

ASX Announcement

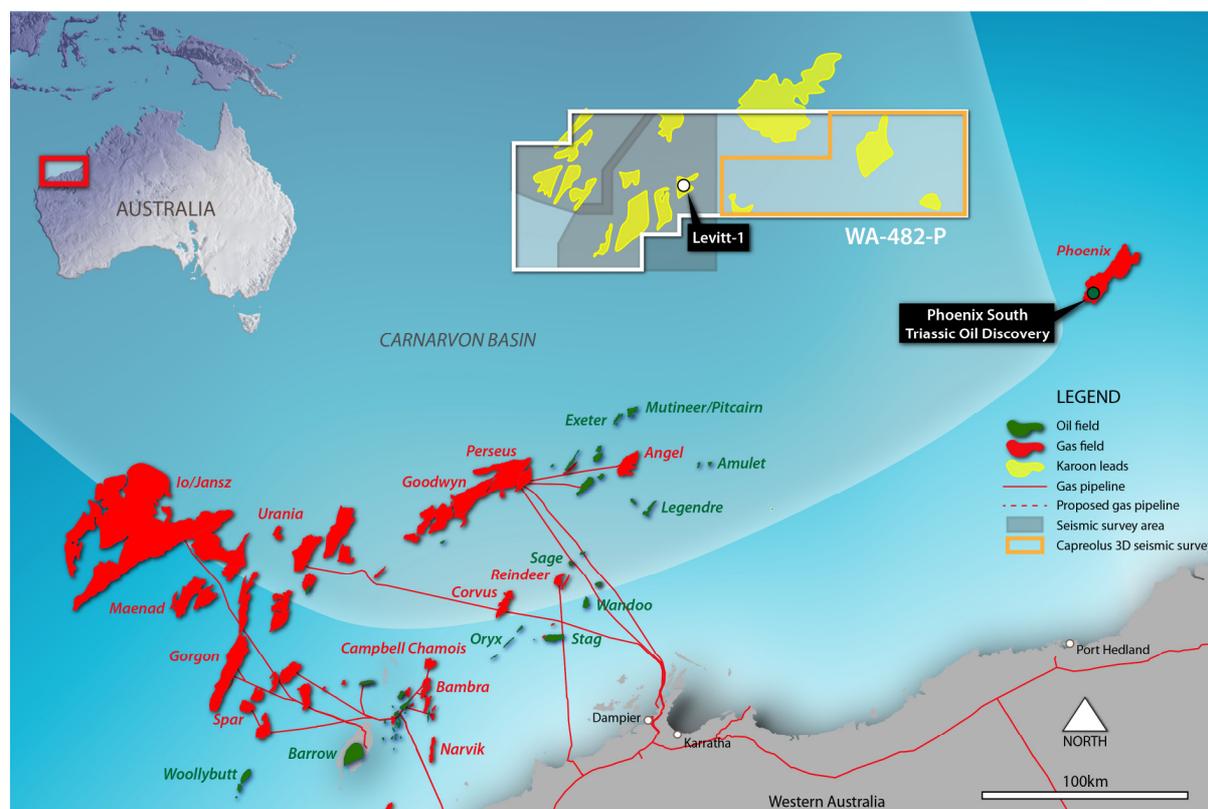
Levitt-1 Exploration Well Progress Report No 2

As at 0600 WST on 20 July 2015, the Levitt-1 exploration well in WA-482-P Carnarvon Basin, off-shore Western Australia was drilling ahead in the 12-1/4" hole section at a depth of 2,918 mRT.

Since the 6th July 2015 Progress Report No 1, the 17-1/2" hole section was drilled to a depth of 2,099 mRT where the 13-5/8" casing was run and cemented in place at 2,094 mRT. Blowout Preventer installation and testing was then completed, the casing shoe drilled out and drilling ahead commenced in the 12-1/4" hole section.

The Ocean America semisubmersible drilling rig is being used to drill the well which is targeting a net unrisked prospective resource best estimate of 110mmbbls (gross 220mmbbls)¹. Total depth is expected to be reached during early August.

Levitt-1 is designed to test the presence of a working petroleum system generating from the Wigmore sub-basin. The sub-basin contains a significant thickness of Jurassic source rocks of the same age as those known to charge petroleum accumulations elsewhere in the Basin. The well is located to evaluate the deeper North Rankin and the shallower Legendre formations which are expected to receive hydrocarbons migrating from the oil mature source kitchen. A successful result would open up a new exploration play in the Carnarvon Basin.



¹ Refer to the Prospective Resource Statement on page 2

Karoon has a material 50% equity interest in WA-482-P and is carried for 90% of the cost of the well. Joint venture partner, and operator Quadrant Energy Australia Ltd has the remaining 50% interest.

Prospective Resources Statement

WA-482-P prospective resource volume estimates disclosed in Karoon's 30 April 2014 ASX announcement and presented in the table below have been independently assessed by DeGolyer and MacNaughton on a probabilistic basis.

| Net Unrisked Resource | | | Prospective Category | | |
|-----------------------|----------|--------------|----------------------|-------|-------|
| Prospect / Permit | Interest | Type | Low | Best | High |
| Levitt | 50% | Oil (mmbbls) | 36 | 110 | 275 |
| WA-482-P | 50% | Oil (mmbbls) | 375 | 1,117 | 2,837 |

Karoon is not aware of any new information or data that materially affects the resource estimates and all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. There is no certainty that any portion of the prospective resource estimated on behalf of Karoon will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

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.

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.