

28 September 2016



ASX Announcement

Karooon Acquires Pacific's Interest in the Santos Basin Blocks

Karooon Gas Australia Ltd (ASX: KAR) has entered into a binding Sale and Purchase Agreement (the 'Agreement') for Pacific Exploration and Production Corp.'s ('Pacific') 35% equity interest (the 'interest') in the jointly held Santos Basin exploration blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 (the 'Blocks') for up to US\$20.5 million.

The Agreement to acquire the 35% interest follows Pacific's application for insolvency protection with the Superior Court of Justice in Ontario, Canada during April 2016.

Under the terms of the Agreement, the consideration is payable by Karoon as follows:

1. An upfront cash payment of US\$15.5 million payable on completion;
2. A deferred contingent payment of US\$5 million payable upon first production reaching a minimum of 1 million barrels of oil equivalents from the Blocks.

The Agreement remains conditional upon, among other things, approval from the Petroleum Regulator, the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis and an approval order from the Superior Court of Justice in Ontario.

Karooon's Managing Director, Mr Robert Hosking said: *"The acquisition of Pacific's interest in the Blocks maps a clear path forward for Karoon to introduce a new funding partner to progress the Echidna discovery appraisal drilling campaign."*

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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.