

10 May 2013



ASX Announcement

Karoon's Bilby oil discovery expanded

The potential size of Karoon Gas Australia Ltd's (ASX:KAR) Bilby-1 oil discovery offshore Brazil has been expanded with a proven oil column of 320 metres. This has been confirmed by pressure information and physical sampling of oil from the reservoirs.

A total of seven oil samples have now been recovered to the surface, with one opened for early oil quality assessment. The sample has revealed 33 degree API gravity oil with the remaining samples to be sent for laboratory testing.

A potential gross column of approximately 560 metres has now been established, based on the shallowest oil interval down to the proven oil water contact.

The net oil bearing reservoir is estimated to be approximately 70 metres. Reservoir porosity values up to 23% have been interpreted from wireline logs.

The confirmed stratigraphic extent of the oil bearing reservoirs now includes inter-bedded sands in the Eocene, Paleocene and Maastrichtian age rocks.

Wireline testing of the discovery is continuing, including the coring of reservoir sections to assess reservoir porosity and permeability.

The Bilby-1 well is positioned approximately 150 metres down dip from the trap crest. This positioning creates potential for additional prospectivity higher in the structure where good quality water-bearing sand in the well will be above the Oil Water Contact.

After the completion of wireline testing, the well will drill ahead as planned, to 4573mRT where Karoon hopes to encounter additional hydrocarbon bearing reservoirs down to the Santonian level.

The Bilby-1 well is located within Block S-M-1166. The Bilby-1 evaluation program is expected to continue through May with results being released as they become available.

Future potential

The discovery of oil in Late Cretaceous aged reservoirs at Bilby provides additional confidence in the other prospects within Karoon's Brazilian exploration blocks.

Karoon previously discovered oil in the Kangaroo 1 well, completed in January this year, in Eocene sandstones with a follow up appraisal well expected to be drilled later this year.

Upcoming Well Program

The three well drilling program, Kangaroo-1, Emu-1 and Bilby-1 will be concluded after the evaluation of Bilby-1.

Karoon is currently working to secure a rig for follow up appraisal drilling on the Kangaroo and Bilby fields and other exploration prospects as a result of the discoveries to date. Karoon expects to secure a rig for drilling Kangaroo 2 and a Bilby follow up well in the fourth quarter 2013 subject to materials, logistics and government approvals.

Completion of the first three wells will satisfy the minimum work commitments for Block S-M-1101, SM-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

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 Santos Basin has recently yielded multiple oil discoveries. 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 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 been made in areas with similar geological characteristics to Karoon's blocks. These discoveries include the Sabia, Piracua, Tiro, Sidon, Guaiama, Panoramix and Vampira fields all in the same trend as the earlier Merluza, Mexilhao and Caravela fields discovered 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 range.

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 SM-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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