

**ASX Announcement**

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**Kangaroo-2 Appraisal Well  
Progress Report No 8**

**Down-Dip Side-Track Drilling Complete**

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**Highlights**

- The Kangaroo-2 down-dip side-track drilling reached total depth (2,745 mRT), wireline program complete, evaluation work ongoing and preparations for up-dip side-track underway.
- Paleocene and Maastrichtian aged reservoirs intersected, 38 degree API oil recovered in the Maastrichtian interval, as expected.

Karoon Gas Australia Ltd's Kangaroo-2 appraisal well, located in exploration Block S-M-1165, confirmed a 250 metre gross (135 metre net) oil column in Paleocene and Maastrichtian aged reservoirs, as announced on 26 November 2014. A multi formation production testing program was successfully completed in the Kangaroo-2 vertical well, the results of which were announced in Progress Report No 6 (23 December 2014) and Progress Report No 7 (6 January 2015). Karoon is the operator and has a 65% interest in the jointly held Block S-M-1165, Santos Basin, Brazil. Pacific Rubiales Energy Corp holds the remaining 35% interest.

**Down-Dip Side-track Drilling Results**

The objective of the side-tracked well in the down-dip side-track location was to better define the resource size, recovery factors and collect valuable data in the Kangaroo field. This information will be used to build the geological model and early development concepts.

Side-track-1 was drilled to a down-dip location to target the Paleocene and Maastrichtian reservoirs on the eastern side of an interpreted north-south trending fault, and to evaluate potential hydrocarbon accumulations in the Campanian.

The down-dip side-track penetrated the Paleocene formations on the eastern side of the fault with water wet reservoir sands being encountered as expected.

The down-dip side-track intersected oil bearing Maastrichtian reservoir on the east side of the fault as expected. Five reservoir fluid samples were recovered by wireline from a 50 metre gross oil column in the Maastrichtian section with a net to gross of 36% and an average porosity of 24%. One sample was opened on surface and contained 3 litres of 38 degree API oil.

No hydrocarbons were encountered in the deeper Campanian interval.

Oil samples and side-wall core plugs have been obtained using wirelines tools. Subsequent laboratory testing results will be incorporated into the Kangaroo geological model over the coming months.

Side-track-1 is now complete and preparations are underway to commence side-track-2.

### **Kangaroo-2 Side-Track Program**

Side-track-2 will be drilled into Paleocene and Maastrichtian reservoirs in an up-dip location to test reservoir and hydrocarbon potential towards the salt wall.

The information obtained from Kangaroo-2 and its two side-track wellbores is important for assessing the commerciality of the Kangaroo oil field and will be used to update the field subsurface development plan which will drive Front End Engineering and Design ('FEED') bringing the project a step closer to possible execution.

The Kangaroo-2 appraisal well is located in exploration Block S-M-1165, approximately 300 metres up-dip and 4 kilometres south of Kangaroo-1 and is the first well in Karoon's Santos Basin exploration and appraisal drilling campaign.

### **Forward Program**

Following the completion of all operations on the Kangaroo-2 appraisal well, the rig will drill the Kangaroo West-1 exploration well (the second firm well in the program) to evaluate the salt-flank prospect on the western side of Kangaroo salt structure, approximately 4.5 kilometres from Kangaroo-2. Due to large size and proximity to Kangaroo, a successful outcome at Kangaroo West-1 could 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 well 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 exploration and appraisal drilling campaign is expected to continue through first half 2015 with the 'Olinda Star' semi-submersible rig drilling the entire campaign.

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.

### **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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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.

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