

19 April 2013



ASX Announcement

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

Karooon Gas Australia Ltd, advises that as at 06:00 hours BRST on the 19th April 2013, the Bilby-1 exploration well was drilling ahead in 17 ½ " hole at 1626mRT. Since the last report, the well was drilled to 1190mRT where 20 inch casing was installed and safety equipment was satisfactorily tested. The well then commenced drilling ahead in 17 ½ "hole.

Bilby-1 is located within Block S-M-1166 and has multiple targets at several geological levels, including the Santonian, Campanian and Eocene. The well is expected to continue into May 2013 with results being released as they become available.

Upcoming Well Program

Completion of the three Santos Basin 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.

Karooon 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 structure up-dip of the Kangaroo-1 well with the aim of intersecting a more significant oil column and additional sandstone reservoirs within closure for reservoir evaluation and production testing of the field.

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

Ongoing progress reports

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

Karooon gains deepwater operator status

Karooon has now qualified as Operator A. Operator A status qualifies Karoon to operate all exploration regardless of water depth. Karoon's qualification as Operator A is the result of its demonstration of competent Brazilian drilling experience as shown in the current Santos Basin drilling program.

Block Background

Karoon'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 first Santos Basin exploration well, Kangaroo 1, discovered oil in Eocene aged rocks. This discovery will be appraised in a follow up well to be drilled as soon as a suitable drilling rig can be sourced and mobilised to the Kangaroo-2 location. 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. These fields have collective in place resources in the billions of barrel of oil equivalent.

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% net working interest in the Santos Basin Exploration Blocks, S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1160. This working interest in the Blocks is subject to the completion of farmin commitments and the approval of the Agencia Nacional do Petroleo ("ANP").

Karoon is currently the operator of the S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166 blocks. At the completion of the three well exploration program, Pacific Rubiales will be entitled to request the operatorship of those Blocks it has been granted a working interest in, operatorship will be subject to the approval of the regulatory approval of the ANP.

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