

ASX Announcement

**Independently Certified Net Un-risked Prospective Resource,
Australia and Peru,
Best Case Net to Karoon 4.5 Tcf Wet Gas and 4.2Bn bbls Oil**

Karoon is pleased to announce the results of independent reports completed by DeGolyer and MacNaughton (“D&M”) for its Prospective Resource volumes across the Browse Basin, the Carnarvon Basin, and the Tumbes and Maranon Basins.

Karoon has calculated the following based on the information contained in the D&M Report, as at 31 December 2013.

Net Un-risked Prospective Resource - Wet Gas (Tcf)						
Basin - Permit	Country	Equity Interest	Low	Best	High	Pg*
Browse Basin - WA-314-P, WA-315-P, WA-398-P	Australia	**	2.1	4.5	8.7	0.23

Net Un-risked Prospective Resource - Oil (mmbbls)						
Basin - Permit / Block	Country	Equity Interest	Low	Best	High	Pg*
Carnarvon Basin - WA-482-P	Australia	100%	750	2,234	5,675	0.16
Browse Basin - WA-398-P	Australia	40%	95	185	354	0.08
Tumbes Basin - Block Z38	Peru	75%	686	1,686	3,764	0.15
Maranon Basin - Block 144	Peru	100%	53	107	195	0.25
Total (Oil - mmbbls)			1,583	4,212	9,988	

*Pg - Probability of Geologic Success

** WA-314-P 90%; WA-315-P 40%; and WA-398-P 40%

Note, permits WA-314-P and WA-315-P are subject to an overriding royalty of 1.4845% increasing to 1.9845% after 5 years of production. Permit WA-482-P is subject to an overriding royalty of 1.49% increasing to 1.99% after 5 years of production. The net un-risked prospective resource numbers in the table above have been presented before adjusting for any overriding royalties due to the uncertainties around any potential development and production.

The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. Karoon will be able to make an assessment of the chance of development with respect to these prospective resource estimates once such further exploration appraisal and evaluation is conducted.

The prospective resource volume estimates presented in the D&M reports are based on seismic survey data, nearby well data and other geologic information and prepared on a probabilistic method in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

The prospective resources reported are summarized by both the statistical aggregation and arithmetic summation methods. The net un-risked prospective resource volumes represented in the table above are derived from the volumes prepared under the arithmetic summation method. There is no certainty that any portion of the prospective resources estimated on behalf of Karoon will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Asset Summary:

Australia

In the Browse Basin, Karoon has a 90% interest in exploration permit WA-314-P and a 40% interest in exploration permits WA-315-P and WA-398-P. The permits have a combined area of 7,828 square kilometres. During 2009 Karoon announced the discovery of the Greater Poseidon gas resource in exploration permits WA-315-P and WA-398-P.

The Browse Basin prospective resource volumes represented in the D&M report are undiscovered and are in addition to Karoon's Greater Poseidon discovered gas resource.

Karoon is drilling the final 2 wells of the Phase 2 exploration drilling campaign in the Browse Basin permits. The fifth well in the campaign, Poseidon North-1 is currently drilling in WA-315-P and will be followed by the sixth and final well in WA-398-P.

In the Carnarvon Basin, Karoon has a 100% interest in exploration permit WA-482-P. The permit covers a 13,630 square kilometres. Karoon is planning to drill one exploration well in the permit during 2015.

Peru

In the Tumbes Basin, Karoon has a 75% interest (subject to completing farm-in obligations) in exploration concession, Block Z-38. The Block covers an area of 4,875 square kilometres.

Pre-drill planning is underway in preparation for the Tumbes Basin Phase 1 exploration drilling campaign, which is expected to consist of 2 wells and planned to commence during 2015.

In the on-shore Marañon Basin, Karoon has a 100% interest in exploration concession Block 144. The block is currently in force majeure, work program commitments will resume once force majeure is lifted.

Competent Persons Statement

The prospective resources information contained in this report is based on, and fairly represents, information and supporting documentation prepared under the supervision of Thomas D. Scott, Jr. Such documentation includes:

- “Report as of December 31, 2013 on the Prospective Resources attributable to Various Prospects owned by Karoon Gas Australia Ltd in Various License Blocks Australia”;
- “Report as of December 31, 2013 on the Prospective Resources attributable to Various Prospects owned by Karoon Gas Australia Ltd in the License Block WA-482-P Australia”; and
- “Report as of December 31, 2013 on the Prospective Resources attributable to Various Prospects owned by Karoon Gas Australia Ltd in Various License Blocks Peru”

Mr. Scott is a Senior Vice President and Senior Geologist with DeGolyer and MacNaughton, a registered Texas professional geoscientist, certified petroleum geologist, and a member of the American Association of Petroleum Geologists. He has 29 years of oil and gas industry experience. He has consented in writing to the inclusion of this information in the form and context in which it appears.

DeGolyer and MacNaughton

DeGolyer and MacNaughton is an international petroleum consulting firm with offices in the United States of America, Canada and Russia, who specialise in evaluation of reserves and resources for major oil and gas companies, governments, financial institutions and the investment industry. DeGolyer and MacNaughton have conducted assessments of and for the largest petroleum and financial companies in the world.

SPE-PRMS Standards

Society of Petroleum Engineers- Petroleum Resource Management System-Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth’s crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

The PRMS reporting system provides uniform guidelines for the evaluation and reporting of petroleum reserves and resources. Under PRMS:

“Prospective resources”, as reported by D&M, are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

Glossary

- Low, Best and High estimates – Low, Best and High estimates mean there is a 90%, 50% and 10% chance, respectively, that an estimated quantity of prospective resources volume will be equalled or exceeded assuming a discovery has been made (success case).
- Mmbbls - Million barrels of oil
- Probability of Geologic Success – The probability of geologic success (Pg) is defined as the probability of discovering reservoirs that flow hydrocarbons at a measurable rate. The Pg is estimated by quantifying with a probability each of the following individual geologic factors: trap, source, reservoir and migration. The product of the probabilities of these four chance factors is Pg. Pg is predicted and correlated to the minimum case prospective resources gross recoverable volume(s). Consequently, the Pg is not linked to the economically viable volumes, economic flow rates, or the economic field size assumptions.
- Tcf – Trillion cubic feet of gas.

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About Karoon Gas Australia Ltd

Karoon Gas Australia Ltd is a global oil and gas exploration company with projects in Australia, Brazil and Peru and a member of the S&P/ASX 200 Index.

Karoon looks for high equity interests in early stage exploration opportunities containing large potential targets in basins with proven Petroleum Systems. Karoon strives to create shareholder value through the geotechnical work-up of the acreage, leveraging its high equity interests to explore and appraise these opportunities to achieve commercialisation.

While the company's core strategy is identifying off-shore early stage exploration opportunities, Karoon's longer-term strategy is to retain residual equity interests in the assets as they go into production.