



JUNE 2013 QUARTERLY REPORT AND APPENDIX 5B

Highlights - Company Operations

- Discovery of 28 degree gravity API oil at Bilby-1 exploration well in the Santos Basin, Brazil.
- At the end of the quarter, the Proteus-1 exploration well in the Browse Basin, Australia had been drilled to a depth of 4,561 metres.
- Commencement of a 2,386 square kilometre 3D marine seismic survey in WA-482-P. The CGGVeritas vessel the 'Geo-Caspian' commenced the acquisition on 10 June 2013.
- Preparations for drilling in the Tumbes Basin, Peru continued with long lead items being delivered and new service contracts approved.
- On 19 June 2013, Karoon cleared the initial regulatory hurdles to commence drilling in Block Z-38 located in the offshore Tumbes Basin.

Australia

Browse Basin Permits WA-314-P, WA-315-P and WA-398-P

Karoon acquired its interest in exploration permits WA-314-P and WA-315-P in the Browse Basin during 2005, adding WA-398-P during 2007. The permits are located in the Browse Basin, 350 kilometres offshore from the north-western Australian coast and have a combined gross area of 7,828 square kilometres.

Drilling

The Proteus-1 exploration well, in WA-398-P, spudded on 25 March 2013, and was drilled to a depth of 4,561 metres on 30 June 2013. As at the end of July 2013, the Proteus-1 well had drilled to a total depth of 4,937 metres. A stuck drill string and repeated failure at recovery has meant the decision to sever the drill pipe and side-track the well has been made. Side-tracking operations have commenced and Karoon expects to be drilling above the target reservoir section during the next week.

Proteus-1 is located on a large tilted fault block approximately 14 kilometres south-east of the Poseidon-1 gas discovery location.

The second phase Browse drilling campaign comprising six wells, with a remaining option for an additional well, is expected to continue until calendar year 2014. The campaign is designed to define more precisely the size and quality of the contingent gas resource base, allowing the joint venture to move forward with selection of a development concept and progress to more in-depth project design and planning.

3D Seismic Acquisition

Karoon has contracted the CGGVeritas vessel the 'Geo Caspian' to conduct the 318 square kilometre Kraken marine 3D seismic acquisition over the Elvie lead in exploration permit WA-314-P. The 'Geo Caspian' will move to the site of the Kraken survey immediately after the Chrysalids 3D seismic survey is complete in WA-482-P, expected during August 2013.

Equity Interests

Permit interests of the participants in WA-315-P and WA-398-P are:

Karoon Gas Browse Basin Pty Ltd	40%
Chinese National Petroleum Corporation	20%*
ConocoPhillips (Browse Basin) Pty Ltd (Operator)	40%

* Pending regulatory approval.

Permit interests of the participants in WA-314-P are:

Karoon Gas Browse Basin Pty Ltd	90%
ConocoPhillips (Browse Basin) Pty Ltd (Operator)	10%

North Carnarvon Basin Permit WA-482-P

Work continued during the quarter to accelerate the exploration work on this permit, including preparation of environmental referral documents for submittal to the National Offshore Petroleum Safety and Environmental Management Authority ('NOPSEMA') and the planning of the second permit year seismic acquisition program.

3D Seismic Acquisition

On 10 June 2013, Karoon commenced the acquisition of the Chrysalids marine 3D seismic survey in WA-482-P in the offshore North Carnarvon Basin using the CGGVeritas vessel the 'Geo Caspian'. The survey will cover a total area of approximately 2,386 square kilometres. This survey is to delineate leads identified on 2D seismic and will append to other prospects identified on existing 2D and 3D seismic data which are currently being reprocessed. The WA-482-P exploration permit is currently in the first year of a three year initial term and the seismic evaluation work will satisfy the second permit year commitment and prepare the Company for a drilling decision required before the third permit year commences.

The seismic survey is expected to be completed early August 2013. Following the acquisition of the survey, processing and initial interpretation is expected to take a further four months. Preliminary results are, therefore, likely to be received towards the end of calendar year 2013.

Equity Interests

Karoon is currently completing the final equity transfer process with the designated authority. At the completion of this process, and subject to completion of farm-in obligations, Karoon will hold a 100% equity interest in WA-482-P.

Brazil

During March 2008, Karoon was awarded 100% participation in five offshore exploration Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 in the Santos Basin, Brazil. The five Blocks total a gross area of 865 square kilometres. Karoon completed agreements with Pacific Rubiales Energy Corp. to divest a 35% net working interest in Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166. The working interest in the Blocks is subject to the completion of farm-in commitments and the approval of the Agencia Nacional do Petróleo ('ANP').

During August 2010, Karoon signed a joint venture agreement to acquire a 20% participation in Block S-M-1352, subject to ANP approval, with the remaining 80% interest to be owned by Petróleo Brasileiro S.A. ('Petrobras').

Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166

Drilling

The 'Blackford Dolphin' drilling rig commenced drilling the third well in the Santos Basin exploration drilling campaign at the Bilby-1 location on 7 April 2013. During June 2013, Bilby-1 reached a total depth of 4,416 metres and intersected an oil column in the Eocene to Maastrichtian reservoir sections. The Bilby-1 oil discovery was confirmed by the recovery of samples of 28 degree gravity API oil, and data from sidewall coring, mud log, wireline petrophysical and modular formation dynamic tester pressure data. A gross oil column of 560 metres has been calculated from pressure data with a proven 320 metre column of oil measured between oil sampling points. 70 metres of net reservoir sand was measured within the 560 metre gross oil column.

Below the oil, additional good quality reservoir sands were intersected, which are interpreted to rise above the oil-water contact at the crest of the structure, as the well intersected the reservoir 150 metres down dip from the trap crest.

Equity Interests

Provided all regulatory approvals are received from the ANP, and subject to completion of the applicable farm-in obligations by Pacific Rubiales Energy Corp., equity interests of the participants in Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 will be as follows:

Karoon Petróleo & Gas Ltda (Operator)	65%
Pacific Rubiales Energy Corp.	35%

Santos Basin Block S-M-1352

Karoon continued its assessment of the results from the Maruja-1 and Maruja-2 wells. The operator, Petrobras, is currently continuing its technical and commercial assessment of the Maruja discovery while working with the ANP, the Brazilian Government agency responsible for regulation of the petroleum industry, on the future of the field.

Equity Interests

Karoon's wholly owned subsidiary, Karoon Petróleo & Gas Ltda, entered into an agreement with Petrobras to acquire a 20% interest in Block S-M-1352, which is part of the BM-S-41 Concession. The acquisition is subject to regulatory approval being granted by the ANP. Petrobras is currently in discussions with the ANP regarding the ongoing status of the BM-S-41 Concession. Karoon's resulting 20% interest is subject to the outcome of those discussions. Karoon is not a party to the ongoing discussions between Petrobras and the ANP.

Provided all regulatory approvals are granted from the ANP, equity interests of the participants in BM-S-41/S-M-1352 will be:

Karoon Petróleo & Gas Ltda	20%
Petróleo Brasileiro S.A. (Operator)	80%

Karoon Gas Australia Ltd

Peru

Block Z-38

During January 2008, Karoon signed a farm-in agreement to acquire a 20% participating interest in Block Z-38, an offshore block of 4,750 square kilometres, located in the Tumbes Basin, 10 kilometres from the north-west coast of Peru.

During October 2009, Karoon was approved by the regulator as Operator of the Block and negotiated to increase its participating interest in Block Z-38 to 75%. Planning is progressing for a minimum two well exploration drilling campaign to satisfy current work commitments and farm-in obligations.

3D Seismic Interpretation

Results of the interpretation of previously acquired 1,500 square kilometres of 3D seismic have allowed detailed prospect level interpretation, indicating the presence of nineteen prospects and leads.

Combining drop core results with the 3D seismic work and offset well information from surrounding fields has resulted in the development of a geological model that is supportive of the presence of a diverse range of potentially large commercial oil and gas prospects, where all the required petroleum system elements are in place.

Drill Planning

On 19 June 2013, Karoon passed the initial regulatory hurdles to commence drilling in Block Z-38 located in the offshore Tumbes Basin, 10 kilometres from the north-west coast of Peru. Directorial Resolution N° 163-2013-MEM/AE approved the Environmental Impact Study to drill up to 10 exploration and 10 appraisal wells in Block Z-38.

Karoon is currently in the planning stage to drill at least two wells in Peru and long lead items are currently being delivered. The approval of the Environmental Impact Study allows Karoon to actively search for a drilling unit to start the first exploration drilling campaign. The campaign is expected to commence during late calendar year 2014 and discussions are underway to farm-down Karoon's 75% interest in the Block.

Equity Interests

Equity interests in Block Z-38 are:

KEI (Peru Z38) Pty Ltd, Sucursal del Peru (Operator)	75%*
Pitkin Petroleum Peru Z-38 SRL	25%

* Karoon's 75% equity interest is subject to completion of farm-in obligations.

Block 144

Block 144 is located within the onshore Marañon Basin, on the eastern side of the Andes mountain range in Peru. The Block was awarded to Karoon during April 2009.

During the quarter, Karoon continued its geotechnical, social and environmental work in the Block including the interpretation of 1,000 kilometres of existing 2D seismic data and offset well information in preparation for stratigraphic studies of the region.

Seismic Reprocessing and Interpretation

Continuing geophysical interpretation, using the reprocessed data, has identified the presence of several four-way dip closed structures in the eastern portion of the Block, in addition to the closure in the southern part of the Block.

Karoon is continuing the environmental impact assessment work for acquiring 300 kilometres of 2D seismic. The planned survey is to be concentrated on the prospects in the eastern part of the Block. The Block is currently in force majeure while social work programs and government introductions are completed.

Equity Interest

Karoon has a 100% equity interest in Peru Block 144.

Brazil, Peru and Australia Farm-out Status

During the quarter, Karoon continued to work with interested parties for the farm-out of its equity interests in the Santos Basin, Brazil, the Tumbes Basin, Peru and in the Browse Basin, Australia.

With its recent success in Brazil, Karoon plans to re-commence drilling in the short term and plans to farm-down a small proportion of its equity to help fund its share of the drilling. During the quarter, Karoon commenced work to open a data room to facilitate the farm-out.

The Brazilian, Peruvian and Australian farm-out data rooms received interest during the quarter and Karoon aims to complete the farm-outs in advance of anticipated drilling.



ASX QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2013

Appendix 5B (Unaudited)

Introduced 1/7/96. Origin: Appendix 8. Amended 1/07/97, 1/07/98, 30/09/01, 01/06/10, 17/12/10, 1/05/13.

Name of entity

Karoon Gas Australia Ltd

ABN

53 107 001 338

Quarter ended ('Current Quarter')

30 June 2013

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(146,421)	(306,537)
(b) development	-	-
(c) production	-	-
(d) administration	(3,338)	(14,602)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,487	6,784
1.5 Interest and other costs of finance paid	(27)	(159)
1.6 Income taxes (paid)/ refund	(65)	(520)
1.7 Other – GST/VAT refunds/ (payments)	(13)	155
Net operating cash flows	(148,377)	(314,879)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	(24)
(b) security deposits (net)	23,461	19,512
(c) other fixed assets	(281)	(704)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Brazilian farm-out)	113,909	268,988
Net investing cash flows	137,089	287,772
1.13 Total operating and investing cash flows (carried forward)	(11,288)	(27,107)

	Current Quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(11,288)	(27,107)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other – Equity raising costs	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(11,288)	(27,107)
1.20 Cash as at beginning of Current Quarter/ year to date	210,351	227,802
1.21 Exchange rate adjustments to item 1.20	5,457	3,825
1.22 Cash as at end of Current Quarter	204,520	204,520

Payments to directors of the entity and associates of the directors, related entities of the entity and associates of the related entities

	Current Quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	462
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' remuneration included in 1.23: \$406,275
Consulting fees included in 1.23: \$56,089

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for the next quarter

	\$A'000
4.1 Exploration and evaluation expenditure	130,200
4.2 Development expenditure	Nil
4.3 Production expenditure	Nil
4.4 Administration expenditure	5,500
Total	135,700

Reconciliation of cash

Reconciliation of cash as at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows		Current Quarter \$A'000	Previous quarter \$A'000
5.1	Cash at banks and on hand	111,223	104,542
5.2	Short term bank deposits	93,297	105,809
5.3	Bank overdraft	-	-
5.4	Other	-	-
	Total: Cash as at end of Current Quarter (item 1.22)	204,520	210,351

Changes in interests in petroleum tenements

	Petroleum tenement reference	Nature of interest (note (2))	Interest as at beginning of Current Quarter	Interest as at end of Current Quarter
6.1	Interests in petroleum tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in petroleum tenements acquired or increased	-	-	-

Issued and quoted securities as at end of Current Quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid-up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during Current Quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary shares (fully paid)	221,420,769	221,420,769		
7.4 Changes during Current Quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 Convertible debt securities <i>(description)</i>				
7.6 Changes during Current Quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options and Performance Rights <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	<u>Options</u>			
	1,530,000		1407 cents	12 November 2013
	1,500,000		1150 cents	18 November 2013
	1,005,000		977 cents	31 October 2014
	100,000		977 cents	18 November 2014
	500,000		948 cents	18 November 2014
	2,110,000		730 cents	31 October 2015
	850,000		892 cents	1 May 2014
	1,200,000		995 cents	1 May 2015
	2,600,000		1098 cents	1 May 2016
	1,438,999		685 cents	29 November 2016
	<u>Performance Rights ('PER')</u>			
	259,469		zero	29 November 2015
7.8 Issued during Current Quarter				
7.9 Exercised during Current Quarter				
7.10 Expired/cancelled during Current Quarter	<u>Options</u> 100,000		730 cents	
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- A. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act 2001* or other standards acceptable to ASX (see note 5).
- B. This statement does give a true and fair view of the matters disclosed.

Signed: Date: 31 July 2013
(Company Secretary)

Print name: Scott Hosking

Notes:

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint operating agreement and there are conditions precedent, which will change its percentage interest in a petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6 ‘Exploration for and Evaluation of Mineral Resources’* and *AASB 107 ‘Statement of Cash Flows’* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Appendix 1

Schedule of Interests in Petroleum Tenements

Held by the Karoon Gas Australia Ltd Group

As at 30 June 2013

<u>Exploration Permit</u>	<u>Basin</u>	<u>Operator</u>	<u>% Interest Held</u>
WA-314-P	Browse, Australia	ConocoPhillips	90 (1)
WA-315-P	Browse, Australia	ConocoPhillips	40 (1)
WA-398-P	Browse, Australia	ConocoPhillips	40
WA-482-P	North Carnarvon, Australia	Karoon	100 (2)
Block S-M-1037	Santos, Brazil	Karoon	65 (3)
Block S-M-1101	Santos, Brazil	Karoon	65 (3)
Block S-M-1102	Santos, Brazil	Karoon	65 (3)
Block S-M-1165	Santos, Brazil	Karoon	65 (3)
Block S-M-1166	Santos, Brazil	Karoon	65 (3)
Block S-M-1352	Santos, Brazil	Petrobras	20 (4)
Block 144	Maranon, Peru	Karoon	100
Block Z-38	Tumbes, Peru	Karoon	75 (5)

- (1) 1.5% over-riding royalty for first five years of production, going to 2% thereafter.
- (2) Subject to regulatory approval and completion of Year 1 and 2 work programme commitments. Following completion of the second year of the permit term, Karoon has withdrawal rights under the farm-in agreement and would be removed from title after Year 2 and before Year 3 well commitment is due. If Karoon elects to acquire the permit, such assignment will be conditional on regulatory approval. Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and a royalty in the event of production.
- (3) Subject to regulatory approval of the ANP and completion by Pacific Rubiales Energy Corp. of its farm-in commitments for its 35% equity interest in these Blocks.
- (4) The Group's 20% participating interest in the Block is subject to satisfying farm-in obligations and obtaining regulatory approvals from ANP.
- (5) The Group's 75% Block equity interest is subject to completion of farm-in obligations.