KAROON ENERGY

2026 SECOND QUARTER REPORT

For the period ending 30 June 2026

23 July 2026 | ASX: KAR

KEY 2Q26 HIGHLIGHTS

Delivered on Baúna commitments, positioning Karoon for stronger long-term operating performance

- **Produced 1.08 million barrels of oil equivalent (MMboe)[1] in second quarter of 2026 (2Q26) and generated sale revenue of US$116.4 million, driven by materially higher realised oil prices.**
- **Completed transition of Baúna FPSO operatorship on 27 May 2026 (BRT), enhancing operational control and reducing operating costs.**
- **Finalised major Baúna FPSO revitalisation and maintenance campaign, resulting in 2Q26 operating efficiency of 97%, above target range of 90-95%, and reinstated approximately 10,000 bopd Baúna production following successful SPS-92 and PRA-2 well activities. Total Baúna production currently approximately 22,000 bopd.**
- **Who Dat A1 sidetrack came online on 13 July and continues to ramp up, currently producing 1,700 boepd NRI, in line with expectations and supporting near-term production. Planning underway to define and engineer activities required to pull and replace the E riser at Who Dat.[2]**
- **No recordable personal safety incidents in 2Q26, with more than one year recordable-incident free. Two Tier 2 process safety incidents occurred (no Tier 1).**
- **Strategic growth initiatives progressing, including the Who Dat East Final Investment Decision expected in 3Q26 and optimisation of the Neon development concept to improve capital efficiency, ahead of the next planned project milestone in 4Q26.**
- **Maintained strong balance sheet with liquidity of US$363.6 million at the end of 2Q26.**
- **2.8 million shares bought back during 2Q26, further on-market buyback to commence in July.[2]**
- **CY26 production and capex updated during quarter[2, 4]. (See page 7).**
- **Brazil's 120-day windfall export tax (introduced on 12 March 2026 (BRT)) extended by 60 days. Cargoes sold to EU covered by EU trade treaty.**
- **Higher free cash flow expected in 2H26, based on increased production and lower capital expenditure (subject to oil price, operating performance in line with guidance and operating risks).**

Karoon's CEO and MD, Ms Carri Lockhart, said:

"At the start of 2026, we commenced a clear and ambitious program to strengthen Karoon's operations at Baúna. In the second quarter, we delivered these commitments. We transitioned FPSO operatorship, completed the largest maintenance and revitalisation program in the Company's history, restored production from the SPS-92 and PRA-2 wells, and established a stronger operating platform for higher operational efficiency, structurally lower operating costs and stronger cash generation going forward.

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[1] Who Dat on a net revenue interest basis (NRI).

[2] See ASX release dated 16 June 2026 'Operational updates and revised CY26 production guidance'. Who Dat E Field production restoration subject to riser removal, inspection, JV approvals, contracting and any regulatory approvals.

[3] See ASX release dated 29 June 2026 'Commencement of a further on-market share buyback'.

[4] See ASX release dated 29 June 2026 'Baúna SPS-92 production restart and 2026 guidance updated'.

All wells associated with the Baúna Project are now on-line, with current production of approximately 22,000 bopd. Following the revitalisation campaign, FPSO efficiency reached 97% in the quarter, above our 90–95% target range, demonstrating the benefit of our reliability and safety improvements. We also sustained exceptional personal safety performance, with no recordable safety incidents for more than 12 months. Two Tier 2 process safety incidents occurred during the quarter involving minor gas releases, which were rapidly resolved without impact. We remain focused on eliminating incidents through disciplined risk management and planning.

At Who Dat, the A1 sidetrack came online on 13 July, providing a positive near-term contribution while the JV continues to advance the E riser restoration workstream. Operator LLOG is preparing to remove the riser that developed a minor leak for inspection and analysis, with removal operations expected to commence in the third quarter of 2026. Our current base case assumes one or both E risers will need replacement, with E manifold production expected to resume in the fourth quarter of 2027. The JV also continues to advance additional production opportunities across the asset.

Average 2Q26 realised prices for Baúna crude and Who Dat liquids increased 33% and 55%, respectively, from 1Q26. Higher realised pricing supported quarterly sales revenue of US$116.4 million.

During the first half of 2026, we invested approximately 85% of the year's budgeted capital expenditure, primarily in Baúna programs designed to safeguard operations and improve performance. We funded this investment mainly from cash on hand, supplemented by operating cash flow. At 30 June 2026, Karoon had net debt of US$269.7 million, comprising US$80.3 million in cash and cash equivalents and US$350.0 million of drawn debt, with total liquidity of US$363.6 million.

With the Baúna work program substantially complete, we expect strong free cash flow in the second half of 2026, assuming oil prices average US$60–70/bbl and operational performance remains in line with guidance. We will deploy surplus funds in line with our capital allocation framework, balancing growth, shareholder returns and balance sheet strength. Potential development decisions on Who Dat East and Neon will be evaluated against the same disciplined return thresholds. At this time the Board continues to view buybacks as an attractive near-term use of capital.

I look forward to updating the market on our financial results for the first half of 2026 at the results briefing at 11am on 27 August 2026 (see p7 for details)."

OPERATIONAL & FINANCIAL SUMMARY[1]

		Three months ended			
		Mar 26	Jun 26	% Change	Jun 25
Production					
Baúna					
Oil	MMbbl	1.56	0.84	-46	2.27
Who Dat[2,5]					
Oil, condensate & NGLs (NWI[3])	MMbbl	0.40	0.25	-38	0.57
Natural gas (NWI[3])	Bcf	0.48	0.24	-50	1.56
Total Who Dat (NWI[3])	MMboe	0.48	0.29	-40	0.83
Total Who Dat (NRI[4])	MMboe	0.38	0.24	-37	0.67
Total (Baúna & Who Dat NWI)	**MMboe**	**2.04**	**1.13**	**-45**	**3.10**
Total (Baúna & Who Dat NRI)	**MMboe**	**1.94**	**1.08**	**-44**	**2.94**
Sales					
Baúna					
Oil	MMbbl	1.47	0.98	-33	1.95
Who Dat[5]					
Oil, condensate & NGLs (NRI[4])	MMbbl	0.31	0.22	-29	0.47
Sales gas (NRI[4])	Bcf	0.35	0.20	-43	1.11
Total	MMboe	0.38	0.25	*-34*	0.66
Total sales	**MMboe**	**1.85**	**1.23**	**-33**	**2.61**
Revenue					
Baúna					
Oil	US$m	104.4	93.1	-11	125.0
Who Dat					
Oil, condensate & NGLs (NRI[4])	US$m	21.1	22.5	+7	30.3
Sales gas (NRI[4])	US$m	2.7	0.8	-70	4.4
Sub-total	US$m	23.8	23.3	-2	34.7
Total revenue	US$m	**128.2**	**116.4**	**-9**	**159.7**
Average realised prices					
Baúna oil	US$/bbl	71.12	94.56	+33	64.15
Who Dat oil, condensate and NGLs	US$/bbl	65.92	101.93	+55	64.39
Who Dat sales gas	US$/mcf	7.64	4.08	-47	3.92

1. Numbers are unaudited and may not reconcile due to rounding.
2. Numbers pending final reconciliation.
3. NWI – Net working interest.
4. NRI – Net revenue interest (after deducting government and overriding royalties).
5. After fuel and flare at the facility.

BAÚNA PROJECT, SANTOS BASIN, BRAZIL

Equity interest: 100%. Operator: Karoon

Baúna Project (BM-S-40) production in 2Q26 was 0.84 MMbbl, producing at an average rate of 9,202 bopd, compared to 17,350 bopd in 1Q26. Quarter on quarter production variance reflected the planned 28 day maintenance shutdown and the temporary shut-in of SPS-92, one of Baúna's main production wells, for intervention work to replace the electrical submersible pump. 2Q26 FPSO efficiency (actual production divided by forecast reservoir production, excluding scheduled shutdowns) was strong at 97.2%, compared to 96.1% in 1Q26.

Two cargoes were lifted during the period, totalling 0.98 MMbbl, with the cargoes delivered to refineries in Europe and Asia. The average realised price for the cargoes sold was US$94.56/bbl, 33% higher than the average realised price in the prior quarter, reflecting the increase in global oil prices.

Several milestones were delivered during the quarter, most notably the transfer of control of the FPSO operatorship, which occurred on 27 May 2026 (BRT). In addition, the 28-day FPSO planned full shutdown for facility maintenance, inspections and upgrades, including the hull inspection and production header replacement, was completed on 13 May 2026 (BRT), while the flotel-supported FPSO revitalisation campaign was finalised in June 2026.

On 24 June 2026, production was restored at SPS-92 following a well intervention to replace the electrical submersible pump (ESP). On 6 July 2026, the PRA-2 well was also successfully brought back online following an operation to reconnect the umbilical and re-establish connectivity to the ESP. All production wells associated with the Baúna Project are now in service.

WHO DAT ASSETS, OFFSHORE GULF COAST, US

Equity interests: Who Dat and Dome Patrol – 30%, Abilene – 16%. Operator: LLOG

Gross Who Dat production in 2Q26 was 1.03 MMboe compared to 1.67 MMboe in 1Q26, at an average rate of 11,360 boepd compared to 18,300 boepd in 1Q26. Production for the quarter on an NRI basis was 0.24 MMboe (0.38 MMboe NRI in the prior quarter).

Who Dat production reflected the temporary shut-in of the E manifold following the discovery of a minor riser leak in February, which affected approximately 15,000 boepd (gross) of production from seven wells. The JV continues to progress a structured remediation plan, with operator LLOG Exploration Company, L.L.C. advising on 16 June 2026 that the next phase involves removal and analysis of the riser, currently planned to commence in the third quarter of 2026. Subject to the results of this work, E manifold production is expected to resume in 4Q27.

Operations to sidetrack the A1 production well commenced in early April and production came online on 13 July. Another sidetrack, G1 ST, is expected to commence drilling in 2H26, subject to final technical assessment and JV and regulatory approvals. If approved, this will be a positive near-term production contribution while the JV continues to advance the E riser remediation.

The average realised price for Who Dat liquids (including oil, condensate and NGLs) was US$101.93/bbl, 55% higher than the previous quarter, in line with the increase in global oil prices and wider differentials for Mars-benchmarked crudes. The Who Dat average realised gas price was US$4.08/mcf, down 47% on the previous quarter, reflecting the typical decrease in Henry Hub benchmark pricing during the US Spring shoulder season, when natural gas power demand decreases.

COMMERCIAL AND CORPORATE

CAPITAL EXPENDITURE[1]

	Three months ended			
US$m	**Mar 26**	**Jun 26**	**% Change**	**Jun 25**
Exploration and appraisal	7.6	2.6	-66	1.7
Development, plant and equipment	31.9	124.0	289	101.2
Total	**39.5**	**126.6**	**221**	**102.9**

1. Numbers are unaudited and may not reconcile due to rounding.

Total capital expenditure (on an accruals basis) for 2Q26 was US$126.6 million, of which US$124.0 million was spent on development, plant and equipment. This primarily reflected investment in the Baúna flotel revitalisation project (US$37.2 million), the SPS-92 intervention (US$56.6 million) and the A1 sidetrack in Who Dat (US$34.0 million), offset by vendor credits. Exploration and appraisal capex was US$2.6 million and included US$1.7 million for Who Dat seismic data acquisition.

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CASH, LIQUIDITY AND CASH FLOWS

		Three months ended		
US$m	**Mar 26**	**Jun 26**	**% Change**	**Jun 25**
Cash	169.4	80.3	-53	112.1
Drawn debt	(350.0)	(350.0)	0	(350.0)
Net cash/(debt)	**(180.6)**	**(269.7)**	**-49**	**(237.9)**
Undrawn available facilities	283.3	283.3	0	340.0
Total liquidity	**452.7**	**363.6**	**-20**	**452.1**

At 30 June 2026, Karoon's net debt position was US$269.7 million, comprising US$80.3 million in cash and cash equivalents and US$350.0 million of drawn debt. Total liquidity at 30 June 2026 was US$363.6 million. The US$340 million Reserves Based Lending (RBL) facility amortised to US$283.3 million of available funds on 31 March 2026 and will step down to US$226.7 million on 30 September 2026, in line with the semi-annual redetermination facility reduction schedule and straight amortising facility profile to maturity[1]. This facility remains undrawn.

Cash inflows during the quarter consisted of proceeds from the sale of hydrocarbons of US$123.4 million. Major cash outflows included operating costs, royalty payments and capital investments, expenditure on the SPS-92 intervention and Baúna FPSO campaign, as well as US$4.0 million spent on share buybacks over the quarter.

ON-MARKET SHARE BUYBACK

Over the second quarter, the Company purchased 2.8 million Karoon shares at an average price of A$2.02 per share, at a cost of US$4.0 million.

The Board believes that at the current share price, Karoon's shares are significantly undervalued, and considers the share buyback an attractive use of capital, supporting value creation for remaining shareholders. Following completion of the second phase of the US$75 million on-market buyback program announced on 25 September 2025, Karoon intends to commence a further on-market buyback in July 2026. Since the buyback program began in 2H24 up until 30 June 2026, the Company has bought back and cancelled 94.3 million shares at an average price of A$1.57 per share, for approximately US$97 million.

The on-market share buyback remains subject to several factors[2] and forms part of Karoon's disciplined capital allocation framework.

HEDGING

The Company's RBL includes minimum commodity hedging requirements when drawn. However, as the facility is currently undrawn, Karoon has no hedges in place but retains discretion to hedge, if appropriate.

BRAZILIAN EXPORT TAX

On 9 July 2026 (BRT), the Brazilian Government announced a 60-day extension of the 12% (7.92% after tax) temporary tax on crude oil exports. The temporary export tax, originally introduced on 12 March 2026 (BRT), was due to expire on 9 July 2026 (BRT).

The industry is pursuing legal challenges to the temporary export tax, seeking the refund of any amounts paid related to this tax since its inception.

During 2Q26, two cargoes were subject to the export tax (none in 1Q26). One of the cargoes, which was exported to the European Union, is expected to qualify for the preferential 6% export tax rate (3.97% after tax) available under the Mercosur–European Union trade framework.

[1] Details set out in the ASX Release dated 16 November 2023.
[2] Including ongoing compliance with Karoon's credit agreements, the prevailing share price and broader market conditions.

POTENTIAL DEVELOPMENTS

BRAZIL – NEON, S-M-1037 (KAR: 100%, OPERATOR)

During the quarter, work continued to advance the Neon development towards the next project milestone, which is expected to be reached in the fourth quarter of 2026. Specific progress was made in subsurface characterisation, subsea design and cost estimates, and host facility evaluations. All Neon workstreams continue to focus on confirming the robustness of the project and maximising capital efficiency.

US GULF COAST - WHO DAT EAST (KAR: 40%), WHO DAT SOUTH (KAR: 30%), OPERATOR: LLOG

The final evaluation of the proposed Who Dat East Project was completed during the period. An Authorisation for Expenditure (AFE) was issued by the operator, LLOG, in preparation for a Final Investment Decision by the Joint Venture partners, which is expected to be made in the third quarter of 2026.

At Who Dat South, the Joint Venture continued the seismic reprocessing project to assist with the optimisation of the location for a future potential development. This reprocessing will also help to refine future infill locations at Who Dat.

EXPLORATION AND APPRAISAL

DEEPWATER SANTOS BASIN, BRAZIL

S-M-1356, S-M-1358, S-M-1482, S-M-1484, S-M-1603, S-M-1605, ESMERALDA (KAR: 100%, OPERATOR)

During the quarter, the Company continued to progress the technical evaluation of its portfolio of deepwater blocks. Work focused on interpreting the comprehensive seismic inversion data and ongoing prospect maturation for inclusion in a farm-down process.

The formal grant of the Esmeralda block was received on 27 May 2026.

SUSTAINABILITY

Absolute emissions in 2Q26 were 18,572 tCO_2e, down 20% from 1Q26, reflecting lower production during the planned FPSO maintenance shutdown and temporary SPS-92 shut-in at Baúna. Emissions intensity increased to 15.7 $kgCO_2e$/boe, excluding field logistics and support activities, due to lower production and increased maintenance activity.

Equity-basis flaring across Baúna and Who Dat was 2,479 tCO_2e in 2Q26, down from 2,922 tCO_2e in 1Q26 and in line with the prior corresponding quarter. Year-to-date flaring improved to 5,401 tCO_2e, compared with 13,493 tCO_2e in the same period in 2025.

There were no material environmental incidents at either Baúna or Who Dat during the quarter.

The four voluntary social projects committed to in 2026 continued during the quarter.

2026 FULL YEAR GUIDANCE

2026 calendar year[1, 2]		Guidance 23 July 26
PRODUCTION[3]		
Brazil	MMbbl	6.0 – 6.7
Who Dat (NRI)	MMboe	1.2 – 1.5
Total production	**MMboe**	**7.2 – 8.2**
UNDERLYING OPERATING COSTS		
Unit production costs (NWI)[4]	US$/boe	12 – 15
Exploration expenses, Business Development, share-based payments	US$m	10 – 14
Unit DD&A (NWI)[5]	US$/boe	15 – 17
Finance costs and interest (net of interest income)[5]	US$m	60 – 70
Other operating costs[6]	US$m	37 – 41
INVESTMENT EXPENDITURE		
Baúna[7]	US$m	89 – 97
Who Dat[8]	US$m	72 – 85
Exploration and appraisal (Neon, Santos Basin)	US$m	14 – 16
Other capex [8]	US$m	3 – 4
Total capex	**US$m**	**178 - 202**
Petrobras contingent consideration[9]	US$m	28

NOTES:
1. Numbers may not add due to rounding.
2. Guidance is subject to various risks (including “Key Risks” set out in the 2025 Annual Report).
3. Production assumes drilling results and expected future development projects, including well interventions, are delivered in accordance with their currently expected schedules and work scopes.
4. Unit Production Costs: based on daily operating costs associated with Baúna and Who Dat production. Excludes carbon costs and non-oil and gas related depreciation and is based on Karoon’s Net Working Interest production. Excludes one off FPSO transition costs and corporate office relocation costs.
5. Finance costs and interest includes interest expense, amortisation of loan transaction costs, commitment fees, bank fees, surety bond costs, withholding tax related to intra-group and cross-border cash movements, and the unwind of restoration and abandonment provision net of interest income.
6. Other operating costs include staff costs, IT, other corporate and Business Unit overhead costs and non-oil and gas related depreciation. Excludes royalties and other government take, social investment/sponsorships in lieu of tax, foreign exchange gains/losses, hedge costs and non-underlying transaction costs.
7. The cost of the 2026 Baúna FPSO revitalisation campaign is guided separately.
8. CY26 capex includes the A1 and G1 sidetracks but does not include Who Dat East, with expenditures contingent on a positive development decision.
9. The 2025 Petrobras contingent payment was made in late January 2026.

Note that the CY26 guidance table does not include the following items:

- US$49 – 53 million of flotel and FPSO integrity costs. The flotel campaign was completed in 1H26, for US$46.5 million, additional integrity cost scope will be incurred in 2H26.
- One off FPSO transition costs of US$6m.
- US$3 - 4 million related to relocating corporate head office roles from Melbourne to the USA (Houston) and Brazil (Rio de Janeiro).

2026 HALF YEAR RESULTS

Karoon’s 2026 first half results and associated investor presentation will be released on 27 August 2026. A results briefing will be held at 11:00am AEST on 27 August 2026. The webcast can be accessed live through the Karoon website, www.karoonenergy.com.au, or by clicking on the following link to webcast registration and viewing:

https://edge.media-server.com/mmc/p/sfy7iw6a

This announcement was authorised by the Board of Karoon Energy Ltd.

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Abbreviations and conversion factors

Terms & abbreviations	
BRT	Brasilia Time (3 hours behind Greenwich Mean Time)
Boe	Barrels of oil equivalent
Boepd	Barrels of oil equivalent per day
FPSO	Floating production, storage and off-loading facility
FPS	Floating production system
FPSO efficiency	The proportion of actual and potential production.
MMbbl	Millions of barrels
MMboe	Millions of barrels of oil equivalent
NRI	Net Revenue Interest
NWI	Net Working Interest

Conversion factors	
Sales gas, 6,000 scf	1 boe
Condensate, 1 barrel	1 boe
NGL, 1 barrel	1 boe

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 hydrocarbon 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 ASX listed international oil and gas exploration and production company with assets in Brazil, the United States of America and Australia.

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.