



KAROOON GAS AUSTRALIA LTD
ABN 53 107 001 338

**INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF-YEAR ENDED
31 DECEMBER 2015**

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**DIRECTORS' REPORT
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015**

The Board of Directors submits herewith the Interim Financial Report of Karoon Gas Australia Ltd (the 'Company') and its subsidiaries (the 'Group') for the financial half-year ended 31 December 2015 (the 'financial half-year').

Board of Directors

The names of the Directors of Karoon Gas Australia Ltd during the financial half-year and up to the date of this Directors' Report are set out below:

Dr. David Klingner – Independent Non-Executive Chairman;
Mr Robert M. Hosking – Managing Director;
Mr Mark A. Smith – Executive Director;
Mr Geoff Atkins – Independent Non-Executive Director;
Mr Clark Davey – Independent Non-Executive Director;
Mr Peter Turnbull – Independent Non-Executive Director;
Mr Bernard Wheelahan – Independent Non-Executive Director; and
Mr Jose Coutinho Barbosa – Non-Executive Director.

Highlights - Group Operations

- The Echidna light oil discovery, Santos Basin Brazil, net unrisked 2C contingent resource volume of 49 mmbbls (75 mmbbls gross) was announced to the ASX on 17 September 2015.
- An updated Kangaroo light oil discovery, Santos Basin Brazil, net unrisked 2C contingent resource volume of 35 mmbbls (54 mmbbls gross) was announced to the ASX on 17 September 2015.
- The Santos Basin Brazil forward Appraisal Plan was approved by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ('ANP'). The firm well commitments are focused on the Echidna resource.
- A highly experienced South American project management team was established to lead Karoon's efforts in appraising and developing the Echidna and Kangaroo light oil discoveries. Key appointments included Project Team Advisor, Jose Formigli and Project Team Manager, Ricardo Abi-Ramia.
- The Olinda Star semi-submersible drilling rig was contracted during December 2015 to appraise the Echidna light oil discovery in the Santos Basin Brazil. The rig contract consists of two firm wells and two optional wells, with drilling scheduled to commence during the September 2016 quarter.
- The Levitt-1 exploration well in the Carnarvon Basin Australia reached final total depth during August 2015. The reservoirs of the target Legendre and North Rankin formations were interpreted to be water bearing at this location. Cores showed the presence of some migrated oil. Good quality reservoir sands and a thick sealing unit were intersected.
- Notification was received accepting the licence renewal application for Australian exploration permit WA-314-P.

DIRECTORS' REPORT (Continued) FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Financial Results

The consolidated result of the Group for the financial half-year was a loss after tax income of \$83,954,943 (2014: profit after tax expense of \$209,111,484).

The loss for the financial half-year included the write off of the carrying amount of non-current capitalised exploration and evaluation expenditure associated with historical Australian exploration and evaluation activities that are no longer continuing and/or considered prospective of \$149,620,842; net employee benefits expense of \$5,814,946 (2014: \$4,731,098), which included share-based payments expense of \$1,686,422 (2014: \$987,330) from the issue of employee share options and performance right incentives, which remain subject to the satisfaction of vesting conditions; and finance costs of \$93,568 (2014: \$2,991,723) predominantly associated with a short-term 'bridge' loan facility with the National Australia Bank Limited). The financial half-year also included exploration and evaluation expenditure expensed, in accordance with the Group's accounting policy, of \$709,974 (2014: \$641,621) from reviewing new exploration ventures predominantly in Australia and Brazil.

Partially offsetting the loss for the financial half-year was net foreign currency gains of \$25,977,428 (2014: \$83,484,258); tax income of \$46,171,978 (2014: tax expense of \$105,512,358) relating largely to the de-recognition of a deferred tax liability in relation to the capitalised Australian exploration and evaluation expenditure written off; reversal of a restoration provision as a result of approval from the ANP to relinquish Block S-M-1352 in its current state of \$3,452,572; and interest income of \$1,083,459 (2014: \$936,234) earned on interest bearing cash assets and security deposits. The net foreign currency gains were almost entirely attributable to the appreciation in the United States dollar against the Australian dollar (from AUD1:USD0.7680 as at 30 June 2015 to AUD1:USD0.7306 as at 31 December 2015) on cash assets and security deposits held in United States dollars by the Group during the financial half-year.

Financial Position

At the end of December 2015, the Group had a cash and cash equivalents balance of \$523,465,110 (30 June 2015: \$553,091,340) and no debt. Included in this balance were short-term bank deposits of \$6,882,400 (30 June 2015: \$23,921,808) and the Group's share of joint operation cash balances of \$6,735,388 (30 June 2015: \$20,720,906).

The Group's working capital, being current assets less current liabilities, increased from \$508,457,139 as at 30 June 2015 to \$509,874,370 as at 31 December 2015 predominantly as a result of the reversal of the Block S-M-1352 restoration provision \$3,452,572; and appreciation in the United States dollar against the Australian dollar on cash assets and security deposits held in United States dollars; partially offset by the expenditure on exploration and evaluation assets and the Company's on-market share buy-back.

During the financial half-year, total assets decreased from \$1,095,339,759 to \$904,655,047, total liabilities decreased from \$136,834,119 to \$66,563,697 and total equity decreased by \$120,414,290 to \$838,091,350. The major changes in the condensed consolidated statement of financial position were largely due to the following:

- exploration and evaluation expenditure in Australia, Brazil and Peru;
- write off of capitalised Australian exploration and evaluation expenditure of \$149,620,842;
- appreciation in the United States dollar against the Australian dollar (from AUD1:USD0.7680 as at 30 June 2015 to AUD1:USD0.7306 as at 31 December 2015) on cash assets and security deposits held in United States dollars;
- the negative movement in the foreign currency translation reserve as a result of the depreciation of the Brazilian REAL against the Australian dollar from AUD1:REAL2.389 as at 30 June 2015 to AUD1:REAL2.851 as at 31 December 2015; partially offset by the positive movement in the foreign currency translation reserve as a result of the appreciation of the United States dollar against the Australian dollar from AUD1:USD0.7680 as at 30 June 2015 to AUD1: USD0.7306 as at 31 December 2015;
- reversal of the provision for restoration for Block S-M-1352; and
- the use of cash and cash equivalents for the Company's on-market share buy-back.

The contributed equity of the Company decreased by \$1,943,555 during the financial half-year through the Company's on-market share buy-back.

DIRECTORS' REPORT (Continued) FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Financial Position (continued)

Exploration and evaluation expenditure of \$20,486,852 was incurred during the financial half-year, with major expenditure in the following operating segments:

- Australia, the Group participated in the drilling of the Levitt-1 exploration well operated by Quadrant Energy Australia Limited ('Quadrant') in exploration permit WA-482-P, continued processing and interpretation of the Chrysalids marine 3D seismic survey over the western section of the permit and began interpretation of the recently acquired Capreolus marine 3D seismic survey over the eastern part the permit, at a total cost of \$8,281,619;
- Brazil, the Group began preparatory work for the appraisal drilling campaign, at a total cost of \$8,670,430; and
- Peru, the Group continued with drilling planning and preparation and commenced advanced geophysical studies (amplitude versus offset) using the existing 3D seismic data in Tumbes Basin Block Z-38, along with geotechnical, social and environmental work in the Mara  n Basin Block 144, at a total cost of \$3,534,803.

Review of Operations

Brazil

Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166

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.

To date a total of six wells have been drilled in the Blocks. The first drilling campaign during 2013 delivered the Kangaroo and Bilby oil discoveries. The second drilling campaign was completed during 2015 adding the Echidna light oil discovery. The Echidna-1 exploration well was flow tested, confirming good reservoir productivity. Appraisal of the Kangaroo oil discovery was advanced with the Kangaroo-2 appraisal well, which was flow tested confirming the presence of a material oil resource with good reservoir productivity.

During August 2015, the revised Appraisal Plan was approved by the ANP for the follow-on work program. The firm commitments are to be completed by 31 December 2018. These include two firm wells in the Echidna/ Emu area, the acquisition and processing of a new 3D seismic survey, pre-stack depth migration of data at 2 millisecond ('ms') sampling and further processing of 2 ms data to increase resolution.

Due to the size of the resource, strong production test results and lower reservoir complexity, the Echidna resource is the focus of the forward work program.

During September 2015, Karoon announced an updated contingent resource volume estimate for the Blocks. The Echidna light oil discovery is estimated to have a net unrisked 2C contingent resource volume of 49 mmbbls (75 mmbbls gross) and the updated Kangaroo light oil discovery net unrisked 2C contingent resource volume estimate was revised to 35 mmbbls (54 mmbbls gross).¹

¹ Note, the Kangaroo and Echidna contingent resource volumes were prepared on a probabilistic basis and have previously been disclosed in Karoon's announcement 'Contingent Resource Volume Update: Santos Basin Brazil' dated 17 September 2015. Karoon is not aware of any new information or data that materially affects the resource estimates and all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed.

The Santos Basin contingent resource volumes represent Karoon's internal management estimates and have not necessarily been validated or agreed by joint operation partner Pacific Exploration and Production Corp.

DIRECTORS' REPORT (Continued)
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Review of Operations (continued)

Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 (continued)

Forward Work Program

During December 2015, the Olinda Star semi-submersible drilling rig was contracted for up to four wells. The two firm well commitments, scheduled to commence drilling during the September 2016 quarter, are planned for the appraisal drilling of the Echidna light oil discovery.

At the end of the next drilling campaign, Karoon expects to be in a position to consider a final investment decision on the Echidna oil discovery with respect to an early production system.

Equity Interests

Equity interests of the participants in Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 and S-M-1166 are:

Karoon Petróleo & Gas Ltda (Operator)	65%
Pacific Exploration and Production Corp.	35%

Santos Basin Block S-M-1352

Exploration Block S-M-1352, Santos Basin, is located approximately 200 kilometres off the coast of the State of Santa Catarina, Brazil.

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 financial year ended 30 June 2015 by Petrobras, the Operator, to the ANP to relinquish the block. Subsequent to the end of the financial half-year, the ANP approved the application for relinquishment.

Equity Interests

Equity interests of the participants in Block S-M-1352 are:

Petróleo Brasileiro SA (Operator)	80%
Karoon Petróleo & Gas Ltda	20%

Australia

Carnarvon Basin Permit WA-482-P

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

Operated by Quadrant, the Levitt-1 exploration well spudded on 4 July 2015 in the permit. The well was completed on 8 August 2015, reaching a final total depth of 4,929 mRT. The 'Ocean America' semi-submersible drilling rig was used to drill the well.

Petrophysical analysis indicates good quality reservoir in the Legendre and North Rankin formations with a thick sealing unit penetrated over the North Rankin formation, however, the sands were water bearing at this location.

Analysis of mechanical sidewall core tool cores from the North Rankin formation show oil fluorescence, which is indicative of generated and migrating oil.

**DIRECTORS' REPORT (Continued)
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015**

Review of Operations (continued)

Carnarvon Basin Permit WA-482-P (continued)

The presence of good reservoirs, seals and migrated oil is encouraging and provides support for a possible working petroleum system present in the acreage.

Karoon was carried for 90% of the cost of the Levitt-1 exploration well by Quadrant. The total net cost of the well to Karoon was approximately \$5 million.

3D Seismic Acquisition, Processing and Interpretation

Chrysalids 3D Seismic Survey

Interpretation of the Chrysalids 3D marine seismic survey data continued during the financial half-year.

Capreolus 3D Seismic Survey

The multi-client Capreolus high resolution broadband 3D marine seismic survey over the eastern part of WA-482-P was completed during the financial half-year. The joint operation is licencing 5,256 square kilometres of the survey data being acquired over the permit.

The eastern part of WA-482-P is an area of significant interest with a number of interesting structures within the depocentre of the oil mature Wigmore sub-basin identified from historical 2D seismic data in this relatively underexplored part of the north-west shelf. The Capreolus 3D survey will provide high quality 3D seismic data to better define, risk and rank these identified leads.

PSTM (pre-stack time migration) data has been received and interpretation is ongoing. The processed PSDM data is expected during the June 2016 quarter.

The permit has significant prospectivity across numerous prospects and leads. The Levitt-1 and regional drilling results, along with new 3D seismic survey information, will be incorporated into the basin modelling studies and used to high grade future drilling targets.

Equity Interests

Equity interests of the participants in WA-482-P are:

Karoon Gas (FPSO) Pty Ltd	50%
Quadrant Energy Australia Limited (Operator)	50%

Browse Basin Permit WA-314-P

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

During the financial half-year, Karoon successfully negotiated the exploration licence renewal over the permit for a five year term. The firm work program for the first 3 years consists of geological and geophysical studies, which are to be completed by October 2018.

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

Equity Interest

Karoon Gas Browse Basin Pty Ltd has a 100% equity interest in WA-314-P.

DIRECTORS' REPORT (Continued)
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Review of Operations (continued)

Peru

Tumbes Basin Block Z-38

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 third period term has approximately 22 months remaining once force majeure is lifted.

Seismic Reprocessing and Interpretation

Advanced geophysical studies (amplitude versus offset) commenced during the financial half-year using the existing 3D seismic data.

Equity Interests

Equity interests in Block Z-38 are:

KEI (Peru Z38) Pty Ltd, Sucursal del Peru (Operator)	75%*
Pitkin Petroleum Peru Z-38 SRL	25%

* Karoon's 75% equity interest is subject to completion of farm-in obligations.

Marañón Basin Block 144

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 until 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 financial half-year, Karoon continued its geotechnical, social and environmental work in the block.

Equity Interest

KEI (Peru 112) Pty Ltd, Sucursal del Peru has a 100% equity interest in Peru Block 144.

Corporate Activity Summary

Farm-out Status

Over the past 18 months, the farm-out market conditions have deteriorated following the fall in crude oil prices and widespread cutbacks in exploration budgets by the oil and gas industry. Yet despite the challenging market conditions, during the financial half-year farm-out discussions continued with interested parties and new inbound interest was received leading to data-room bookings.

On-Market Share Buy-Back Program

On 3 September 2015, the Company announced its intention to continue its on-market share buy-back. Up to 24,684,235 ordinary shares, or a maximum of 10% of ordinary shares on issue, may be acquired by Karoon over the next 12 months as part of the continued buy-back. Karoon reserves the right to suspend or terminate the continued buy-back at any time and to buy-back less than 24,684,235 Karoon ordinary shares. During the financial half-year, Karoon bought back and cancelled 1,214,282 ordinary shares at an average price of \$1.60 per share, with prices ranging from \$1.54 to \$1.69. The total reduction in contributed equity during the financial half-year was \$1,943,555.

**DIRECTORS' REPORT (Continued)
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015****Business Strategies and Prospects, Likely Developments and Expected Results of Operations**

The Directors' Report sets out information on the business strategies and prospects for future financial years, and refers to likely developments in operations and the expected results of those operations in future financial years. Information in the Directors' Report is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Group. Details that could give rise to likely material detriment to Karoon, for example, information that is confidential, commercially sensitive or could give a third party a commercial advantage has not been included. Other than the matters included in this Directors' Report, information about other likely developments in the Group's operations and the expected results of those operations have not been included.

External Auditor's Independence Declaration

A copy of the external Auditor's Independence Declaration for the financial half-year, as required under Section 307C of the *Corporations Act 2001*, is set out on page 9.

This Directors' Report is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:



Mr Robert Hosking
Managing Director

4 March 2016
Melbourne



Auditor's Independence Declaration

As lead auditor for the review of Karoon Gas Australia Ltd for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Karoon Gas Australia Ltd and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Charles Christie', with a stylized, cursive script.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
4 March 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Half-year ended 31 Dec 2015 \$	31 Dec 2014 \$
Revenue	2	1,083,459	936,234
Other income	2	29,581,241	360,192,900
Total revenue and other income		30,664,700	361,129,134
Computer support		(594,282)	(553,144)
Consulting fees		(371,449)	(352,351)
Depreciation and amortisation expense		(525,357)	(573,804)
Employee benefits expense (net)		(5,814,946)	(4,731,098)
Exploration and evaluation expenditure expensed		(709,974)	(641,621)
Exploration and evaluation impairment loss	2	-	(32,494,689)
Exploration and evaluation written off	2	(149,620,842)	-
Farm-out costs		(181,607)	(317,821)
Finance costs	2	(93,568)	(2,991,723)
Insurance expense		(140,276)	(113,120)
Investor relation costs		(17,600)	(537,715)
Legal fees		(82,003)	(139,816)
Property costs		(1,104,176)	(1,099,190)
Share registry and listing fees		(105,037)	(126,224)
Telephone and communication expenses		(180,025)	(179,796)
Travel and accommodation expenses		(543,977)	(621,221)
Other expenses		(706,502)	(1,031,959)
Total expenses		(160,791,621)	(46,505,292)
Profit (loss) before income tax		(130,126,921)	314,623,842
Tax income (expense)	5	46,171,978	(105,512,358)
Profit (loss) for financial half-year attributable to equity holders of the Company		(83,954,943)	209,111,484
Other comprehensive income (loss), net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from the translation of financial statements of foreign subsidiaries		(36,202,214)	3,286,370
Other comprehensive income (loss) for financial half-year, net of income tax		(36,202,214)	3,286,370
Total comprehensive profit (loss) for financial half-year attributable to equity holders of the Company, net of income tax		(120,157,157)	212,397,854
Profit (loss) per share attributable to equity holders of the Company:			
Basic profit (loss) per ordinary share		(0.3608)	0.8303
Diluted profit (loss) per ordinary share		(0.3608)	0.8291

The accompanying notes form an integral part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

		Consolidated	
	Note	31 Dec 2015	30 June 2015
		\$	\$
Current assets			
Cash and cash equivalents		523,465,110	553,091,340
Receivables		4,680,252	3,410,296
Inventories		3,014,091	3,082,027
Security deposits		47,766	68,242
Current tax asset		298,939	208,279
Other assets		1,674,940	3,643,902
Total current assets		533,181,098	563,504,086
Non-current assets			
Inventories		34,569,153	33,780,628
Plant and equipment		1,857,582	2,301,659
Intangible assets		938,728	489,372
Exploration and evaluation expenditure carried forward		323,913,075	485,539,123
Security deposits		10,195,411	9,724,891
Total non-current assets		371,473,949	531,835,673
Total assets		904,655,047	1,095,339,759
Current liabilities			
Trade and other payables		10,141,958	30,421,131
Current tax liabilities	5	13,164,770	20,776,754
Provisions	6	-	3,849,062
Total current liabilities		23,306,728	55,046,947
Non-current liabilities			
Deferred tax liabilities	5	42,793,347	81,353,342
Provisions		463,622	433,830
Total non-current liabilities		43,256,969	81,787,172
Total liabilities		66,563,697	136,834,119
Net assets		838,091,350	958,505,640
Equity			
Contributed equity	7	803,586,204	805,529,759
Retained earnings		69,750,011	153,704,954
Share-based payments reserve		38,623,105	36,936,683
Foreign currency translation reserve		(73,867,970)	(37,665,756)
Total equity		838,091,350	958,505,640

The accompanying notes form an integral part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015**

Consolidated	Contributed Equity	Retained Earnings (Accumulated Losses)	Share- based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance as at 1 July 2014	836,246,445	(77,751,919)	33,737,242	(25,757,837)	766,473,931
Profit for financial half-year	-	209,111,484	-	-	209,111,484
Exchange differences arising from the translation of financial statements of foreign subsidiaries	-	-	-	3,286,370	3,286,370
Total comprehensive loss for financial half-year	-	209,111,484	-	3,286,370	212,397,854
Transactions with owners in their capacity as owners:					
Ordinary shares issued	-	-	-	-	-
Ordinary shares bought back (on-market) and cancelled	(30,716,686)	-	-	-	(30,716,686)
Share-based payments expense	-	-	987,330	-	987,330
	169,598,729	-	2,366,154	-	171,964,883
Balance as at 31 December 2014	805,529,759	131,359,565	34,724,572	(22,471,467)	949,142,429
Balance as at 1 July 2015	805,529,759	153,704,954	36,936,683	(37,665,756)	958,505,640
Loss for financial half-year	-	(83,954,943)	-	-	(83,954,943)
Exchange differences arising from the translation of financial statements of foreign subsidiaries	-	-	-	(36,202,214)	(36,202,214)
Total comprehensive loss for financial half-year	-	(83,954,943)	-	(36,202,214)	(120,157,157)
Transactions with owners in their capacity as owners:					
Ordinary shares issued	-	-	-	-	-
Ordinary shares bought back (on-market) and cancelled	(1,941,814)	-	-	-	(1,941,814)
Share buy-back transaction costs	(1,741)	-	-	-	(1,741)
Share-based payments expense	-	-	1,686,422	-	1,686,422
	(1,943,555)	-	1,686,422	-	(257,133)
Balance as at 31 December 2015	803,586,204	69,750,011	38,623,105	(73,867,970)	838,091,350

The accompanying notes form an integral part of these condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015**

	Consolidated	
	Half-year ended	
	31 Dec 2015	31 Dec 2014
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST refunds)	874,537	1,873,619
Payments to suppliers and employees (inclusive of GST)	(9,100,560)	(10,782,236)
Payments for exploration and evaluation expenditure expensed	(709,974)	(623,498)
Interest received	763,823	897,036
Interest and other costs of finance paid	(93,568)	(656,089)
Income taxes refund (paid)	(124,438)	711,676
Net cash flows used in operating activities	(8,390,180)	(8,579,492)
Cash flows from investing activities		
Purchase of plant and equipment and computer software	(632,173)	(421,380)
Payments for exploration and evaluation expenditure capitalised	(39,380,158)	(46,883,116)
Repayment of security deposits	20,750	1,423,755
Proceeds from divestment of exploration permits to Origin	-	654,617,976
Net cash flows provided by (used in) investing activities	(39,991,581)	608,737,235
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	-
Payments for transaction costs arising on ordinary shares issued	-	-
Share buy-back (on-market)	(1,943,554)	(30,716,686)
Proceeds from borrowings	-	21,450,021
Repayments of borrowings	-	(21,551,724)
Net cash flows used in financing activities	(1,943,554)	(30,818,389)
Net increase (decrease) in cash and cash equivalents	(50,325,315)	569,339,354
Cash and cash equivalents at beginning of financial half-year	553,091,340	39,013,343
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	20,699,085	71,740,013
Cash and cash equivalents at end of financial half-year	523,465,110	680,092,710

The accompanying notes form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Note 1. Basis of Preparation of the Condensed Consolidated Financial Statements

This Interim Financial Report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*.

The condensed consolidated financial statements do not include all the notes of the type normally included in an Annual Report and should be read in conjunction with the Annual Report for the financial year ended 30 June 2015.

The condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as disclosed in the Company's Annual Report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations as described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Statement of Compliance

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 '*Interim Financial Reporting*'.

New or Revised Australian Accounting Standards and Interpretations that are First Effective in the Current Reporting Period

The Group has adopted all of the new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the 'AASB') that are relevant to its operations and effective for the financial half-year ended 31 December 2015. The Group has not adopted any new or revised Australian Accounting Standards before their operative dates.

The adoption of all of the relevant new and revised Australian Accounting Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on either the amounts reported for the current or previous financial half-years.

Note 2. Results for Financial Half-Year

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$	\$
The results for the financial half-year include the following revenue and expense items which are unusual because of their nature, size or incidence:		
Interest income from unrelated entities	1,083,459	936,234
Total revenue	1,083,459	936,234
Net foreign currency gains	25,977,428	83,484,258
Gain on divestment of exploration permits WA-315-P and WA-398-P (a)	-	276,446,665
Reversal of provision for restoration (refer note 6)	3,452,572	-
Services revenue from joint operations	151,241	261,977
Total other income	29,581,241	360,192,900

(a) During August 2014, Karoon received net proceeds of \$655 million from Origin thereby completing the divestment of the Company's 40% equity interest in exploration permits WA-315-P and WA-398-P. Completion of the Sale and Purchase Agreement was effective as at 31 July 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Note 2. Results for Financial Half-Year (continued)

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$	\$
Finance costs:		
- bank charges	(93,568)	(498,203)
- discount unwinding on provision for restoration	-	(46,918)
- interest expense to unrelated entities	-	(112,851)
- loan establishment fees (b)	-	(2,333,751)
Total finance costs	(93,568)	(2,991,723)
Share-based payments expense	(1,686,422)	(987,330)
Exploration and evaluation impairment loss (c)	-	(32,494,689)
Exploration and evaluation written off (d)	(149,620,842)	-

(b) During July 2014, a USD100 million 'bridge' loan facility, existing as at 30 June 2014 between the Company and National Australia Bank Limited, was drawn down upon by USD20 million. The facility had an expiry date of 30 November 2014, however, it was voluntarily cancelled during August 2014 after the USD20 million loan outstanding was repaid in full. Associated loan establishment fees were expensed over the life of the facility following the first draw down.

(c) An exploration and evaluation impairment loss exists when the carrying amount of the capitalised exploration and evaluation expenditure exceeds its estimated recoverable amount. As at 31 December 2014, the carrying amount of Block S-M-1352 in Brazil had been fully impaired as it was considered in excess of its recoverable amount. At 30 June 2015 this balance had subsequently been written off.

(d) As part of the review of the Group's non-current assets as at 31 December 2015, exploration and evaluation expenditure carried forward which was associated with historical Australian exploration and evaluation activities that are no longer continuing and not considered prospective have been written off.

Note 3. Dividends

There were no ordinary dividends declared or paid during the financial half-year by the Company (31 December 2014: \$Nil).

Note 4. Segment Information

(a) Description of Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and Executive Director/Exploration Director (identified as the 'chief operating decision maker') in assessing performance and in determining the allocation of resources.

The operating segments are based on the Group's geographical location of its operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Note 4. Segment Information (continued)

(a) Description of Segments (continued)

The Group has identified operating segments based on the following three geographic locations:

- Australia – in which the Group is currently involved in the exploration and evaluation of hydrocarbons in two offshore permit areas: WA-314-P and WA-482-P;
- Brazil – in which the Group is currently involved in the exploration and evaluation of hydrocarbons in six offshore Blocks: Block S-M-1037, Block S-M-1101, Block S-M-1102, Block S-M-1165, Block S-M-1166 and Block S-M-1352*; and
- Peru – in which the Group is currently involved in the exploration and evaluation of hydrocarbons in two Blocks: Block 144 (onshore) and Block Z-38 (offshore).

* Following a decision by the Board of Directors and the joint operation, an application to relinquish Block S-M-1352, in good standing, was submitted to the ANP by the Operator during the financial year ended 30 June 2015. Subsequent to the half-year ended 31 December 2015 it was approved.

'All other segments' include amounts not specifically attributable to an operating segment.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies.

Segment revenues and results do not include transfers between segments as intercompany balances are eliminated on consolidation.

Employee benefits expenses and other operating expenses, that are associated with exploration and evaluation activities and specifically relate to an area of interest, are allocated to the area of interest and are capitalised as exploration and evaluation assets.

The amounts provided to the chief operating decision maker with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. Reportable segment assets and segment liabilities are equal to consolidated total assets and total liabilities respectively. These assets and liabilities are allocated on the operations of the segment.

(b) Operating Segments

Segment performance	Australia \$	Brazil \$	Peru \$	All Other Segments \$	Consolidated \$
Revenue for financial half-year 31 December 2015					
Interest income from unrelated entities	98,572	984,588	299	-	1,083,459
Total revenue	98,572	984,588	299	-	1,083,459
Result for financial half-year 31 December 2015					
Revenue	98,572	984,588	299	-	1,083,459
Other income	26,355,220	3,490,363	(264,342)	-	29,581,241
Depreciation and amortisation expense	(194,165)	(215,184)	(116,008)	-	(525,357)
Employee benefits expense (net)	(4,274,313)	(873,775)	(666,858)	-	(5,814,946)
Exploration and evaluation expenditure expensed	(481,048)	(191,163)	(1,245)	(36,518)	(709,974)
Exploration and evaluation written off	(149,620,842)	-	-	-	(149,620,842)
Finance costs	(8,768)	(77,650)	(7,150)	-	(93,568)
Property costs	(375,850)	(557,082)	(171,244)	-	(1,104,176)
Administration and other operating expenses	(2,106,391)	(443,972)	(372,395)	-	(2,922,758)
Profit (loss) before income tax	(130,607,585)	2,116,125	(1,598,943)	(36,518)	(130,126,921)
Tax income	46,171,978	-	-	-	46,171,978
Profit (loss) for financial half-year	(84,435,607)	2,116,125	(1,598,943)	(36,518)	(83,954,943)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015**

Note 4. Segment Information (continued)

Operating Segments (continued)

Segment performance	Australia \$	Brazil \$	Peru \$	All Other Segments \$	Consolidated \$
Revenue for financial half-year 31 December 2014					
Interest income from unrelated entities	156,826	779,408	-	-	936,234
Total revenue	156,826	779,408	-	-	936,234
Result for financial half-year 31 December 2014					
Revenue	156,826	779,408	-	-	936,234
Other income	359,911,160	478,272	(196,532)	-	360,192,900
Depreciation and amortisation expense	(231,641)	(250,128)	(92,035)	-	(573,804)
Employee benefits expense (net)	(3,254,644)	(943,510)	(532,944)	-	(4,731,098)
Exploration and evaluation expenditure expensed	(196,438)	(340,407)	(14,385)	(90,391)	(641,621)
Exploration and evaluation impairment loss	-	(32,494,689)	-	-	(32,494,689)
Finance costs	(2,665,468)	(317,579)	(8,676)	-	(2,991,723)
Property costs	(341,882)	(599,340)	(157,968)	-	(1,099,190)
Administration and other operating expenses	(3,385,660)	32,356	(619,863)	-	(3,973,167)
Profit (loss) before income tax	349,992,253	(33,655,617)	(1,622,403)	(90,391)	314,623,842
Tax expense	(105,512,358)	-	-	-	(105,512,358)
Profit (loss) for financial half-year	244,479,895	(33,655,617)	(1,622,403)	(90,391)	209,111,484

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015**

Note 4. Segment Information (continued)

(b) Operating Segments (continued)

	Australia \$	Brazil \$	Peru \$	All Other Segments \$	Consolidated \$
Segment assets					
As at 31 December 2015					
Segment asset information					
Cash and cash equivalents	515,133,141	7,146,186	1,185,783	-	523,465,110
Exploration and evaluation expenditure carried forward	46,939,036	212,603,153	64,370,886	-	323,913,075
Security deposits	375,034	30,996	9,837,147	-	10,243,177
Inventories	129,378	10,897,840	26,556,026	-	37,583,244
Other	1,691,319	4,576,448	3,182,674	-	9,450,441
Segment assets	564,267,908	235,254,623	105,132,516	-	904,655,047
As at 30 June 2015					
Segment asset information					
Cash and cash equivalents	525,484,989	24,736,253	2,870,098	-	553,091,340
Exploration and evaluation expenditure carried forward	188,278,259	238,909,021	58,351,843	-	485,539,123
Security deposits	375,035	52,254	9,365,844	-	9,793,133
Inventories	329,976	11,846,087	24,686,592	-	36,862,655
Other	2,257,117	4,616,338	3,180,053	-	10,053,508
Segment assets	716,725,376	280,159,953	98,454,430	-	1,095,339,759
Segment liabilities					
	Australia \$	Brazil \$	Peru \$	All Other Segments \$	Consolidated \$
As at 31 December 2015					
Segment liability information					
Trade and other payables	6,612,511	2,807,067	722,380	-	10,141,958
Current tax liabilities	13,164,770	-	-	-	13,164,770
Deferred tax liabilities	42,793,347	-	-	-	42,793,347
Provisions	463,622	-	-	-	463,622
Segment liabilities	63,034,250	2,807,067	722,380	-	66,563,697
As at 30 June 2015					
Segment liability information					
Trade and other payables	4,511,120	24,936,893	973,118	-	30,421,131
Current tax liabilities	20,776,754	-	-	-	20,776,754
Deferred tax liabilities	81,353,342	-	-	-	81,353,342
Provisions	433,830	3,849,062	-	-	4,282,892
Segment liabilities	107,075,046	28,785,955	973,118	-	136,834,119

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Note 5. Current and Deferred Tax Liabilities

The Group incurred tax income of \$46,171,978 for the financial half-year, which included current tax income of \$9,519,507 and deferred tax income of \$36,652,472. The current tax income was largely attributable to an over provision of income tax payable for the financial year ended 30 June 2015 and the deferred tax income related predominantly to the de-recognition of a deferred tax liability in relation to Australian capitalised exploration and evaluation expenditure written off during the financial half-year.

This resulted in the Group recognising current tax liabilities of \$13,164,770 (30 June 2015: \$20,776,754) and deferred tax liabilities of \$42,793,347 as at 31 December 2015 (30 June 2015: \$81,353,342). The Group's deferred tax liabilities as at 31 December 2015 includes \$32,344,822 relating to unrealised net foreign currency gains on United States Dollar denominated cash and cash equivalent balances and \$13,892,140 relating to capitalised Australian exploration and evaluation expenditure, which will only be realised upon future taxable profits from these assets by either future production and/or recoupment via asset sales and/or farm-outs.

Note 6. Provisions

Subsequent to the half-year ended 31 December 2015, approval from the ANP was granted accepting an application to relinquish Block S-M-1352 in its current state. As a result there is no further obligation for site restoration, removal or rehabilitation activities and accordingly the restoration provision recorded as a current liability as at 30 June 2015, of \$3,849,062 has been reversed and the balance recognised as other income for the half-year ended 31 December 2015.

Note 7. Contributed Equity

	Consolidated	
	31 Dec 2015	30 June 2015
(a) Contributed Equity	\$	\$
Ordinary shares, fully paid	803,586,204	805,529,759
Total contributed equity	803,586,204	805,529,759

(b) Movement in Ordinary Shares

Date	Details	Number of ordinary shares	\$
1 July 2014	Opening balance in previous financial year	255,841,581	836,246,445
	Performance rights exercised	211,080	-
	Ordinary shares bought back (on-market) and cancelled	(9,396,922)	(30,702,361)
	Share buy-back transaction costs		(14,325)
30 June 2015	Balance at end of previous financial year	246,655,739	805,529,759
	Performance rights exercised	212,358	-
	Ordinary shares bought back (on-market) and cancelled	(1,214,282)	(1,941,814)
	Share buy-back transaction costs		(1,741)
31 December 2015	Balance at end of financial half-year	245,653,815	803,586,204

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015

Note 8. Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, receivables, security deposits, trade and other payables. The fair values of financial assets and financial liabilities are represented by their carrying values as disclosed in the condensed consolidated statement of financial position.

Note 9. Commitments

	Consolidated	
	31 Dec 2015	30 June 2015
	\$	\$
(a) Capital Expenditure Commitments		
Contracts and/or signed Authorities for Expenditure for capital expenditure in relation to assets not provided for in the condensed consolidated financial statements and payable:		
Drilling and seismic operations		
Not later than one year	15,231,279	7,615,568
Total capital expenditure commitments	15,231,279	7,615,568

(b) Exploration Expenditure Commitments

Some subsidiaries within the Group have commitments for exploration expenditure arising from obligations to governments, to perform minimum exploration and evaluation work and expend minimum amounts of money pursuant to the award of petroleum tenements WA-314-P, WA-482-P, Block S-M-1037, Block S-M-1101, Block S-M-1102, Block S-M-1165, Block S-M-1166, Block Z-38 and Block 144 not provided for in the condensed consolidated financial statements and payable. Included in exploration expenditure commitments are \$256,162,613 (30 June 2015: \$143,372,395) of commitments that relate to the non-guaranteed work commitments:

Not later than one year	944,102	7,514,391
Later than one year but not later than five years	572,492,303	354,049,478
Total exploration expenditure commitments	573,436,405	361,563,869

Estimates for future exploration expenditure commitments to government are based on estimated well and seismic costs, which will change as actual drilling locations and seismic surveys are organised, and are determined in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties.

The commitments may also be reduced by the Group entering into farm-out and/or sales agreements or the relinquishment of permits/blocks.

Where exploration and evaluation expenditure included in this category relates to an existing contract for expenditure and/or signed Authorities for Expenditure, the amount will be included in both categories (a) and (b) above.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015****Note 10. Contingent Liabilities**

As at 31 December 2015, the Group had contingent liabilities in the form of performance guarantees, bank guarantees, bonds and Brazilian local content, for which there have not been any significant changes from the 30 June 2015 Annual Report.

Note 11. Subsequent Events

Since 31 December 2015, there were no material events that have occurred.

The Interim Financial Report was authorised for issue by the Board of Directors on 4 March 2016. The Board of Directors has the power to amend and reissue the condensed consolidated financial statements.

**DIRECTORS' DECLARATION
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2015**

The Directors declare that:

1. in the Directors' opinion, the condensed consolidated financial statements and notes, set out on pages 10 to 21, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Regulations 2001*; and
 - b) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
2. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Directors:



Mr Robert Hosking
Managing Director

4 March 2016
Melbourne



Independent auditor's review report to the members of Karooon Gas Australia Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Karoon Gas Australia Ltd (the "Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Karoon Gas Australia Ltd Group (the "consolidated entity"). The consolidated entity comprises the Company and the entities it controlled during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Karoon Gas Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Karoon Gas Australia Ltd is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written over a light blue rectangular background.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Charles Christie', written over a light blue rectangular background.

Charles Christie
Partner

Melbourne
4 March 2016

GLOSSARY

Term	Definition
2D seismic	Two-dimensional seismic.
3D seismic	Three-dimensional seismic.
\$ or cents	Units of Australian currency.
AASB	Australian Accounting Standards Board.
ANP	Agência Nacional do Petróleo, Gás Natural e Biocombustíveis.
Apache	Apache Northwest Pty Ltd.
API	American Petroleum Institute's inverted scale for denoting the 'lightness' or 'heaviness' of crude oils and other liquid hydrocarbons.
appraisal well	A well drilled to confirm the size or quality of a hydrocarbon discovery.
ASX	Australian Limited (ACN 008 624 691), trading as Australian Securities Exchange.
Block	A licence or concession area. It may be almost any size or shape, although usually part of a grid pattern.
boe	Barrel of oil equivalent. The factor used to convert gas to oil equivalent is based upon an approximate energy value of 6,000 standard cubic feet per barrel and not price equivalence at the time.
Company	Karoon Gas Australia Ltd.
condensate	Hydrocarbons which are predominantly pentane and heavier compounds which are in a gas phase in the reservoir and which separate out from natural gas at the well head and condense to liquid at lower pressures and temperatures.
ConocoPhillips	ConocoPhillips (Browse Basin) Pty Ltd.
contingent resources	Those quantities of hydrocarbons estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable (as evaluation of the accumulation is insufficient to clearly assess commerciality). 1C- Denotes low estimate scenario of contingent resources. 2C- Denotes best estimate scenario of contingent resources. 3C- Denotes high estimate scenario of contingent resources.
Director	A Director of Karoon Gas Australia Ltd.
discovery well	The first successful well on a new prospect.
DST	Drill stem test.
exploration	The process of identifying, discovering and testing prospective hydrocarbon regions and structures, mainly by interpreting regional and specific geochemical, geological, geophysical survey data and drilling.
farm-in and farm-out	A commercial agreement in which an incoming joint operation participant (the 'farmee') earns an interest in an exploration permit by funding a proportion of exploration and evaluation expenditures, while the participant owning the interest in the exploration permit (the 'farmor') pays a reduced contribution. The interest received by a farmee is a farm-in while the interest transferred by the farmor is a farm-out.
FID	Final Investment Decision.
field	An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area although it may refer to both the surface and underground productive formation.

GLOSSARY (Continued)

Term	Definition
financial half-year	Financial half-year ended 31 December 2015.
GOR	Gas to oil ratio.
hydrocarbon	A chemical compound of the elements hydrogen and carbon, in either liquid or gaseous form. Natural gas and petroleum are mixtures of hydrocarbons.
Karoon or Group	Karoon Gas Australia Ltd and its subsidiaries.
lead	A potential hydrocarbon target which has been identified but requires further evaluation before it can be classified as a prospect.
LNG	Liquefied natural gas.
m	Metres.
mm	Million.
mmbbls	Millions of barrels (1,000,000 barrels).
mmscf	Millions of standard cubic feet.
mmscf/d	Millions of standard cubic feet per day; equivalent to 28,317 cubic metres per day.
Monte Carlo simulation	Where there is uncertainty in the variables used in the calculation of economically recoverable reserves, the ranges of possible values of each variable can be incorporated in a Monte Carlo simulation calculation to produce a range of probabilistic outcomes that reflect that uncertainty. The 'mean' is the expected outcome. The P10 (probability greater than 10%) is often used as the maximum case, the P50 (probability of 50%) the mid case and the P90 (probability greater than 90%) the minimum case.
mRT	Metres Rotary Table.
Operator	One joint operation participant that has been appointed to carry out all operations on behalf of all the joint operation participants.
ordinary shares	The ordinary shares in the capital of Karoon Gas Australia Ltd.
Origin	Origin Energy Browse Pty Ltd.
Pacific	Pacific Exploration and Production Corp.
permit	A hydrocarbon tenement, lease, licence, concession or Block.
Petrobras	Petróleo Brasileiro SA.
play	A trend within a prospective basin that has common geologic elements containing one or more fields, prospects or leads with common characteristics.
prospect	A geological or geophysical anomaly that has been surveyed and defined, usually by seismic data, to the degree that its configuration is fairly well established, and on which further exploration such as drilling can be recommended.

GLOSSARY (Continued)

Term	Definition
prospective resource	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. Low estimate (P90): P90 refers to a 90% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded. Median estimate (P50): P50 refers to a 50% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded. High estimate (P10): P10 refers to a 10% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded.
psia	Pounds per square inch absolute.
REAL	Brazilian currency.
reservoir	A porous and permeable rock formation to store and transmit fluids such as hydrocarbons and water.
risk	Prospect risk or geologic risk is the assessed chance that the drilling of the prospect will be successful in finding significant volumes of hydrocarbons. The risk is calculated by multiplying the chance of success of each of the petroleum system elements involved in the prospect.
Rotary Table	A flat plate in the drill floor which is turned mechanically at varying speeds and directions imparting the rotary action to the drill string which passes through its centre.
seismic survey	A type of geophysical survey where the travel times of artificially created seismic waves are measured as they are reflected in a near vertical plane back to the surface from subsurface boundaries. This data is typically used to determine the depths to form of stratigraphic units and in making subsurface structural contour maps and ultimately in delineating prospective structures.
SPE PRMS standards	Society of Petroleum Engineers Petroleum Resource Management System Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet to be discovered accumulations, resource evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resource management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.
spud	To start drilling a new well.
Tcf	Trillion cubic feet (1,000,000,000,000 cubic feet).
trap	A formation in the earth's subsurface which prevents the onward migration of hydrocarbons.
unrisked	A risk value has not been applied to an estimate of hydrocarbon volume either in place or recoverable.
USD	United States dollars.