1 August 2013

ASX Announcement

Kangaroo oil discovery contingent resource upgrade

Revised Kangaroo Contingent Resource Estimate

Karoon has received new core analysis and reservoir fluid data which when integrated into the Kangaroo geological model has signifcantly increased the contingent resource range for the Kangaroo discovery.

The revised contingent resource estimates for Kangaroo are as follows;

Contingent Resource Category	Revised Contingent Resource estimate (millions standard barrels)*#	Previous Contingent Resource estimate (millions of standard barrels)*#
1C	11	2
2C	135	73
3C	487	337

**Contingent resource assessments are estimated in accordance with SPE-PRMS standards.*
 # Further detail on the contingent resource assessments is outlined below.

The Kangaroo-1 well discovered oil in Eocene and Maastrichtian age rocks, two of the northern Santos and Campos Basin's main oil producing intervals.

The new core analysis and reservoir fluid data has indicated that the reservior encountered in the Kangaroo-1 well has;

- better than previously estimated permeability, resulting in an increased net-to-gross ratio through the Kangaroo-1 reservoir section as shown in recent laboratory core analysis; and

- a larger oil column, as demonstrated by 40 degree API hydrocarbons recovered from a sample taken below the previously estimated oil water contact

These new data findings have required a recalibration of well logs and pressure data interpretation. The outcome is that the Kangaroo-1 gross oil column has been extended from 25 metres to 76 metres, an overall increase of 52 metres.

With the Kangaroo-1 well positioned well down dip on the structure, reservoir sands below the revised oil water contact are interpreted to be present updip in the structure giving a 650 metre potential gross column based on the well data and seismic mapping of the structure.

Kangaroo Forward Plan

Karoon is currently working to acquire a rig to drill a minimum of two appraisal wells, Kangaroo-2, and Bilby-2, as well as at least one exploration well, Kangaroo West-1. Additional wells may also be considered as a result of emerging analysis of geotechnical data, much of which is yet to be received. The Kangaroo-2 appraisal well will intersect the structure up dip of the Kangaroo-1 well with the aim of encountering a more significant oil column and additional sandstone reservoirs within closure for reservoir evaluation and production testing of the field.

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

Basis for assessment of the contingent resource range at Kangaroo

Contingent Resources- Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

- 1C- Denotes low case estimate scenario of contingent resources- when applied to Kangaroo, the 1C resource is based on only the reservoir sands that directly intersected the oil column in Kangaroo-1 and excludes those sands in an up-dip location.

- 2C- Denotes best estimate scenario of contingent resources. When applied to Kangaroo, the 2C resource includes the 1C resource and additional reservoir sands that were penetrated below the oil water contact at Kangaroo-1 but probably occur above the oil water contact in an up dip location. This reservoir section was water wet at Kangaroo-1, but is mapped above the oil water contact up-dip over the Kangaroo field.

- 3C- Denotes high estimate scenario of contingent resources. When applied to Kangaroo, the 3C resource includes the 1C resource, 2C resource and additional reservoir sands that were penetrated below the oil water contact at Kangaroo-1 and are interpreted to possibly thicken significantly or have better reservoir properties above the oil water contact in an up dip location. The reservoir section was water wet at Kangaroo-1, but can be mapped above the oil water contact up-dip over the Kangaroo field.

Bilby Contingent Resources

Laboratory analysis of cores recovered in the Bilby-1 exploration well has not been received to date. An announcement with respect to an initial Contingent resource in Bilby-1 will only be possible when the laboratory analysis results are available and those results are incorporated into the geological model.

Remaining Exploration Potential

The discovery of Eocene and Maastrichtian aged reservoirs at Kangaroo and more recently Bilby-1 has provided additional information on the prospectivity across other exploration targets within Karoon's Santos Basin Blocks and significantly reduced the geological risk at these reservoir levels for a number of these prospects. The following table provides an arithmetic summation of the Eocene and Maastrichtian level total gross prospective resource range for Kangaroo West and Bilby South, as assessed by DeGolyer and McNaughton at 30 September 2012.

Prospective Resource Category	Prospective Resource, (million standard barrels)*#
Low Estimate (P90)	81
Best (Median) Estimate (P50)	278
High Estimate (P10)	550

**Prospective Resource assessments are estimated using probabilistic methods in accordance with PRMS standards.*
 # Volumes above are based on arithmetic summation – and are not adjusted for geologic risk.

Glossary of Prospective Resource related terms

Prospective Resources- Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

- Low Estimate (P90), P90 refers to a 90% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded.

- Median Estimate (P50), P50 refers to a 50% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded.

- High Estimate (P10), P10 refers to a 10% chance that an estimated quantity, such as a prospective resources volume or associated quantity, will be equalled or exceeded.

SPE-PRMS Standards

Society of Petroleum Engineers- Petroleum Resource Management System-Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

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 S-M-1166. 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 the Blocks, operatorship will subject to the approval of the regulatory approval of the ANP.

Competent Persons Statement

Any petroleum reserves, contingent resources and prospective resources information contained in this announcement is based on, and fairly represents, information and supporting documents prepared by, or under the supervision of, Mr Lino Barro, Karoon Gas Australia Ltd Engineering Manager. Mr Barro has the following qualifications B.Eng. (Chemical), MBA. Mr Barro is a member of the Society of Petroleum Engineers. Mr Barro has consented in writing to the inclusion of this information in the format and context in which it appears.

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