

ASX Announcement

**Kangaroo-2 Appraisal Well
Progress Report No 4**

250 Metre Gross Oil Column Intersected

- **Kangaroo-2 appraisal well, offshore Brazil, encountered multiple oil bearing zones.**
- **Oil confirmed and recovered from 5 separate reservoirs within the Palaeocene (formerly reported as the Eocene) and the Maastrichtian formations.**
- **Oil recovered - 17 samples, estimated 40 degree API, Gas Oil Ratio (GOR) of 400 to 700 standard cubic feet per barrel (scf/bbl).**
- **250 metre gross and 135 metre net reservoir pay confirmed by wireline petrophysical logging and sampling.**
- **Production testing to be conducted over the coming month.**

As at 2000 hrs BRST on 25 November 2014 drilling had been completed at a total depth of 2,369 metres below rotary table (mRT) and a wireline logging program was underway.

Five separate oil bearing reservoir sand intervals over the interval 1,660mRT to 2,000mRT in the Palaeocene and Maastrichtian age formation have been penetrated with each interval having a separate oil/water contact. The gross oil column thickness totals 250 metres, and no gas cap was penetrated. Work is continuing to assess the impact of the well results on the contingent resource size given the absence of an anticipated gas cap and the impact of shallower oil water contacts in some of the sands.

Following further analysis of biostratigraphic data the previously reported Eocene age of the reservoir has now been confirmed as of Palaeocene age.

Section Analysis

The Palaeocene section contains a 90 metres gross oil bearing reservoir with a net to gross over 70% and porosities in the range 26%-34%. Three separate oil columns are present with sampling estimates of 40 degree API oil with a GOR of 500 scf/bbl. These Palaeocene oil accumulations are separate from that seen in Kangaroo-1.

The Maastrichtian section contains two oil bearing reservoirs. At the top of the Maastrichtian an 85 metre gross oil bearing reservoir interval has a net to gross over 60% and porosities in the range 22%-26%. The lower Maastrichtian oil bearing reservoir interval has a thickness of 75 metres, a net to gross of 25% and porosities in the range of 21%-25%. Oil recovered from the Maastrichtian reservoirs is estimated to be 40 degree API with a GOR range of 550-700 scf/bbl.

Water pressure data at Kangaroo-2 shows a common pressured aquifer as seen in surrounding wells.

Forward program

Wireline logging is expected to be completed over the coming days. At that point a production test is planned with an option to sidetrack and core being considered subject to final logging results.

All operations on the well are expected to be completed within the next four weeks before the rig moves to drill and evaluate the Kangaroo West prospect approximately 2 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 from 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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