

ASX RELEASE

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Neon Drilling Update

(S-M-1037 – 100% Karoon)

Karoon reports that the Neon-1 (officially 9-NEO-1-SPS) control well, which spudded on 23 January 2023, reached a final total depth of 2,382 metres Measured Depth (MD) on 10 February 2023. Wireline logging of the target sections is presently underway.

Neon-1 was drilled into the down-dip southern flank of the Neon discovery, to better constrain lithologies and reservoir quality, and reduce the range of uncertainty on the oil-water contact, with the overall objective to better understand the range of potentially recoverable volumes in Neon and assist in delineating pathways of potential future production wells. Although evaluation is ongoing, preliminary analysis of the logging-while-drilling (LWD) and wireline log data available to date, including preliminary inspection of whole core samples, confirms that the Palaeocene sandstone primary target zones are present and oil bearing at this location.

The Palaeocene intervals, representing an extension of reservoirs tested at Echidna-1, were found to be present over a gross 113 metre MD interval. A probable oil-water contact has been identified, which is within the range of pre-drill expectations and closely aligned with predictions based on seismic analyses. The net pay thickness above the identified oil-water contact at this down-dip location is estimated at 25 metres MD. The deeper secondary target Maastrichtian sandstone section was confirmed to be water-bearing, consistent with pre-drill expectations.

Analysis of pressure tests through the Palaeocene section indicates that the oil in this section lies on the same pressure gradient as the oil at Echidna-1, suggesting that the two wells are likely in communication.

All reservoir quality estimates, including preliminary analysis of net pay and the oil-water contact depth, will be subject to further studies and calibration from laboratory analyses of physical samples, including of the 57 metres of core acquired from the well.

Based on these preliminary results from Neon-1, Karoon has decided to proceed with drilling Neon-2 (officially 9-NEO-2D-SPS).

The forward plan is to plug and abandon Neon-1 and mobilise the rig to the Neon-2 location. Neon-2 will be drilled directionally to intersect a crestal location in the north of the Neon field.

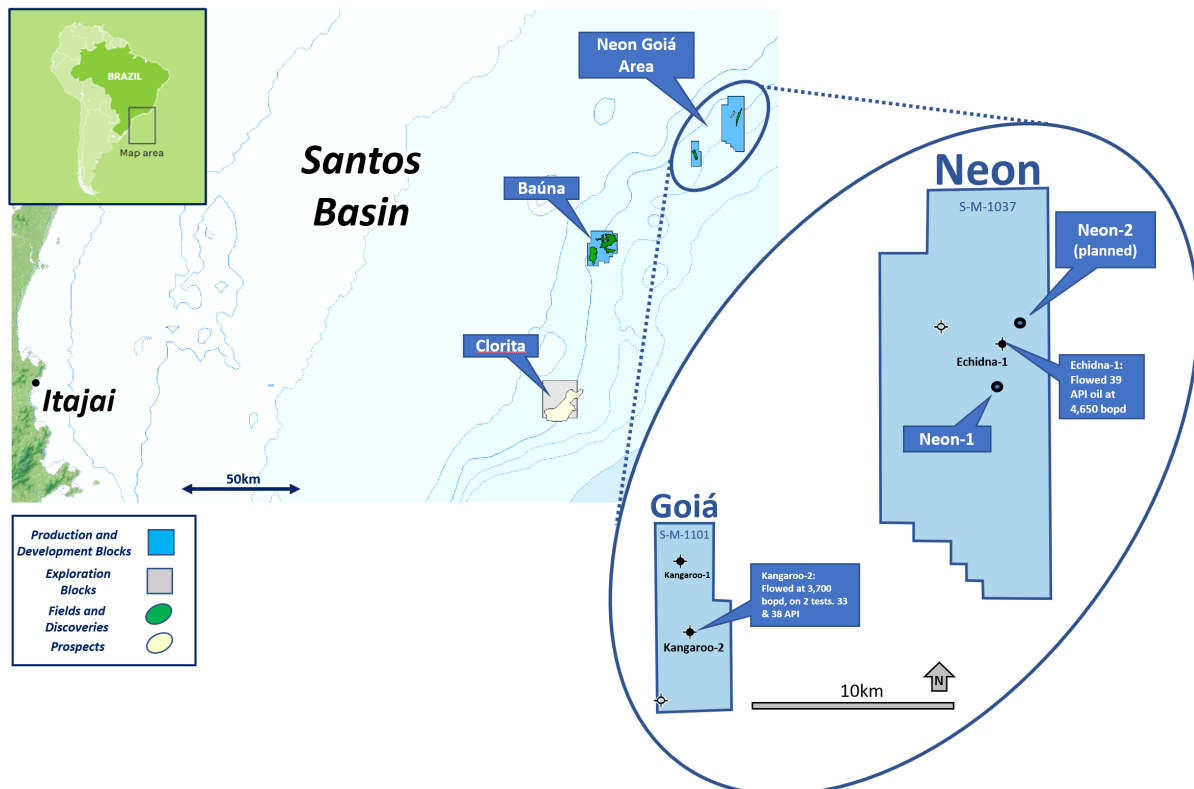
The objectives of Neon-2 are to determine the quality and continuity of the Palaeocene units and to determine Palaeocene pressure connectivity with the two wells drilled to date. Additionally, it is planned that Neon-2 will test a deeper zone below the existing Palaeocene discovery.

The resource estimates for the Neon field (May 2018) are 1C, 2C and 3C contingent resources of 30 MMbbl, 55 MMbbl and 92 MMbbl¹. A revised resource assessment will take place once the results from both Neon control wells are known and, together with development engineering studies, will contribute to an updated integrated asset evaluation, which could potentially enable a decision to enter a Neon concept select phase.

Chief Executive Officer and Managing Director, Dr Julian Fowles, commented:

“All the main objectives of the Neon-1 control well have been achieved. The preliminary results from the well, which confirm the presence of 25 metres of net oil-bearing pay at this down-dip, flank location, are encouraging and satisfy our minimum criteria to proceed with drilling Neon-2. The full logging suite currently being acquired will provide us with the data required to fully assess reservoir quality at this location. Once logging is complete, the rig will be mobilised to the Neon-2 well site, with the well expected to commence drilling before the end of February.”

Neon-1 and Neon-2 are both located within Karoon’s 100% owned S-M-1037 license, approximately 210 kilometres offshore Brazil in the southern Santos basin. Neon-1 is in 343 metres water depth and is 2.1 kilometres south of the Echidna-1 discovery well, while Neon-2 is planned to be located 1.3 kilometres NNE of Echidna-1, in 305 metres water depth.



¹ Contingent resource volume estimates presented for Neon and Goia were disclosed in the 8 May 2018 ASX announcement “Resources Update” and published in the 2022 Annual Report. Karoon is not aware of any new information or data that materially affects these resource estimates and all material assumptions and technical parameters underpinning the estimates in the relevant ASX announcement continue to apply and have not materially changed.

This announcement has been authorised by the CEO and Managing Director of Karoon Energy Ltd.

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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

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 Karooon'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 Karooon and certain plans and objectives of the management of Karooon. 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.

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