

ASX RELEASE

10 July 2023 | ASX: KAR

Neon Contingent Resource Update and Neon West Prospective Resource Assessment

- **Successful control well drilling campaign reduces subsurface uncertainty and helps narrow Neon Contingent Resource estimates:**
 - **1C Resources increased by 26% to 37.7 MMbbl.**
 - **2C Resources increased by 9% to 60.1 MMbbl.**
 - **3C Resources reduced by 3% to 89.5 MMbbl.**
- **Decision on entry to Concept Select project phase targeted for end 1QCY24.**
- **Mid Case (2U) unrisked Prospective Resources for the Neon West prospect, located two kilometres west of Neon, assessed at 14.8 MMbbl.**

Karooon has updated its Contingent Resource estimates for the Neon field (100% owned by Karooon) as at 30 June 2023. This follows integration of the results available to date from the Neon-1 (9-NEO-1-SPS) and Neon-2 (9-NEO-2D-SPS) control wells drilled earlier this year.

The Contingent Resource update reflects the successful control well drilling campaign, which has resulted in improved definition of the oil resource potential at the Neon field. The revised resource estimates, which have been reviewed and are supported by RISC, a leading independent energy advisory firm, are as shown in the table below:

Movement in gross Contingent Oil Resources for S-M-1037 (Neon) **Karooon operated interest - 100%**

MMbbl	1C	2C	3C
Contingent Resources as at 30 June 2022 ¹	30.0	55.0	92.0
Revisions	+7.7	+5.1	-2.5
Contingent Resources as at 30 June 2023	37.7	60.1	89.5

¹Disclosed in Karooon's 2022 Annual Report

The improved Contingent Resource definition for the Neon field will facilitate the technical and commercial feasibility studies for a potential Neon development that are currently underway. This analysis will be refined over the coming months as the dataset is augmented by results of ongoing laboratory and seismic reprocessing study programs. Updates to subsurface geotechnical evaluations will be incorporated into the engineering and commercial study workstreams as they become available. Therefore, further updates to the resource assessment are anticipated at the appropriate project milestones.

If the results of these ongoing studies remain encouraging, entry to the Neon Concept Select project phase is targeted for the end of the first quarter of CY2024, subject to strategic capital allocation, and prevailing supply chain and oil market conditions.

In addition, undiscovered, unrisks Prospective Resources for Neon West, a prospect located approximately two kilometres west of Neon within Karoon’s 100% owned S-M-1037 permit, have been assessed and booked. Neon West Prospective Resources, which have also been reviewed and are supported by RISC, are shown in the table below:

Prospective Oil Resources for S-M-1037 (Neon West)
Karoon operated interest - 100%

MMbbl	1U	2U	3U
Neon West Unrisks Prospective Oil Resources as at 30 June 2023 ^{2,3,4}	6.1	14.8	32.9

² Probabilistic methods have primarily been used.

³ Geological probability of success is estimated to be 41%.

⁴ The estimated quantities of petroleum that may potentially be recovered by the application of a future development project (at Neon West) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

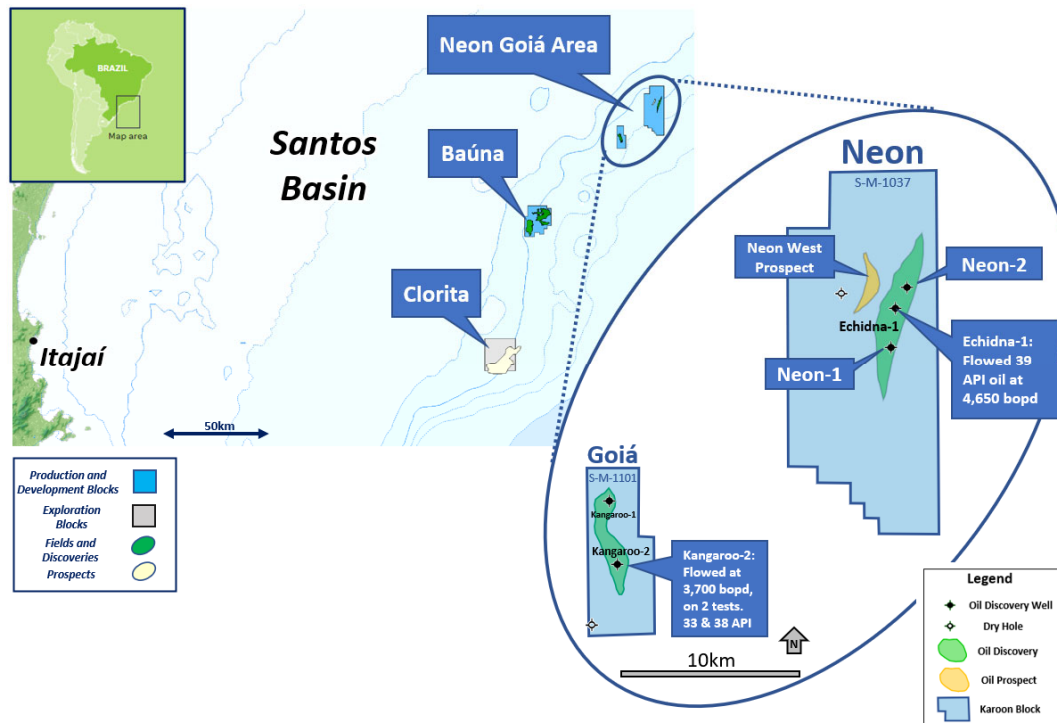
Dr Julian Fowles, Karoon’s CEO and Managing Director, said:

“The improved level of confidence in the volume of oil at the Neon Field is a good step forward and positively impacts the robustness and materiality of the potential Neon development opportunity. We have now commenced integrating the revised Contingent Resource estimates into the latest Neon facilities engineering and feasibility studies. The Neon West prospective resource assessment provides further encouragement for the ultimate potential of the area.

In line with Karoon’s gated project maturation process, if these studies, which will include a preliminary assessment of potential value, financing feasibility and associated risks, are positive, we aim to enter Concept Select late in the first quarter of CY2024. The Concept Select phase would comprise a more detailed assessment of the strategic, technical and commercial aspects of a potential development, required to make a decision whether to enter into the Define phase, which would include Front End Engineering and Design (FEED).”

Karoon will provide an update on its Reserve and Resource position as at 30 June 2023, including the results of ongoing work on the Reserves at Baúna (BM-S-40), in the Full Year Results scheduled to be released on 23 August 2023.

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



Notes on calculation of Reserves and Resources

Reserves and resources estimates are prepared in accordance with the guidelines of the Petroleum Resources Management System (SPE-PRMS) 2018, jointly published by the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

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 become 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.

In respect of the Neon Contingent Resource estimates announced today:

- The estimates reflect Karoon's 100% operated interest in S-M-1037 (as at 30 June 2023).
- Probabilistic methods benchmarked against deterministic scenarios have been used to estimate the contingent resource.
- The Contingent Resource figures above reflect the estimated recoverable resource under a conceptual development plan, however any finalised development plan may not recover all these resources.
- Contingent Resources are assessed within the Development Unclassified subclass and have not been subject to commerciality determination. Technical and commercial maturation of a regulator endorsed development concept will be required to potentially reclassify any of the Contingent Resources as Reserves.

- The Contingent Resource above is based on Karoon's technical evaluation of subsurface and seismic data. There is no identified requirement for the development of new technology.

In respect of revisions to the Contingent Resource estimates, the following technical data and interpretation updates were considered:

- Additional well to seismic calibration points and updated mapping of key seismic events describing reservoir package thickness and areal extent.
- Revised well to well correlation and updated estimations of reservoir quality at the Neon-1 and Neon-2 well locations.
- Revised field oil-water contacts based on petrophysical analyses of wireline log, pressure and sample data from Neon-1 and Neon-2.
- Revised environment of depositional and predictive models for reservoir quality distribution based on sedimentological interpretation of Neon-1 core samples.
- Updated assumptions for fault properties and potential for infield compartmentalisation.
- Updated 3D geocellular field modelling and uncertainty analysis determining a revised in-place volume (STOIIP) range for the field.
- Updated assumptions for reservoir performance and drainage efficiency (recovery factor).

In respect of the Neon West Prospective Resource estimates announced today:

- The estimates reflect Karoon's 100% operated interest in S-M-1037 (as at 30 June 2023).
- Probabilistic methods have been used to estimate the prospective resources.
- Current geological probability of success is estimated to be 41%.

Governance and Competent Person's Statement

All resources statements in this announcement have been reviewed and are supported by RISC Advisory (RISC). RISC has consented to the form and context in which these statements appear.

RISC is an independent energy advisory firm. All the RISC staff engaged in this assignment are professionally qualified engineers, geoscientists or analysts, each with many years of relevant experience and most have in excess of 20 years. RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth, Brisbane, Jakarta and London. RISC have completed over 2,000 assignments in 90+ countries for nearly 500 clients covering the entire range of the oil and gas business lifecycle.

Except for the provision of professional services on a fee basis, RISC does not have any commercial arrangements with any other person or company involved in the interests that are the subject of this report.

RISC's review has been managed by Mr Geoff Salter who is an employee of RISC. Mr Salter is a member of the Society of Petroleum Engineers and holds a BA (Engineering), Cambridge University, 1979 and an MSc (Petroleum Engineering), Imperial College, 1983. Mr Salter has over 40 years' experience in the sector and is a qualified petroleum reserves and resources evaluator (QPRRE) as defined by ASX listing rules.

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

All resources statements in this report are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of Martin Austgulen, VP Subsurface and 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 consented in writing to the inclusion of resources in the format and context in which they appear.

FOR FURTHER INFORMATION ON THIS RELEASE, PLEASE CONTACT

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ABOUT KAROOON ENERGY LTD

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

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 Karooon. Such statements may cause the actual results or performance of Karooon 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. Karooon 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.