

7 October 2016



ASX Announcement

Karoon Confirms Negotiations with Petrobras On Asset Acquisitions

In response to Petróleo Brasileiro SA's (Petrobras) announcement overnight titled "Sale of Baúna and Tartaruga Verde fields", Karoon Gas Australia Ltd (ASX: KAR) confirms it has been awarded the right to negotiate a final agreement with Petrobras and conduct confirmatory due diligence for the acquisition of the following oil projects:

- A 100% operator interest in concession BM-S-40, the Baúna project (currently producing approximately 45kbpd)
- A 50% non-operator interest in concession BM-C-36, the Tartaruga development project

This next stage of negotiation follows almost 12 months of a competitive bidding process. Karoon will conduct confirmatory due diligence and negotiate final terms and conditions and other documentation on the aforementioned assets.

Any acquisition remains conditional upon, among other things, the outcome of these negotiations, satisfactory due diligence, approval by the Karoon Board of Directors, Petrobras Board of Directors and relevant regulatory approvals.

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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.