

ASX Announcement

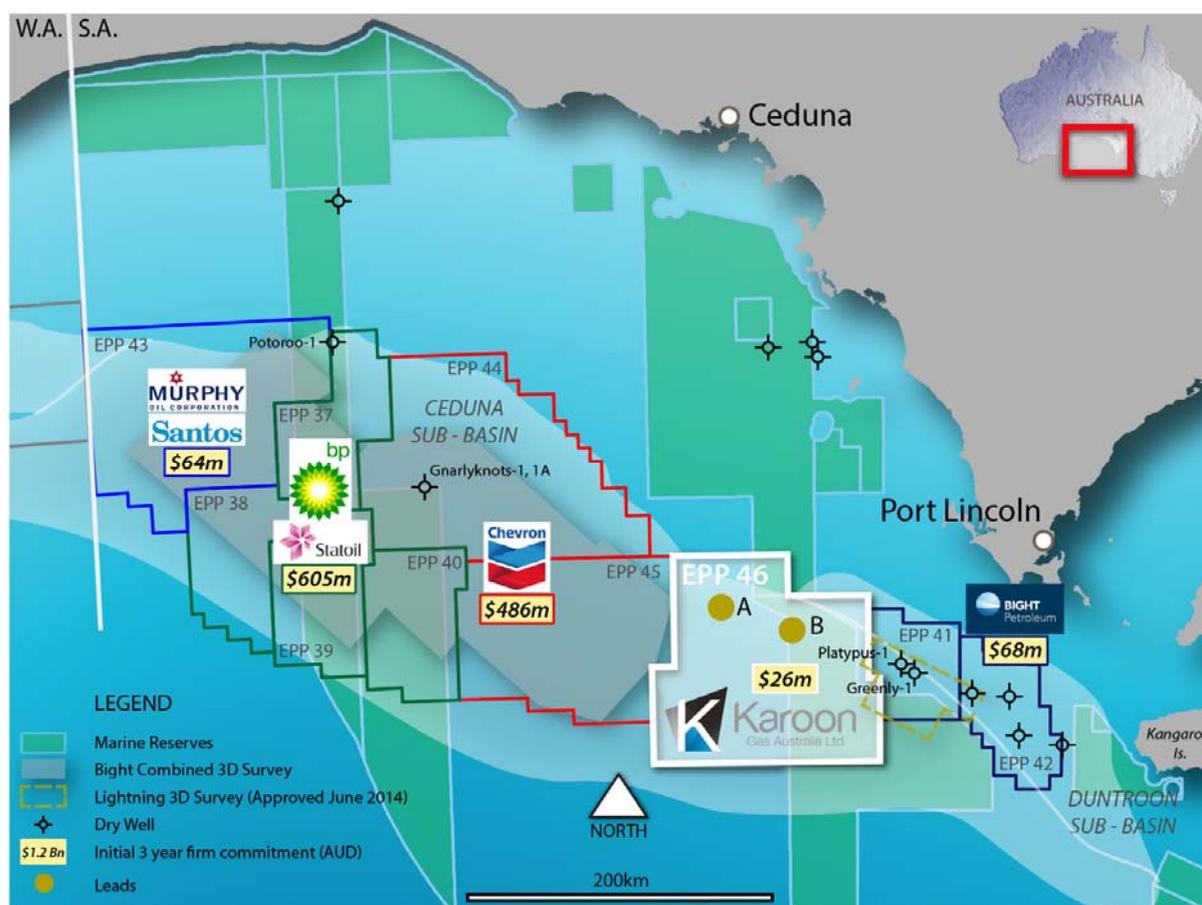
Karoon Awarded Exploration Permit EPP46 in Australia's Most Active Exploration Province, the Ceduna Sub-Basin, Great Australian Bight

Karoon Gas Australia Ltd (ASX: KAR) is pleased to announce the award of exploration permit EPP46 (the 'Permit'). The Permit covers 17,793 square kilometres of Australia's most active and prospective frontier oil exploration province, the Ceduna Sub-Basin, in the Great Australian Bight ('GAB'), offshore South Australia.

The GAB holds one of the world's last underexplored Cretaceous basins, which contains the Ceduna Sub-Basin. The Ceduna Sub-Basin hosts a massive Cretaceous delta system which Karoon believes has the potential to be a globally significant hydrocarbon province with world class potential.

The industry, including BP, Statoil and Chevron, has committed approximately A\$1 billion to drilling 9 exploration wells in the surrounding permits during the next 24 months. Karoon's initial 3-year firm commitment requires the acquisition of 2D and 3D seismic surveys and does not include a well.

The geology, potential target size and surrounding significant near term exploration activity make it a very exciting high impact opportunity. Drilling success in the surrounding permits is expected to be transformational to prospectivity in Karoon's Permit.



The Geology

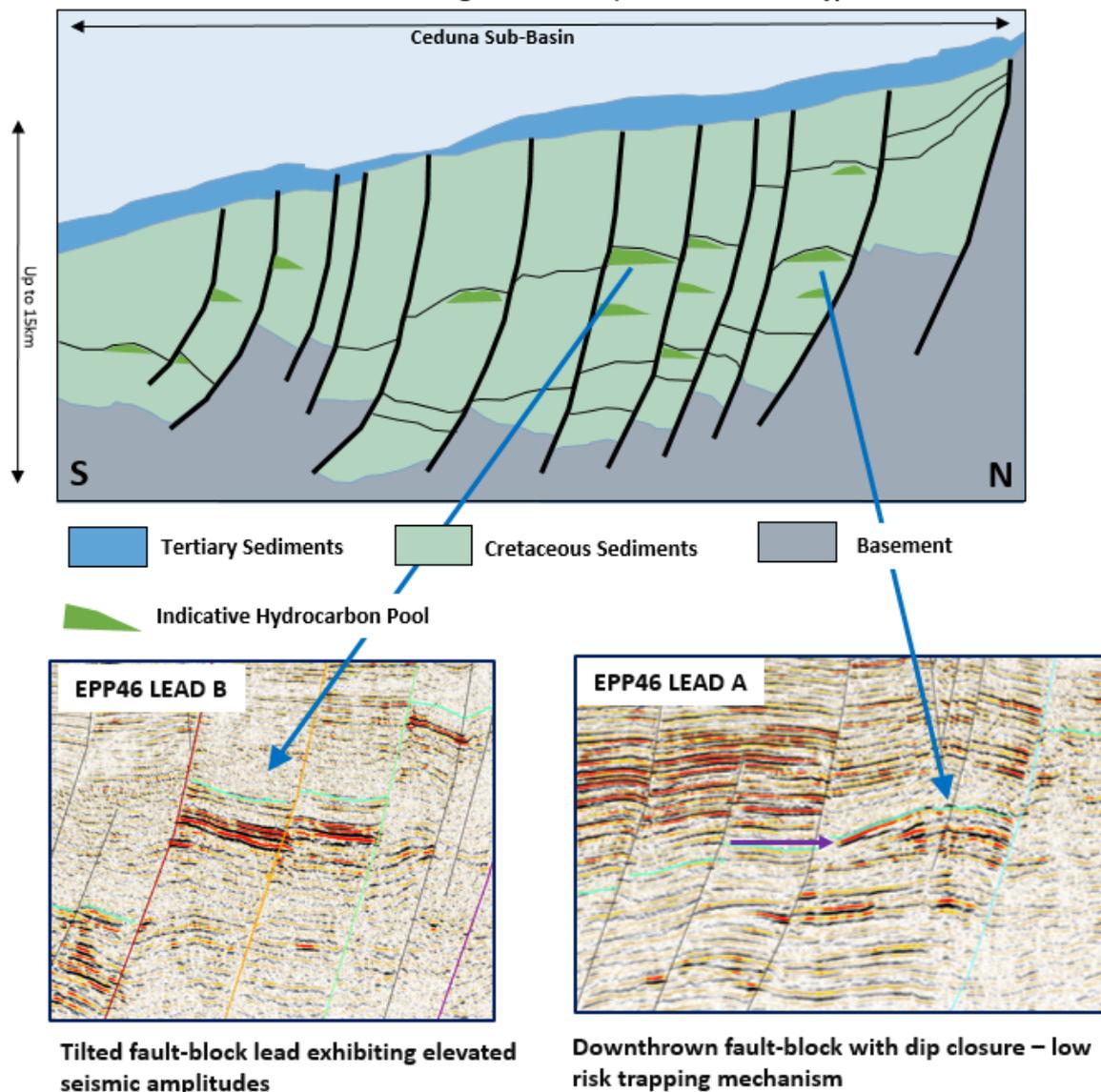
The Ceduna Sub-Basin represents one of the world's last underexplored Cretaceous (a prolific petroleum generating aged source rock) sedimentary basins. The Ceduna Sub-Basin is the major depocentre of the GAB and hosts a massive Cretaceous delta system, analogous to some of the great petroleum provinces around the world.

There is a thick sedimentary succession with multiple structural and stratigraphic stacked play types. The sediments thicken in the central to outer areas of the sub-basin, which remain largely untested.

Historical geoscience studies, seismic surveys and exploration drilling support the presence of a working petroleum system, supported by the following:

- Organic rich Turonian source rocks were recovered from samples off the sea floor
- Historical 2D seismic shows potential for structuration likely to result in large trapping geometries including tilted fault blocks and anticlines
- Historical 2D seismic provides encouraging seismic amplitude support in a number of plays
- Natural oil and gas seeps evidenced
- Greenly-1 exploration well had oil and gas shows as well as intersecting good quality sandstone reservoirs

Ceduna Sub-basin schematic showing sediment fill, structure & lead types



Exploration History

Petroleum exploration in GAB has been active in three major cycles since the late 1960s to the present. Approximately 100,000 line-km of seismic data has been acquired and ten exploration wells drilled to date in the eastern part of the GAB.

Only four wells have been drilled in the Ceduna Sub-Basin, and with the exception of Gnarlyknots-1/1A, all drilling was focused in the shallower, flanking depocentres in shallower waters near the basin margin. The deeper part of the GAB remains largely untested and is the main industry focus for the current exploration programs.

All historical wells were drilled on 2D seismic data only, however since 2011, approximately 40,000 km² of 3D seismic survey data has been acquired.

Exploration well Greenly-1, located in EPP41 to the east of the Permit was drilled by BHP in 1993 to a depth of 4,860 mKB. The well encountered good quality sandstones of Cretaceous age with significant shows thought to be of Cenomanian-Turonian age similar to source rocks dredged in 2007 by Geoscience Australia in the west of the Ceduna Sub-Basin.

Exploration well Gnarlyknots-1A, located in EPP44 adjacent to the west of the Permit, was drilled by Woodside in 2003 (50m to the SW of Gnarlyknots-1) to 4,736mKB, approximately 1,500 metres above the targeted depth and abandoned due to adverse weather conditions. The well intersected only 2 of the 5 targets. While the well failed to discover significant hydrocarbons, a large sandstone reservoir of late Cretaceous age was intersected.

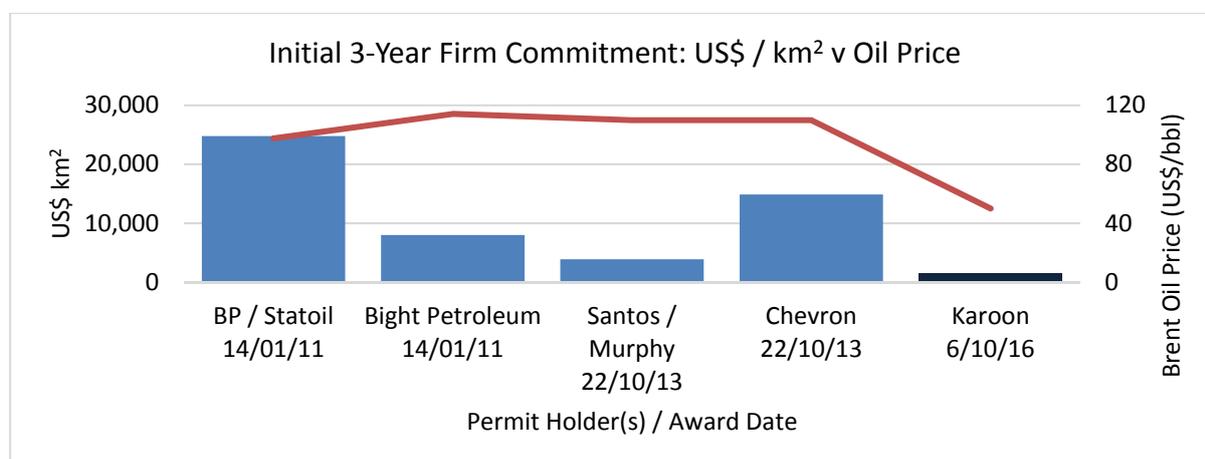
Work Program / Basin Activity

The competitive bid-round process for EPP46 closed during April 2016, a few months after the oil price traded below US\$30/bbl and worldwide exploration budgets had been slashed.

Karooon's initial 3-year firm commitment consists of acquiring an extensive 2D seismic survey over the permit area, a targeted 3D seismic survey and geotechnical studies. The indicative value of Karooon's firm commitments is A\$26 million or A\$1,455 per square kilometre.

In contrast to Karooon's commitment, the indicative value for the initial 3-year firm commitments on the surrounding 9 exploration permits is A\$1.2 billion, or an average of \$12,876 per square kilometre. Approximately 40,000 km² of 3D seismic survey data has been acquired and 9 exploration wells have been committed to over the coming 24 months.

These work programs are expected to significantly de-risk Karooon's Permit.



Environmental Sensitivities

Karoon recognizes the GAB is a pristine wilderness and an iconic Australian coastline with significant environmental and commercial fishing sensitivities. The eastern portion of the Permit includes a Commonwealth marine reserve running through it. The marine reserve area doesn't prohibit petroleum exploration, however these areas are subject to an even higher level of environmental scrutiny and require assessment. Karoon takes its environmental responsibilities very seriously and has a history of upholding high standards with respect to meeting its regulatory and social obligations with respect to these matters.

Karoon will be monitoring the progress of the current committed drilling programs and make an assessment of the environmental risks following those campaigns prior to committing to any exploration drilling.

All Karoon operational activities are undertaken with environmental approvals prepared to at least the regulatory standards. Karoon has a history of working closely with government authorities and local communities within its operational regions, as demonstrated in the Karoon operated Brazilian and Peruvian blocks.

Karoon's offshore drilling team is highly experienced with over 500 offshore wells drilled worldwide including pre salt wells in Brazil, Angola and Mexico, and in off-shore Australia, Indonesia, Malaysia, west coast of Africa etc. They have also drilled ultra-deepwater wells, including wells in very difficult environments. Karoon has successfully operated 2 drilling campaigns without environmental incident or significant injury.

Forward looking statements

This announcement may contain 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.

For further information, please contact:

Scott Hosking | Company Secretary
T: +613 5974 1044
E: shosking@karoongas.com.au

Ian Howarth | Collins Street Media
T: +614 0782 2319
E: ian@collinsstreetmedia.com.au

James Wootton | Investor Relations
T: +613 9616 7520
E: jwootton@karoongas.com.au

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.