
Karooon executes an agreement to farm out 35% equity in Santos Basin, Brazil Blocks

Karooon Gas Australia Ltd (ASX: KAR) and Pacific Rubiales Energy Corp. (TSX: PRE) (BVC:°PREC) (BOVESPA: PREB) have, through their subsidiaries, executed final agreements for PRE to acquire a 35% interest in the Karoon's wholly owned Santos Basin Exploration Blocks, S-M-1101, S-M-1102, S-M-1037 and S-M-1165 with an option to acquire a 35% interest in S-M-1166 ("**Blocks**"). In consideration for acquiring the interests in the Blocks, Pacific Rubiales will pay Karoon US\$40 million in cash as consideration for the assignment and fund up to US\$210 million in carried well costs.

Key terms of the transaction

1. Pacific Rubiales will pay Karoon US\$40 million, as consideration for the assignment.
2. Pacific Rubiales will carry up to the first US\$70 million in well costs for each of the first two wells in the upcoming Santos Basin exploration program, Kangaroo and Emu/Cassowary, for a cumulative total of US\$140 million in well carry. After meeting the first US\$70 million in well costs for each of the first two wells, Pacific Rubiales will meet 35% of all costs thereafter.
3. Pacific Rubiales may elect to participate in the third and final well in the three well exploration program, Bilby. If the option is exercised, Pacific Rubiales must again carry up to the first US\$70 million of well costs for the Bilby well and contribute its 35% share of all well costs over and above the well carry commitment on the Bilby well.
4. The transaction is conditional on obtaining regulatory approval from the Agencia Nacional do Petroleo ("**ANP**") of the assignment.
5. Karoon will remain operator of the Blocks during the three well exploration phase and Pacific Rubiales will be entitled to request the operatorship after such time, subject to the completion of its farmin commitments, and compliance of all regulatory and other legal requirements to the satisfaction of the ANP.

Block Background

Karooon's Santos Basin Blocks are located 112 kilometres off the coast of the Santa Catarina region of Brazil, south of Rio de Janeiro. The Santos Basin has recently yielded multiple oil discoveries and is becoming an exciting area for exploration. Karoon was awarded 100% participation in the Blocks in the Santos Basin, Brazil during 2008. The five Blocks total 865 square kilometres.

In the shallow water Santos Basin, several recent discoveries have also been made which have similar geological characteristics to Karoon's Blocks, such as the Sabia, Piracuca, Tiro, Sidon, Guaiama, Panoramix and Vampira discoveries all in the same trend as the previously discovered Merluza, Mexilhao and Caravela fields. These fields have collective resources in the billions of barrel of oil equivalent in-place.

Drilling is set to commence with the drilling of Kangaroo-1, to be followed by Cassowary-1/Emu-1 and Bilby-1. The mean unrisked prospective resource sizes for the target wells are between 100 and 300 million barrels of oil. Each of these wells targets between 100-300 million barrels of hydrocarbons. In addition, the operator neighboring Karoon's Blocks, Pan Atlantic, has made one discovery at Sabia-IX, will be drilling the Canario-1 well in late calendar year 2012. The Canario prospect is known as Kookaburra to Karoon, as it straddles the border of Karoon's Block.

Who is Pacific Rubiales

Pacific Rubiales Energy Corp, a Canadian-based company and producer of natural gas and heavy crude oil, owns 100 percent of Meta Petroleum Corp., a Colombian oil operator which operates the Rubiales, Piriri and Quifa oil fields in the Llanos Basin in association with Ecopetrol, S.A., the Colombian national oil company, and 100 percent of Pacific Stratus Energy Corp. which operates the La Creciente natural gas field. The Company is focused on identifying opportunities primarily within the eastern Llanos Basin of Colombia as well as in other areas in Colombia and northern Peru. Pacific Rubiales has working interests in 43 blocks in Colombia, Peru and Guatemala.

The Company's common shares trade on the Toronto Stock Exchange and La Bolsa de Valores de Colombia and as Brazilian Depositary Receipts on Brazil's Bolsa de Valores Mercadorias e Futuros under the ticker symbols PRE, PREC, and PREB, respectively.

Who Is Karoon?

Karoon Gas Australia Ltd, an Australian Stock Exchange listed global energy exploration company, with highly prospective assets in Australia, Brazil and Peru. Karoon is currently in the midst of a two year exploration drilling program that is set to include a minimum of eleven wells in three independent basins. Currently the Phase II exploration campaign has commenced in the Browse Basin, Australia, with the goal to confirm the size and composition of the Greater Poseidon Trend ahead of development decision making. In the coming months, three exploration wells will commence in the Santos Basin, Brazil, with the goal of making new shallow water discoveries of hydrocarbons. During 2013, Karoon expects to commence drilling in Block Z-38 in the Tumbes Basin, Peru, with the goal of making new oil and gas discoveries.

Further information

For further information please see the Karoon website or contact:

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