

6 May 2013



## ASX Announcement

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### **Karoon discovers oil in the Bilby-1 exploration well in Brazil**

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Karoon Gas Australia Ltd (ASX:KAR) has made a second oil discovery in its three well Santos Basin exploration drilling campaign.

Oil is contained within an interbedded sand and shale interval of Maastrichtian age and has been confirmed from sampling of over a 200 metre gross section so far.

The discovery has been confirmed by wireline petrophysical, MDT pressure data, fluid sampling and mudlog analysis. Multiple fluid samples have been taken and will be fully analysed when recovered to surface. The well is positioned about 150 metres down dip from the trap crest, allowing for additional prospectivity higher in the structure.

Wireline testing of the discovery is continuing with full results expected over the coming week. The well will then drill ahead as planned, to 4573mRT where Karoon hopes to encounter hydrocarbon bearing reservoirs in the Santonian aged interval.

As at 6:00 hours BRST on 6<sup>th</sup> of May 2013, Bilby-1 was at a depth of 3845mRT.

Karoon Gas executive chairman, Robert Hosking, said, *"Oil found in Bilby-1 adds to the Kangaroo-1 oil discovery earlier in 2013 and continues Karoon's successful track record in the Santos Basin blocks."*

*"Three out of four wells drilled by Karoon this year have been successful. Karoon Gas, in joint venture with its major international partners is in a strong position to create very significant value for shareholders as these oil and gas discoveries are further defined and potentially developed."*

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 field, Bilby field and other exploration prospects which have been raised 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, Piracuca, 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, 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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