

ASX Announcement

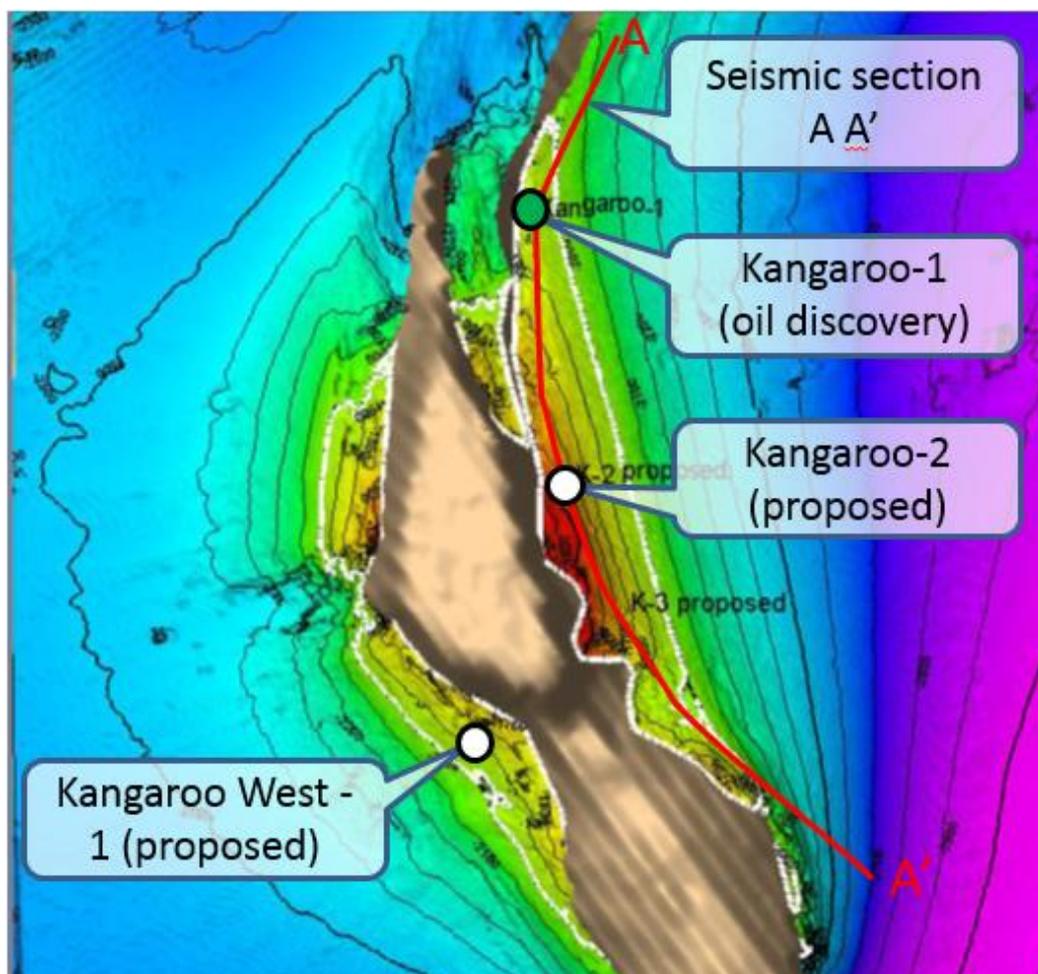
**Kangaroo-2 Appraisal Well Spuds
Progress Report No 1**

Karoon Gas Australia ('Karoon') is pleased to announce the spudding of the Kangaroo-2 appraisal well at 2135 hrs BRST on 5 November 2014.

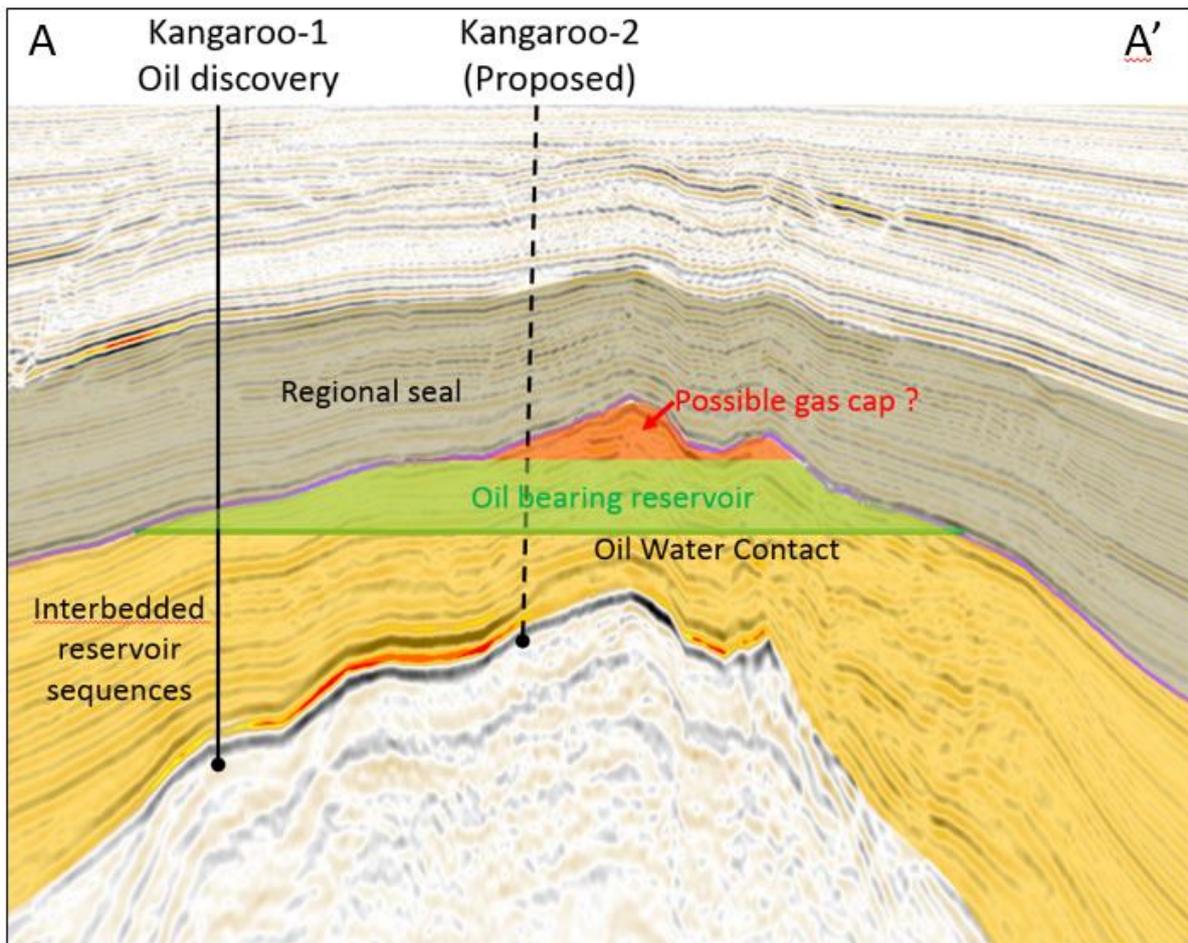
The top of the reservoir section is expected to be penetrated within approximately 3 weeks with the well reaching total depth during December 2014.

The Kangaroo-2 appraisal well is located in block S-M-1165 and is the first well in the current Santos Basin exploration and appraisal drilling campaign. The well is designed to confirm the size of the oil column, the presence and size of a possible gas cap, reservoir continuity and properties, and flow rates for the Kangaroo oil discovery. This information will be crucial for assessing the commerciality of the Kangaroo oil field and, upon success, will be the basis for the Front End Engineering and Design ('FEED') phase bringing the project a step closer to commerciality.

The well is located approximately 300 metres updip from Kangaroo-1 and will test a thick reservoir sequence observed in all surrounding wells.



N-S seismic section AA' through Kangaroo field



Karoon holds a 65% interest in and is operator of the jointly held block S-M-1165, Santos Basin.

Upcoming Well Program

The exploration and appraisal drilling campaign, operated by Karoon, plans to utilise the 'Olinda Star' semi-submersible drilling rig for the entire campaign, which is expected to continue into the first half 2015.

The rig contract provides Karoon with 2 firm wells plus 2 option wells, providing maximum flexibility for further appraisal of the Kangaroo oil discovery, including testing and appraisal of the Kangaroo West prospect in the event of a successful drilling in the first 2 wells.

The second 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 play type for Kangaroo West-1 is proven at Kangaroo-1 with the intersection of a 76m gross oil column and oil recovered to surface from wireline DSTs. 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.

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:

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Forward looking statements

This announcement may contains 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.

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