



19 January 2011

(ASX Code: KAR)

ASX ANNOUNCEMENT

Maruja-1 WELL REPORT

Petrobras achieves an equipment constrained production test oil flow rate of 6142 stb/d through a 5/8 inch choke from the Maruja-1 Exploration Well during the clean-up flow period.

Karooon advises that production testing of the Maruja-1 exploration well is complete. Since the last report on 17 November 2010, the well was drilled to a total depth of 3789 metres and an extended well test was conducted over the interval 2201.5 and 2210 metres.

During the 24 hour main flow period, the high porosity Oligocene sandstone reservoir achieved stabilised flow rates of 4675 stb/d of oil and 0.8 MMscf/d of gas through a 1/2" choke, with a flowing wellhead pressure of 1050 psia. An oil gravity of 38 API was measured.

Well data from the Maruja-1 well will be used for potential appraisal drilling planning.

Equity Interests

Karooon's wholly owned subsidiary, Karoon Petroleo & Gas S.A., has entered into an agreement to acquire a 20% interest in block S-M-1352 which is part of the BM-S-41 Concession, which is subject to regulatory approval from the Agencia Nacional do Petroleo, the Brazilian national Petroleum agency (ANP). Upon receipt of regulatory approvals (including from the ANP) and subject to satisfying farm-in obligations, equity interests of the participants in BM-S-41/S-M-1352 will be:

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|-----------------------------|-----|
| Karooon Petroleo & Gas S.A. | 20% |
| Petrobras | 80% |

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 59741044
Fax: 03 59741644
Email: shosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
Email: ian@collinsstreetmedia.com.au