

27 May 2013

ASX Announcement



Santos Basin drilling program complete Two potentially significant oil discoveries from three wells

- **Successful discoveries at Bilby-1 and Kangaroo-1.**
- **Program of three wells completed safely, on time and under budget.**

The three well Santos Basin exploration campaign is now complete. The program was operated by Karoon and completed safely, on time and under-budget with total net cost to Karoon of around \$30 million after bringing in partner, Pacific Rubiales Energy Corp.

During the exploration drilling program, Karoon made two potentially commercial oil discoveries within its first three offshore wells drilled in the Santos Basin in Brazil.

As at 06:00 hours BRST on the 27th May 2013, the Bilby-1 exploration well has drilled to a depth of 4,416 mRT and work was being conducted to complete works at the Bilby-1 location.

Since the last report, wireline data acquisition operations of the 560 metres Eocene to Maastrichtian discovery section were concluded and drilling was completed to the final depth of 4,416 mRT. No further zones of interest were encountered. Currently, final engineering work is being completed before rig release later this week.

All Bilby-1 well information, including petrophysical data, oil samples and cores will be analysed in detail over the coming months.

Karoon Gas Australia Ltd CEO, Bob Hosking, said, *"The Brazilian drilling program has been an outstanding success for the company and its shareholders. We have made two very substantial oil discoveries from three wells. That is a world class result and is a credit to our technical team, our partners and the shareholders who funded the program.*

Not only have we found two new potentially commercial oil fields, those discoveries have dramatically improved the prospects for discovering oil in other targets identified within our offshore blocks in Brazil."

Forward Plan

Karoon is now aggressively seeking a rig for a multi-well appraisal program in the company's Brazilian acreage. This program will include appraisal drilling of the Kangaroo and Bilby discoveries, along with potential exploration drilling of the West Kangaroo prospect and other exploration targets.

Well Summaries

Kangaroo-1 (within Blocks S-M-1101 and S-M-1165)

- Discovered a 25 metre, proven, gross oil column in Eocene aged rocks.
- Recovered 42 degree API oil samples to the surface now undergoing laboratory analysis.
- Discovered high quality reservoir sands below the oil water contact giving a total 600 metre potential gross column based on the seismic mapping of the structure.
- Excellent reservoir porosity values up to 32% interpreted from wireline logs.
- Karoon management assessment of contingent resource of 1C 2 mmbbls, 2C 73 mmbbls and 3C 337 mmbbls.

Detailed studies of the engineering and geo-technical data obtained at Kangaroo-1 have revealed that the Kangaroo structure could contain a commercially significant oil volume.

Bilby-1 (Block S-M-1166)

- Discovered a proven oil column of 320 metres within a 560m gross column (top oil from pressures analysis to calculated Oil Water Contact) in Eocene, Paleocene and Maastrichtian aged rocks.
- Discovered 70 metres of net reservoir sands within the column, based on pressure testing, fluid sampling, coring and petrophysical evaluation.
- Recovered 33 degree API oil to surface. A number of sealed samples undergoing detailed laboratory analysis.
- Discovered additional good quality reservoir sands below the oil water contact. These are interpreted to be above the Oil Water Contract at the crest of the trap, with the well located 150m downdip from the trap crest.
- Reservoir porosity values up to 23% interpreted from wireline logs.

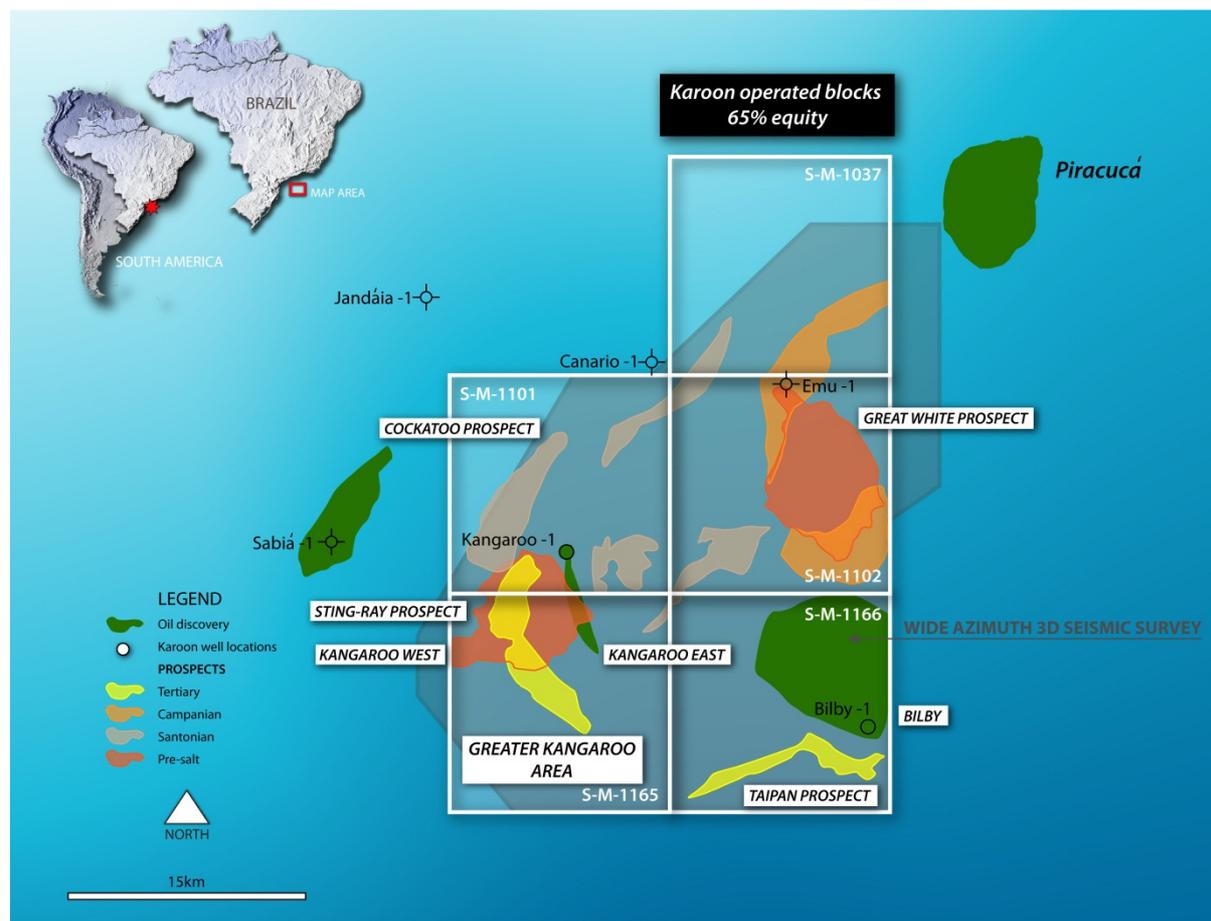
Detailed studies of the engineering and geo-technical data obtained at Bilby-1 have revealed that the Bilby structure could contain a commercially significant oil volume.

Emu-1 (Block S-M-1102 and S-M-1037)

- Established good quality reservoir sands at several target intervals.
- Presence of elevated mudlog gas readings and oil fluorescence were recorded over target sections.
- Further analysis of Emu-1 geotechnical information and mapping will be conducted to determine the full impact of the well result.

Sufficient information was obtained to warrant additional follow up geotechnical and engineering work which may include further exploration drilling on Emu in the future.

Completion of these first three wells is expected to satisfy the minimum work commitments for Block S-M-1101, SM-1102, S-M-1037, S-M-1165 and S-M-1166.



Karoon Santos Basin Prospect and Discovery Map.

Brazilian block background

Karoon’s Santos Basin blocks, totaling 865 sq/km, are located 200 kilometres off the coast of the Santa Catarina region of Brazil, south of Rio de Janeiro, in 400 metres of water. Along with the discovery by Karoon of Kangaroo and Bilby, the Santos Basin has recently yielded multiple oil discoveries. Karoon was awarded 100% participation in the blocks during 2008. 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. This program culminated in the discovery of two oil fields out of three exploration wells.

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 and 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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