

ASX RELEASE

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Karooon reaches financial close on its new US\$160 million debt facility and implements hedging program

Karooon Energy Ltd (ASX:KAR) is pleased to announce that financial close has been reached on the Company's US\$160 million reserve-based, non-recourse, syndicated debt facility. An initial draw down, in accordance with the facility agreement, of US\$30 million has been made in preparation for investments in the Baúna intervention campaign and Patola development.

This marks a significant step in the evolution of Karoon's funding mix, broadening access to capital sources to include debt finance and deepening relationships with a high-quality lending group, comprising Deutsche Bank, ING, Macquarie and Shell.

To support both Karoon's investment plans and the debt facility, Karoon has entered into oil hedges over the underlying ICE Brent price as per the table below, at an up-front cash cost of just under US\$10 million. The hedges cover around 30% or less of forecast production¹ in respect of the balance of the 2022 financial year (FY) and FY2023.

Importantly, in respect of FY22, Karoon has entered into a combination of bought puts and sold calls in order to maximise exposure to higher oil prices while managing the up-front cash cost.

Financial year (Period)	Bought put strike (US\$/bbl)	Put volume (‘000 bbl)	Sold call - average strike (US\$/bbl)	Call volume (‘000 bbl)
FY22 (Dec-Jun)	65	994	87.5	426
FY23 (Jul-Jun)	65	2,316	83.4	2,316
FY24 (Jul-Sep)	65	630	82.5	630

The hedging structure has the following features:

- The bought put provides a floor price (the put strike) on the hedged barrels, mitigating the risk of lower oil prices.
- The sold call option allows price participation up to a ceiling (the call strike) on the hedged barrels.
- The structure is cost effective, with the sold call premium helping to fund the bought put premium.

¹ Based on natural decline and operational uptime assumptions and assumes Baúna intervention and Patola projects are delivered within targets.

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

“Reaching financial close and drawing down on the debt facility marks another major milestone for Karoon as the Company embarks on its growth plans to double production over the coming 18 months. While the facility was established to support Karoon’s sanctioned growth ambitions, it also develops key strategic relationships with a high-quality lending group and proves Karoon’s credentials as a borrower, supported by an excellent producing asset which has now reached 12 months of safe and reliable operations under Karoon ownership.

I am also pleased that we have been able to implement a hedging program at a time of favourable oil prices. The hedging mitigates oil price downside risk on the hedged barrels, at a price considerably higher than our operating costs, while retaining substantial exposure to the upside. It is notable that the ceiling established by the call strike price is well in excess of the maximum oil price of US\$70 per barrel within the Petrobras contingent payment structure.

Being one of the only pure oil plays listed on the ASX, we recognise that many shareholders invest in Karoon for its oil price exposure. We remain unhedged, with no oil price floors or ceilings, for the majority of the Company’s production, ensuring that Karoon will continue to be exposed to oil price movements.”

This announcement has been authorised for release by the Board of Karoon Energy Ltd.

For further information on this release, please contact:

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About Karoon Energy Ltd

Karoon Energy Ltd. is an international oil and gas exploration and production company with assets in Brazil and Australia and is an ASX listed company.

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

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.