
Resources Update

Karooon Gas Australia Ltd has revised its estimates as at 8 May 2018, of Contingent Resources in its Brazil Echidna and Kangaroo oil fields and Prospective Resources in Peru block Z-38 and Australian block WA-482-P due to new data analysis and interpretation.

Updated Contingent Resource estimates for Echidna and Kangaroo include reprocessed seismic interpretation and core lab data analysis.

Prospective Resource estimates in Peru block Z-38 have been updated. Gross (100%) 'Best' case Prospective Resources are estimated at over 1.3 billion barrels on an un-risked basis. The revised estimates, although lower than previously reported estimates, have lower geological risk and were critical to securing Tullow as a farm-in partner in February 2018 ahead of drilling in 2019.

Revised estimates in Australian permit WA-482-P after interpretation of new 3D seismic data have resulted in Gross (100%) 'Best' case Prospective Resources of 2.8 billion barrels of oil.

Echidna and Kangaroo Oil fields

These fields contain light oil and proven good reservoir deliverability as evidenced by successful well testing, providing confidence in the fields development potential. Karoon is currently seeking proposals from Service Companies to assess the various components of an Echidna development. Tendering Companies have been asked to provide proprietary technical and innovative commercial structures that are expected to develop the field most efficiently.

Karooon is expecting bids for an OPEX focused solution to reduce upfront CAPEX of a development. The concept development plan includes two optimally located long horizontal production wells aimed at accessing a large portion of Echidna's Contingent Resources.

Echidna Contingent Resource Estimates

The table below summarizes the probabilistic reassessment of Contingent oil Resources at 1C, 2C and 3C levels for Echidna. No gas resources are available for development in the field. Oil resources are estimated using probabilistic statistical aggregation for the Paleocene-A, Paleocene-B and Maastrichtian reservoirs, measured in millions of barrels of oil (mmbbls).

Echidna Contingent Resource Net to Karoon (Statistical Aggregation)						
Field	Interest	Type	1C	2C	3C	
Echidna	100%	Oil (mmbbls)	30	55	92	

Note; The contingent resource figures above reflect recoverable resource for the whole field, however the current development plan may not recover all these resources. At FID which is subject to farmout, Joint Venture approval of a final development plan and Board approval, contingent resources will be finalized and made available.

Echidna Contingent Resource Revisions

The previous Contingent Resource estimate provided to the market in September 2015 aggregated the individual Paleocene-A, Paleocene-B and Maastrichtian reservoirs on an arithmetical basis. A comparison with the updated resource estimate, also on an arithmetic basis, is shown below.

Echidna	Sep-15			May-18		
	1C	2C	3C	1C	2C	3C
Arithmetic Aggregation						
Contingent Resources (mmbbls)	25	75	152	20	52	102

Karoon now believes that the individual reservoirs should be aggregated using probabilistic addition rather than arithmetic addition as shown in the table above because Oil-In-Place reservoir parameter inputs are largely independent for each reservoir across the Echidna field. However the key inputs of GRV, OWC and NTG are judged to have some degree of dependency between reservoir units and have been assigned approximately 40-60% positive dependency.

Major changes in the contingent resource reassessment are as follows:

- The reassessment is based upon interpretation of a reprocessed seismic dataset (now 2ms PSDM, previously 4ms PSTM).
- Seismic QI products derived from the latest seismic data are interpreted to have identified oil-water-contacts (OWC) at shallower levels and with increased confidence (from 1915 to 1890 mSS at the 2C level). This has ultimately reduced the field GRV and narrowed the range. This is supported by revised pressure/saturation lab results from core plugs taken from Paleocene reservoirs in Echidna and Kangaroo wells.
- The updated interpretation recognizes potential for additional faulting within the field area. This is predominantly reflected in a reduction of GRV at the P90 level.
- Seismic QI interpretation has resulted in changes to field wide Net-To Gross (NTG) reservoir content estimates.
- Change in type of probability distribution used for NTG from a 'Weighted Distribution' to a 'Normal Distribution'. The 'Weighted distribution' does not incorporate a sufficient number of low or 1C inputs to the resulting probabilistically calculated oil-in-place calculation. The low side is therefore not realistically captured in the final results distribution.
- Revised depth conversion for Maastrichtian reservoirs has reduced GRV (and associated resource) by approximately 50% at the 2C level and 38% at the 1C level.

As a consequent of the changes outlined above, the level of certainty in the updated Contingent Resource estimate is now significantly greater.

Kangaroo Contingent Resource Estimates

The tables below summarize the probabilistic reassessment of contingent resources at 1C, 2C and 3C levels for Kangaroo. No gas resources are available for development in the field. Oil resources are estimated using probabilistic statistical aggregation for the Paleocene-A, Paleocene-B and Maastrichtian reservoirs.

Kangaroo Contingent Resource Net to Karoon (Statistical Aggregation)					
Field	Interest	Type	1C	2C	3C
Kangaroo	100%	Oil (mmbbls)	16	27	46

Kangaroo Contingent Resource Revisions

The previous Contingent Resource estimate provided to the market in September 2015 aggregated the individual Paleocene-A, Paleocene-B and Maastrichtian reservoirs on an arithmetical basis. A comparison with the updated resource estimate, also on an arithmetic basis, is shown below.

Kangaroo	Sep-15			May-18		
	1C	2C	3C	1C	2C	3C
Arithmetic aggregation						
Contingent Resources (mmbbls)	20	54	100	7	23	70

Karoon now believes that the individual reservoirs should be aggregated using probabilistic addition rather than arithmetic addition as shown in the table above because Oil-In-Place reservoir parameter inputs are largely independent for each reservoir across the Kangaroo field. However the key inputs of GRV, OWC and NTG are judged to have some degree of dependency between reservoir units and have been assigned approximately 40-60% positive dependency.

Major changes in the contingent resource reassessment are as follows:

- The reassessment is based upon interpretation of a reprocessed seismic dataset (now 2ms PSDM, previously 4ms PSTM).
- Seismic QI products derived from the latest seismic data are interpreted to have identified oil-water-contacts (OWC) at shallower levels and with increased confidence in a number of the proven oil bearing fault blocks. This has ultimately reduced the field GRV and narrowed the range. This is supported by revised pressure/saturation lab results from core plugs taken from Paleocene reservoirs in Echidna and Kangaroo wells.
- The updated interpretation recognizes potential for additional faulting within the field area. This is predominantly reflected in a reduction of GRV at the P90 level.
- Seismic QI interpretation has resulted in changes to field wide Net-To Gross (NTG) reservoir content estimates.
- Revised depth conversion for Maastrichtian reservoirs has reduced GRV (and associated resource) by approximately 50% at the 2C level and 38% at the 1C level.
- Recovery Factors were adjusted by setting recovery factors to zero for low oil-in-place fault blocks

Significant Prospectivity Remains

Additional near-field prospects have been identified in close proximity to Echidna and Kangaroo (Emu Updip and Joey). These prospects are in favourable locations and may provide targets for later drilling as potential low-cost resource additions.

Development Concept Review

As announced on 26 July 2017, the Karoon Board approved the development concept for the Echidna discovery to enter FEED following extensive subsurface evaluation work. Two extended length horizontal production wells are expected to produce at up to 28,000 bbl/day. Detailed geological modelling based on seismic QI products and reservoir simulation studies have just been completed and demonstrate predicted resource robustness of the concept development plan to a large range of reservoir parameter uncertainty.

This is an economically optimal development plan based on the current information. With development drilling new data will provide a better definition of the field, after which development plans may be revised.

Karoon is progressing through the FEED process and has a small team of very experienced Brazilian development specialists, led by Jose Formigli (ex-Director of E&P Petrobras) and Ricardo Abi-Ramia (EX-GM of Rio Business Unit Petrobras, a key Project Manager who designed, implemented and ran some of Petrobras' key assets).

Karoon's Interest

Karoon holds a 100% interest in, and is operator of *S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 Blocks*, Santos Basin.

Prospective Resources Cautionary Statement

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.

Prospective Resource Estimate for Peru Block Z-38

After successfully completing the farm-out to Tullow Oil (subject Government approval), Karoon has now completed a revised internal report on its Prospective Resources for the company's Z-38 block in the Tumbes Basin of Peru. The results of this re-evaluation show a Gross (100%) Prospective Resource Range Low of 558 mmbbl, Best of 1,337 mmbbl, and High of 3,376 mmbbls from 20 leads and prospects. The probabilistically determined statistical aggregation of volumes for the entire block and the Marina Prospect are shown in the table below.

Block Z-38 Net Prospective Resources					
Block	Interest	Type	Low	Best	High
Block Z-38	75%	Oil (mmbbls)	419	1,030	2,532
Marina Prospect	75%	Oil (mmbbls)	80	192	463
*Block Z-38	40%	Oil (mmbbls)	223	549	1,350
*Marina Prospect	40%	Oil (mmbbls)	42	102	247

*at completion of farm-out

The likely first prospect to be drilled is the Marina Prospect, which has a Best Case Gross Prospective Resource of 256mm mmbbls.

Z-38 Prospective Resource Revisions

The previous statistically aggregated Prospective Resources presented in 2015 are shown in the table below.

Independent Assessment – DeGolyer & MacNaughton			Net Prospective Resource		
Block	Interest (%)	Type	Low	Best	High
Block Z-38	75%	Oil (mmbbls)	686	1,686	3,764

The revision in prospective resource numbers arises from the completion of detailed geological interpretation of regional wells and fields and seismic interpretation and geophysical analysis using the latest industry techniques. The key differences arise from:

- The addition of the shallower La Cruz and Mal Pelo formations prospects, many now identified with clear seismic anomalies (previously held as leads). Seismic anomalies potentially identifying oil columns and oil water contacts is the main element that reduces risks on these prospects.
- The downgrading of the Zorritos Formation level prospectively due to concerns with reservoir deliverability at commercial rates.

Whilst the net impact of this work reduces Prospective Resources by about 35%, it does however significantly improve the risk profile for the new leads and prospects inventory.

Karoon's Interest

Karoon holds a 40% interest and is operator of Z-38 with Tullow at 35% and Pitkin 25%.*

Prospective Resource Estimate for Australian permit WA-482-P

In WA-482-P prospect and lead mapping has been significantly advanced with new seismic data and interpretation identifying ten prospects. Karoon has now completed a revised internal report on its probabilistically determined Prospective Resources for this block. This statistical aggregation of volumes for the block are shown in the table below.

WA-482-P Unrisked Prospective Resource					
Block	Interest	Type	Low	Best	High
WA-482-P	100%	Oil (mmbbls)	890	2,795	7,455
Net to Karoon	50%	Oil (mmbbls)	445	1,398	3,727

WA-482-Prospective Resource Revisions

Revisions occurred following the acquisition of the Capreolus 3D seismic data. The permit now has high quality 3D data covering approximately 82% of the permit area which has been used to better define, risk and rank ten significant prospects.

Karoon's Interest

Karoon holds a 50% interest with Quadrant at 50% and operator. For the first oil and gas discovery in the permit Liberty and Phoenix Oil and Gas have an ORRI of 1.49% for the first five years of production increasing to 1.99% thereafter.

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.

Basis for assessment of the contingent resource range at Echidna and Kangaroo Contingent Resources: Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

1. 1C- Denotes low case estimate scenario of contingent resources. The 1C resource is based on only the reservoir sands that directly intersected the oil column in each well and excludes those sands in an up-dip location.
2. 2C- Denotes best estimate scenario of contingent resources. The 2C resource includes the 1C resource and additional reservoir sands that were penetrated below the oil water contact but probably occur above the oil water contact in an up-dip location.

3. 3C- Denotes high estimate scenario of contingent resources. The 3C resource includes the 1C resource, 2C resource and additional reservoir sands that were penetrated below the oil water contact and are interpreted to possibly thicken significantly or have better reservoir properties above the oil water contact in an up-dip location.

Competent Persons Statement

Any petroleum reserves, contingent resources and prospective resources information contained in this announcement is based on, and fairly represents, 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.

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.

For further information please see the Karoon website or contact:

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