

ASX Announcement

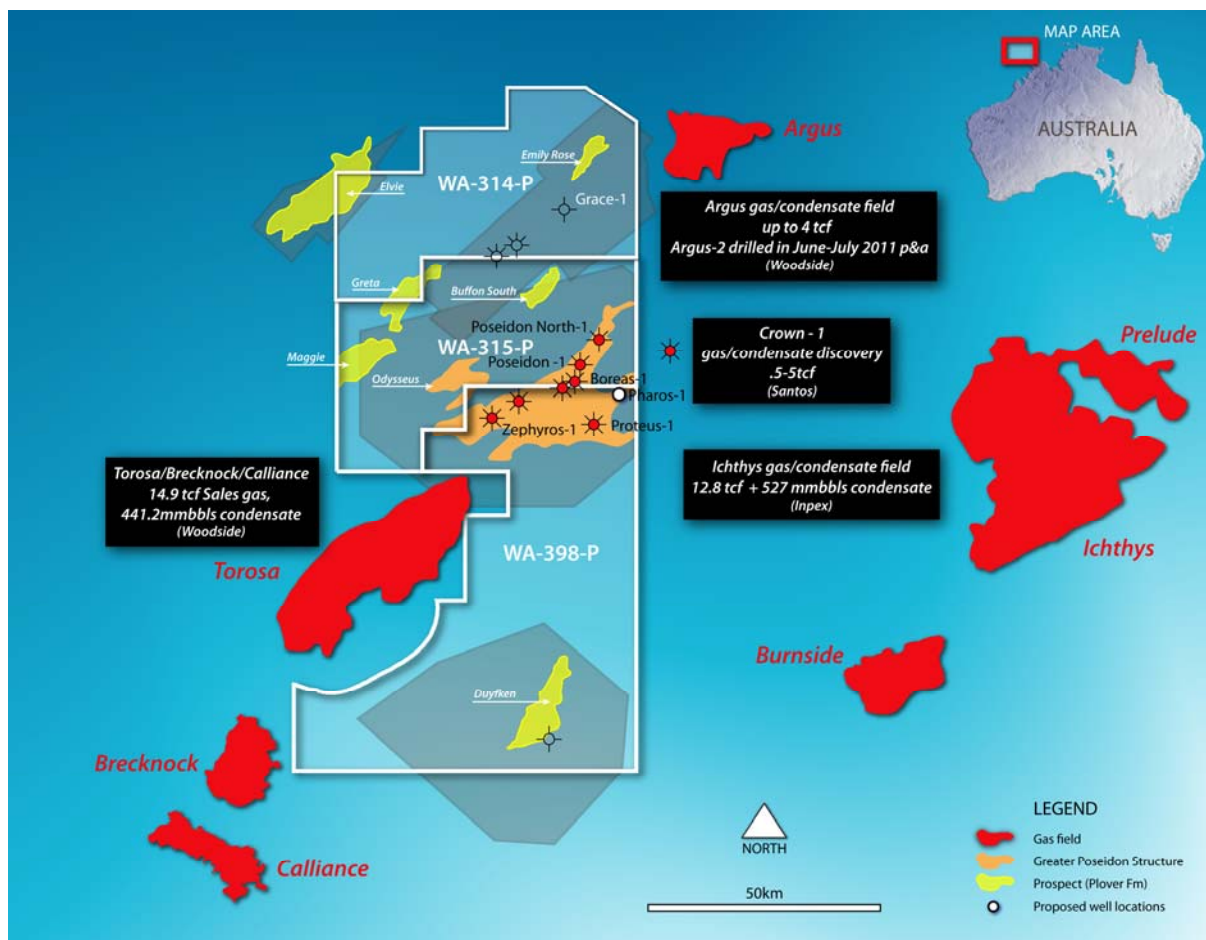
**Pharos-1 Exploration Well, WA-398-P
Progress Report No 3**

As at 0600 WST on 16 June 2014 the Pharos-1 well was drilling ahead at 4,570 mRT in the 8-1/2" hole section.

Since the last update, the 12-1/4" hole section was drilled 1,719 metres from the 13-3/8" casing shoe at 2,316 mRT to a depth of 4,035 mRT. The 9-5/8" casing was then run to a depth of 4,030 mRT where it was cemented in place prior to drilling ahead in 8-1/2" hole size.

Pharos-1, the sixth and final well in the Browse Basin Phase 2 Exploration Drilling Campaign is located approximately 9 kilometres north east of Proteus-1 and will be a further test of the Proteus-Crown trend. Pharos-1 is targeting an extension of the discovery made at Proteus-1 which established excellent reservoir quality and condensate bearing gas in the Montara formation.

Pharos-1 is a low risk exploration well with the potential to add considerable resource to any future Poseidon development.



The exploration campaign, operated by ConocoPhillips, is using the Transocean Legend semi-submersible rig for the final well. The principal objective of the campaign is to better define the size and quality of the hydrocarbon resource within the exploration permits which contain the Greater Poseidon trend.

ConocoPhillips is the operator of the WA-315-P Browse Basin permit in which Karoon Gas Australia Ltd currently holds 40%.

For further information please see the Karoon website or contact:

Scott Hosking | Company Secretary
T: +613 5974 1044
E: shosking@karoongas.com.au

James Wootton | Investor Relations
T: +613 9616 7520
E: jwootton@karoongas.com.au

Ian Howarth | Collins Street Media
T: +614 0782 2319
E: ian@collinsstreetmedia.com.au

About Karoon Gas Australia Ltd

Karoon Gas Australia Ltd is an international 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.