

ASX Announcement

Kangaroo West-1 Exploration Well Progress Report No 3

Forward Program and Kangaroo Field Evaluation Update

As at 1330 hrs BRT on the 18 March 2015, the Kangaroo West-1 exploration well, located in exploration block S-M-1165, had reached its planned total depth of 3,170 mRT. Based on mudlog and LWD petrophysical data, no hydrocarbons were intersected.

The well intersected a good thick sealing unit before penetrating a thick sequence of Paleocene to Campanian interbedded sands and shales. The lack of hydrocarbons is attributed to a lack of oil migration charge into the structure, previously recognised as the main risk with this prospect.

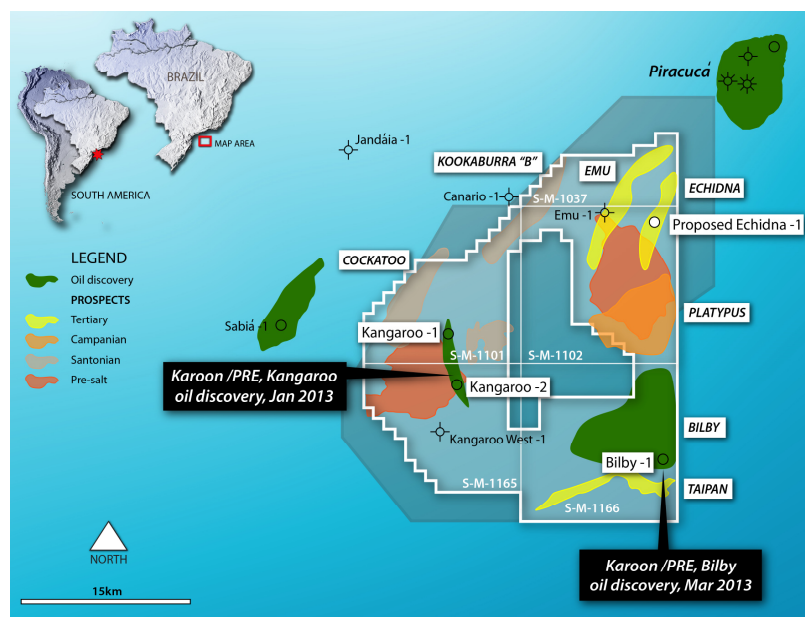
Since the 16 March 2015 Progress Report No 2, the well was drilled from 1,759 mRT to the current depth. Current operations are completing a wireline logging program. The rig will then move to the next well location in the coming days.

The Kangaroo West-1 exploration well is estimated to cost approximately US\$34 million net to Karoon.

Forward Program

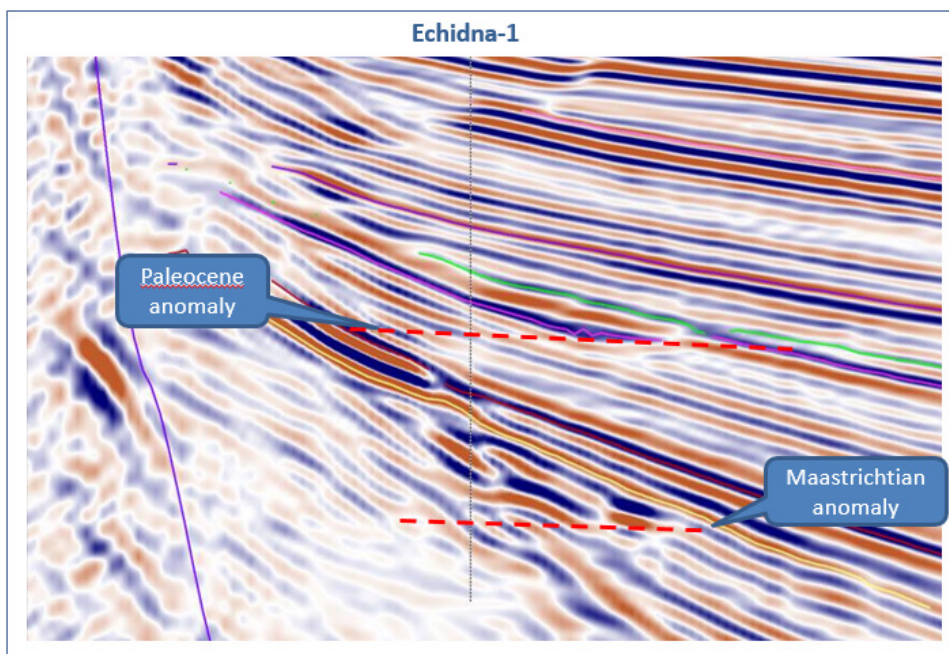
Based on the integration of well results, interpretation of new higher resolution 2 millisecond seismic data and the material prospective resource size, the Joint Venture has elected to take up the first option well to drill the Echidna-1 exploration well.

The Echidna prospect is located in exploration block S-M-1102, approximately 20 kilometres north-east of Kangaroo on the eastern flank of a salt diapir in a similar geological setting to the Kangaroo oil field.



The 3D seismic at Echidna shows excellent seismic anomalies similar to that seen in Kangaroo-2 where in some reservoirs the oil water contact (flat spot) has been imaged, boosting confidence in the presence of oil.

Based on the new higher resolution seismic data, the faulting density in the Echidna prospect appears to be less than that seen in surrounding fields and prospects, reducing the complexity of any potential oil accumulation. The Paleocene and Maastrichtian reservoirs in the Echidna prospect were deposited in shallower marine settings relative to other Karoon wells, resulting in an increased likelihood that cleaner and better reservoirs are present.



The net unrisks Echidna prospective resource estimate to be tested in the Echidna-1 exploration well is as follows:

Net Unrisks Prospective Resource					
Prospect	Interest	Type	Low	Best	High
Echidna	65%	Oil (mmbbls)	37	95	226

The Echidna prospect has been risked with a chance of success calculated at 43%.

The estimated quantities of petroleum that may potentially be 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. There is no certainty that any portion of the prospective resource 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.

The Echidna net un-risked prospective resource estimates were assessed by Karoon's Engineering Manager, Mr Lino Barro on 15 March 2015 (see Competent Persons Statement below). They 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.

Kangaroo field evaluation status

Work is progressing with the interpretation of the new data received following the drilling of Kangaroo-2 and its two sidetracks. More data is still to be received from contractors including core and fluid sampling data. In the coming months, the remapping with this new higher resolution 2 millisecond seismic data will also be integrated into the field model.

In addition, the rig contract provides Karoon with one additional option well providing flexibility for further appraisal of Kangaroo or Echidna upon success. In the event the Joint Venture elects to take up the second well option, a further update on the Kangaroo resource is not expected until the completion of any further appraisal drilling on the field.

The current exploration and appraisal drilling campaign, operated by Karoon, is using the 'Olinda Star' semi-submersible drilling rig for the entire campaign.

Karoon holds a 65% interest in and is operator of the jointly held exploration blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166, Santos Basin, Brazil.

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.

Competent Persons Statement – Mr Lino Barro, Karoon Gas Australia Ltd Engineering Manager

Any petroleum reserves, contingent resources and prospective resources information contained in this announcement relating specially to Santos Basin, Brazil, exploration blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165, S-M-1166 are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of, Mr Lino Barro, Karoon Gas Australia Ltd Engineering Manager. Mr Barro has the following qualifications B.Eng. (Chemical), MBA. Mr Barro is a member of the Society of Petroleum Engineers. Mr Barro has consented in writing to the inclusion of this information in the format and context in which it appears.

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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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.