

17 January 2013



ASX Announcement

Santos Basin Exploration Update Kangaroo-1 Exploration Well Progress Report No 2

Karooon Gas Australia Ltd advises that as at 6:00 hours BRST on 15th of January, 2013, the Kangaroo-1 well had been drilled to a depth of 1840 mRT and 13 3/8 inch casing has been cemented and we are preparing to drill ahead in 12 ¼ inch hole.

Since the last report, the 20 inch casing was installed and the 17 ½ inch was drilled to 1840 mRT where the 13 3/8 inch casing was run.

The Kangaroo-1 well is located within Blocks S-M-1101 and S-M-1165 and has multiple targets at several geological levels. The well drilling is expected to continue into February 2013 with results being released as they become available.

The Kangaroo-1 well is located within Blocks S-M-1101 and S-M-1165 and has multiple targets at several geological levels, including the Campanian, Maestrichtian, Eocene and Miocene aged rocks. The well drilling is expected to continue for the majority of the first quarter 2013 with results being released as they become available.

Upcoming Well Program

The Emu-1 and Bilby-1 wells are expected to be the second well and third wells in the Santos Basin exploration drilling campaign. These wells are located in Blocks S-M-1102, S-M-1137 and S-M-1166, and between them have multiple targets at several geological levels, including the Santonian, Campanian, Maestrichtian, Eocene and Miocene.

Completion of these three wells will satisfy the minimum work commitments for Block S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166.

Ongoing progress reports

In addition to complying with its continuous disclosure obligations, Karoon proposes to provide fortnightly progress reports during drilling operations.

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, in 400 metres of water depth. 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 during 2008. The five Blocks total 865 square kilometres.

In the period since acquiring the Blocks, Karoon has completed a large array of technical work including Wide Azimuth 3D Seismic.

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. It has been reported that these fields have collective in place prospective resources in the billions of barrel of oil equivalent in place.

Karoon's Interest

Karoon currently holds 100% of the operated Santos Basin Blocks; however, it has completed agreements with Pacific Rubiales Energy Corp. (TSX: PRE; BVC: PREC; BOVESPA: PREB) to divest a 35% participating interest in Santos Basin Exploration Blocks, S-M-1101, S-M-1102, S-M-1037 and S-M-1165 with Pacific Rubiales also holding an option to acquire a 35% participating interest in S-M-1166.

Karoon is currently the operator of S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166.

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