

1 July 2015



ASX Announcement

Exploration Permit WA-482-P, Carnarvon Basin Update

Karooon Gas Australia Ltd advises the Company received a Change of Control Notice (the "Notice") from its joint venture partner, Apache Northwest Pty Ltd ("Apache Northwest") on 15 May 2015 relating to Carnarvon Basin exploration permit WA-482-P (the "Permit") pursuant to the terms under the Joint Operating Agreement (the "JOA").

The Notice was a result of the sale of Apache Corporation's Australian subsidiary, Apache Energy Limited (renamed Quadrant Energy Australia Limited), including its wholly owned subsidiary Apache Northwest to Macquarie Capital Group Limited and Brookfield Asset Management Inc. for US\$2.1 billion, announced 8 April 2015. The transaction closed on 5 June 2015.

As a result of the Change of Control provisions in the JOA, Karoon held pre-emptive rights over Apache Northwest's 50% interest in the Permit which it has subsequently waived.

Apache Northwest advised Karoon that the cash value for its 50% interest in the Permit is US\$241 million as at 1 October 2014.

Operations Update – Levitt-1 Exploration Well

The Ocean America semisubmersible drilling rig is currently mobilising to location, with the Levitt-1 exploration well expected to spud during the first week of July.

The Levitt-1 exploration well is a high impact exploration well in which Karoon has a material 50% equity interest and is carried for 90% of the cost of the well. The well is targeting a net unrisked prospective resource best estimate of 110mmbbls (gross 220mmbbls)¹.

Levitt-1 is designed to test the presence of a working petroleum system generating from the oil mature early Jurassic Wigmore sub-basin source kitchen. A successful result would open up a new exploration play in the Carnarvon Basin. The sub-basin contains a significant thickness of Jurassic source rocks of the same age and nature known to charge accumulations elsewhere in the Basin.

Levitt-1 is located to receive migrating hydrocarbons from the oil mature source kitchen, testing the North Rankin and the Legendre formations.

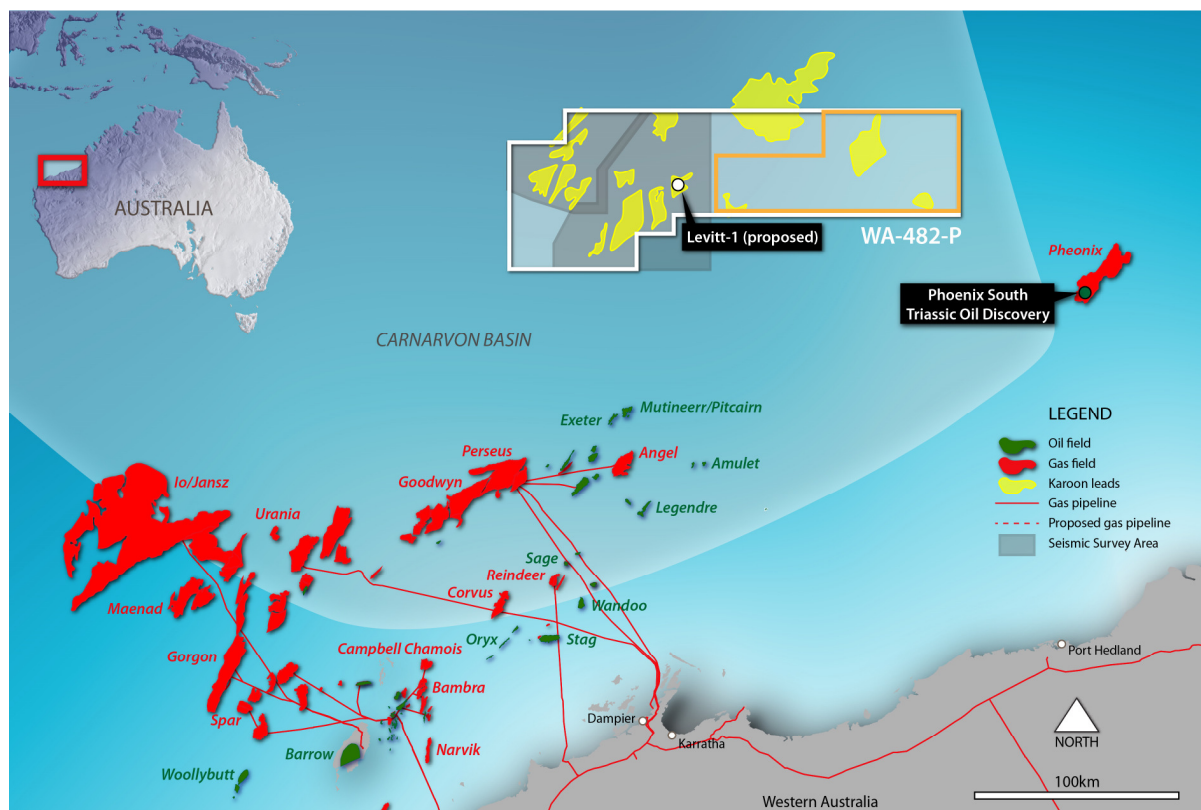
The North Rankin and shallower Legendre formations are established highly productive reservoir units which have been mapped into the Levitt structure.

The North Rankin formation is present in a large tilted fault block which is interpreted to be sealed by thick marine shales. The Legendre formation is present in a 4-way dip and fault trapping structure, interpreted with stacked pay potential.

The prospect is well defined at all levels and has been mapped on a recently reprocessed 3D seismic data set.

¹ Refer to the Prospective Resource Statement on page 2

The presence of hydrocarbons in Levitt-1 would be a very significant event as it would prove the presence of a working petroleum system in the permit which covers an enormous area, 13,539 square kilometres. The permit has multi-billion barrel oil potential with numerous follow-up targets identified. These prospects are well defined on 3D seismic and considered to be “drill-ready” by the joint venture.



Prospective Resources Statement

WA-482-P prospective resource volume estimates disclosed in Karoon’s 30 April 2014 ASX announcement and presented in the table below have been independently assessed by DeGolyer and MacNaughton on a probabilistic basis.

| Net Unrisked Resource | | | Prospective Category | | |
|-----------------------|----------|--------------|----------------------|-------|-------|
| Prospect / Permit | Interest | Type | Low | Best | High |
| Levitt | 50% | Oil (mmbbls) | 36 | 110 | 275 |
| WA-482-P | 50% | Oil (mmbbls) | 375 | 1,117 | 2,837 |

Karoon is not aware of any new information or data that materially affects the resource estimates and all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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.

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:

| | |
|---------------|----------------------------------------------------------------------------------------------------------------------------------|
| 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.