

ASX Announcement

**Kangaroo-2 Appraisal Well
Progress Report No 6**

Production Test Flows Oil at a Maximum Rate of 3,700 stb/d

As at 0600 hrs AEST on 23 December 2014, production testing from DST-1A over the Maastrichtian A and B oil bearing reservoirs was continuing with a pressure buildup following a 12 hour main flow period. The maximum oil flow rate attained in the main flow period was 3,700 stb/d (stabilised rate of 3,300 stb/d) through a 1" choke with a flowing tubing head pressure of 430 psia, a gas-oil-ratio of 650 scf/stb and 38° API oil with no CO₂, H₂S, water or sand produced.



DST-1 was conducted in the Maastrichtian B sandstone reservoir over the interval 1,926-1,953 mRT. The maximum oil flow rate attained was 3,360 stb/d (stabilised rate of 2,300 stb/d) through a 44/64" choke with a flowing tubing head pressure of 690 psia and a gas-oil-ratio of 620 scf/stb. At the end of the main 36 hour flow period, the well was shut-in for a 57 hour pressure build-up period.

DST-1A was conducted in the Maastrichtian A and B sandstone reservoirs over the intervals 1,790-1,805 mRT, 1,816-1,841 mRT and 1,926-1,953 mRT.

DST-2 will be conducted over the Paleocene C sandstone reservoir, and DST-2A will be conducted over the Paleocene, A, B and C sandstone reservoirs. DST-2 is expected to commence within approximately 7 days.

Based on the oil rates obtained in DST-1 and 1A and the results of mini-DST tests performed during wireline oil sampling, Karoon expects a vertical production well would be capable of producing 6,000 to 8,000 stb/d from the combined Paleocene and Maastrichtian reservoirs. Horizontal production wells would be expected to produce at significantly higher rates bearing in mind the reservoir depth is approximately 2,000 metres.

A decision on a potential side-track program will be made on completion of the testing programs.

Forward Program

Following the completion of all operations on the Kangaroo-2 appraisal well, the rig will be moved to drill and evaluate the Kangaroo West prospect approximately 4.5 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 of 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 important for assessing the commerciality of the Kangaroo oil field and will be valuable for a 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. The remaining 35% interest is held by Pacific Rubiales Energy Corp (TSX: PRE, BVC: PREC, BOVESPA: PREB).

Current 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 outcome in the first 2 wells provides maximum flexibility for further appraisal of the Kangaroo oil discovery, additional drilling at Kangaroo West or possibly targeting other prospects.

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 rig is drilling the entire 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.

For further information please see the Karoon website or contact:

Scott Hosking	Company Secretary T: +613 5974 1044 E: shosking@karoongas.com.au	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		

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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.