

25th January 2013



ASX Announcement

Karooon discovers oil in the Kangaroo-1 exploration well in Brazil

As at 6:00 hours BRST on 24th of January, 2013, Karoon Gas Australia Ltd had confirmed the discovery of oil at the Kangaroo-1 exploration well.

Kangaroo-1 was drilled to a depth of 3049 mRT and a light oil column has been confirmed by mudlog, wireline petrophysical and MDT pressure data of the Eocene aged rocks. A gross oil column of 25 metres and an oil water contact has been established from pressure data interpretation.

A wireline program is underway and full results are expected in the coming days. A decision to run a drill stem testing program will be assessed at the completion of the wireline evaluation program.

As this was not the primary target at Kangaroo-1, the well intersected the Eocene reservoir section 300 metres down dip from the trap crest as interpreted on seismic mapping. A potential gross hydrocarbon column of approximately 350 metres is estimated for the entire trap.

The discovery of oil in Eocene aged reservoirs at Kangaroo-1 provides additional confidence in the other prospects within Karoon's Blocks including the Emu/Cassowary and Bilby exploration targets.

The Kangaroo-1 well is located within Blocks S-M-1101 and S-M-1165. The evaluation program is expected to continue through February with results being released as they become available.

Upcoming Well Program

The Emu-1 and Bilby-1 wells will be the second and third wells in Karoon's Santos Basin exploration drilling campaign. These wells are located in blocks S-M-1102, S-M-1137 and S-M-1166. These wells will evaluate multiple targets at Miocene, Eocene, Maestrichtian, Campanian and Santonian levels.

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. The timing of the progress report may be amended if an evaluation operation is part way through and results are inconclusive until the evaluation is completed.

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 extensive technical work in preparation for drilling, including the acquisition, processing and interpretation of a Wide Azimuth 3D Seismic survey, the first of its kind in Brazil.

In the shallow water Santos Basin, several recent discoveries have also been made in the same area with similar geological characteristics to Karoon's blocks. These discoveries include the Sabia, Piracuca, Tiro, Sidon, Guaiama, Panoramix and Vampira discoveries all in the same trend as the earlier discovered Merluza, Mexilhao and Caravela fields further to the north. It has been reported that these fields have collective, in-place, prospective resources in the billions of barrel of oil equivalent.

Karoon's Interest

Karoon currently holds 100% equity 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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