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## JUNE 2019 QUARTERLY REPORT AND APPENDIX 5B

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### Significant Events

- Karoon executed a binding sale and purchase agreement ('SPA') with Petrobras during July 2019 to acquire a 100% operating interest in Concession BM-S-40, that includes the Baúna light oil field, located in the Santos Basin, offshore Brazil for a headline consideration of US\$665 million.
- During the quarter the farm-out of a 35% interest in Block Z-38 to Tullow Peru Limited Sucursal del Perú ('Tullow') was completed following the receipt of regulatory approvals.
- Karoon entered into rig negotiations during the quarter to secure a rig in preparation for drilling the high impact Marina-1 exploration well in Block Z-38, planned for late calendar year 2019/ early 2020.
- The renewal application for Northern Carnarvon Basin exploration permit WA-482-P was approved with the primary three-year term work programme consisting of seismic reprocessing and technical studies.
- \$326 million cash balance as at 30 June 2019. Karoon currently holds almost all its cash in United States dollars.

### Comments from Mr. Robert Hosking, Managing Director:

*"The Company has been working very hard over the past three years to acquire a high-quality production asset with robust economic returns. Through the acquisition of the Baúna asset announced during July 2019 Karoon has delivered on its highest strategic priority.*

*Baúna will provide Karoon shareholders with material oil production, the field is currently producing approximately 20,000 barrels of oil per day before development workovers, and a platform for future growth. The transaction will be transformational for Karoon shareholders, providing significant exposure to reserves, resources and high margin oil production.*

*The acquisition of Baúna opens a new phase for Karoon as a significant ASX listed oil producer. It is expected to generate significant operational and logistical synergies with Karoon's other 100% owned southern Santos Basin exploration and pre-development assets."*

## **Corporate and Operational Summary**

### **Corporate**

Subsequent to the end of the quarter, Karoon delivered on its highest strategic priority, the acquisition of a high-quality production asset.

On 25 July 2019 Karoon Petróleo e Gás Ltda, a wholly owned subsidiary of Karoon Energy Ltd, executed a binding SPA to acquire from Petrobras a 100% operating interest in Concession BM-S-40, that includes the producing Baúna light oil field ('Baúna') located in the Santos Basin, offshore Brazil.

Key transaction details are:

- Headline consideration of US\$665 million, with a transaction effective date of 1 January 2019.
- A deposit of US\$49.9 million was paid to Petrobras on 25 July 2019.
- The final acquisition price payable at financial close will be adjusted for Baúna's operating cash flows from the effective date to financial close, along with accrued interest on the consideration. The closing adjustment is expected to reduce the headline consideration by approximately US\$140 million to US\$200 million depending on the timing of the closing date.
- Karoon received a credit approved term loan facility commitment for up to US\$250 million from ING.
- Baúna is currently producing approximately 20,000 barrels of oil per day.
- The Baúna light oil field consists of two producing oil reservoirs, Baúna and Piracaba, which are both tied back to a leased floating production, storage and off-loading facility, and the existing undeveloped Patola discovery.
- The transaction is subject to Brazilian regulatory approval, which is expected during the first half of calendar year 2020.

### **Operations**

#### **Brazil**

***Santos Basin, Blocks S-M-1037, S-M-1101, S-M-1102 and S-M-1165***

***100% Equity Interest***

***Operator***

Work on the Neon and Goia light oil discovery Development Plan continued in preparation for submission to the ANP (the Brazilian oil and gas regulator) during the September 2019 quarter. The Development Plan is part of the Declaration of Commerciality process, however, it does not represent a final investment decision.

Karoon remains committed to farming down equity in its 100% owned Santos Basin Blocks and a renewed farm-out 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 reservoirs.

## **Peru**

### ***Tumbes Basin, Block Z-38***

#### ***40% Equity Interest<sup>1</sup>***

##### ***Operator***

During the quarter the farm-out to Tullow was completed following the receipt of Peruvian regulatory approvals.

Following strong interest from rig owners during a rig tender process, Karoon is currently negotiating a rig contract for drilling the high impact Marina-1 exploration well planned for late calendar year 2019/ early 2020.

The Marina prospect has an unrisks best estimate prospective resource of 256 mmbbls at 100% (102 mmbbls net to Karoon<sup>1</sup>). This prospect will be the first 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***

During the quarter Karoon obtained field data on 3D seismic previously acquired over the area and has commenced seismic reprocessing.

The area is part of the Tumbes Basin and several prospects have already been identified. With Block Z-38 and the addition of Area 73, Karoon believes it now has a high-quality strategic acreage position and looks forward to testing the basin's prospectivity with the drill bit.

## **Australia**

### ***Northern Carnarvon Basin, Permit WA-482-P***

#### ***50% Equity Interest***

##### ***Non-Operator***

A renewal licence application was approved by the National Offshore Petroleum Titles Administrator during the quarter. The licence renewal is for a firm three-year programme of seismic reprocessing of existing 3D data and geoscience studies.

The renewal also required a mandatory requirement to relinquish 50% of the permit.

### ***Ceduna Sub-basin, Great Australian Bight ('GAB'), Permit EPP46***

#### ***100% Equity Interest***

##### ***Operator***

During the quarter, Karoon continued to monitor the progress of Equinor's draft Environmental Plan submission for drilling an exploration well in the GAB. Karoon is watching this process with interest to see if there is a mandate from the National Offshore Petroleum Safety and Environmental Management Authority ('NOPSEMA') for exploration drilling activities in the GAB.

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

Karooon does not plan to commit any further resources to EPP46 until there is a clear pathway support from NOPSEMA to safely and commercially pursue exploration drilling activities.

***Browse Basin, Permit WA-314-P***

***100% Equity Interest***

***Operator***

No further technical work was conducted on the permit during the quarter. Karoon has completed all its technical work on the permit and is preparing a final technical report for submission to NOPTA.

**Prospective Resources Cautionary Statement**

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.

**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.

Karooon 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 June 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 June 2019

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (12 months) A\$'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) exploration and evaluation	(4,762)	(14,281)
(b) development	-	-
(c) production	-	-
(d) staff costs (employee benefits expense-net)	(1,748)	(7,170)
(e) administration and corporate costs	(2,339)	(13,727)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1,185	2,077
1.5 Interest and other costs of finance paid	(63)	(180)
1.6 Income taxes (paid)/ refund	29	143
1.7 Research and development refunds	-	-
1.8 Other (GST and VAT refunds)	88	530
<b>1.9 Net cash from/ (used in) operating activities</b>	<b>(7,610)</b>	<b>(32,608)</b>

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (12 months) A\$'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(31)	(367)
	(b) petroleum tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets (security deposits)	(5,560)	(5,778)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) petroleum tenements (see item 10)	5,591	5,591
	(c) investments	-	-
	(d) other non-current assets (security deposits)	8,331	8,331
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from/ (used in) investing activities</b>	<b>8,331</b>	<b>7,777</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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)	(21)	(94)
<b>3.10</b>	<b>Net cash from/ (used in) financing activities</b>	<b>(21)</b>	<b>(94)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter A\$'000</b>	<b>Year to date (12 months) A\$'000</b>
<b>4.</b>	<b>Net increase/ (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	321,578	333,573
4.2	Net cash from/ (used in) operating activities (item 1.9 above)	(7,610)	(32,608)
4.3	Net cash from/ (used in) investing activities (item 2.6 above)	8,331	7,777
4.4	Net cash from/ (used in) financing activities (item 3.10 above)	(21)	(94)
4.5	Effect of movement in exchange rates on cash held	3,913	17,543
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>326,191</b>	<b>326,191</b>

<b>5.</b>	<b>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</b>	<b>Current quarter A\$'000</b>	<b>Previous quarter A\$'000</b>
5.1	Bank balances (cash at bank and on hand)	310,426	313,522
5.2	Call deposits (short-term bank deposits)	15,765	8,056
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>326,191</b>	<b>321,578</b>

**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**

638

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Directors' remuneration included in 1.2: \$550,801  
Consulting fees included in 1.2: \$87,671

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter A\$'000</b>
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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<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end A\$'000</b>	<b>Amount drawn at quarter end A\$'000</b>
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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<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>A\$'000</b>
9.1	Exploration and evaluation	8,100
9.2	Development	-
9.3	Production	-
9.4	Staff costs (employee benefits expense-net)	2,100
9.5	Administration and corporate costs	2,900
9.6	Other (Bauna deposit and transition costs)	77,800
<b>9.7</b>	<b>Total estimated cash outflows</b>	<b>90,900</b>

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	Block Z-38, Tumbes Basin offshore Peru	Exploration	75	40
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 July 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 (the 'Group')**

**As at 30 June 2019**

<b><u>Exploration Permit/ Block</u></b>	<b><u>Basin</u></b>	<b><u>Operator</u></b>	<b><u>% Equity Interest Held</u></b>
EPP46	Ceduna Sub-basin, Australia	Karoon	100
WA-314-P	Browse, Australia	Karoon	100 (1)
WA-482-P	Northern Carnarvon, Australia	Quadrant	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) 1.5% over-riding royalty for first five years of production, going to 2% thereafter.
- (2) Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and a royalty in the event of production.
- (3) Karoon's farm-in obligations to Pitkin Petroleum Peru Z-38 SRL are also still to be completed.