



MARCH 2021 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B*

Highlights:

- Oil production from the Baúna Field in the March 2021 quarter totalled 1.14 million barrels (mmbbl), produced at an average rate of 12,641 barrels of oil per day (bopd).
- Two oil cargos were lifted, realising an average net price of US\$55.38/bbl.
- Total oil sales receipts for the quarter (which included proceeds from the December cargo) were A\$97.2 million, representing the Company's inaugural cash flow from oil sales.
- There were no significant safety or environmental incidents reported during the period.
- Despite major challenges from the COVID-19 pandemic in Brazil, Karoon's operations were not impacted materially during the quarter, with strict safety protocols in place aimed at protecting our staff and operating continuity.
- A Brazil Business Unit was created and a restructure of the management team, to enhance and deepen executive capability, was announced.
- In April 2021, the Maersk Developer rig was contracted for the Baúna workover campaign, with the option to extend the contract for the potential development of the Patola Field and drilling of a control well on the Neon light oil discovery.
- Cash and cash equivalents at 31 March 2021 were A\$173 million, up from A\$133 million at the end of December 2020, with no external loans, with the increase in cash reflecting the strong cash flow generated from operations.
- There is no change to guidance provided in the 2021 financial half-year results announcement.

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

"Karoon produced more than one million barrels of oil in the three months to March 2021, our first full quarter of production. We also received inaugural gross cash inflows of A\$97.2 million from the first three Baúna oil cargoes, marking the Company's first quarter as a substantial and profitable oil producer. After sales expenses, the average oil price achieved for the two cargoes lifted during the period was a healthy US\$55.38/bbl, reflecting the strong competition from a number of global refiners for our high quality Baúna crude. Our strong production was enabled by a highly commendable HSSE performance during the quarter, with no significant safety or environmental incidents. As a first-time producer, this result directly reflects the excellent commitment of all our staff and contractors, especially our onshore and offshore operations teams, to delivering production safely and reliably. The result has also been achieved at a time when the COVID-19 pandemic has been particularly severe in Brazil and Peru. Our thoughts are with all of our staff, contractors and their families who are affected by the pandemic at this time.

* 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.

To strengthen the organisation as we move into our next phase of growth, during the quarter we announced several senior management changes and created a new Brazil business unit, which will be led by a new Executive Vice President (EVP) and President Karoon Brazil, reporting directly to me. The global executive search to fill this role and that of the Chief Financial Officer, which will become vacant later this year when current CFO Scott Hosking steps down, is progressing well, with appointments expected to be made in the third quarter of calendar 2021.

The recently contracted Maersk Developer rig is expected to arrive in Brazil in the first half of calendar 2022, with a workover campaign at Baúna planned to commence late in the second quarter of calendar 2022. This program is expected to add materially to our production and will be funded from existing cash (A\$173.2 million at the end of March 2021) and the strong cash flows being generated from operations. We also have the option to retain the rig for the potential Patola development, with a final investment decision (FID) on Patola on track to be made in the second quarter of calendar 2021, and for a well on the Neon light oil discovery.

This is an exciting time for Karoon as we become an established upstream producer, with material production and near-term growth opportunities.”

Production Summary



FPSO Cidade de Itajaí, Brazil

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

Key Data	Units	March Quarter 2021	FY YTD [^]
Production - rate	'000 bopd	12.64	13.5x
Production - volume	mmbbls	1.14	1.95
Sales Volume	mmbbls	0.93	1.43
Weighted Average Net Realised Price	US\$/bbl	55.38	52.46
Oil Sales Proceeds	A\$ million	97.2	97.2
Safety			
Lost Time Injury Rate	Incidents/200,000 hours	0.00	0.50
Total Recordable Incident Rate	Incidents/200,000 hours	0.00	1.00

[^] Reflects operations from 7 November to 31 March 2021.

Total oil production during the quarter was 1.14 mmbbl, produced at an average rate of 12,641 bopd. Output was impacted by eight days of planned maintenance and 3.5 days of unplanned outages on the FPSO, Cidade de Itajaí, primarily relating to piping repairs. Following the maintenance activities, production was brought back

onstream and returned to pre-shutdown levels without incident. Approximately four further days of planned maintenance on the FPSO are expected to take place during April 2021.

During the quarter, Karoon lifted two oil cargos, totalling 0.93 mmbbl sold at a realised average oil price, net of selling expenses, of US\$55.38/bbl, generating oil sales revenue of A\$69.4 million. The payment for Karoon's first cargo of 503,100 bbls, sold in December 2020, was received in January 2021, resulting in total gross cash inflows for the quarter of A\$97.2 million.

Karoon offloaded a further 0.50 mmbbl cargo on 1 April 2021.

Despite the escalating COVID-19 pandemic in Brazil, there was no material impact from COVID on production operations during the March quarter. This reflected the strict safety protocols the Company has put in place to protect our workforce and ensure continuity of operations.

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>.

Development Activities

During the quarter, a Letter of Intent was signed with TechnipFMC and payments of A\$6.6 million were made to commence the procurement and fabrication of certain critical path long lead items for the potential development of the Patola field. The Patola development remains subject to an FID that is expected to be taken in the second quarter of calendar 2021.

After the end of the quarter, in April 2021, following a competitive tender process involving 10 different rig owners, Karoon contracted the Maersk Developer rig, operated by Maersk Drilling, for the Baúna workover campaign. There is contractual optionality to retain the rig to drill two development wells on the Patola Field (subject to Patola FID) and a control well on the Neon light oil discovery. It is expected that the rig, which is currently located in the Caribbean, will mobilise to Baúna in the first half of calendar 2022. This represents an important milestone for Karoon's planned phased approach to increase production from the Baúna Field.

Corporate and Commercial Summary

Executive and Corporate Restructure

During the quarter, several changes were made to Karoon's corporate structure and executive team, to ensure it has the appropriate skills and capabilities, corporate and operational processes and necessary accountabilities to safely and reliably deliver the Company's production and growth opportunities.

Reflecting the importance of the Brazilian operations to Karoon, a Brazil business unit was created, reporting directly into the CEO and Managing Director, supported by technical, financial, commercial and corporate expertise in the Melbourne corporate centre.

In addition, the following changes to the executive team were announced.

- A new and expanded position of EVP and President Karoon Brazil, reporting directly to the CEO and Managing Director, has been created, with the position of South America General Manager, previously held by Tim Hosking, absorbed into the new position. As a result, Tim departed Karoon at the end of the quarter. A global executive search is well advanced to fill the new EVP role. Chief Operating Officer, Edward Munks, has taken over Tim's responsibilities on an interim basis, ensuring continuity of Brazil management.
- Karoon's current CFO, Scott Hosking, will step down from his role in the second half of calendar 2021. An executive search is underway for a new CFO and progressing well.

- James Wootton stepped down from his role as Head of Investor Relations at the end of March 2021 and Ann Diamant joined Karoon as a consultant in the new role of SVP Communications and Investor Relations in early April 2021.

Significant cash outflows

During the quarter, key cash outflows included the following payments:

- A\$27.2 million related to Baúna production costs.
- A\$20.8 million of FPSO lease charter payments, which are included in lease payments and finance costs in the Appendix 5B.
- A\$7.6 million related to payments for property, plant and equipment, including \$A6.6 million paid to TechnipFMC for long lead items required for the potential development of the Patola field.
- A\$2.5 million of exploration and evaluation costs, predominantly relating to an uplift fee for multi-client seismic data on Concession BM-S-40 (A\$0.9 million), ongoing appraisal work of the Patola and Neon discoveries (A\$0.6 million), joint venture expenditure and internal time writing on WA-482-P (A\$0.5 million), and ongoing geological, geophysical and administration costs in relation to Block Z-38 (A\$0.3 million).
- A\$3.2 million related to income tax instalments.

Liquidity

Karoon's net cash position increased from A\$133 million at 31 December 2020 to A\$173 million at the end of March 2021, reflecting the material cash generated from operations during the quarter. The Company has no external debt.

Reserves and Resources^{^^}

On 28 January 2021, Karoon released an update to the summary of the Competent Persons Report prepared by AGR Petroleum Services Reservoir Management Division. This update confirmed that there had been no change in Baúna 2P reserves and 2C contingent resources between the period from 1 July 2020 to 31 December 2020, except those related to production. At 1 January 2021, Baúna 2P reserves (including the Bauna intervention program) were 36.4 MMbbl, while total 2C contingent resources were 18.9 MMbbl. Karoon is not aware of any new information or data that materially affects the resource estimates set out in the announcement dated 28 January 2021 and all material assumptions and technical parameters underpinning the estimates in the announcement on 28 January continue to apply.

^{^^}Note:

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied.

2P- Denotes best estimate of reserves (i.e. the sum of proved plus probable reserves).

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.

2C- Denotes best estimate scenario of contingent resources.

Exploration Update

Brazil

Santos Basin, Blocks S-M-1037, S-M-1101

100% Equity Interest, Operator

During the quarter, Karoon commenced a review of its strategy to appraise the Neon discovery, with a potential control well to be drilled after any Patola development wells, using the Maersk Developer rig.

Santos Basin, Block S-M-1537

100% Equity Interest, Operator

Low cost geological and geophysical studies were ongoing during the quarter. The block contains one main prospect, Clorita, 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

In order to fulfil its obligations as a prudent operator, during the quarter, Karoon finalised an agreement to reacquire, for nil consideration, Tullow's 35% participating interest and is in the process of receiving regulatory approval in respect of this. Karoon, in its own capacity, has decided not to enter into the fourth and final exploration period.

Tumbes Basin, Area 73

Technical Evaluation Agreement, Operator

The geoscience studies required for the Technical Evaluation Agreement on Area 73 were completed during the quarter. Karoon has decided not to proceed to negotiate a licence contract in respect of Area 73.

Australia

Northern Carnarvon Basin, Permit WA-482-P

50% Equity Interest, Non-Operator

The joint venture commenced seismic interpretation of the reprocessed 3D seismic data received during the December 2020 quarter. On completion of the reprocessing and geoscience studies, the focus will be on de-risking the numerous prospects with a view to attracting a farm-in partner.

Ceduna Sub-basin, Great Australian Bight, Permit EPP46

100% Equity Interest, Operator

In late 2020, Karoon submitted a formal application to surrender the permit to the regulatory authorities and was advised on 15 December 2020 that the application was not approved. During the March 2021 quarter, Karoon was provided with reasons for this decision and has been informed that NOPTA is preparing advice to the Joint Authority in relation to cancellation proceedings.

¹ Karoon's 40% equity interest remains subject to farm-in obligations.

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’, ‘potential’, ‘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.



Appendix 5B

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 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	97,172	97,173
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(2,545)	(18,103)
	(b) development	-	-
	(c) production (excludes FPSO charter lease payments and finance charges on right of use assets included in 1.5 and below)	(27,233)	(31,984)
	(d) staff costs (employee benefits expense-net)	(1,747)	(5,129)
	(e) administration and corporate costs	(1,630)	(4,751)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	69	294
1.5	Interest and other costs of finance paid	(6,032)	(11,689)
1.6	Income taxes paid	(3,239)	(7,516)
1.7	Government grants and tax incentives	-	-
1.8	Other (Baúna transition costs (\$2.8m), GST & net VAT refunds \$8m)	5,249	(16,069)
1.9	Net cash from / (used in) operating activities	60,064	2,226

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements (Concession BM-S-40)	-	(206,555)
	(c) property, plant and equipment	(7,584)	(10,118)
	(d) exploration & evaluation (if capitalised)	(631)	(998)
	(e) investments	-	-
	(f) other non-current assets (security deposits)	61	4,901
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	4	16
	(d) investments	-	-
	(e) 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	-	-
2.6	Net cash from / (used in) investing activities	(8,150)	(212,754)
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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 (principal elements of lease payments)	(15,231)	(18,008)
3.10	Net cash from / (used in) financing activities	(15,231)	(18,008)

4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	132,915	431,903
4.2	Net cash from / (used in) operating activities (item 1.9 above)	60,064	2,226
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,150)	(212,754)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(15,231)	(18,008)
4.5	Effect of movement in exchange rates on cash held	3,595	(30,174)
4.6	Cash and cash equivalents at end of period	173,193	173,193

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	157,587	85,740
5.2	Call deposits	15,606	47,175
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)	173,193	132,915

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

Current quarter \$A'000
380
-

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

Payments relate to Directors' remuneration.

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 \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	60,064
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(631)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2) ^	59,433
8.4	Cash and cash equivalents at quarter end (Item 4.6)	173,193
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	173,193
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)^	2.91

^Note, due to the Group's positive cash inflows from operating activities generated from Baúna, the estimated quarters of funding available calculated above is not accurate and understates the Group's ability to operate in the future and meet its business objectives.

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

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: 29 April 2021

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.

Appendix 1

Schedule of Interests in Petroleum Tenements

Held by Karoon Energy Ltd Group

As at 31 March 2021

<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)
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
Block Z-38	Tumbes, Peru	Karoon	40 (2)

- (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.
- (2) Subject to the Group's farm-in obligations to Pitkin Petroleum Peru Z-38 SRL.