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8 August 2013

KAROON SHARE PURCHASE PLAN

Following the successful completion of the approximately A\$150 million placement, Karoon Gas Australia Limited (ASX: KAR) (**Karoon**) announces that it will offer eligible shareholders the opportunity to purchase up to approximately A\$15,000 of Karoon shares at a subscription price of A\$5.10 per share (**Issue Price**) by way of a share purchase plan (**SPP**).

The funds raised under the SPP will be used to strengthen Karoon's balance sheet to:

- provide financial flexibility to achieve the best possible outcome on current farm-out negotiations;
- support Karoon's position for rig contract negotiations and purchase of long lead items necessary for entering into new drilling programs pre farm-out. This allows Karoon to progress its drilling planning and commence its drilling programs on schedule; and
- facilitate continued drilling activity in the Australian Browse Basin and Brazil Santos Basin, as well as providing support for new proposed drilling in Peru.

Eligible shareholders have the opportunity to invest in Karoon shares at the same price as participants in the placement and free of any brokerage or other transaction costs. The total funds to be raised under the SPP will be limited to a maximum of \$60 million and if applications are received in excess of this amount, they may be scaled back subject to Karoon's discretion.

Holders of ordinary Karoon shares who were registered as at 7.00 pm (AEST) on 7 August 2013 and whose addresses according to the shareholder register are in Australia or New Zealand will generally be able to participate in the SPP.

Application forms together with full details of the terms and conditions attaching to this offer are expected to be mailed to eligible shareholders on or about 15 August 2013, and the closing date for applications is expected to be on or about 5.00 pm (AEST) on 3 September 2013. The right to apply for shares under the SPP will be non-renounceable and shares are expected to be issued under the SPP on or about 10 September 2013 (**Issue Date**). All dates are indicative only and subject to change. Karoon reserves the right to change the timetable at any time or cancel the SPP at any time before the Issue Date subject to any regulatory requirements.

Shareholders who hold their shares in Karoon via Australian or New Zealand nominees but are not themselves residents of Australia or New Zealand may not be eligible to participate in the SPP. Further details are set out in the terms and conditions in the SPP Booklet to be mailed to eligible investors.

For further information please contact:

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IMPORTANT NOTICE

This release does not constitute an offer of any securities for sale. The securities to be offered pursuant to the SPP will not be offered for sale in any place in which, or to any person whom, it would not be lawful to make such an offer. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The shares to be issued pursuant to the SPP have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, such shares may not be offered or sold, directly or indirectly, in the United States or to persons that are acting for the account or benefit of a person in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.