

31st January 2013



ASX Announcement

Karooon oil discovery results and forward plans Kangaroo-1 exploration well Brazil

At 6:00 hours BRST on 30th of January 2013, wireline evaluation of the well was nearing completion. When the current wireline program is complete, the rig will finish at the Kangaroo-1 location and relocate to the Emu-1 prospect location to commence drilling.

Kangaroo-1 Summary Results

- Pressure data confirmed a 25 metre gross oil column in the well.
- Ten reservoir fluid samples were recovered to surface, two of which were opened and preliminary measurements confirmed the oil at 42 degree API.
- Analysis of petrophysical and oil sampling flow and pressure data (from wireline DSTs) indicates that the Eocene reservoir found in Kangaroo-1 is of good quality and has the potential to flow at commercial rates.
- 100 core samples recovered from within the oil zone (Eocene) and deeper water bearing sands (Eocene to Maastrichtian) that are expected to be within the hydrocarbon column higher in the structure. These samples will be analysed to provide measurements of permeability and porosity that will help characterise the reservoirs at Kangaroo and at other prospects within Karoon's exploration blocks.
- Preliminary petrophysical analysis estimates reservoir porosity in the 25-32% range, with permeability tested in two sands at 100-300 mD.
- Post well seismic interpretation and structural mapping suggests additional up-dip potential above Kangaroo-1, and this analysis indicates a potential vertical hydrocarbon column of over 300m. The deeper sands (Eocene to Maastrichtian) are also expected to be within the hydrocarbon column higher in the structure.

Given the success of the wireline evaluation program, very little additional data regarding reservoir production performance at Kangaroo-1 would be gained by running a DST in the current 'down dip' location.

Further Exploration Potential

The discovery of Eocene aged reservoirs at Kangaroo-1 has a positive impact on other prospects within Karoon's acreage, de-risking them significantly. Kangaroo-1 has proved the presence of sealed, oil bearing, reservoirs in the Eocene. The Wallaby prospect, located immediately to the west of Kangaroo 1, has an Eocene level target of similar prospective size to Kangaroo. Karoon also interprets that the Bilby prospect contains a potentially significant sized Eocene accumulation.

Eocene aged reservoirs in the Northern Santos and Campos basins are one of the main reservoirs contributing to reserves. Fields such as Central Pole (100 million bbls) and Atlanta & Olivia (245 million bbls) in the Northern Santos and Marlim (2.8 bil bbls), Marlim Sul (1.8 bil bbls), Rancador (2.4

bil bbls) and Albacora (1 bil bbls) in the Campos Basin contain a significant portion of their reserves within the Eocene age rocks.

Kangaroo forward plan

Karoon is currently working to acquire a rig to drill an appraisal well, Kangaroo-2, as soon as possible. The Kangaroo-2 appraisal well will target the crest of the structure as currently mapped with the aim of providing an optimal location for reservoir evaluation and production testing of the field. Karoon would expect to penetrate a much larger hydrocarbon column at the crest of the structure where the gross reservoir section could be as large as 350 metres.

Karoon has initiated contractor negotiations, long lead item procurement, pre-drilling location assessment and regulatory approval application documentation.

Upcoming Exploration Drilling Program

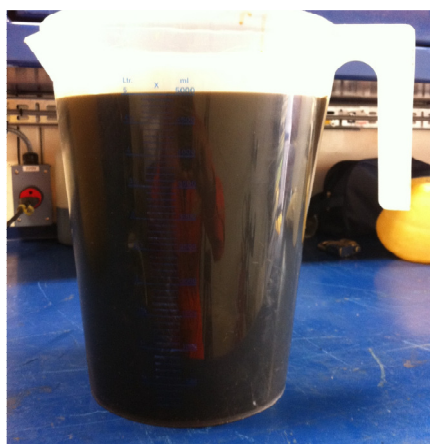
The Emu-1 well will be the next well to be drilled in the Santos Basin exploration program, followed by Bilby-1. These wells are located in blocks S-M-1102, S-M-1137 and S-M-1166 and will evaluate multiple targets at Miocene, Eocene, Maastrichtian, Campanian and Santonian levels.

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.

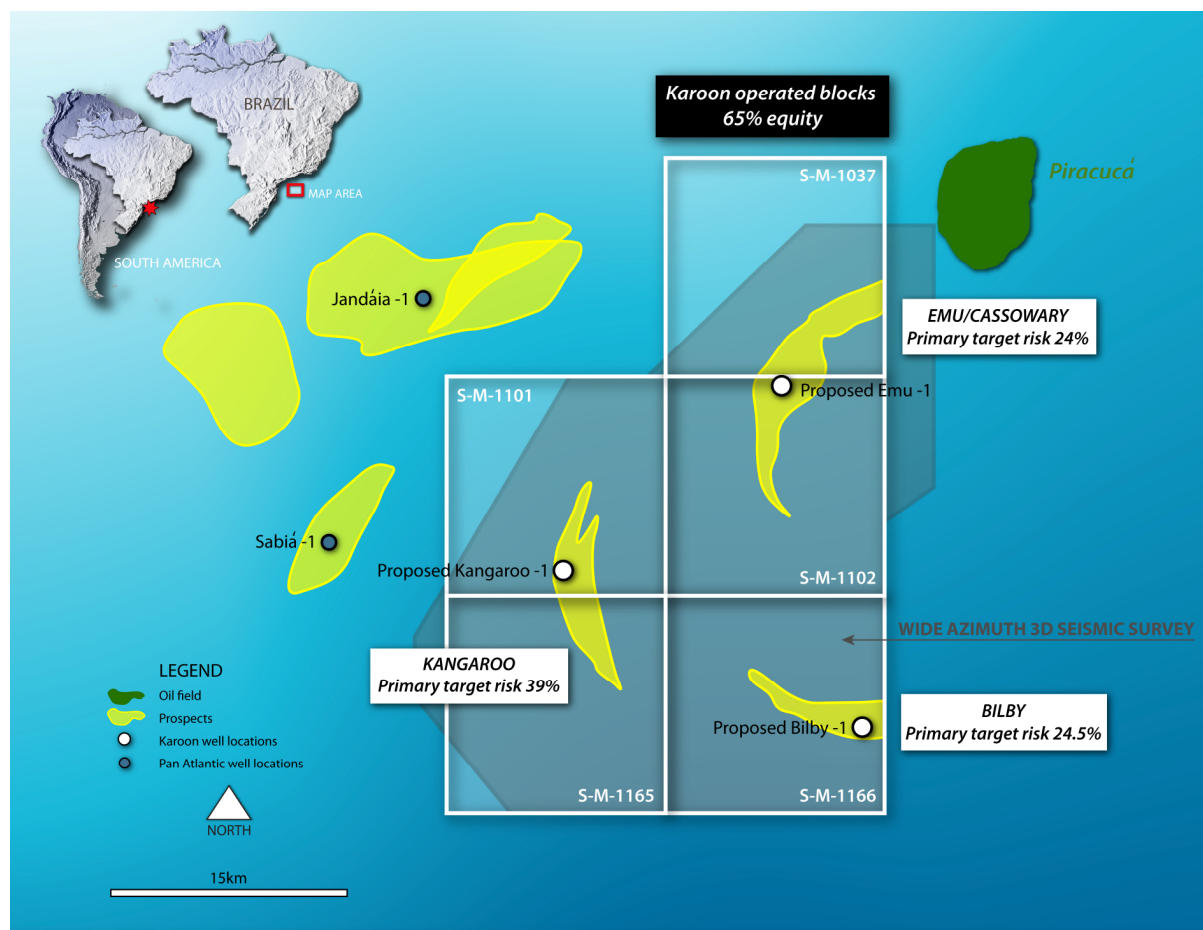
Karoon's Interest

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.



Kangaroo-1 5 liter oil sample



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