

ASX RELEASE

23 January 2023 | ASX: KAR

23% increase in BM-S-40 (Baúna) 2P Reserves

Karooon is pleased to announce an updated assessment of reserves and resources as at 31 December 2022 for its 100% owned Santos Basin concession, BM-S-40, in Brazil. This follows a review of all available subsurface and production data, including a reprocessed seismic dataset, newly acquired data from the recently completed Baúna well interventions and Patola drilling, and updated reservoir modelling. Karooon's internal assessment of reserves has been reviewed and certified by an independent third party, AGR Energy Services.

BM-S-40 contains the Baúna and Piracaba producing fields and the Patola field, which is currently under development. Proved (1P), Proved and Probable (2P) and Proved, Probable and Possible (3P) reserves at 31 December 2022 have increased by 17%, 23% and 7%, to 42.8 MMbbl, 55.0 MMbbl and 65.5 MMbbl, respectively, compared to 30 June 2022.

The revised reserves assessment takes into account the following:

- Recent production data confirming better than expected performance from the existing producing wells. This follows the successful conclusion of interventions in SPS-92, PRA-3 and SPS-56.
- Revised subsurface modelling of Patola capturing reservoir properties at the PAT-1 and PAT-2 wells which were better than pre-drill predictions.
- An extension of the assessed economic field life, with reserves now including production up to 2032. Production beyond this date has not been classified as reserves, due to the greater uncertainty on the FPSO maintenance requirements after this date.
- A long term oil price assumption of US\$65/bbl.
- Production between 30 June 2022 and 31 December 2022 of 3.4 MMbbl.

Based on these revisions, the conversion of the Patola Project contingent resources into reserves and total production of 11.2 MMbbl between taking over operatorship of Baúna in November 2020 and 31 December 2022, Karooon has achieved a 2P reserves replacement of 259%¹.

Baúna contingent resources relating to the potential hook-up of the SPS-57 well have also been reassessed. Given the current uncertainty in resource potential and possible timing of this intervention, 1C, 2C and 3C contingent resources of 1.9 MMbbl, 4.2 MMbbl and 8.3 MMbbl, respectively, have been removed from the contingent resource estimates. No other changes to contingent resources have been made, with the Neon and Goiá contingent resources assessment unchanged from the 2022 Annual Report statement.

¹ Reserves replacement is defined as 2P reserves additions during the period from November 2020 to 31 December 2022 divided by production over the same period. The reserves replacement includes the conversion of the Patola and associated Baúna additional contingent resource into reserves, announced at Patola FID on 3 June 2021.

Karoon will now undertake work regarding the impact of the Baúna reserves increase on its decommissioning obligations, as well as the Baúna field life and associated life of asset extension work for the FPSO, and will announce any impact in its half yearly accounts, due for release on Wednesday, 22 February 2023.

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

“The material increase in Baúna reserves announced today follows extensive reprocessing of seismic, reservoir modelling and dynamic simulation work undertaken by our technical teams in Brazil and Australia.

The resolution of the reprocessed seismic is significantly better than legacy datasets, decreasing the uncertainty on field volumes. The results from the three Baúna well interventions recently completed have been very positive and, together with information from the two Patola wells, have provided valuable additional data points, which have also assisted in the reserves definition announced today.

The expectation of extended field life brings greater longevity to Karoon’s existing production base that should bring further opportunities to maximise asset value.”

Oil Reserves at 31 December 2022 (MMbbl)

BM-S-40 (Baúna, Piracaba and Patola)	1P	2P	3P
Developed ¹	30.9	38.6	45.3
Undeveloped ²	11.9	16.4	20.2
Total	42.8	55.0	65.5

¹ Baúna & Piracaba

² Patola under development

Movement in Oil Reserves (MMbbl)

BM-S-40 (Baúna, Piracaba and Patola)	1P	2P	3P
Reserves at 30 June 2022 ¹	36.5	44.8	61.5
Production 30 June 2022 to 31 December 2022	-3.4	-3.4	-3.4
Revisions ²	9.7	13.6	7.4
Reserves at 31 December 2022	42.8	55.0	65.5

¹ Disclosed in Karoon’s 2022 Annual Report

² Baúna, Piracaba & Patola

Contingent Oil Resources at 31 December 2022 (MMbbl)

BM-S-40 (Baúna, Piracaba and Patola)	1C	2C	3C
BM-S-40 (Baúna)	0.0	0.0	0.0
Total	0.0	0.0	0.0

Movement in Contingent Oil Resources (MMbbl)

BM-S-40 (Baúna, Piracaba and Patola)	1C	2C	3C
Contingent Resources at 30 June 2022 ¹	1.9	4.2	8.3
Revisions	-1.9	-4.2	-8.3
Contingent Resources at 31 December 2022	0.0	0.0	0.0

¹Disclosed in Karoon's 2022 Annual Report

The Neon and Goiá contingent oil resources are unchanged from the 2022 Annual Report.

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 reserves estimates:

- All statements are net to Karoon's interests as of 31 December 2022 and use a combination of deterministic and probabilistic methods.
- The contingent resource estimates are un-risked and have a risk of development. There are currently no prospective resources within BM-S-40.
- Karoon has a 100% operated interest in BM-S-40.

- Karoon has a high degree of confidence in the commerciality of the projects and has evidence of economic producibility from the Baúna field.
- The reference point for reserves estimates is at the fiscal meter situated on the FPSO Cidade de Itajaí.
- All estimates use arithmetic summation method of aggregation for Low, Mid and High estimates.
- AGR has performed economic evaluations to determine reserves. The technical production and cost profiles have been provided by Karoon and reviewed by AGR. AGR considers these assumptions reasonable and has applied them in its evaluations.

Governance and Competent Person's Statement

All reserves statements in this announcement have been certified by AGR Energy Services. AGR Energy Services is qualified in accordance with listing rule 5.41 and has consented to the use of the reserves estimates, and to the form and context in which these statements appear.

AGR Energy Services is an independent consultancy specialising in, amongst other services, petroleum reservoir evaluation, reserves auditing and economic analysis. Except for the provision of professional services on a fee basis, AGR does not have any commercial arrangements with any other person or company involved in the interests that are the subject of this report.

The evaluation was managed by Per Einar Kalnæs (MSc in Petroleum Engineering), Senior Reservoir Engineering. Mr. Kalnæs has 10+ years of experience. The report was supervised and reviewed by Gudmund Olsen, AGR Manager Reservoir Engineering. Mr. Olsen, Member of the Society of Petroleum Engineers (SPE), has 30+ years of international and Norway experience. The report was signed off by Erik Lorange (MSc in Geology), AGR VP Reservoir Management. All three are permanent employees of AGR which has an extensive valuation experience for many energy companies and financial institutions.

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 release), considering advice and contributions from subject matter experts and external consultants.

All reserves 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 reserves and resources in the format and context in which they appear.

FOR FURTHER INFORMATION ON THIS RELEASE, PLEASE CONTACT

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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. Karoon's purpose is to provide energy safely, reliably and responsibly, creating lasting benefits for all its stakeholders.

FORWARD-LOOKING STATEMENTS

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.