

17 March 2017



ASX Announcement

Brazil Assets Acquisition Update

Karooon Gas Australia Ltd ('Karooon') would like to provide an update with respect to the disposal by Petróleo Brasileiro S.A. ('Petrobras') of the Baúna and Tartaruga Verde fields following the 15 March 2017 decision by the Brazilian Federal Accounting Court ('TCU') to allow the Petrobras divestment program to continue after previously ordering on 7 December 2016 that it be suspended pending review by the TCU.

Karooon would like to clarify that the TCU decision is separate and distinct from the court proceedings initiated on 25 October 2016 in the Federal Court of Sergipe against Petrobras, the Brazilian oil and gas regulator Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ('ANP') and Karoon, alleging that the correct sale procedure was not followed for the potential sale of an interest in the Baúna and Tartaruga Verde fields.

As such, the interim injunction granted on 19 November 2016 relating specifically to the potential sale of the Baúna and Tartaruga Verde fields remains in force, suspending any further negotiations between Petrobras and Karoon.

The current status of the court proceedings is that Karoon filed its legal defence in respect of the main court proceedings during February 2017 and Karoon understands that Petrobras is continuing with court proceedings to have the interim injunction lifted.

Managing Director, Mr. Robert Hosking said: *"Karooon welcomes the decision by the TCU relating to Petrobras' broader divestment process.*

Specifically relating to the Baúna and Tartaruga Verde fields, in the event of a favourable ruling on either the existing interim injunction or the main proceedings, Karoon looks forward to progressing with its final negotiations.

Karooon remains committed to working through the existing process."

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About Karoon Gas Australia Ltd

Karoon Gas Australia Ltd is an international oil and gas exploration company with projects in Australia, Brazil, and Peru.

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.

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.