



JUNE 2021 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B*

Highlights:

- June quarter 2021 oil production from the Baúna Field in the Santos Basin, Brazil, totalled 1.19 million barrels (mmbbl), produced at an average rate of 13,068 barrels of oil per day (bopd).
- Three oil cargos were lifted, realising an average net price of US\$65.31/bbl, compared to US\$55.42/bbl in the March quarter, reflecting the strength in global oil markets and healthy demand for Baúna crude.
- Oil revenue for the quarter from the three lifted cargoes was US\$95.7 million, taking total oil revenue for the 2021 financial year to US\$170.8 million.
- Cash receipts from oil sales for the June quarter were US\$61.9 million, with total receipts from oil sales for the 2021 financial year of US\$137.0 million. Payment for the June 2021 cargo was received shortly after the end of the quarter.
- There were no significant safety incidents recorded during the period and, despite the high incidence of COVID in Brazil, there was no material impact on operations or production loss from COVID.
- In April 2021, the Maersk Developer rig was contracted for a four-well intervention campaign on the Baúna field and in early June, a Final Investment Decision (FID) was taken for the development of the adjacent Patola field. Together, these projects have the potential to more than double the Company's current oil production rates by early calendar year (CY) 2023.
- The Company voluntarily changed its presentation currency from Australian dollars to US dollars during the quarter, to provide investors and other stakeholders a clearer understanding of Karoon's performance over time.
- Cash and cash equivalents at 30 June 2021 were US\$133.2 million and the Company had no external loans.
- Karoon's financial results for the year to June 2021 are expected to be released to the market on 23 September 2021. Unit operating cost guidance for the 2021 financial year has been narrowed, from US\$23–27/bbl to US\$24–26/bbl, while other operating costs are now expected to be slightly lower than previous guidance, at US\$12–14/bbl. Guidance for other key metrics is shown on page 8.

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

"Karoon made significant progress in the June quarter of 2021, not only in continuing to establish our reputation as a safe and reliable offshore operator, but also with the decisions to proceed with two significant near-term growth projects which are expected to more than double production by early 2023.

The Company delivered a solid production performance, with oil output from the Baúna field 4% higher than in the March quarter. In addition, during the quarter Karoon contracted the Maersk Developer rig for the Baúna intervention campaign and sanctioned the Patola development in Brazil. The decisions to go ahead with these projects were taken following detailed engineering and design activities, involving extensive technical work and

* 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.

project planning by Karoon and our external advisers. The ability to do this less than seven months after completing the Baúna acquisition reflects Karoon's depth of operational, technical, financial and commercial capabilities in Brazil and Australia, as well as strong support from our key contractors and financiers.

The total future capital commitment for these projects is approximately US\$300 million and will be funded by a combination of the strong cash flows we are generating from operations, existing cash and a new US\$160 million debt facility entered into in June. The facility, with a high quality banking syndicate, represents the first time Karoon has accessed the debt markets and provides a cost competitive source of finance.

Since November 2020, when Karoon took control of the Baúna field, the Company has produced more than three million barrels of oil and generated US\$170.8 million in revenue. Pleasingly, despite the maturity of the Baúna field, reservoir performance remains strong, with production averaging more than 14,000 bopd in June 2021.

Karoon's production continues to be supported by a sound HSSE performance, with no significant safety incidents recorded in the quarter. This reflects our continued focus on embedding Karoon's strong safety culture throughout our operations, our close attention to upgrading maintenance on the FPSO, and the effectiveness of Karoon's operating management system. Strict COVID protocols in place to protect staff and contractors and maintain a safe offshore operating environment have been very effective. There have been no COVID-related interruptions to any of our operational activities during the quarter, despite the number of COVID cases being experienced in Brazil generally.

I look forward to updating the market on Karoon's financial performance for our first eight months as an oil producer when our accounts are released on 23 September 2021."

For further information on this release, please contact:

Investors:	Media:	
Ann Diamant SVP Communications and Investor Relations Mob: +61 407 483 128 Email: ADiamant@karoonenergy.com.au	Australia <i>P&L Corporate Communications</i> Ian Pemberton Mob: + 61 402 256 576 Email: ian.pemberton@plcorporate.com.au	Brazil <i>InPress Porter Novelli</i> Mariana Sant'Anna Mob: + 55 21 96674-6381 Patricia Odenbreit Mob: + 55 21 96674-6403 Email: karoon@inpresspni.com.br
Shareholding enquiries:		
Computershare Tel: 1300 850 505		

Production Summary



Preparations to offload Baúna crude from the Baúna Floating Production, Storage and Offtake vessel (FPSO), Cidade de Itajaí, to the Shell tanker, Eagle Pilar

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

Key Data	June Quarter 2021	March Quarter 2021	% change	FY 2021 ¹
Production rate ('000 bopd)	13.07	12.64	+3	13.32
Production volume (mmbbl)	1.19	1.14	+4	3.14
Sales volume (mmbbl)	1.47	0.93	+58	2.90
Weighted average net realised price (US\$/bbl) ²	65.31	55.42	+18	59.00
Oil sales revenue (US\$ million)	95.7	51.3	+87	170.8
Oil sales cash proceeds (US\$ million) ³	61.9	75.1	-18	137.0
Closing cash and cash equivalents (US\$ million)	133.2	131.7	+1	133.2
Safety				
Lost time injury rate (incidence/200,000 hours)	0	0	-	0.32
Total recordable incident rate (Incidence/200,000 hours)	0	0	-	0.64

¹ Reflects operations from 7 November to 30 June 2021.

² Reflects adjustments for previous cargoes' final selling expenses.

³ Excludes proceeds from a cargo sold in June 2021, which were received in July 2021.

Total oil production during the quarter was 1.19 mmbbl, produced at an average rate of 13,068 bopd. During April and May 2021, the FPSO was shut down for four days of planned maintenance, to finalise repairs to piping identified in the previous quarter, and four days of unplanned outages for minor repairs. This was partially offset

by better than anticipated reservoir deliverability, with production averaging 14,291 bopd in June, reflecting strong reservoir performance and 99.5% facilities uptime.

During the quarter, preparations took place for scheduled mooring chain repairs and the replacement of the forward offloading hose. These activities were performed shortly after the end of the quarter, safely and cost-effectively, with no impact on production. At present, two days of planned shutdowns for maintenance are scheduled in the September 2021 quarter.

Three cargoes were lifted during the quarter, totalling 1.47 million barrels of oil. The average realised oil price, net of selling expenses, was US\$65.31/bbl, 18% higher than in the March quarter. This reflected both the increase in Brent oil prices and demand from a broader spectrum of end buyers for Baúna crude. Of the three cargoes sold, two cargoes were bought by customers in Europe, and one by a buyer in the Americas. Since the commencement of the Shell marketing arrangement, Baúna crude has been sold into major refineries in Asia, Europe and the Americas, with each cargo attracting competitive bidding from diverse regions, reflecting a broad interest base and a high level of demand for the crude.

Oil revenue generated from the three cargoes shipped in the quarter was US\$95.7 million, with proceeds from the cargo sold in June received shortly after the end of the quarter. This took total oil revenue since Karoon completed its purchase of the Baúna field on 7 November 2020, to US\$170.8 million.

There was no material impact from COVID on production operations during the quarter, despite the scale of the COVID-19 pandemic in Brazil, reflecting the effective implementation of the Company's ongoing strict COVID safety protocols.

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>.

Workover Interventions and Development Activities

Significant progress was made during the quarter on Karoon's planned activities within the 100% owned and operated Baúna BM-S-40 Production Licence, in line with the Company's strategic goal to add value-accretive oil production.

In April, the Maersk Developer rig, owned and operated by Maersk Drilling, was contracted for a four well intervention campaign on the Baúna field. The program comprises replacing the downhole pumps in two wells, installing gas lift in one well and re-opening an oil zone in a further well.

In June, Karoon decided to proceed with the development of the Patola field, which lies adjacent to the producing Baúna and Piracaba accumulations and within the same production licence. The development comprises the design, manufacture and installation of subsea infrastructure, and drilling two production wells and tying them back to spare riser slots on the existing Baúna FPSO, Cidade de Itajaí.

The Baúna interventions and Patola development are expected to more than double current production, lifting output to approximately 30,000 bopd in early 2023, before natural decline resumes.

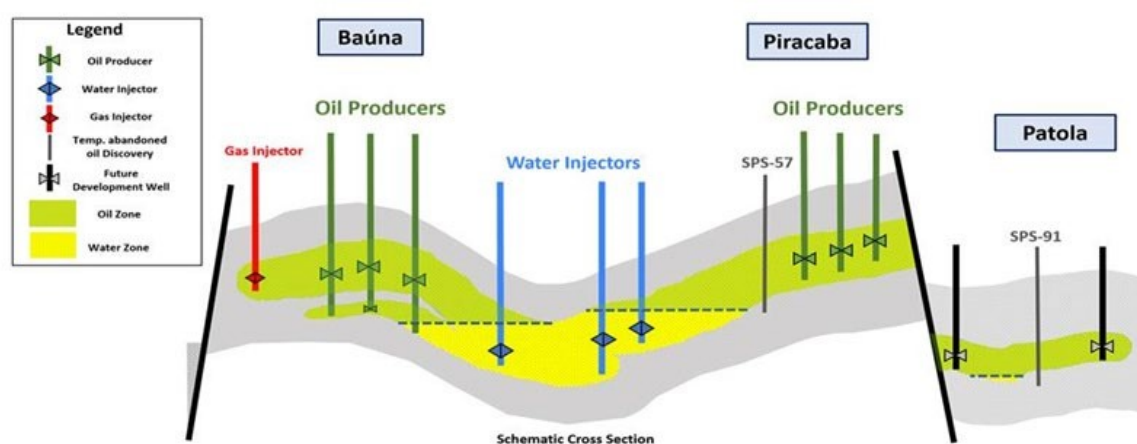
Approximately 70% of the external contracts for the Baúna interventions and the Patola development have been let following competitive tenders, including major contracts with Maersk Drilling and TechnipFMC. The Maersk Developer rig will drill the two Patola development wells immediately following the Baúna workover campaign. The Company has an option to retain the rig to drill a potential control well in the Neon light oil discovery following the Patola drilling. An integrated Engineering, Procurement, Construction and Installation (iEPCI™) contract has been signed with TechnipFMC, one of the world's leading experts in the design and installation of offshore energy infrastructure, for the Patola subsea infrastructure, which includes Christmas trees, flowlines, risers, umbilicals and controls.

The Maersk Developer, currently located in Suriname, is expected to arrive in Brazil in the first half of CY2022, with the exact timing subject to the completion of its current drilling program. At present, the Baúna intervention program is expected to commence in mid CY2022 and is forecast to boost production rates by 5,000–10,000 bopd, with production coming onstream progressively as the interventions are completed in the second half of CY2022. The Patola development is targeting to add approximately 10,000 bopd to production in early CY2023.

The estimated cost of the Baúna intervention work is US\$110-130 million, while the Patola development cost is estimated at US\$175–195 million, of which approximately US\$17 million of cash payments have been made to date. The remaining total cost of US\$268–308 million will be funded from existing cash, operating cash flows and funds drawn down from a US\$160 million non-recourse, syndicated loan facility, detailed below.

These projects represent important milestones for Karoon's planned phased approach to increase production from the Baúna Field.

Schematic Cross Section of Baúna in BM-S-40, Brazil



Corporate and Commercial Summary

Liquidity

At the end of June 2021, Karoon's net cash position was US\$133.2 million, slightly higher than the position at 31 March 2021 of US\$131.7 million. US\$26.3 million of net cash was generated from operations in the quarter, which was partly used to fund continued activities on the Baúna intervention campaign and the Patola development. The Company had no external debt at the end of the period.

Significant cash flows

The cash flows for the June quarter included the following significant items:

- US\$61.9 million receipts from oil sales.
- US\$20.4 million payments related to Baúna production costs, including royalties.
- US\$15.1 million spent on FPSO lease charter payments, which are included in lease payments and finance costs in the Appendix 5B.
- US\$13.5 million related to payments for property, plant and equipment, including US\$10.0 million paid to TechnipFMC for long lead items required for the development of the Patola field and US\$2.4 million paid for tools to be used for the intervention campaign.
- US\$1.6 million of exploration and evaluation costs, predominantly relating to pre-development work on Patola up to FID, ongoing appraisal work of the Neon discoveries and costs related to WA-482-P in Australia and Block Z-38 in Peru.
- US\$5.3 million related to income tax instalments.

Change in presentation currency

Karoon voluntarily changed its presentation currency from Australian dollars to US dollars during the quarter, to provide investors and other stakeholders a clearer understanding of the Company's performance over time. The change will also reduce the volatility in Karoon's earnings which arises from the translation of foreign currency balances into Australian dollars, better reflect the underlying transactions of the Company, and simplify comparisons with Karoon's peer group, most of which report in US dollars.

New debt facility and hedging arrangements

In June, Karoon secured its first debt facility, a US\$160 million reserve-based, non-recourse facility with a high-quality lender group comprising Deutsche Bank, ING, Macquarie and Shell. The Company expects to make an initial draw-down from the facility in the September 2021 quarter, subject to the satisfaction of relevant conditions precedent. The loan represents a cost-competitive funding source, with an interest rate of 4.25% above LIBOR, and there is the potential to expand the facility, providing additional future funding flexibility.

As part of the terms of the loan, in the September quarter of CY2021, Karoon intends to implement a hedge program covering approximately 30-40% of production over the first two years of the loan life. The objective of the hedging program is to protect operating cashflows against the risk of lower oil prices on the hedged barrels, to allow for debt repayments, while seeking to retain upside price exposure.

Strategic Review

A Strategic Review, aimed at refreshing Karoon's corporate strategy and key objectives for the next five years and beyond, continued during the quarter. As well as considering the Company's key operational and financial objectives, such as operational excellence, exploration strategy and capital management, a major component of the review is focused on Karoon's approach to sustainability. The review is expected to be completed in the September quarter of 2021 and the Company intends to share the outcomes with the market later in 2021.

Pitkin Dispute Notice

In May, Karoon's wholly owned branch, KEI (Peru Z-38) Pty Ltd, Sucursal del Peru (KEI Peru), received a notice of dispute from Pitkin Petroleum Peru Z-38 SRL (Pitkin) under the joint operating agreement in respect of Block Z-38, offshore Peru. The notice alleged that KEI Peru was in breach of its obligations by not entering the fourth exploration phase of the Z-38 licence contract and drilling a second well within the licence area.

The notice also referred to Pitkin potentially commencing legal proceedings, comprising claims for damages that are currently being assessed by Pitkin (but which Pitkin states are estimated to be in excess of US\$100 million). KEI Peru rejects Pitkin's claims and intends to vigorously defend any legal proceedings should they be commenced by Pitkin.

Reserves¹ and Resources²

Following the Patola FID, Karoon will ascribe Reserves to the Patola Project in the Company's end-June 2021 Reserves and Resources assessment for the first time. The Patola development will access an incremental 14.7 mmbbl of 2C contingent resources, comprising 13.2 mmbbl in the Patola field and a 1.5 mmbbl addition to Baúna resulting from injecting Patola gas into the Baúna reservoir.

¹ **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).

² **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 received notice from the ANP that it had approved the integrated Development Plan for the Neon and Goiás fields that was submitted by Karoon to the ANP in December 2019.

Work continued during the quarter on the potential Neon development. As part of a re-evaluation of the current integrated Development Plan, a subsurface re-assessment and engineering studies on how to optimise surface facilities, to maximise the recovery of the discovered resources cost-effectively, are underway. Subject to the outcome of this work, Karoon has the option to extend its contract with the Maersk Developer rig to drill a control well in Neon after the Patola drilling. Following the completion of this further evaluation work, Karoon will assess whether to proceed to an FID in respect of the Neon field.

Santos Basin, Block S-M-1537

100% Equity Interest, Operator

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

Peru

Tumbes Basin, Block Z-38

75% Equity Interest¹, Operator

No election was submitted to proceed into the Fourth Period (which would have been required on or before 25 June 2021) such that the Block Z-38 licence contract will lapse on 27 July 2021. Karoon, as operator, continues to work with the regulatory authorities to ensure that all obligations regarding the submission of data have been met.

Tumbes Basin, Area 73

Technical Evaluation Agreement, Operator

During the quarter, Karoon advised the regulatory authorities that it will not be negotiating a contract with respect to Area 73. The performance bond was returned shortly after the end of the quarter and the Company is awaiting confirmation that all submitted data have been accepted.

Australia

Northern Carnarvon Basin, Permit WA-482-P

50% Equity Interest, Non-Operator

During the quarter, the joint venture continued geological and geophysical studies on the WA-482-P reprocessed 3D seismic data, aimed at de-risking the numerous prospects in the licence and attracting a farm-in partner.

Ceduna Sub-basin, Great Australian Bight, Permit EPP46

100% Equity Interest, Operator

In late 2019, Karoon submitted a formal application to surrender Permit EPP46 to the regulatory authorities. Shortly after the end of the quarter, Karoon was advised by the National Offshore Petroleum Titles Administrator that the Commonwealth-South Australia Offshore Petroleum Joint Authority had issued a notice of the intention to cancel EPP46.

¹ Karoon's 75% equity interest remains subject to farm-in obligations and regulatory approval.

Guidance for the 2020/21 Full Year ¹

Karoon expects to release its 2020/21 full year results to the ASX on Thursday 23 September 2021. Guidance for key non-IFRS operational and financial metrics is as follows:

Year to June 2021	Low	High
Oil Production (mmbbl)	3.14	3.14
Oil Sales (mmbbl)	2.90	2.90
Operating Expenditure²		
Unit Production Costs (US\$/bbl) ³	24	26
Other Operating Costs (US\$ million) ⁴	12	14
Unit Depreciation and Amortisation (US\$/bbl) ⁵	11	13
Investment Expenditure		
Baúna intervention and Patola Projects (US\$ million) ⁶	19	20
Exploration and Evaluation and New Ventures (US\$ million)	5	6
Other Plant and Equipment (US\$ million)	6	7

1. The guidance for the year to June 2021 is subject to the finalisation of Karoon's accounts, Board review and the year-end audit.
2. The guidance table above does not provide a comprehensive list of all items impacting the period. Other items include non-cash fair value adjustments on the Baúna contingent consideration payable to Petrobras; share-based payments expense; foreign exchange gains/losses; finance charges; and one-off transition costs of US\$15.2 million associated with the Baúna acquisition spent during the financial year.
3. Unit Production Costs: based on daily operating costs associated with Baúna Production, excluding government royalties.
4. Other Operating Costs: includes corporate and non-oil and gas related depreciation.
5. Excludes depreciation on FPSO right-of-use asset capitalised under IFRS 16, which is included as part of Unit Production Costs.
6. Excludes any capitalised borrowing costs associated with the Patola development.

Preliminary guidance for the year to 30 June 2022 will be provided on 23 September, with the Company's 2021 full year results announcement.

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*

* Following the Group's change to United States dollars for presentation currency during the quarter, the current quarter and year to date cash flows have been revised to reflect \$US.

Name of entity

Karooon Energy Ltd

ABN

53 107 001 338

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	61,881	136,978
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(457)	(15,231)
	(b) development	-	-
	(c) production (excludes FPSO charter lease payments and finance charges on right of use assets included in 1.5 and below)	(20,371)	(44,649)
	(d) staff costs (employee benefits expense-net)	(1,416)	(5,209)
	(e) administration and corporate costs	(3,501)	(6,603)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	49	263
1.5	Interest and other costs of finance paid	(4,530)	(13,246)
1.6	Income taxes paid	(5,264)	(10,823)
1.7	Government grants and tax incentives	-	-
1.8	Other (Baúna transition costs (US\$15.9m), GST & net VAT refunds US\$4.2m)	(113)	(11,695)
1.9	Net cash from / (used in) operating activities	26,278	29,785

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 months) US\$'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements (Concession BM-S-40)	-	(150,000)
	(c) property, plant and equipment	(13,461)	(20,939)
	(d) exploration & evaluation (if capitalised)	(1,173)	(1,915)
	(e) investments	-	-
	(f) other non-current assets (security deposits)	20	3,621
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	7	20
	(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	(14,607)	(169,213)
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)	(10,650)	(23,411)
3.10	Net cash from / (used in) financing activities	(10,650)	(23,411)

Consolidated statement of cash flows		Current quarter US\$'000	Year to date (12 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	131,661	296,420
4.2	Net cash from / (used in) operating activities (item 1.9 above)	26,278	29,785
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14,607)	(169,213)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10,650)	(23,411)
4.5	Effect of movement in exchange rates on cash held	527	(372)
4.6	Cash and cash equivalents at end of period	133,209	133,209

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	133,209	119,798
5.2	Call deposits	-	11,863
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)	133,209	131,661

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
US\$'000**

370

-

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 US\$'000	Amount drawn at quarter end US\$'000
7.1	Loan facilities	160,000	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	160,000	-

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.	

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

During the quarter Karoon Energy Ltd's wholly owned subsidiary, Karoon Petróleo e Gás Ltda, signed a secured term loan facility (the 'syndicated facility') of up to US\$160 million. The syndicated facility agreement has been fully underwritten by Deutsche Bank AG, Sydney Branch, ING Belgium SA/NV, Macquarie Bank Limited and Shell Western Supply and Trading Limited. The syndicated facility is priced on a 4.25% margin over LIBOR over the term of the loan until the final maturity date (being the earlier of 31 March 2025 or the quarter where the remaining reserves are forecast to be ≤ 25% of the initial approved reserves). The syndicated facility will be used as part of the funding of the Patola field development, the intervention campaign in relation to the Baúna and Piracaba fields and deferred consideration payable to Petrobras under the Sale and Purchase Agreement. The first drawdown remains subject to the satisfaction of a number of conditions precedent. In addition, the syndicated facility agreement provides for an option to potentially establish an additional US\$50 million accordion facility.

8.	Estimated cash available for future operating activities	US\$'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	26,278
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,173)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2) ^	25,105
8.4	Cash and cash equivalents at quarter end (Item 4.6)	133,209
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	133,209
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)^	5.31

^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:	
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	

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

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

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 July 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 30 June 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	75 (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 and regulatory approval.