

ASX Announcement

Olinda Star Semi-submersible Drilling Rig Contracted For the 2016 Santos Basin Appraisal Drilling Campaign

Karoon Gas Australia Ltd is pleased to announce that it has executed final agreements with members of the QGOG Constellation S.A. Group to contract the Olinda Star semi-submersible drilling rig.

The Olinda Star has been contracted to drill two firm wells and two optional wells in Karoon's 65% owned and operated Santos Basin blocks S-M-1037, 1101, 1102, 1165 and 1166 (the 'Blocks'), with drilling scheduled to commence during the 3rd quarter calendar year 2016.

The firm wells are planned for the appraisal drilling of the Echidna light oil discovery and will satisfy Karoon's Santos Basin drilling commitments required under the revised Discovery Appraisal Plan, approved by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ('ANP').

Managing Director, Mr Robert Hosking commented:

"The contracting of the drilling rig for the appraisal of the Echidna light oil discovery is an exciting next step for Karoon. It is a critical milestone for assessing the commerciality of the Echidna field, and on success, will provide important information for moving forward with an early production system, which could bring first oil in the first half of calendar year 2019."

Karoon's team of specialist drilling engineers used the Olinda Star to complete the 2015 drilling campaign and the rig has subsequently undergone modifications at Karoon's request, which are expected to further enhance the drilling performance. To date this team has successfully completed 6 vertical wells and 2 side-tracks in the Blocks."



Queiroz Galvão "Olinda Star" Semi Submersible Drilling Rig

Karoon's wholly owned subsidiary, Karoon Petróleo e Gás Ltda, owns a 65% operating equity interest in the Blocks with Pacific Exploration and Production Corp. (TSX: PRE)(BVC: PREC) holding the remaining 35% equity interest.

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.

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Forward looking statements

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