

8 November 2013



ASX Announcement

Grace-1 Exploration Well in WA-314-P Progress Report No 3

At 0600 WDT on 8th November, following pressure testing of the 9-5/8" casing and surface equipment, drilling has resumed in the 8-1/2" hole section which is currently drilling at a depth of 3,559 metres.

Since the 18 October 2013 Grace-1 progress report, the 13-3/8" casing at 2,767 metres was installed, the 12-1/4" hole section was drilled to 3,520 metres, and the 9-5/8" casing was run and cemented in place at 3,515 metres.

Grace-1 is the fourth well in the current exploration program, and 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

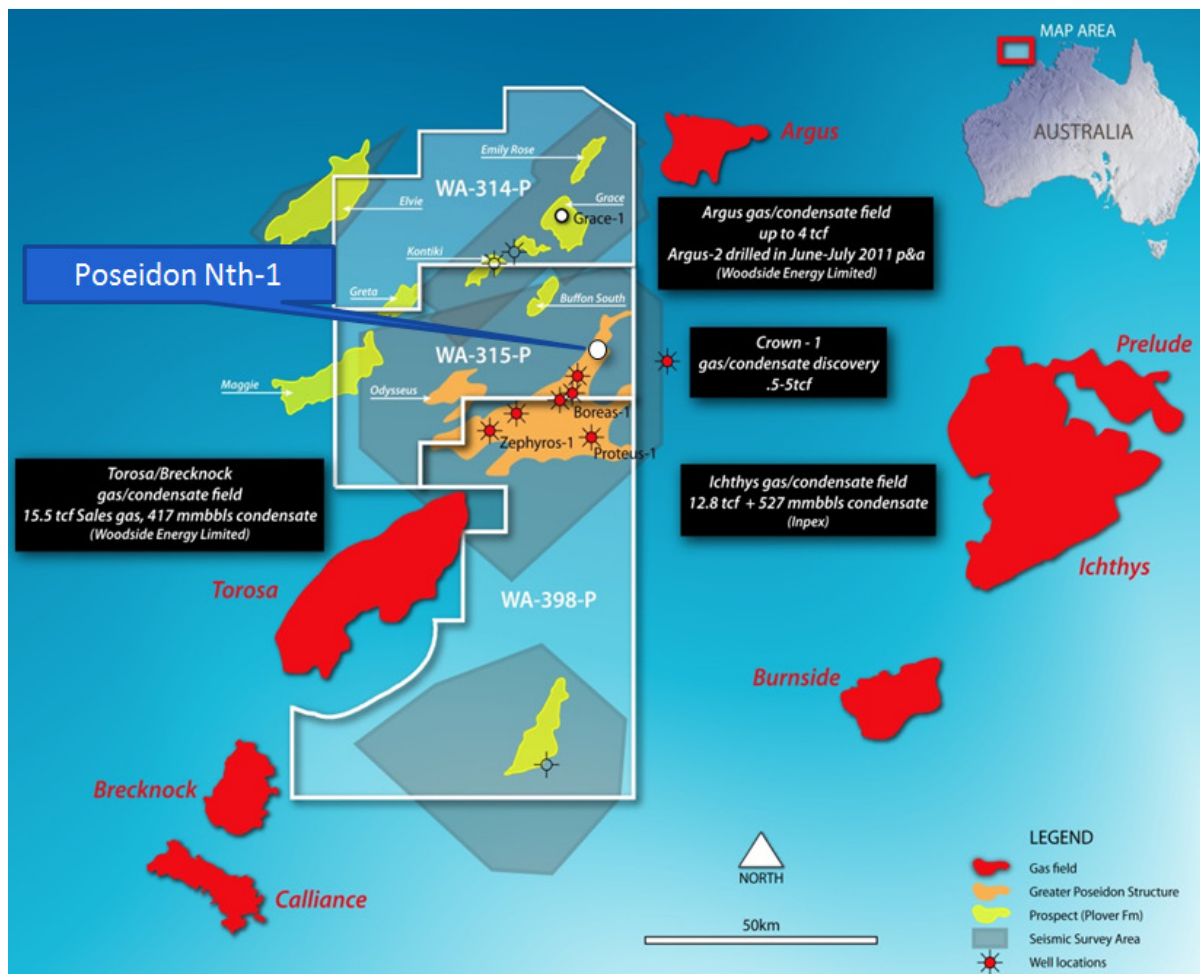
The exploration program, operated by ConocoPhillips, plans to utilise the Transocean Legend semi-submersible rig for the entire campaign and is expected to continue through 2014.

A minimum of six wells will be drilled during the exploration program. 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 Poseidon North-1 well, the Transocean Legend has a one month maintenance period to complete.

The next well in the campaign is Poseidon North-1, 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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