

15 September 2017

ASX Announcement



Clarification – Karoon Brazil Strategy

Concerning recent media articles, Karoon seeks to clarify its current strategy in Brazil. As announced and reported throughout 2017, Karoon is looking to acquire production assets.

Regarding the proposed divestment by Petrobras of its Bauna and Tartaruga assets, this sales process remains subject to court proceedings, and as announced by Karoon on the 30th March 2017, Karoon has been notified that the process was withdrawn and that it was Petrobras' intention to re-launch the process. We understand that this will not occur until after the court proceedings are finalised.

It remains Karoon's intention to participate in the Bauna and Tartaruga processes when the sales process re-opens, based on the merits of the assets and subject to Karoon's position when the assets are re-tendered for sale. In the meantime, Karoon has entered alternative sales processes with a focus on bringing high quality assets to the business in the short term. Opportunities under review include production assets and government sanctioned exploration opportunities in the southern Santos and Campos Basins

With respect to Karoon's organic growth ambitions, as announced on 26 July 2017, Karoon has entered the FEED stage for the development of its Echidna discovery. This process is expected to continue into 2018 and, subject to a successful FID, will provide a firm timeline for development and first oil. As noted in the announcement, the development concept under consideration includes two production wells which are each expected to be able to flow at rates of up to 14,000 bbls/day. The production well estimates are the result of extensive subsurface modelling using data from 3D seismic and exploration drilling, production scenario analysis and well construction feasibility studies.

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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.

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.