

30 January 2014



ASX Announcement

Grace-1 Exploration Well in WA-314-P Progress Report No 9

At 0000 WDT on 26 January 2014, Grace-1 reached total vertical depth at 5069mRT.

A zone of interest was encountered in the Jurassic volcanic interval at approximately 4,000mRT and a wireline logging program including pressure measurement and reservoir fluid sampling has commenced over the zone.

No Plover or Montara formation sands were intersected in the target zone.

The zone of interest was identified from mudlog gas shows and elevated pressures encountered during drilling. The high gas levels and petrophysical logging while drilling responses were sufficiently encouraging to warrant further testing.

The wireline logging program is not yet complete and wireline pressure and sampling data is required before the presence of any gas column can be established.

Results from the wireline program are expected over the coming days.

Since the 21 st January 2014 Grace-1 progress report, the 6-1/2" hole section was drilled from 4,844mRT to the final total vertical depth of 5,069mRT.

Grace-1 is the fourth well in the current exploration program, located in permit WA-314-P on a separate structural trend to the previously announced Greater Poseidon gas discoveries. The well is located in a crestal position on a large fault block approximately 35 kilometres north of the Poseidon field.

ConocoPhillips is the operator of the jointly held WA-314-P Browse Basin permit in which Karoon Gas Australia Ltd holds 90%.

The Transocean Legend semi-submersible rig is drilling the exploration well.

Upcoming Well Program

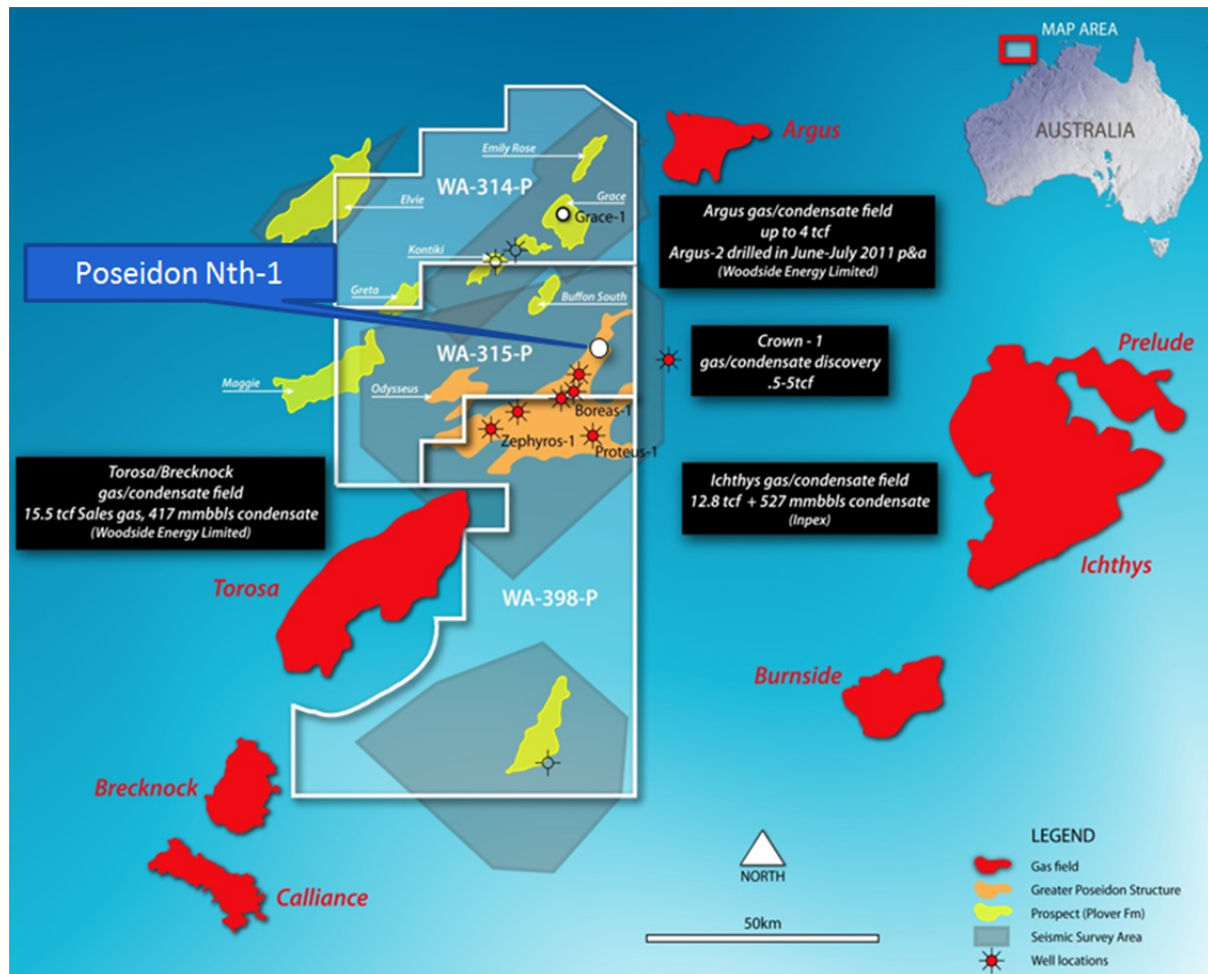
The exploration program, operated by ConocoPhillips, plans to utilise the Transocean Legend semi-submersible rig for the entire campaign and is expected to continue through 2014.

A minimum of six wells will be drilled during the exploration program, with three drilled to date. The principal objective of the forward exploration program is to better define the size and quality of the hydrocarbon accumulations within the exploration permits which contain the greater Poseidon trend.

Following the completion of the Grace-1 well and prior to spudding the next well, Poseidon North-1, the Transocean Legend has a one month maintenance period to complete.

Poseidon North-1 is the fifth well in the program, located 6.5 km north east of Poseidon-1. The well is located in a crestal position on a large tilted fault block with the primary target being the Plover Formation. The secondary target is the Montara Formation.

Additional well locations for the remainder of the program will be announced as they obtain joint venture approval.



Ongoing progress reports

In addition to complying with its continuous disclosure obligations, Karoon proposes to provide fortnightly progress reports during drilling operations.

For further information please see the Karoon website or contact:

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