

ASX Announcement

**Echidna-1 Exploration Well
Progress Report No 4**

Facility Constrained Production Test Flows Oil at 4,650 bopd

Karoon Gas Australia Ltd is pleased to announce the production test results from the Company's most recent discovery, the Echidna-1 exploration well in the Santos Basin, Brazil. The test produced a facility constrained stabilised flow rate of 4,650 bopd (over 2 hours) from the Paleocene reservoirs with a flowing well head pressure of 504 psig on a 1" choke. Oil samples recovered during the test measured 38.6 degree API oil gravity with a gas-oil-ratio of 701 scf/stb, with no measurable CO₂ and H₂S present, and no sand production.

Echidna-1 was drilled in Block S-M-1102 intersecting a 213 metre gross (104 metres net) oil column in Paleocene and Maastrichtian aged reservoirs. Karoon is the operator and has a 65% interest in the jointly held Block with partner Pacific Rubiales Energy Corp holding the remaining 35% interest.

Karoon's Managing Director, Mr. Robert Hosking said, *"The Echidna discovery and production test represent a significant milestone, moving Karoon a step closer to realising the Company's ambitions of developing an integrated production hub in the Santos Basin."*

The positive production test results confirm good quality Paleocene reservoir. Ultimately, well productivity is a key driver of commerciality for any oil project, particularly in the current oil price environment. In this context the result from the Echidna flow test is very encouraging."



As at 0800 hrs AEST on 7 May 2015, the Echidna -1 exploration well had completed the production testing program within the Paleocene reservoir section.

The Maastrichtian oil bearing reservoir section will be evaluated with coring and production testing in more optimally located appraisal wells on the Echidna field.

Test Results

DST-1 was conducted in the Paleocene sandstone reservoirs over the intervals 1,767 to 1,806 mRT and 1,813 to 1,843 mRT with an initial 24 hour main flow period. An average stabilized oil flow rate of 3,200 stb/d was achieved through a 44/64" choke with a flowing well head pressure of 733 psig and a gas-oil-ratio of 701 scf/stb.

After a 72 hour shut-in period the Echidna 1 well was flowed for 7.5 hours on increasing choke sizes with a final 2 hour, average stabilised flow rate of 4,650 bopd through a 1" choke with an average flowing well head pressure of 504 psig. Adjustments in testing facilities and procedures allowed a higher constrained flow rate to be achieved.

Physical oil samples recovered measured a 38.6 degree API oil gravity with a gas-oil-ratio of 701 scf/stb, with no measurable CO₂ and H₂S present, and no sand production.

Test results confirm that the quality of the Paleocene reservoir, previously interpreted from mud log and petrophysical data, is better than that observed anywhere else in Karoon's Brazilian exploration acreage.

Forward Plan

The joint venture has elected not to take up the second well option.

Over the coming months the joint venture will continue to conduct geoscience and engineering work to characterise the Kangaroo and Echidna oil fields. Further appraisal drilling is planned to commence in the near term with pre-FEED studies to be conducted in tandem with drilling.

The Echidna-1 exploration well is located on the east side of the "Emu" salt diapir complex, and tested a similar salt flank play first proven by Kangaroo-1 and later confirmed by Kangaroo-2 and its two side-tracks. Results from Echidna further confirm the validity of the salt flank play and the opportunity this represents for Karoon and its partner.

Other prospects with the same or similar play type are present in Karoon's acreage and will be reassessed in light of recent discoveries.

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		

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.