

26 July 2017



## ASX Announcement

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### **Echidna Oil Discovery Development Concept Approved for FEED, Santos Basin Brazil**

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Karooon Gas Australia Ltd (ASX: KAR) is pleased to announce that its Board has approved the development concept for the Echidna light oil discovery, progressing the project to the next phase in the development, Front-End Engineering and Design ('FEED').

This development milestone is a result of 18 months of subsurface evaluation including reservoir modelling, production scenario analysis, well construction feasibility studies and development optimisation. The optimisation work has been focused on delivering a capital efficient, risk-weighted development concept for the Echidna oil discovery that is economically robust in the current oil price environment.

The Echidna development concept consists of:

- A leased floating production, storage, and offloading facility
- 2 extended horizontal production wells and 1 gas injection well
- Expected peak production is approximately 28,000 bbl/day (14,000 bbl/day per well)

FEED is expected to take approximately 9 months and cost less than A\$10 million, with completion planned during the March quarter 2018. A final investment decision ('FID') is targeted for the June quarter 2018.

During the FEED process Karoon will issue a Request for Tenders to select suppliers with the intention of contracting an Engineering Procurement Construction and Installation ('EPCI') work package for the Echidna development.

The dramatic oil industry pull back over the past 3 years has led to lower vessel utilisation rates and higher equipment inventory levels, globally and in Brazil. This cyclical downturn has presented a window of opportunity in which Karoon expects to receive tenders that provide significant funding flexibility.

Based on recent supplier discussions, Karoon expects to receive tenders that substantially reduce upfront capital commitments including deferred payment structures, equipment financing solutions, subsurface risk / reward sharing and equity ownership.

Karooon remains committed to farming down equity in the 100% owned Santos Basin blocks prior to FID.

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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.

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.