

ASX RELEASE

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Acquisition of the Baúna Cidade de Itajaí (CDI) FPSO

- **Sale and Purchase Agreement signed to acquire Baúna CDI FPSO for US\$115 million.**
- **Strategic operations reset, aimed at re-establishing reliable production from the Baúna Project.**
- **IRR from investment well above Karoon's mid-teens post tax hurdle rate.**
- **Potential to significantly improve Baúna profitability through better FPSO efficiency and reduce unit operating costs by US\$4-6/bbl from 2026.**
- **Removes uncertainty over long term availability of facility, increasing confidence in extending field life well into 2030s and maturing high-value Contingent Resources, as well as deferring abandonment.**
- **Acquisition expected to be funded from existing cash reserves.**
- **Consistent with capital allocation framework, maximising value of existing assets.**

Karoon's wholly owned Brazilian subsidiary, Karoon Petróleo & Gás Ltda. (KPG) has signed a Sale and Purchase Agreement (SPA) with Altera & Ocyan (A&O) to acquire 100% of the Cidade de Itajaí Floating Production, Storage and Offloading facility (FPSO) for US\$115 million plus approximately US\$8 million of transaction costs. The FPSO, owned and operated by A&O and leased by KPG, is the production facility for Karoon's 100% owned Baúna Project in the southern Santos Basin, Brazil.

The SPA is subject to customary approvals, which are expected to be received to allow the transaction to close by 30 April 2025, at which time Karoon will become the vessel owner.

Karoon intends to contract a new O&M contractor to operate and maintain the FPSO on its behalf, while KPG will take over the overall ownership and strategic optimisation plans for the FPSO. The process of selecting a new O&M contractor has commenced, and the Company expects to award a contract to the successful tenderer by mid-2025. A&O will continue to operate the FPSO until KPG has fully absorbed FPSO management and the new contractor is ready to assume integrated operations and maintenance services for the FPSO. Karoon has established a transition team to work with A&O and the new O&M contractor (once selected), aiming to facilitate safe, efficient and reliable production during the transition period and the earliest transfer of operational control. The duration of the transition period is expected to be 6-9 months and remains subject to further planning and regulatory approvals.

The acquisition is expected to be funded from existing cash on hand, subject to timing of closing and near term cashflow. A deposit of US\$30 million has been paid into an escrow account and the balance is payable on closing.

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

"We are delighted to have reached agreement with A&O on the acquisition of the Cidade de Itajaí FPSO. The FPSO is critical to our operations at Baúna, and ownership will provide us with direct strategic control over the facility, allowing us to enhance operational efficiencies according to a timetable determined by Karoon. We will also be able to implement Karoon's

safety standards and processes to further reinforce the already strong safety culture. The transaction aligns with the Company's long-term strategic objectives, to expand the reserves base of existing assets and improve operational efficiency.

The purchase is economically attractive, generating significant value for shareholders with an expected rate of return comfortably above our mid-teens post tax hurdle rate and potentially more than 20%. Most importantly, it provides certainty on the availability of the FPSO for the Baúna Project through to the end of field life.

The purchase of the FPSO does not impact the current and near term activities associated with the flotel, the annual maintenance program and planned intervention in SPS-88. The flotel (a floating hotel positioned adjacent to the FPSO) arrived on-site at Baúna in mid-February and the maintenance campaign, aimed at substantially reducing the maintenance backlog and improving equipment reliability, is now underway. This work is being carried out by A&O as part of the existing FPSO contracts, with the costs of the flotel and associated logistics borne by Karoon, and manpower and materials funded by A&O.

The aim of the flotel campaign and the revitalisation work is to improve FPSO efficiency to our longer term target range of 90 - 95%.

The acquisition of the FPSO is also expected to result in approximately a US\$4-6/bbl net unit operating cost reduction, reflecting the termination of A&O vessel lease payments. The savings are anticipated to be realised from 2026 onwards, with additional operating costs expected to be incurred in 2025 related to the transition from A&O to a new O&M contractor. Annual sustaining capex is expected to increase by up to US\$5 million in relation to FPSO hull, fabric and systems owned by KPG. In addition, Karoon expects to incur future capital expenditure associated with potential revitalisation and life extension activities.

The expected decrease in operating costs and certainty on the long-term availability of the vessel should allow the field to operate profitably well into the 2030s. This would enable us to access a portion of the 8.7 - 16.4 MMbbl of Baúna Project Contingent Resource¹ (1C to 3C), subject to further technical and commercial evaluation. Moving these resources into the Reserves category would reduce unit depreciation charges as well as defer field abandonment and vessel decommissioning liabilities.

Karoon expects to update 2025 guidance no later than the acquisition close date.

The cost of the FPSO transaction was taken into account when determining the additional on-market share buybacks of up to US\$75 million recently announced by the Company."

Background on the FPSO

The Cidade de Itajaí Floating Production, Storage and Offloading facility (FPSO) has been operating on the Baúna Project production since the field came onstream in 2013.

The vessel was built in 1985 and converted to a floating production, storage and offloading facility in 2012. It has a nameplate fluid handling capacity of approximately 80,000 barrels of liquid per day and a nameplate storage capacity of approximately 631,000 barrels of oil.

¹ See pages 36 - 39 of 2024 Annual Report for full details, including the basis of calculation of Reserves and Resources and Governance and Competent Persons Statement. 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 continue to apply and have not materially changed.

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The facility is subject to marine class certification by Det Norske Veritas (DNV), a leading vessel classification society and recognised advisor for the maritime industry. The most recent class certificate was issued, with conditions on 8 January 2025, with an updated class certificate expected in early April, subject to the completion of planned maintenance activities. The facility is operated in compliance with all relevant local laws and regulations which are administered and monitored by a number of regulators in Brazil.



Baúna FPSO - Cidade de Itajaí

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

FOR FURTHER INFORMATION ON THIS RELEASE, PLEASE CONTACT

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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.

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.

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.

ABOUT KAROON ENERGY LTD

Karoon Energy Ltd. is an international oil and gas exploration and production company with assets in Brazil, the United States of America and Australia and is an ASX listed company.

Karoon'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.