

ASX Announcement

Kangaroo-2 Appraisal Well Progress Report No 3

As at 2000 hrs BRST on 18 November 2014 drilling is ongoing in the 12-1/4" hole section at a current depth of 1,760 mRT.

Kangaroo-2 penetrated the target Paleocene reservoir at 1,660 mRT as indicated by increased LWD resistivity readings, elevated gas readings and oil shows seen in mud log cuttings from the reservoir section consistent with reservoir descriptions from Kangaroo-1.

Drilling will continue to total depth before running wireline logging designed to confirm the presence and extent of the hydrocarbon column. Coring and flow testing is expected to be undertaken upon a successful outcome from wireline logging.

Since the 14 November 2014 Progress Report, BOP and equipment testing was completed, the cement shoe drilled out and drilling in the 12-1/4" hole section commenced.

The Kangaroo-2 appraisal well is located in block S-M-1165 and is the first well in the current Santos Basin exploration and appraisal drilling campaign. The well is designed to confirm size of the oil column, the presence and size of a possible gas cap, reservoir continuity and properties, and flow rates for the Kangaroo oil discovery. This information will be crucial for assessing the commerciality of the Kangaroo oil field and, upon success, will be the basis for the Front End Engineering and Design ('FEED') phase bringing the project a step closer to commerciality.

The well is located approximately 300 metres updip from Kangaroo-1 and will test the thick reservoir sequence observed in all surrounding wells. Karoon is targeting a 350 metre plus gross hydrocarbon column in this well.

Karoon holds a 65% interest in and is operator of the jointly held S-M-1165 block, Santos Basin.

The 'Olinda Star' semi-submersible drilling rig is drilling the appraisal well.

Upcoming Well Program

The exploration and appraisal drilling campaign, operated by Karoon, plans to utilise the 'Olinda Star' semi-submersible drilling rig for the entire campaign, which is expected to continue through first half 2015.

The rig contract provides Karoon with 2 firm wells plus 2 option wells, providing maximum flexibility for further appraisal of the Kangaroo oil discovery, including testing and appraisal of the Kangaroo West prospect in the event of a successful drilling in the first 2 wells.

The second well in the program is the Kangaroo West-1 exploration well, targeting a net un-risked prospective resource of 330mmbbbls. Due to the large size and proximity to Kangaroo, a successful outcome at Kangaroo West-1 would materially add to any possible development of the Kangaroo oil field.

The play type for Kangaroo West-1 is proven at Kangaroo-1 with the intersection of a 76m gross oil column and oil recovered to surface from wireline DSTs. Kangaroo West-1 is located on the western flank of the same salt structure as Kangaroo-1 and has the same trap type and reservoir and seal intervals that have been mapped into the prospect from surrounding wells.

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.

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		

Forward looking statements

This announcement may contain certain "forward-looking statements" with respect to the financial condition, results of operations and business of Karoon and certain plans and objectives of the management of Karoon. Forward looking statements can generally be identified by words such as 'may', 'could', 'believes', 'plan', 'will', 'likely', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties, which may include, but are not limited to, the outcome and effects of the subject matter of this announcement. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward looking statements as actual outcomes may differ materially from forward looking statements. Any forward-looking statements, opinions and estimates provided in this announcement necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of Karoon. Such statements may cause the actual results or performance of Karoon to be materially different from any future results or performance expressed or implied by such forward looking statements. Forward-looking statements including, without limitation, guidance on future plans, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward looking statements speak only as of the date of this announcement.

Karoon disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.