

6 December 2013



ASX Announcement

Grace-1 Exploration Well in WA-314-P Progress Report No 5

At 1100 WDT on 6 December, the 6-1/2" hole section was drilling at a depth of 4,395 metres. The current hole section contains the primary Lower Plover formation target.

Since the 22nd November 2013 Grace-1 progress report, the 7-5/8" liner was cemented in place to a depth of 4,118 metres, BOP and surface equipment testing completed, the cement shoe drilled out and drilling in the 6-1/2" hole section commenced.

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

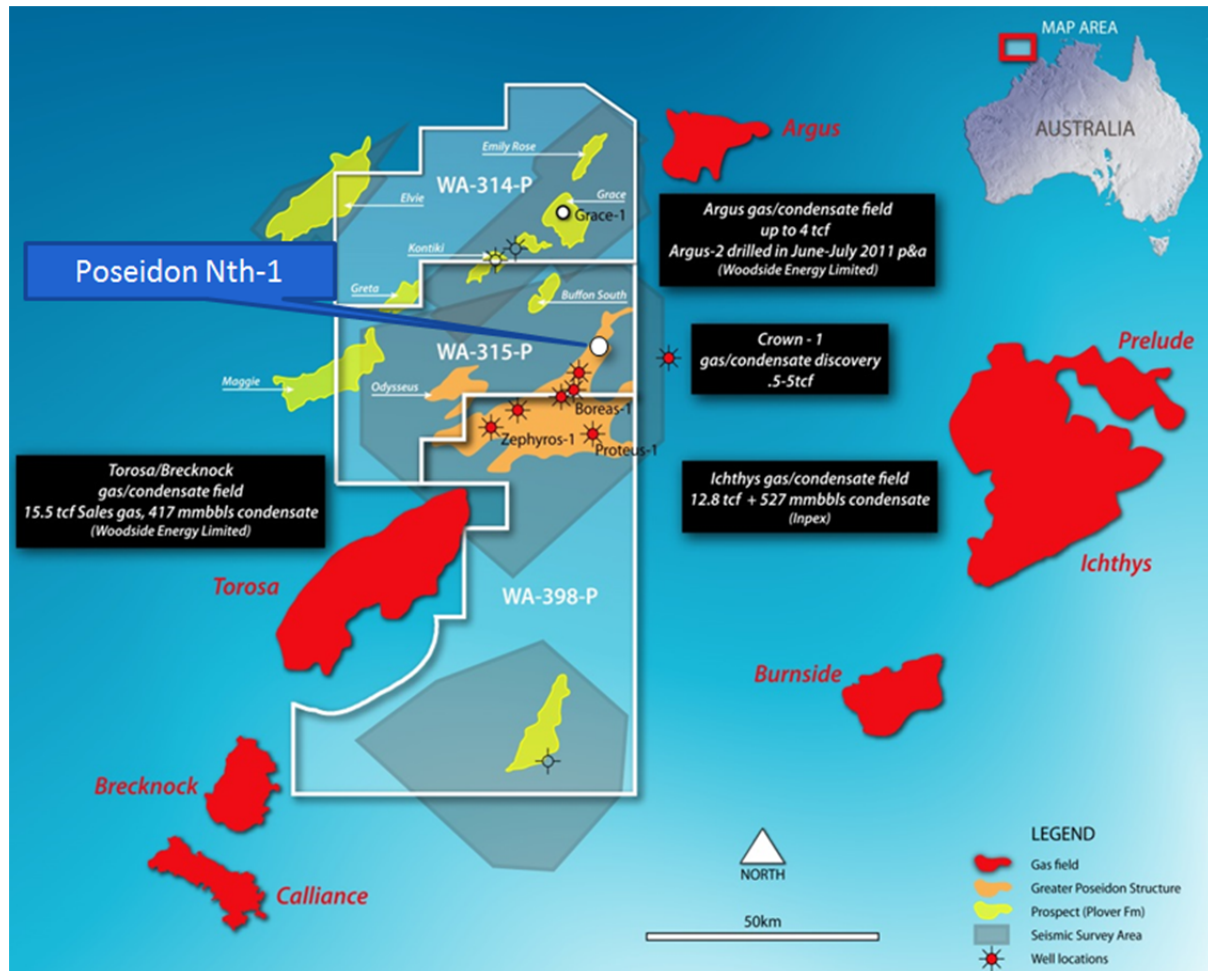
The exploration program, operated by ConocoPhillips, plans to utilise the Transocean Legend semi-submersible rig for the entire campaign and is expected to continue through 2014.

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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