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## JUNE 2015 QUARTERLY REPORT AND APPENDIX 5B

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### Group Operation Highlights

- The Echidna-1 exploration well in exploration Block S-M-1102, Santos Basin Brazil, discovered a 39 degree API gravity oil accumulation, intersecting a 213 metre gross oil column (104 metres net pay) in the Paleocene and Maastrichtian aged reservoir intervals.
- The Echidna-1 light oil discovery is adjacent (approximately 20 kilometres) to the Kangaroo oil discovery, providing potential incremental resources to any possible integrated production hub development.
- A production test at Echidna-1 was conducted over the Paleocene reservoir section, with a facility constrained stabilised flow rate of 4,650 bopd.
- Production test results at Echidna-1 and Kangaroo-2 indicate horizontal production wells in each discovery can be expected to produce in excess of 10,000 bopd.
- The Levitt-1 exploration well spudded in exploration permit WA-482-P, Carnarvon Basin Australia, during July 2015. Current depth is 4,425 mRT. Total depth is expected to be reached during August 2015.

## **Operational Summary**

### **Australia**

#### **Carnarvon Basin Permit WA-482-P**

##### ***KAR 50% Interest, Non-Operator***

Exploration permit WA-482-P is located in the Carnarvon Basin, approximately 300 kilometres offshore from the northwestern Australian Coast in a water depth of between 400 and 2,000 metres. The permit covers an area of 13,539 square kilometres.

The permit is highly prospective for oil, with a gross unrisks prospective resource best estimate of 2.2Bn bbls (net 1.1Bn bbls)<sup>1</sup> as assessed by DeGolyer and MacNaughton during April 2014.

##### ***Drill Program***

Drilling of the first exploration well, Levitt-1, operated by Quadrant Energy Australia Limited (formerly Apache) commenced during July 2015. The 'Ocean America' semi-submersible drilling rig is being used to drill the well.

Since the Levitt-1 Progress Report No 2 was announced on 20 July 2015, the 12-1/4" hole section was drilled 1,507 metres from 2,918 mRT to the current depth of 4,425 mRT. Preparations are underway to commence running 9-5/8" casing prior to drilling ahead in the 8-1/2" hole section. Total depth is expected to be reached during August 2015.

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 primary well target is the North Rankin Formation, with the secondary target the Legendre Formation. Both formations are expected to receive hydrocarbons migrating from the oil mature early Jurassic source kitchen. A successful result would open up a new exploration play in the Carnarvon Basin.

The Levitt prospect has a net unrisks prospective resource best estimate to Karoon of 110 mmbbls<sup>1</sup>.

##### ***3D Seismic Acquisition, Processing and Interpretation***

Pre-stack depth migration processing of the Chrysalids marine 3D seismic survey data continued during the quarter.

The acquisition of a regional third party Capreolus 3D seismic survey, which commenced during the March quarter 2015, also remained ongoing. The survey is expected to cover a minimum area of 22,130 square kilometres with high resolution broadband 3D seismic survey, including a significant area over the eastern part of the permit. The joint operation is licencing 5,256 square kilometres of the survey data being acquired over the eastern part of the permit.

The eastern part of the permit is of significant interest with a number of interesting structures identified from historical 2D seismic data in a relatively underexplored part of the north-west shelf. The provision of high quality 3D seismic data is expected to better define, risk and rank identified leads.

#### **Browse Basin Permit WA-314-P**

##### ***KAR 100% Interest, Operator***

Exploration permit WA-314-P is located in the Browse Basin, approximately 350 kilometres offshore from the northwestern Australian coast in an average water depth of 500 metres. The permit covers an area of 1,953 square kilometres.

The current Year 6 work program commitment consists of geological and geophysical studies.

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<sup>1</sup> Refer to the Prospective Resource Statement on page 5

### **3D Seismic Interpretation**

Interpretation of the Kraken 3D seismic data (acquired during August 2013) over the Elvie prospect was completed during the quarter.

Following interpretation of the new Kraken 3D seismic data, evidence of hydrocarbons generating from a kitchen to the northwest of the Elvie structure suggests the kitchen is oil prone. Previous expectations were the Elvie prospect was wet gas only.

The new high resolution 3D seismic data has allowed identification of both an oil prone kitchen to the north of Elvie and a new turbidite sandstone play in the Tertiary aged sediments at the prospect.

### **Farm-out Status Update**

Active discussions with interested parties remained ongoing during the quarter.

### **Brazil**

#### **Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166** **KAR 65% Interest, Operator**

Karoon's 65% owned exploration blocks in the Santos Basin, are located approximately 200 kilometres off the coast of the State of Santa Catarina, Brazil in an average water depth of approximately 400 metres. The blocks cover an area of 549 square kilometres.

Following the farm-out of a 35% interest to Pacific Rubiales, an initial 3 well exploration drilling campaign during 2013 delivered the Kangaroo and Bilby oil discoveries.

During 2014, a second phase drilling campaign commenced focusing on the appraisal of the Kangaroo oil discovery and exploration of nearby prospects, Kangaroo West and Echidna. The Kangaroo-2 appraisal well, up-dip and down-dip sidetrack program and production test confirmed the presence of an oil resource and good reservoir productivity.

The Echidna-1 exploration well drilled during the quarter made an additional significant light oil discovery with strong reservoir productivity. Following completion of the well, the current work program period finished on 29 June 2015.

Having satisfied all firm work program commitments outlined in the Discovery Appraisal Plan (Plano de Avaliação de Descobertas or 'PAD'), approved during December 2013, a revised PAD was submitted during June 2015 to the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ('ANP') for the contingent follow-on work program. Regulatory approval is expected during the coming months.

### **Drill Campaign**

During the quarter, the Echidna-1 exploration well in Block S-M-1102 was drilled to a depth of 2,379 mRT and intersected a 213 metre gross oil column, with 104 metres net pay in the Paleocene and Maastrichtian aged reservoir intervals.

A production test was conducted over the Paleocene reservoir section with a facility constrained stabilised flow rate of 4,650 bopd achieved over a two hour period from the Paleocene reservoirs, with a flowing well head pressure of 504 psia on a 1" choke.

Oil samples recovered during the test measured 39 degree API gravity oil with a gas to oil ratio of 701 scf/stb, no measurable CO<sub>2</sub> or H<sub>2</sub>S present, and no sand production.

Based on the production test results at Echidna-1 and Kangaroo-2, Karoon estimates horizontal production wells in each discovery can be expected to produce in excess of 10,000 bopd.

### ***3D Seismic Processing and Interpretation***

Seismic processing, interpretation and quantitative interpretation studies were ongoing during the quarter.

### ***Farm-out Status Update***

Karoon is in the process of providing the well data from the most recent campaign to interested parties, with farm-out discussions continuing during the quarter. A formal data room process is expected to commence during the last quarter of calendar year 2015.

### ***Santos Basin Block S-M-1352***

#### ***KAR 20% Interest, Non-Operator***

Block S-M-1352, Santos Basin, is located approximately 200 kilometres off the coast of the State of Santa Catarina, Brazil, in an average water depth of approximately 300 metres. The block covers an area of 50 square kilometres.

Due to the limited recoverable resource estimate of the Bauna Sul oil discovery and timing restrictions on a development decision, an application was made during the quarter by the Operator to the ANP to relinquish the block.

The remaining 80% interest in Block S-M-1352 is held by Petrobras, the Operator.

### ***Peru***

### ***Tumbes Basin Block Z-38***

#### ***KAR 75% Interest, Operator***

Exploration Block Z-38 is located in the Tumbes Basin, approximately 10 kilometres offshore from the northwest coast of Peru in a water depth of between 300 and 3,000 metres. The block covers an area of 4,750 square kilometres.

Block Z-38 is currently in force majeure. The current third period term has approximately 22 months remaining once force majeure is lifted.

### ***Drill Planning***

Pre-drill planning was ongoing through the quarter in preparation for the initial exploration drilling campaign.

### ***Farm-out Status Update***

Active discussions with interested parties remained ongoing during the quarter.

### ***Marañón Basin Block 144***

#### ***KAR 100% Interest, Operator***

Exploration Block 144, Marañón Basin, is located onshore Peru on the eastern side of the Andes mountain range. The block covers an area of 6,836 square kilometres.

The block is currently in force majeure while social programs and government introductions to the indigenous communities are completed. Block 144 work program commitments will resume once force majeure is lifted.

During the quarter, Karoon continued its geotechnical, social and environmental work in the block.

### ***Farm-out Status Update***

Following the commencement of a formal farm-out process during the previous quarter, the data room process is underway and active discussions with interested parties remained ongoing during the quarter.

### **Prospective Resources Statement, WA-482-P, Carnarvon Basin, Australia**

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

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.



**ASX QUARTERLY FINANCIAL REPORT  
FOR THE QUARTER ENDED 30 JUNE 2015**

**Appendix 5B  
(Unaudited)**

Introduced 1/7/96. Origin: Appendix 8. Amended 1/07/97, 1/07/98, 30/09/01, 01/06/10, 17/12/10, 1/05/13.

Name of entity

**Karooon Gas Australia Ltd**

ABN

53 107 001 338

Quarter ended ('Current Quarter')

**30 June 2015**

**Consolidated statement of cash flows**

	Current Quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	332	1,116
1.2 Payments for:		
(a) exploration and evaluation	(81,696)	(217,196)
(b) development	-	-
(c) production	-	-
(d) administration	(3,590)	(19,147)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	647	1,870
1.5 Interest and other costs of finance paid	(259)	(1,248)
1.6 Income taxes (paid)/ refund	230	2,345
1.7 Other – GST/VAT refunds/ (payments)	129	2,031
<b>Net operating cash flows</b>	<b>(84,207)</b>	<b>(230,229)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) security deposits (net)	(7)	7
(c) other fixed assets	(7)	(496)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (disposal of WA-315-P and WA-398-P exploration permits to Origin Energy)	-	658,929
<b>Net investing cash flows</b>	<b>(14)</b>	<b>658,440</b>
1.13 Total operating and investing cash flows (carried forward)	(84,221)	428,211

	Current Quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(84,221)	428,211
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Share buy-back (on-market)	-	(30,717)
1.16 Proceeds from borrowings	-	21,450
1.17 Repayment of borrowings	-	(21,552)
1.18 Dividends paid	-	-
1.19 Other – Equity raising costs	-	-
<b>Net financing cash flows</b>	<b>-</b>	<b>(30,819)</b>
<b>Net increase (decrease) in cash held</b>	<b>(84,221)</b>	<b>397,392</b>
1.20 Cash as at beginning of Current Quarter/ year to date	639,343	39,013
1.21 Exchange rate adjustments to item 1.20	(2,031)	116,686
1.22 <b>Cash as at end of Current Quarter</b>	<b>553,091</b>	<b>553,091</b>

**Payments to directors of the entity and associates of the directors, related entities of the entity and associates of the related entities**

	Current Quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	610
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' remuneration included in 1.23: \$531,675  
Consulting fees included in 1.23: \$78,201

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Following a decision by the Board of Directors, during the quarter an application to relinquish Block S-M-1352 (Santos Basin, Brazil), in good standing, was submitted to the ANP by the Operator. Accordingly, the carrying value of capitalised exploration and evaluation expenditure for the block was fully written off as at 30 June 2015 (fully impaired in the 31 December 2014 Interim Financial Report).

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for the next quarter

	\$A'000
4.1 Exploration and evaluation expenditure	41,900
4.2 Development expenditure	Nil
4.3 Production expenditure	Nil
4.4 Administration expenditure	4,400
<b>Total</b>	<b>46,300</b>

### Reconciliation of cash

Reconciliation of cash as at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows	Current Quarter \$A'000	Previous quarter \$A'000
5.1 Cash at banks and on hand	529,169	618,506
5.2 Short-term bank deposits	23,922	20,837
5.3 Bank overdraft	-	-
5.4 Other	-	-
<b>Total: Cash as at end of Current Quarter (item 1.22)</b>	<b>553,091</b>	<b>639,343</b>

### Changes in interests in petroleum tenements

	Petroleum tenement reference	Nature of interest (note (2))	Interest as at beginning of Current Quarter	Interest as at end of Current Quarter
6.1	Interests in petroleum tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in petroleum tenements acquired or increased	-	-	-



### Issued and quoted securities as at end of Current Quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid-up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during Current Quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>Ordinary shares (fully paid)</b>	246,655,739	246,655,739		
7.4 Changes during Current Quarter (a) Increases through issues (b) Decreases through share buy-backs	22,124 -	22,124 -		
7.5 <b>Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during Current Quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options and Performance Rights</b> <i>(description and conversion factor)</i>	<u>Options</u> 1,800,000 400,000 1,292,251 900,262 2,902,026 56,604 <u>Performance Rights ('PER')</u> 30,689 263,880		<i>Exercise price</i>  730 cents 1098 cents 685 cents 674 cents 406 cents 406 cents  Zero Zero	<i>Expiry date</i>  31 October 2015 1 May 2016 29 November 2016 30 June 2017 30 June 2018 30 December 2018  29 November 2015 30 June 2016
7.8 Issued during Current Quarter				
7.9 Exercised during Current Quarter	<u>PER</u> 22,124		Zero	
7.10 Expired/cancelled during Current Quarter	<u>Options</u> 1,200,000 18,322 26,352 <u>PER</u> 5,399		995 cents 674 cents 406 cents  Zero	
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

## Compliance statement

- A. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act 2001* or other standards acceptable to ASX (see note 5).
- B. This statement does give a true and fair view of the matters disclosed.

Signed: ..... Date: 31 July 2015  
(Company Secretary)

Print name: Scott Hosking

### Notes:

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint operating agreement and there are conditions precedent which will change its percentage interest in a petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 6 *'Exploration for and Evaluation of Mineral Resources'* and AASB 107 *'Statement of Cash Flows'* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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## Appendix 1

### Schedule of Interests in Petroleum Tenements

#### Held by the Karoon Gas Australia Ltd Group

As at 30 June 2015

<u>Exploration Permit</u>	<u>Basin</u>	<u>Operator</u>	<u>% Interest Held</u>
WA-314-P	Browse, Australia	Karoon	100 <sup>(1)</sup>
WA-482-P	Carnarvon, Australia	Apache	50 <sup>(2)</sup>
Block S-M-1037	Santos, Brazil	Karoon	65
Block S-M-1101	Santos, Brazil	Karoon	65
Block S-M-1102	Santos, Brazil	Karoon	65
Block S-M-1165	Santos, Brazil	Karoon	65
Block S-M-1166	Santos, Brazil	Karoon	65
Block S-M-1352	Santos, Brazil	Petrobras	20 <sup>(3)</sup>
Block 144	Maranon, Peru	Karoon	100
Block Z-38	Tumbes, Peru	Karoon	75 <sup>(4)</sup>

- (1) 1.5% over-riding royalty for first five years of production, going to 2% thereafter.
- (2) Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and a royalty in the event of production.
- (3) An application was made during the quarter by the Operator to the ANP to relinquish the block.
- (4) The Group's 75% equity interest is subject to completion of farm-in obligations.