	72.43
Oil sales revenue (US\$ million)	115.8	70.7	+64	186.5
Oil sales cash proceeds (US\$ million) ¹	79.1	104.5	-24	183.6
Closing cash and cash equivalents (US\$ million)	204.1	175.0	+17	204.1
Closing debt (US\$ million)	30.0	0	na	30.0
Closing net cash and cash equivalents (US\$ million) ²	174.1	175.0	0	174.1
Lost time injury rate (incidence/200,000 hours)	0.94	0.00	na	0.47
Total recordable incident rate (Incidence/200,000 hours)	0.94	0.00	na	0.47

¹ Proceeds from the cargo lifted in December 2021 were received in January 2022.

² Net of drawn debt.

Total oil production in the 2021 December quarter was 1.23 MMbbl, produced at an average rate of 13,360 bopd. Production facilities uptime was 99.8%, which, together with a strong performance at the wellhead, helped to mitigate the Baúna field natural decline.

During the quarter, commissioning of three refurbished turbines for power generation was ongoing, while the installation of a new mooring buoy for Baúna support vessels took place. Neither of these activities impacted production.

Three cargoes were lifted during the quarter, totalling 1.53 MMbbl of oil. The average realised oil price, net of selling expenses, was US\$75.44/bbl, 11% higher than the average price of US\$68.00/bbl realised in the September quarter. Two of the cargoes were bought by a customer in South America and one by a buyer in North America. Oil revenue generated from the three cargoes shipped in the quarter was US\$115.8 million.

Oil receipts for the quarter were US\$79.1 million. This excludes proceeds of US\$36.7 million from the cargo lifted in late December, which were received in January 2022.

Karoon recorded one LTI in November 2021 when a cook slipped in the galley onboard the FPSO. A full incident investigation was undertaken and a Company-wide slips, trips and falls Safety Campaign is planned for the first quarter of CY2022.

During CY2021, there were no COVID-19 infections onboard the FPSO and 98% of the crew were double vaccinated by year end. This was an outstanding achievement given the high prevalence of the disease in Brazil during 2021. Unfortunately, two symptomatic COVID-19 cases were recorded onboard the FPSO in January 2022.

Ongoing testing of asymptomatic close contacts and the remaining crew has revealed a further 14 cases, bringing the total outbreak to 16. To date, there has not been any interruption to production from this outbreak.

Production data relating to Baúna can be found in monthly newsletters produced (in Portuguese) by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP: the Brazilian oil and gas regulator) and on the ANP's dynamic panel of oil and gas production, both of which can be accessed via the ANP's website at <http://www.anp.gov.br>.

Well Interventions Campaign and Development Activities

Preparations for the Baúna intervention campaign and Patola development continued to advance during the quarter. The Electric Submersible Pumps, which will be installed in two Baúna wells, were tested and shipped to Brazil and the construction of specialised tools required to perform the workovers was completed. The procurement process remains on schedule, with external suppliers selected for more than 95% of the Baúna interventions and Patola contracts, and 80% by value of the anticipated contracts executed. The estimated costs of the Baúna intervention work and the Patola development, of US\$110-130 million and US\$175–195 million, respectively, remain unchanged.

In December, the rig owner and operator, Maersk Drilling, narrowed the window of when the Maersk Developer rig is expected to commence operations on the Baúna intervention program, to between 15 April and 15 May 2022. An additional option period of 50 days has been agreed with Maersk Drilling under the rig contract, to provide further flexibility in the event that a decision is taken to drill a Neon control well after the Baúna intervention campaign and Patola development drilling. The rig has concluded its work for the previous Operator and is currently in Trinidad and Tobago undergoing maintenance and inspection. Mobilisation of the rig to Brazil is expected to commence at the end of February, with the rig arriving in Rio de Janeiro at the end of March. The commencement of drilling activities is subject to the receipt of normal regulatory approvals, which are in progress.

Corporate and Commercial Summary

Liquidity

At the end of December 2021, Karoon's cash position, including funds drawn down from the US\$160 million debt facility, was US\$204.1 million, up from US\$175.0 million at 30 September 2021.

Cash flows from operating activities included receipts from oil sales of US\$79.1 million. This comprised the two cargoes sold and receipted during the quarter but excluded proceeds from the December 2021 cargo, which were received during January 2022. US\$21.6 million of net cash was generated from operating activities during the quarter, or US\$9.7 million when adjusted for the principal elements of lease payments included in financing activities. US\$5.0 million was used for continued activities related to the Baúna intervention campaign and Patola development.

Significant cash flows

The December quarter included the following significant items:

- US\$79.1 million in proceeds from oil sales.
- US\$30 million in proceeds from the initial draw down of the loan facility. US\$5.9 million in borrowing costs associated with this first draw down were also paid at the time of this draw down.
- US\$22.2 million payments related to Baúna production costs, including US\$9.6 million in royalty payments.
- US\$16.1 million spent on FPSO lease charter payments, which are included in lease payments and finance costs in the Appendix 5B.
- US\$9.8 million paid for hedge premia.
- US\$9.6 million payment for the legal settlement with Pitkin Petroleum Peru Z-38 SRL.

- US\$6.4 million related to payments for property, plant and equipment, including US\$4.0 million paid for long lead items and other planning activities required for the development of the Patola field, US\$0.5 million paid for tools, US\$0.5 million of intervention campaign CAPEX, and other Baúna and corporate CAPEX of US\$1.4 million.
- US\$6.3 million related to income tax instalments.
- US\$0.6 million of exploration and evaluation costs, predominantly related to ongoing subsurface and engineering studies on the Neon discovery and costs related to WA-482-P in Australia.

Debt facility and hedging arrangements

In November, Karoon closed its US\$160 million debt facility and made an initial draw down of US\$30 million.

To support both Karoon's investment plans and the facility, the Company acquired a combination of bought puts and sold calls, as per the table below, to mitigate the risk of lower oil prices while retaining significant exposure to oil price upside. This collar structure was used to minimise costs, with the upfront premium for the oil hedges costing US\$9.8 million. The bought put option volumes cover 40-47% of management's forecast production guidance range over the FY2022 hedge period (December 2021-June 2022), with the sold call option volumes covering 17-20% of the forecast guidance range over the same period. The hedge ratios represent lower proportions of forecast production during FY2023 and FY2024. Incremental volumes will be hedged on a semi-annual basis over the life of the debt facility, to ensure that hedged volumes remain in compliance with the requirements under the facility agreement.

Financial year (Period)	Bought put strike (US\$/bbl)	Put volume ('000 bbl)	Sold call – average strike (US\$/bbl)	Call volume ('000 bbl)
FY2022 (Dec-Jun)	65	994	87.5	426
FY2023 (Jul-Jun)	65	2,316	83.4	2,316
FY2024 (Jul-Sep)	65	630	82.5	630

Strategic Refresh

The results of Karoon's Strategic Refresh, updating the Company's corporate strategy and key objectives for the next five years and beyond, were presented to the market at an Investor Briefing in October 2021. The full presentation can be found on Karoon's website:

[2021-Karoon-Strategy-Refresh-Presentation-1.pdf \(karoonenergy.com.au\)](https://www.karoonenergy.com.au/2021-Karoon-Strategy-Refresh-Presentation-1.pdf)

Sustainability

During the quarter, Karoon began implementing its Carbon Management Action Plan, which was announced in the Strategic Refresh in October 2021. Two projects were undertaken in connection with the Company's commitment to reduce and mitigate emissions:

- A mooring buoy was installed for support vessels servicing the Baúna operations, enabling vessels to anchor safely when not in use, without the need to burn fuel. The new mooring buoy is expected to reduce Karoon's emissions by approximately 2,000 tonnes CO₂e per year.
- Karoon purchased verified emission reduction credits to offset 40% of FY2021 Baúna emissions (which equates to approximately 19,800 tonnes CO₂e). The credits, which are from the Enviro Amazonia REDD+ Project in Brazil, are VCS and CCB standard certified and deliver both environmental and social benefits. Negotiations are ongoing for the purchase of verified emission reduction credits to offset the balance of FY2021 emissions.

This represents the first step toward Karoon achieving its targets of being carbon neutral on Baúna-Patola Scope 1 and 2 emissions from FY2021 and net zero on all Scope 1 and 2 emissions by 2035.

Exploration

Brazil

Santos Basin, Blocks S-M-1037, S-M-1101 (100% Equity Interest, Operator)

Neon discovery pre-development geotechnical and engineering studies continued during the quarter. These studies were focused on integrating revised subsurface exploitation plans with several alternative surface development concepts and facilities designs. This work has considered the feasibility of multiple potential Neon commercialisation options, including the Neon standalone, Neon Hub and Baúna tie-back concepts, subject to further de-risking of the resource size.

The drilling requirements associated with the revised exploitation plans were assessed during the quarter, with progress made on preliminary control well designs and costings. Geotechnical studies relating to potential Neon Hub resources at Goiás and Neon West also advanced and will continue into the first quarter of CY2022.

Karoon has options to extend its contract with the Maersk Developer rig to undertake control well drilling at Neon after the completion of the two Patola development wells. A decision will be made in early calendar 2022 on whether to exercise these options.

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

Desktop geological and geophysical studies on the Clorita prospect in S-M-1537 were ongoing during the quarter.

Australia

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

During the quarter, the joint venture completed the Primary Term work commitments of geoscience evaluation of the 3D seismic reprocessed data.

Schedule of Interests in Petroleum Tenements

Held by Karoon Energy Ltd Group at 31 December 2021

Exploration Permit/ Block	Basin	Operator	% equity interest held
Concession BM-S-40	Santos, Brazil	Karoon	100
Block S-M-1037	Santos, Brazil	Karoon	100
Block S-M-1101	Santos, Brazil	Karoon	100
Block S-M-1537	Santos, Brazil	Karoon	100
WA-482-P	Northern Carnarvon, Australia	Santos	50 ¹

⁽¹⁾ Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and an overriding royalty in the event of production. Phoenix Oil and Gas Limited is entitled to an overriding royalty in the event of production.

FY2022 guidance

First Half FY2022 Guidance

Karoon's financial results for the half year to 31 December 2021 will be released to the market on Wednesday 23 February 2022.

Unit production costs in the first half are expected to be at the lower end of the guidance range for the FY2022 full year of US\$28 - 32/bbl. Other Operating Costs in the first half are anticipated to be between US\$7.0 – 8.0 million, while Business Development, share-based payments and other costs are forecast to be in the range of US\$6.5 – 7.5 million. Finance costs, including facility fees and interest, of between US\$4.0 - 4.5 million are anticipated.

Depreciation and amortisation charges for the first half of FY2022 are expected to be in the range of US\$12 – 13/bbl, in line with full year guidance.

The costs outlined above exclude government royalties and foreign exchange gains/losses.

In addition, as a result of recent higher oil prices and an increase in industry consensus oil price forecasts, which are driving an increase in Karoon's current and forecast oil revenues, Karoon expects to recognise a material upwards revaluation in the fair value of the contingent consideration payable to Petrobras for the Baúna asset. At 30 June 2021, based on Karoon's forecast oil price deck at that time, a discount rate of 0.36% and a 2% inflation factor, the fair value of the contingent consideration payable was assessed at US\$71.2 million. In compliance with AASB 9, Financial Instruments, any increase in the anticipated contingent consideration will be recorded as a non-cash item on profit or loss in the half year.

Background:

As part of the Baúna acquisition, Karoon agreed to pay Petrobras a contingent consideration of up to US\$285 million plus interest of 2% per annum, dependent on future oil prices over the period from CY2022 to CY2026. The calculation of the annual Petrobras payment is as per the table below, with any amounts payable by 31 January in the year after the completion of the relevant testing period (see *Note 22. Other financial liabilities* in Karoon's 2021 Annual Report for full details).

Average Brent Price (in US\$)	CY2022	CY2023	CY2024	CY2025	CY2026	Total
B < 50	-	-	-	-	-	-
50 <= B < 55	3	3	3	2	2	13
55 <= B < 60	17	17	17	8	4	63
60 <= B < 65	34	34	34	15	6	123
65 <= B < 70	53	53	53	24	10	193
B >= 70	78	78	78	36	15	285

Full Year FY2022 Guidance

The guidance range for unit production costs for the full year remains unchanged, with second half unit production costs expected to be higher than in the first half. This reflects lower production, due to an 11-day scheduled shut-down for maintenance in March 2022 and the commencement of Baúna intervention work, over a relatively fixed cost base. Other Operating Costs for FY2022 full year also remain unchanged. Guidance has been provided for Business Development, share-based payments and other costs, as well as finance costs and interest, as per the table below.

FY2022 Full Year Guidance (as at 31 January 2022)¹	Low	High
Production (MMbbl)	4.2	4.6
Costs		
Unit Production Costs (US\$/bbl) ²	28	32
Other Operating Costs (US\$ million) ³	15	17
Business Development, share-based payments & other costs (US\$ million) ⁴	14	16
Finance costs and Interest (US\$ million)	7	8
Unit DD&A (US\$/bbl) ⁵	12	13
Investment Expenditure		
Intervention and Patola Projects (US\$ million) ⁶	100	135
Subsurface Evaluation and New Ventures (US\$ million)	5	7
Other Plant and Equipment (US\$ million)	9	11

Notes:

1. Guidance is subject to various risks (including those “Key Risks” set out in Karoon’s 2021 Annual Report).
2. Unit Production Costs: based on daily operating costs associated with Baúna Production, excluding government royalties.
3. Other Operating costs: includes corporate and non-oil and gas related depreciation, excludes government royalties and foreign exchange gains/losses.
4. Other costs include exploration expensed and hedge premiums.
5. Excludes depreciation on FPSO right-of-use asset capitalised under AASB 16 ‘Leases’, which is included as part of Unit Production Costs.
6. The variance between low and high guidance is largely related to timing of the commencement of the Maersk Developer drilling rig activities in Brazil, with the exact timing subject to mobilisation to Brazil. Excludes any borrowing costs associated with the Patola development that may be capitalised.

All guidance is subject to the statement below regarding “Forward-looking statements”.

Forward-looking statements

Petroleum exploration and production operations rely on the interpretation of complex and uncertain data and information which cannot be relied upon to lead to a successful outcome in any particular case. Petroleum exploration and production operations are inherently uncertain and involve significant risk of failure. All information regarding reserve and contingent resource estimates and other information in relation to Karoon’s assets is given in light of this caution.

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, well drilling programs and drilling plans, estimates of reserves and contingent resources and information on future production 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 (including, without limitation, in respect of imprecise reserve and resource estimates, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling, demand for oil, commercial negotiations and other technical and economic factors) 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.



Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Karoon Energy Ltd

ABN

53 107 001 338

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	79,104	183,638
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(588)	(2,101)
	(b) development	-	-
	(c) production (excludes FPSO charter lease payments and finance charges on right of use assets included in 1.5 and below)	(22,226)	(49,545)
	(d) staff costs (employee benefits expense-net ,including staff restructuring costs of \$752k)	(2,259)	(4,095)
	(e) administration and corporate costs	(2,341)	(4,143)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	6
1.5	Interest and other costs of finance paid	(4,494)	(9,365)
1.6	Income taxes paid	(6,322)	(11,727)
1.7	Government grants and tax incentives	-	-
1.8	Other (GST refunds, hedge premium \$9.8m, legal settlement \$9.6m)	(19,245)	(19,032)
1.9	Net cash from / (used in) operating activities	21,632	83,636

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(6,435)	(14,107)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets (security deposits)	-	(46)
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	45	47
	(d) investments	-	-
	(e) other non-current assets	391	484
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	(224)	(755)
2.6	Net cash from / (used in) investing activities	(6,223)	(14,377)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	864	864
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	30,000	30,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(5,857)	(5,857)
3.8	Dividends paid	-	-
3.9	Other (principal elements of lease payments)	(11,897)	(23,339)
3.10	Net cash from / (used in) financing activities	13,110	1,668

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (6 months) US\$'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	174,993	133,209
4.2	Net cash from / (used in) operating activities (item 1.9 above)	21,632	83,636
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,223)	(14,377)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,110	1,668
4.5	Effect of movement in exchange rates on cash held	557	(67)
4.6	Cash and cash equivalents at end of period	204,069	204,069

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 US\$'000	Previous quarter US\$'000
5.1	Bank balances	204,069	174,993
5.2	Call deposits	-	-
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)	204,069	174,993

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	103
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Current quarter
US\$'000

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The payments referred to in 6.1 relate to director and committee fees paid to non-executive directors and salary paid to the chief executive officer and managing director in accordance with his employment contract.

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end US\$’000	Amount drawn at quarter end US\$’000
7.1	Loan facilities	160,000	30,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	160,000	30,000
7.5	Unused financing facilities available at quarter end		130,000
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Secured Term Loan Facility for Baúna			
Karoon Petróleo e Gás Ltda, a wholly owned subsidiary of Karoon Energy Ltd, has a secured term loan syndicated facility with Deutsche Bank AG, Sydney Branch, ING Belgium SA/NV, Macquarie Bank Limited and Shell Western Supply and Trading Limited. Interest is charged at a 4.25% margin over LIBOR per annum and a commitment fee is charged on undrawn but committed and available amounts at 1.7% per annum and an additional 0.85% per annum on any committed but unavailable amounts. The facility has a final maturity date of the earlier of 31 March 2025 or the quarter where the remaining reserves are forecast to be ≤ 25% of the initial approved reserves. Semi-annual repayments of US\$40 million commence on 30 September 2023 to the final maturity date.			

8.	Estimated cash available for future operating activities	US\$’000
8.1	Net cash from / (used in) operating activities (Item 1.9)	21,632
8.2	Payments for exploration & evaluation classified as investing activities (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2) ^	21,632
8.4	Cash and cash equivalents at quarter end (Item 4.6)	204,069
8.5	Unused finance facilities available at quarter end (Item 7.5)	130,000
8.6	Total available funding (Item 8.4 + Item 8.5)	334,069
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	N/A

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as “N/A”. Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: 31 January 2022

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.