

14 July 2014



## ASX Announcement

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### **“Olinda Star” Semi-submersible Rig Contracted For Santos Basin Appraisal and Exploration Drilling Campaign**

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Karoon is pleased to announce the Company has executed final agreements with members of the QGOG Constellation S.A. group for contracting the “Olinda Star” semi-submersible drilling rig.

The “Olinda Star” has been contracted to complete up to four wells in Karoon’s 65% owned and operated Santos Basin blocks, S-M-1037, 1101, 1102, 1165 and 1166. The rig contract consists of two firm wells (the Kangaroo-2 appraisal well and the Kangaroo West-1 exploration well) and two option wells. The drilling campaign is expected to commence during September 2014 with the Kangaroo-2 appraisal well.

Executive Chairman, Robert Hosking comments: “The primary objective of the drilling campaign is the appraisal of the Kangaroo oil discovery. The Kangaroo-2 appraisal well is designed to confirm the size of the oil column, reservoir continuity and properties, and flow rates for the Kangaroo oil discovery. This information will be crucial for assessing the commerciality of the Kangaroo field, and on success, will be the basis for the Front End Engineering and Design phase.”

The rig contract provides Karoon with two firm wells plus two option wells allowing maximum flexibility for further appraisal of the Kangaroo discovery, including testing and appraisal of the Kangaroo West prospect in the event of successful drilling.



Queiroz Galvão “Olinda Star” Semi Submersible Drilling Rig

The discovered Kangaroo net contingent resource estimate to be appraised along with the Kangaroo West net unrisks prospective resource to be tested in the pending two well program is outlined below:

Oil (mmbbls)		Net Contingent Resource - Discovered			Net Un-risked Prospective Resource - Undiscovered		
Discovery / Prospect	Interest	1C	2C	3C	Low	Best	High
Kangaroo - Discovery	65%	7	88	317	-	-	-
Kangaroo West - Prospect	65%	-	-	-	15	330	1,193

*The Kangaroo contingent resource and Kangaroo West prospective resource estimates have previously been disclosed by Karoon in the June 2014 Corporate Review, 2 June 2014. Karoon is not aware of any new information or data that may materially affect 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 resource evaluated.*

The initial two wells will satisfy Karoon's 2014 Santos Basin drilling commitments as outlined in the Discovery Appraisal Plan, approved by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ("ANP") during December 2013. All the requisite approvals, regulatory or otherwise, have been obtained and long lead items are in place for up to four wells.

Karoon will be using its specialist team of drilling engineers who successfully completed the Company's initial three exploration well drilling campaign in the Santos Basin on time and under budget. The team is highly experienced and its members have in aggregate drilled over five hundred off-shore wells globally in a variety of water depths, including ultradeep water.

Karoon's wholly owned subsidiary, Karoon Petróleo e Gás Ltda, has entered into the drilling rig contract and currently owns a 65% operating equity interest in Santos Basin blocks S-M-1037, 1101, 1102, 1165 and 1166. Pacific Rubiales Energy Corp. (TSX: PRE)(BVC: PREC)(BOVESPA: PREB) is Karoon's joint venture partner in the blocks with a 35% equity interest.

**For further information please see the Karoon website or contact:**

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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 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.