

3<sup>rd</sup> October 2013

ASX ANNOUNCEMENT



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## Brazil Appraisal Plan Update

### Kangaroo Pre-FEED Studies Underway

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This year has been a defining period for Karoon with discoveries in two out of three wells drilled in the Santos Basin, Brazil and two discoveries from two additional wells in the Browse Basin, Australia.

The Santos Basin exploration drilling campaign was Karoon's first operated offshore drilling campaign, and importantly was completed on time, on budget and with no significant incidents. The two oil discoveries, Kangaroo and Bilby, together with oil shows in good quality reservoir sands with up-dip potential at Emu, have de-risked remaining prospects.

Karoon is fast tracking the appraisal of the Kangaroo field ahead of Bilby drilling as further evaluation is needed.

#### ***Appraisal Plan Submission***

Following the success of the Karoon operated Phase 1 Santos Basin exploration drilling campaign; considerable progress has been made toward the Phase 2 drilling campaign which is expected to commence early 2014. The Discovery Appraisal Plan (Plano de Avaiiaco de Descobertas, or "PAD") document has been submitted to the Brazilian Regulator, Agencia Nacional do Petroleo ("ANP"). The PAD sets out the proposed Block commitments for the next commitment period.

The Kangaroo discovery has been prioritised as the primary focus for the Phase 2 drilling campaign due to its favourable contingent resource size, oil quality, reservoir properties and water depth. Karoon will undertake engineering work in parallel with drilling in an effort to fast track any potential development decision. Karoon's economic evaluation is highly supportive of a commercially significant project.

While the Bilby discovery area and column height is significantly larger than expected it has a low net to gross ratio and poorer quality reservoir than seen at Kangaroo-1. Further evaluation work is required before appraisal well locations can be finalised.

#### The key elements of the Discovery Appraisal Plan include:

- Drilling of a firm appraisal well - Kangaroo-2.
- Drilling of a firm exploration well - Kangaroo West-1.
- Firm seismic reprocessing and inversion studies over the Bilby discovery and Emu prospects.
- Contingent drilling of up to four wells.

ANP approval for the PAD submission is expected prior to year end.

#### ***Kangaroo Appraisal Status***

Engineering and geotechnical work on Kangaroo is progressing as a priority with all critical data now in-house. Results from ongoing reservoir modelling, geotechnical analysis and reservoir studies continue to be very positive and supportive of the previously announced Contingent Oil Resource range of 1C-11, 2C-135 and 3C-487 million barrels. Karoon's assessment of the indicative standalone economics of a development at Kangaroo makes it an appraisal and development priority.

Kangaroo-2 well objectives are to confirm the size of the oil column, and to determine the reservoir continuity and reservoir properties in an up-dip setting, several kilometres south of Kangaroo-1. Upon success, it is expected that the well will be production tested.

Kangaroo West-1 has been prioritised as the second firm well in the Phase 2 drilling campaign due to its potential size and proximity to the Kangaroo field. Karoon prospect analysis indicates that Kangaroo West has a mean prospective resource volume in excess of 150 million barrels. In addition, the success of the same play type at Kangaroo has increased the chance of success at Kangaroo West-1. This could add significant oil resources to an already robust economic development case at the 2C resource level.

In order to accelerate a development decision, Worley Parsons and Intecsea in Brazil have been contracted to perform Pre-FEED studies over the Kangaroo field. Work commenced during the first week of September.

Based on Karoon's planned forward program for Kangaroo and dependent on the results from the Phase 2 appraisal program, first oil could be achieved by 2018.

### **Bilby Appraisal Status**

Engineering and geotechnical analysis of Bilby is ongoing with current data interpretation indicating an oil trap considerably larger than pre-drill estimates with a discovered area of 50 to 80 square kilometres and a gross oil column of up to 560 metres based on pressure data. The Bilby discovery has a low net to gross ratio and poorer reservoir quality than seen at Kangaroo-1. More work is required to better delineate reservoir distribution, quality and ultimately the resource size.

The Bilby-1 well was drilled down dip from the crest of the structure and intersected good quality reservoir sands below the oil water contact. This creates potential for additional prospectivity higher in the structure where these good quality water bearing sands are expected to be present above the oil water contact.

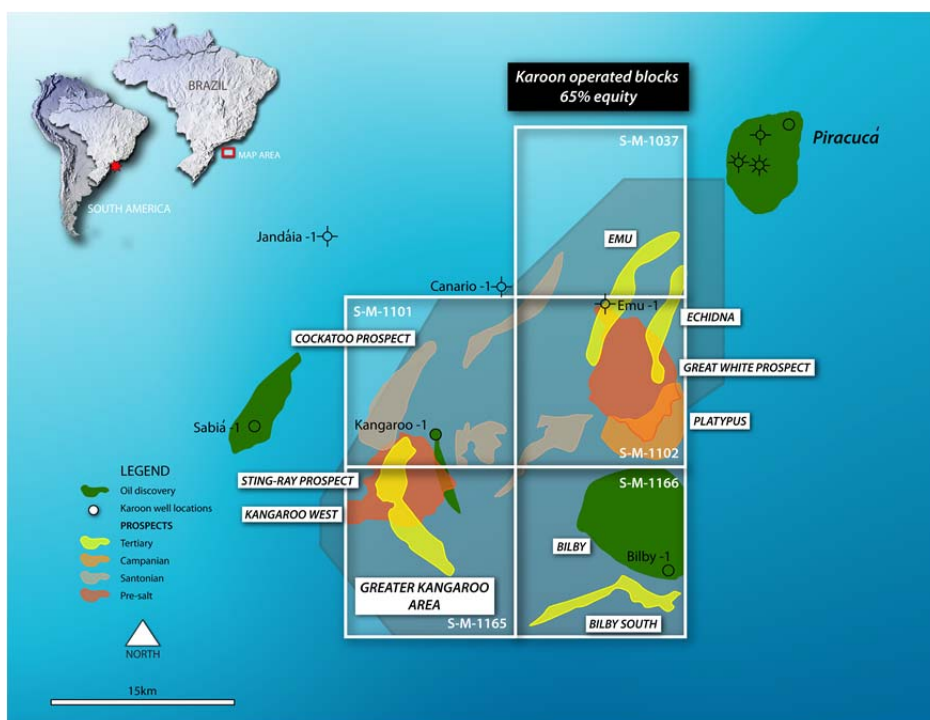
Continued evaluation work on Bilby well data will fulfil part of the PAD commitments consisting of seismic reprocessing and seismic quantitative investigation and inversion studies. These studies will lead to the best locations for appraisal drilling with results expected in early 2014.

### **Farm-out Status**

Karoon remains in discussions with a number of parties interested in taking an interest in the Santos Basin blocks. Karoon is committed to farming down approximately 10-20% equity interest ahead of the Phase 2 appraisal drilling campaign.

### **Drilling Contract Status**

Karoon is now progressing to discussions with drilling contractors, a number of whom can provide a rig ahead of the proposed Block commitments.



**For further information please see the Karoon website or contact:**

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