

ASX RELEASE

16 November 2023 | ASX: KAR

Transformational acquisition of interests in the US Gulf of Mexico and A\$480 million equity raising

- Karoon to acquire a 30% interest in Who Dat and Dome Patrol oil and gas fields, associated infrastructure and adjacent exploration acreage, offshore Louisiana in the Gulf of Mexico, USA.
- Acquisition consideration of US\$720 million¹ and US\$27 million associated costs² funded by US\$171 million cash, US\$274 million debt and a US\$300 million (A\$480 million)³ fully underwritten equity raise.
- Equity raise comprises a A\$310m pro rata accelerated non-renounceable entitlement offer (including an institutional and retail component) and a A\$170m institutional placement of new Karoon shares (New Shares).
- The transaction achieves Karoon's key M&A objectives and establishes a platform for growth.
- Builds scale with a 57-63% increase in CY24E production, a 75% lift in 2P Reserves (net working interest) and a material increase in Contingent and Prospective Resources⁴.
- Diversifies Karoon both geographically and by asset.
- Offsets the natural decline from Baúna with a long-life asset with material near term development and exploration upside.
- Generates immediate cash flow, mid teens cash flow per share accretion and earnings accretive.
- Balance sheet remains strong, with peak leverage at 0.4x FY23A proforma EBITDA and liquidity of US\$80m⁵.

TRANSACTION OVERVIEW

Karoon Energy Limited (**Karoon** or the **Company**) has entered into binding arrangements to acquire a 30% interest in the Who Dat and Dome Patrol fields and associated infrastructure, including the Who Dat Floating Production System (**FPS**), plus a ~16% interest in the Abilene field, from LLOG Exploration Offshore, L.L.C. and LLOG Omega Holdings, L.L.C. (collectively, **LLOG**) (the **Acquisition**). In addition, Karoon will acquire various interests in adjacent acreage which contains the Who Dat East (40%), Who

¹ The Acquisition includes a combined carry of US\$39.2 million for the exploration acreage of Who Dat East, Who Dat South and Who Dat West.

² Uses of funds includes an adjustment for the Acquisition effective date offset of ~US\$2 million.

³ Assumes AUD/USD = 0.625.

⁴ Based on Net Working.

⁵ Cash and debt as at 31 October 2023.

Dat West (35%) and Who Dat South (30% interest) exploration and appraisal opportunities. The total Acquisition consideration is US\$720 million (A\$1,152 million)^{1, 3}.

The Acquisition remains subject to customary conditions for a transaction of this nature.

Who Dat is a high quality, low cost, conventional deepwater oil and gas operation located in ~800 metres of water, offshore Louisiana within federal waters of the US Gulf of Mexico. The assets are expected to add approximately 4.0 - 4.5 MMboe to Karoon's CY24 production on a Net Revenue Interest (NRI) basis, taking the Company's total proforma CY24 production to 12.0 – 14.5 MMboe⁶. Post-acquisition, Karoon will have a diversified production base in two prolific hydrocarbon basins and material near term organic growth potential.

Dr Julian Fowles, Karoon's Managing Director and CEO said:

"This transaction meets our strategic objectives to acquire a material, value and earnings accretive, producing asset with expansion opportunities in either Brazil or the Gulf of Mexico (GoM).

The GoM is a Tier 1 jurisdiction with a stable and well understood regulatory and fiscal regime. The Who Dat assets provide Karoon with both geographical and asset diversification, complementing our existing Brazilian business with a second high quality operation.

Production from Who Dat will help offset the natural decline from Baúna and, with a unit operating cost of less than US\$6 per boe in FY23, will add a high margin, long term cash flow stream to Karoon. There are significant development and exploration opportunities in our view analogous to Who Dat within the associated acreage. These provide the potential for future infrastructure-led developments, to increase production and extend the Who Dat field life. Importantly, sustaining capital requirements are low, and development and exploration activities are expected to be funded from Who Dat cash flows.

We are delighted to have secured a high quality debt and equity funding package to underpin this acquisition. Following the transaction, we will have a robust balance sheet and the flexibility to deliver on our organic growth opportunities, including the potential Neon development. Strong proforma cash flows are expected to enable repayment of drawn debt from our new facility within two years. Our long term strategy remains to maintain low leverage and high liquidity to enable value-accretive organic growth, M&A and returns to shareholders.

We look forward to working closely with LLOG, a very well respected and established offshore GoM operator, and joint venture partner, Westlawn Group, on this exciting asset."

WHO DAT OVERVIEW

The Who Dat development, operated by LLOG, an experienced and well respected GoM operator with a strong track record, came onstream in 2011. Oil and gas production (which is currently 42,000 boepd⁷, comprising approximately 60% oil and 40% gas⁸ from nine wells) is processed through an FPS facility, then transported to markets through common carrier pipelines. Since first commercial

⁶ Based on Baúna CY24 guidance production of 8 - 10 MMboe and Who Dat CY24 net production guidance of 4.0 - 4.5 MMboe. Gas converted to MMboe at 6 mcf = 1 boe.

⁷ Gross as at 26 October 2023.

⁸ Based on Who Dat CY23A production composition, rounded to the nearest 10%.

production began in 2011, the facilities have achieved high reliability, with an average uptime of 94%⁹. Natural decline has been largely offset by an active in-field development program. Most recently, two wells and a subsea pump were brought online in CY23 adding approximately 10,000 boepd (gross)¹⁰ to production, with an additional 6,000-8,000 boepd (gross)¹¹ expected to be added in CY24 from two further wells.

The acquisition provides significant opportunities for potential expansion. Subject to Joint Venture approvals, an appraisal well on the Who Dat East oil accumulation, discovered in 2011, is expected to take place in the second quarter of CY24. This discovery, which has gross 2C Contingent Resources of 17 MMboe and unrisked 2U Prospective Resources of 34 MMboe, is located 27 kilometres east of the Who Dat FPS. In addition, several other nearby exploration targets analogous to Who Dat have been identified. These include Who Dat South and Who Dat West, which contain combined unrisked gross prospective resources of 108 MMboe. Exploration wells are scheduled to be drilled on the Who Dat South and Who Dat West prospects in the second and third quarters of 2024, respectively, subject to Joint Venture approvals. Drilling costs for these prospects are estimated at approximately US\$60 million per well on a gross, dry hole basis.

The US GoM has extensive existing infrastructure, which allows hydrocarbons to be extracted at a comparatively low CO₂e/boe¹². It is anticipated that the acquisition will result in a reduction in Karoon's proforma carbon intensity. The Company's targets, to be carbon neutral for Scope 1 and 2 emissions from FY21 and net zero by 2035, remain unchanged¹³.

JOINT VENTURE OVERVIEW

Karoon is acquiring a 30% interest in Who Dat and Dome Patrol from LLOG. The transaction will reduce LLOG's interest to 45%. Westlawn Group (**Westlawn**) owns the remaining 25% of Who Dat and Dome Patrol¹⁴.

LLOG was founded in 1977 and is a leading private pure-play deepwater US GoM operator. LLOG has drilled 308 wells in the GoM since 2002, including 116 wells in deep water, and is the 7th largest producer in the region by production volume¹⁵ with 25 currently producing wells.

Founded in 2021, Westlawn is a private investment firm based in Houston, TX focused on long-term investment in the global oil and gas industry. Westlawn acquires operated and non-operated interests in producing, development and exploration assets, as well as technologies that improve production. Westlawn is focused on investments across the United States (Lower 48, Gulf of Mexico and Alaska), as well as in Latin America, the Caribbeans and the Middle East.

⁹ Based on proportion of days with recorded production in the year.

¹⁰ Equivalent to 1,800-2,400 boepd to Karoon (Net Working Interest).

¹¹ Equivalent to 3,000 boepd to Karoon (Net Working Interest).

¹² Woodmac Report: Understanding the US GoM's emissions advantage, June 2023.

¹³ Carbon neutral refers to firstly, reducing or avoiding operational Scope 1 and 2 greenhouse gas (GHG) emissions and, secondly, acquiring carbon offsets to balance the remaining Scope 1 and Scope 2 emissions.

¹⁴ These ownership interests and percentages have been provided by the Vendor and are subject to verification in the U.S. federal, state and parish public records which will be done after signing of the PSA by way of a customary title review and defect process as set out in the purchase and sales agreement.

¹⁵ Based on CY22 production.

ACQUISITION FUNDING

The Acquisition and transaction costs will be funded via:

- A US\$300 million (A\$480 million) equity raising by way of a fully underwritten institutional placement and accelerated non-renounceable entitlement offer (**Equity Raising**).
- US\$274 million (A\$438 million) drawdown from a new US\$340 million debt facility with a syndication of banks.
- Existing cash of US\$171 million (A\$274 million) (with US\$80 million cash on hand remaining post-acquisition).

Karoon has signed a new general corporate purpose, 5 year, revolving reserve based lending facility (**RBL**) with a facility limit of US\$340m with a banking syndicate comprising Macquarie, Deutsche Bank, ING and Shell Western Supply and Trading Limited. The RBL will be made available to Karoon, subject to the completion of customary conditions precedent, drawdown is expected to occur on or prior to completion of the transaction. A summary of the key terms of the RBL is annexed to this announcement.

In conjunction with Shell Western Supply and Trading Limited's participation in the RBL, Karoon has extended its volume based offtake and marketing agreement with Shell Western Supply and Trading Limited for a period being the later of (i) delivery of a specified number of barrels, and (ii) December 2028.

EQUITY RAISING

The fully underwritten Equity Raising of approximately A\$480 million consists of:

- A fully underwritten institutional placement of A\$170 million to new and existing eligible institutional investors (**Placement**); and
- A fully underwritten 1-for-3.75 accelerated non-renounceable entitlement of A\$310 million (**Entitlement Offer**).

Up to approximately 234 million New Shares are to be issued under the Equity Raising representing approximately 41% of current issued capital of Karoon.

Under the Entitlement Offer eligible shareholders are invited to subscribe for 1 New Share for every 3.75 existing Karoon shares (**Entitlement**) held as at 7.00 pm (Sydney time) on Monday, 20 November 2023.

All New Shares under the Equity Raising will be issued at A\$2.05 per New Share (**Offer Price**) representing:

- 10.8% discount to the theoretical ex-rights price (TERP¹⁶) of A\$2.30 per share

¹⁶ TERP includes shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer and is based on the closing price of \$2.40 as at Tuesday, 14 November 2023. TERP is a theoretical calculation only and the actual price at which KAR shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP. KAR's last traded price on Wednesday, 15 November 2023 was \$2.15.

- 12.4% discount to the 5 day VWAP of A\$2.34 per share on Tuesday, 14 November 2023
- 14.6% discount to Karoon's close price of A\$2.40 per share on Tuesday, 14 November 2023

Each New Share issued under the Equity Raising will rank equally with existing fully paid ordinary shares in Karoon on issue.

PLACEMENT

The Placement will result in approximately 83 million New Shares being issued under Karoon's available placement capacity under ASX Listing Rule 7.1. The Placement will be conducted concurrently with the institutional component of the Entitlement Offer (**Institutional Entitlement Offer**). New Shares issued under the Placement do not have rights to participate in the Entitlement Offer.

INSTITUTIONAL ENTITLEMENT OFFER

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Institutional Entitlement Offer, which will open today, Thursday, 16 November 2023.

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their entitlement. Institutional entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, will be offered to new and existing eligible institutional shareholders concurrently with the Institutional Entitlement Offer.

RETAIL ENTITLEMENT OFFER

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the retail component of the Entitlement Offer (**Retail Entitlement Offer**). The Retail Entitlement Offer will be open from 9:00am (Sydney time) on Thursday, 23 November 2023 and close at 5:00pm (Sydney time) on Wednesday, 6 December 2023.

Eligible retail shareholders with a registered address in Australia or New Zealand as at Monday, 20 November 2023 at 7.00 pm Sydney Time (**Eligible Retail Shareholders**) will be entitled to participate in the Retail Entitlement Offer on the terms and subject to conditions set out in the retail offer booklet (**Retail Offer Booklet**). The Retail Offer Booklet is expected to be made available on Thursday, 23 November 2023.

The Entitlement Offer is non-renounceable and Entitlements will not be made tradeable on the ASX or be otherwise transferable. Shareholders who do not take up their full Entitlement will not receive any payment or value in respect of Entitlements they do not take up and their percentage equity interest in Karoon will be diluted.

Eligible Retail Shareholders who take up their full Entitlement will be offered the opportunity to apply for additional New Shares (up to 55% of their Entitlement) (**Oversubscription Facility**). The allocation of additional New Shares under the Oversubscription Facility will be subject to the availability of New

Shares under the Retail Entitlement Offer. Karoon retains the flexibility to scale back applications for additional New Shares at its discretion. Further details will be included in the Retail Offer Booklet.

INDICATIVE TIMETABLE¹⁷

Event	Date
Announcement of Acquisition and Equity Raising, trading halted and Institutional Entitlement Offer and Placement opens	Thu, 16 November 2023
Announcement of completion of Institutional Entitlement Offer and Placement	Fri, 17 November 2023
Trading halt lifted and shares recommence trading	Fri, 17 November 2023
Record date under the Entitlement Offer	Mon, 20 November 2023
Lodge Retail Offer Booklet on ASX announcement platform	Thu, 23 November 2023
Retail Entitlement Offer opens and Retail Offer Booklet dispatched	Thu, 23 November 2023
Settlement of Institutional Entitlement Offer and Placement	Fri, 24 November 2023
Allotment and trading of New Shares issued under the Institutional Entitlement Offer and Placement	Mon, 27 November 2023
Retail Entitlement Offer closes	Wed, 6 December 2023
Announce results of Retail Entitlement Offer	Mon, 11 December 2023
Settlement of Retail Entitlement Offer	Tue, 12 December 2023
Allotment of New Shares issued under the Retail Entitlement Offer	Wed, 13 December 2023
Trading of New Shares issued under the Retail Entitlement Offer	Thu, 14 December 2023
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Mon, 18 December 2023

All dates and times are indicative and subject to change.

ADVISORS

Karoon is being advised by Gresham as financial advisor and Ashurst as legal advisor in relation to the Equity Raising.

Macquarie Capital (Australia) Limited is acting as sole Lead Manager and Underwriter to the Equity Raising.

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

FURTHER INFORMATION

Further details of the Offer and the Acquisition are set out in the Investor Presentation also lodged on the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Offer.

¹⁷ These timings are indicative only and subject to variation. KAR reserves the right to alter the timetable at its absolute discretion and without notice, subject to the Listing Rules, Corporations Act and other applicable laws. All references are to Australian Standard Time (AEST) In particular, the Company reserves the right to either, generally or in particular cases, extend the closing date of the institutional or retail components of the Entitlement Offer, to accept late applications or to withdraw the Entitlement Offer prior to the issue of the relevant securities without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX.

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ABOUT KAROON ENERGY LTD

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

Karooon's vision is to be a leading, independent international energy company that adapts to a dynamic world in an entrepreneurial and innovative way. Karooon's purpose is to provide energy safely, reliably and responsibly, creating lasting benefits for all its stakeholders.

IMPORTANT NOTICE AND DISCLAIMER

Reserves and Resources statements – Historical

The estimates of Reserves, Contingent Resources and Prospective Resources referred to in this announcement relating to Karooon prior to the Acquisition were prepared on a probabilistic and deterministic basis by arithmetic summation and are referenced to the Company's 2023 Annual Report in which the estimates were first disclosed by Karooon.

The estimates of Reserves, Contingent Reserves and Prospective Resources have been estimated in accordance with the requirements of the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS) 2018, which may differ from the requirements that apply under other reporting systems, including the rules and regulations of the US Securities and Exchange Commission (SEC). In particular, issuers are generally not permitted to disclose non-Reserve quantities of oil and gas, such as Contingent and Prospective Resources in an SEC filing.

Karooon is not aware of any new information or data that materially affects the information included in the 2023 Annual Report and Karooon considers that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Reserves and Resources Statements – Acquisition

The estimates of Reserves, Contingent Resources and Prospective Resources referred to in this announcement relating to the Acquisition were prepared on a deterministic basis by arithmetic summation at a well level.

The estimates of Reserves, Contingent Reserves and Prospective Resources have been estimated in accordance with the requirements of the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS) 2018, which may differ from the requirements that apply under other reporting systems, including the rules and regulations of the US Securities and Exchange Commission (SEC). In particular, issuers are generally not permitted to disclose non-Reserve quantities of oil and gas, such as Contingent and Prospective Resources in an SEC filing.

Governance and Competent Person's Statement - Acquisition

All estimates of Reserves, Contingent Resources and Prospective Resources referred to in this announcement relating to the Acquisition have been prepared by Netherland Sewell & Associates, Inc. (NSAI). NSAI is qualified in accordance with listing rule 5.41 and has consented to the use of the reserves and resources estimates, in the form and context in which these statements appear.

NSAI is an independent consultancy specialising in, amongst other services, resources assessments. Except for the provision of professional services on a fee basis, NSAI does not have any commercial arrangements with any other person or company involved in the interests that are the subject of this announcement.

The evaluation was managed by Lee E. George, who is a Vice President of NSAI and a Licensed Professional Engineer in the State of Texas (P.E. 95018) with over 42 years of experience. The report was supervised by Lee E. George. The report was signed off by Richard B. Talley, Jr.; Lee E. George; and Edward C. Roy III. All three are permanent employees of NSAI which has extensive experience resources assessments.

In addition, members of Karoon's Subsurface and Engineering teams have considered and assessed all proposed changes and additions to the Company's reserves and resources (as set out in this announcement), considering advice and contributions from subject matter experts and external consultants.

All Reserves, Contingent Resources and Prospective Resource statements in this announcement are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of Martin Austgulen, SVP New Business, Karoon Energy Limited. Martin Austgulen is qualified in accordance with ASX listing rule 5.41 being a member of the Society of Petroleum Engineers (SPE) and has consent in writing to the inclusion of reserves and resources in the format and context in which they appear.

Reserves and Resources Statements Disclaimer

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. Oil and gas Reserves and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly due to new information or when new techniques become available. Additionally, by their nature, Reserves and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further data becomes available through, for instance, production, the estimates are likely to change. This may result in alterations to production plans, which may in turn, impact the Company's operations. Reserves and resource estimates are by nature forward looking statements and are the subject of the same risks as other forward-looking statements.

FORWARD-LOOKING STATEMENTS

This announcement includes certain "forward-looking statements" such as indications of, and guidance on, future events, future earnings and the future financial performance and financial position of Karoon. Forward-looking statements can generally be identified by the use of forward-looking words such as "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "projection", "estimate", "target", "outlook", "guidance" or other similar expressions and include statements regarding the timing and outcome of the Equity Raising, Karoon's strategies and plans and the future operational and financial performance of Karoon. Any forward-looking statements included in this announcement involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies and other factors, including the risks described in the Investor Presentation under "Key risks" and "Key acquisition risks" many of which are outside the control of, and are unknown to, Karoon and its officers, employees, agents or associates and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Forward-looking statements, including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication, prediction or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including the Company). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. The forward looking statements are based on information available to Karoon as at the date of this announcement.

Except as required by law or regulation (including the ASX Listing Rules), Karoon undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

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This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

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ANNEXURE A

Key Terms of RBL

Facility limit	US\$340 million
Term	~5 years (with reserve tail)
Lenders	Macquarie Bank, Deutsche Bank, ING and Shell Western Supply and Trading Limited
Initial Borrowing Base Amount	US\$274 million
Original Borrowers	Karoon Petróleo e Gás Ltda KEI (Brazil Santos) Pty Ltd KEI Finance 1 Pty Ltd
Reduction Schedule	Maximum facility limit of US\$340 million until March 2026, thereafter, straight line semi-annual reductions to maturity
Conditions precedent	Customary conditions precedent for a facility of this nature
Guarantors	Includes group companies comprising no less than 90% of total assets and 90% EBITDAX
Security	Customary security package over the assets of the Obligors including the Borrowing Base Assets
Hedging	Hedging subject to agreed hedging principles based on a laddering approach according to the level of collateral coverage (determined as the value of the borrowing base / borrowings)
Borrowing Base Assets	Baúna, Piracaba, Patola, Neon Flexibility to add further borrowing base assets with majority lender approval.
Accordion	Ability to establish additional US\$200 million accordion facility

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