

16 December 2013



ASX Announcement

Brazil's ANP Approves Karoon's Appraisal Work Program Application

Karoon is pleased to announce it has received written notification from the Agência Nacional do Petróleo ("ANP") that the Discovery Appraisal Plan (Plano de Avaliação de Descobertas or "PAD") for blocks S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166 (the "Blocks") has been approved.

The PAD governs the next stage of the Concession Agreement and outlines the forward appraisal work program commitments Karoon will undertake on the Blocks. The work program comprises of a number of firm commitments to be completed by 31 December 2014 and contingent commitments, to be completed by 31 December 2016.

As part of the PAD and consistent with normal Block licencing practices, Karoon was required to relinquish part of the Blocks. The new Block area is outlined in the map below.

Approval of the PAD was the final regulatory hurdle to be cleared prior to contracting a rig and committing to the Phase 2 exploration and appraisal drilling campaign.

Key elements of the PAD

2014 Firm Commitments, to be completed by 31 December 2014 (over 12 months):

- Drill Kangaroo-2 appraisal well
- Drill Kangaroo West-1 exploration well
- Seismic reprocessing and quantitative inversion (QI) studies on the Bilby discovery
- Seismic reprocessing and QI studies on the Emu and Emu East prospects
- Basin modelling studies

2015/2016 Contingent Commitments, to be completed by 31 December 2016 (over 24 months):

The contingent work program for 2015 and 2016 will be determined by the results of the firm 2014 work program. This work program may include:

- QI studies at Kangaroo and Kangaroo West following the 2 firm wells
- Drilling Kangaroo-3, Kangaroo West-2, up-dip Emu-2 and / or Emu East-1

Kangaroo Discovery Appraisal a Key Priority

The PAD consolidates the Blocks into one work program which, following the integration and analysis of results from the firm commitment period, provides Karoon the maximum flexibility to focus the contingent work program on those projects that present the best potential development opportunity.

The Kangaroo discovery has been prioritised as the primary focus for the Phase 2 drilling campaign due to its favourable contingent resource size, oil quality and water depth. Ongoing reservoir modelling, geotechnical analysis and reservoir studies continue to be positive and supportive of the previously announced Contingent Oil Resource range of 1C-11, 2C-135 and 3C-489 million barrels¹. The discovery is categorised as a contingent resource because further work is required to confirm commerciality.

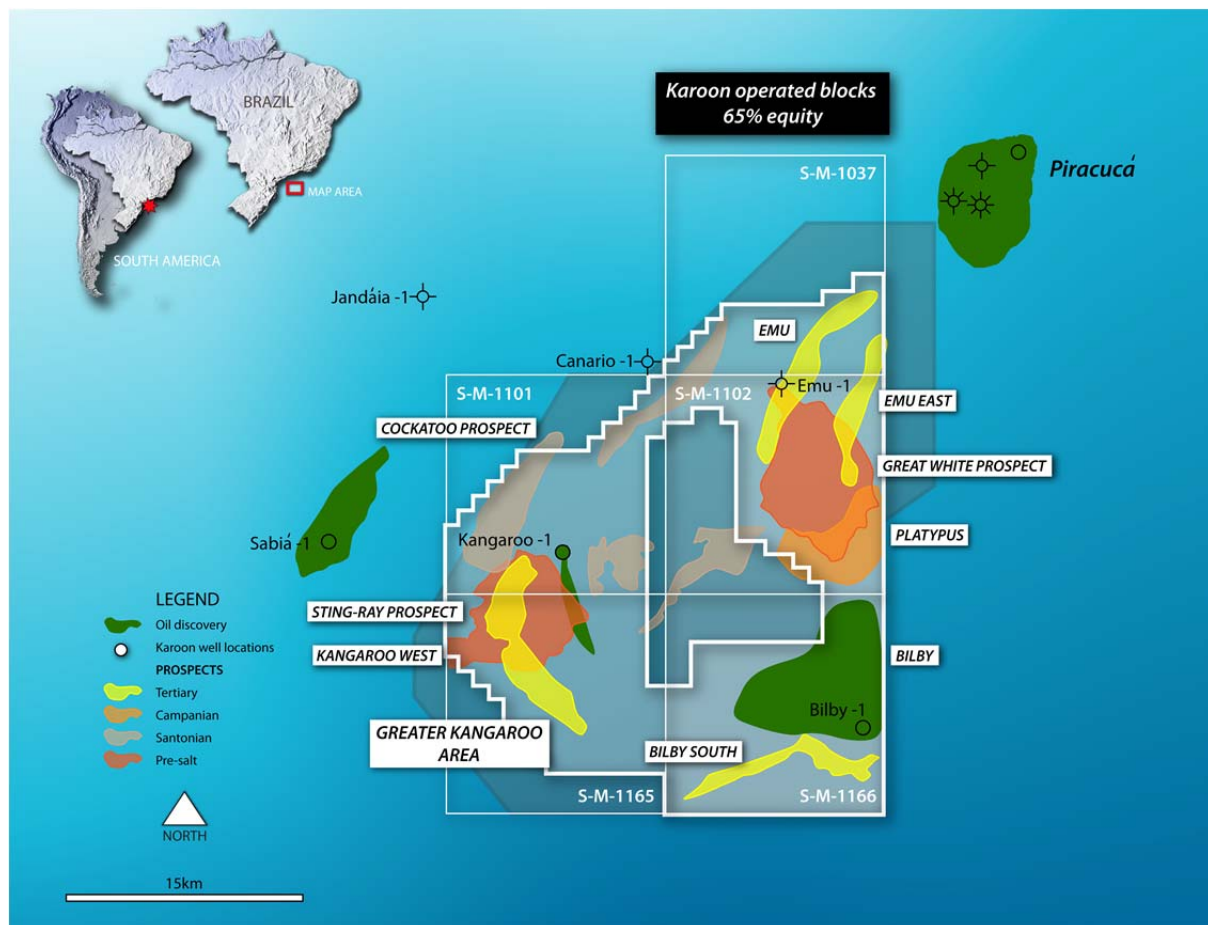
¹ See Important Notice on page 3

The Kangaroo-2 appraisal well is to be located 290 metres updip of the Kangaroo-1 exploration well and designed to confirm the size of the oil column and to determine the reservoir continuity and properties in an updip setting. Upon success, it is expected that the well will be production tested.

Due to its prospective size, being the same play type and its proximity to Kangaroo, the Kangaroo West-1 exploration well has also been prioritised and has the potential to add meaningful resource to any Kangaroo development.

As announced previously, Karoon has commenced Pre-FEED studies over the Kangaroo discovery which are expected to be conducted in parallel with the drilling campaign in an effort to fast track any potential development decision.

Preliminary internal economic evaluation is highly supportive of a commercially significant project.



Pre-salt Optionality Retained

Following the Kangaroo-1 and Bilby-1 discoveries and oil shows at Emu-1, and subsequent regulatory approval of the PAD, block retention is now guaranteed for the next stage of the Concession Agreement. As a result, Karoon retains optionality over the pre-salt targets, Stingray and Great White.

Karoon has commenced preliminary engineering studies to examine the technical challenges of drilling these targets, and is also making preparations for a targeted 3D seismic acquisition expected to commence mid-2014.

Seismic processing and interpretation, as well as the engineering studies are expected to be completed by 1H 2015. Following the completion of these technical studies, Karoon expects to be in a position to provide more detail on prospect sizing and forward exploration planning.

From the initial geotechnical studies, the pre-salt seismic expression matches the reservoir sequence characteristics in the proven pre-salt fields in the deeper water to the East. While Stingray and Great White are early stage exploration targets and the primary focus of the PAD is the appraisal of the Kangaroo discovery, the pre-salt potential remains an exciting opportunity for Karoon.

Important Notice

Resource and reserve estimates in this Announcement follow guidelines set forth by the Society of petroleum Engineers-Petroleum Resource management System (SPE-PRMS). The Contingent Oil Resource range is based on, and fairly represents, information and supporting documentation prepared by Mr Lino Barro, Engineering Manager of Karoon Gas Australia Ltd who is a qualified petroleum reserves and resources evaluator as defined under ASX Listing rule 19.12. Mr Barro is a member of Society of Petroleum Engineers, and he has consented to the use of the Contingent Oil Resource range in the form and context in which they appear in this Announcement.

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