

ASX Announcement

**Kangaroo-2 Appraisal Well
Progress Report No 9**

Side-Track Program Complete

Highlights

- 39 degree API oil recovered from Paleocene aged reservoir,
- The Kangaroo-2 up-dip side-track reached a total depth (1,960 mRT) and the wireline program near completion with evaluation work ongoing.

Karoon Gas Australia Ltd's Kangaroo-2 appraisal well, located in exploration Block S-M-1165, Santos Basin off-shore Brazil, confirmed a 250 metre gross (135 metre net) oil column in Paleocene and Maastrichtian aged reservoirs, as announced on 26 November 2014. The successful multi formation production testing program conducted in the Kangaroo-2 vertical well, results announced in Progress Report No 6 and Progress Report No 7, was followed by a down-dip and up-dip side-track program.

Karoon is the operator and has a 65% interest in the jointly held Block S-M-1165, Santos Basin, Brazil. Pacific Rubiales Energy Corp holds the remaining 35% interest.

Up-Dip Side-track Drilling Results

The up-dip side-track penetrated oil bearing sands in the Paleocene reservoir section, where 5 reservoir fluid samples were recovered by wireline from a 37 metre gross oil column with a net to gross of 60% and an average porosity of 27%. One sample was opened on surface and contained 2.9 litres of 39 degree API oil. The remaining samples will be analysed in onshore laboratories. Pressure data indicates that the Paleocene oil bearing reservoir is in a separate pressure compartment from those seen in Kangaroo-2.

The Maastrichtian reservoir was water bearing where a second fault separates the up-dip Maastrichtian from the oil accumulations in the vertical and down-dip side-track wells.

Aquifer pressure data indicates that the Maastrichtian and Campanian sections in this well and all the previous Karoon wells are normally pressured. This supports the presence of a common aquifer which would likely provide water drive. This is important information for production and recovery modelling.

No gas cap was penetrated in any reservoir. The lack of a gas cap is positive as it indicates no oil has been displaced by gas in the Kangaroo reservoirs.

Kangaroo-2 up-dip side-track-2 was drilled to collect and evaluate information on the characteristics of the Paleocene and Maastrichtian reservoirs in the up-dip location, closer to the salt diaper. The information from the Kangaroo-2 vertical well and the down-dip and up-dip side-tracks is important

to help better define the resource size, recovery factors and will be used to build a more robust geological model and contribute to the refinement of field development concepts.

Karoon Managing Director Robert Hosking said:

“With the first appraisal and sidetrack program at Kangaroo-2 complete, the joint venture has taken a significant step forward in understanding the field. Well data indicates a number of separate accumulations make up the field, and there is no significant gas cap as originally prognosed. The production testing results are very encouraging, highlighting commercial flow rates are achievable from the Kangaroo oil field and play type. With this new well data and new re-processed seismic now available, the key task going forward is to gain a better understanding of the variable reservoir distribution and properties around the field area and to assess the impact of this on recoverable volumes.

These wells have proven a play type with potentially hundreds of millions of barrels trapped in place in the Kangaroo oil field (recovery factor to be determined). Follow-up drilling of this same play will commence over the coming days immediately to the west at Kangaroo West-1.

Karoon is very pleased to progress to the next exciting well in the program on time and on budget.”

Kangaroo-2 Side-Track Program

The information obtained from Kangaroo-2 and its two side-track wellbores is important for assessing the commerciality of the Kangaroo oil field and will be used to update the field subsurface development plan which will drive Front End Engineering and Design ('FEED') bringing the project a step closer to possible execution.

The Kangaroo-2 appraisal well is located in exploration Block S-M-1165, approximately 300 metres up-dip and 4 kilometres south of Kangaroo-1 and is the first well in Karoon's Santos Basin exploration and appraisal drilling campaign.

Forward Program

The Olinda Star rig will now move to, and commence drilling at the Kangaroo West-1 exploration well (the second firm well in the program) to evaluate the salt-flank prospect on the western side of Kangaroo salt structure, approximately 4.5 kilometers from Kangaroo-2. Due to large size and proximity to Kangaroo, a successful outcome at Kangaroo West-1 could 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 and further confirmed by the results at Kangaroo-2. The Kangaroo-2 vertical well intersected 250 metre gross (135 metre net) oil column in Paleocene and Maastrichtian aged reservoirs and production tested a stabilised flow rate of 3,300 stb/d through a 1"choke with a flowing tubing head pressure of 430 psia, a gas-oil-ratio of 650 scf/stb and 38 degree API oil.

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 exploration and appraisal drilling campaign is expected to continue through first half 2015 with the 'Olinda Star' semi-submersible rig drilling the entire campaign.

The rig contract provides Karoon with 2 firm wells plus 2 option wells, and, in the event of a successful drilling outcome in the first 2 wells provides maximum flexibility for further appraisal of the Kangaroo oil discovery, additional drilling at Kangaroo West or possibly targeting other prospects.

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:

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