

ASX Announcement

**Kangaroo-2 Appraisal Well
Progress Report No 5**

Operational Update

As at 2000 hrs BRST on 2 December 2014, wireline logging of the Kangaroo-2 appraisal well was complete and preparations were underway to run the 9-5/8" test casing prior to commencing the production testing program which will take place over the coming weeks.

It is anticipated Karoon will provide the next Kangaroo-2 appraisal well progress report following the completion of the production testing program. A decision on a potential side-track and coring program will be made on completion of the testing program.



Recovered Oil Sample from Kangaroo-2.

Forward program

Following the completion of all operations on the Kangaroo-2 appraisal well, the rig will be moved to drill and evaluate the Kangaroo West prospect approximately 4.5 kilometres distant on the western side of Kangaroo salt structure.

The Kangaroo-2 appraisal well is located in block S-M-1165, approximately 300 metres updip and 4 kilometres South of Kangaroo-1 and is the first well in the current Santos Basin exploration and appraisal drilling campaign. The information obtained from Kangaroo-2 will be crucial for assessing the commerciality of the Kangaroo oil field and will be the basis for the Front End Engineering and Design ('FEED') phase bringing the project a step closer to commerciality.

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

Upcoming Well Program

The exploration and appraisal drilling campaign, operated by Karoon, is expected to continue through first half 2015.

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

Following Kangaroo-2, the second firm well in the program is the Kangaroo West-1 exploration well. 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 salt flank play was first proven by Kangaroo-1 with the intersection of a 76 metre gross oil column and oil recovered to surface from wireline DSTs. Results of the Kangaroo-2 further confirm the viability of the play. 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.

The 'Olinda Star' semi-submersible drilling rig is drilling the entire drilling program.

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.

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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.

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