

8 April 2013



ASX Announcement

Santos Basin Exploration Update Bilby-1 Exploration Well Spuds Progress Report No 1

Karooon has now commenced the drilling of its third Santos Basin exploration well, with the spudding of the Bilby-1 exploration well at 05:03 hours (Brazilian Summer Time) BRST on 7 April 2013.

Bilby-1 is located within Block S-M-1166 and S-M-1037, and has multiple targets at several geological levels, including the Santonian, Campanian and Eocene. The well is expected to continue into May 2013 with results being released as they become available.

Upcoming Well Program

Completion of the three Santos Basin wells will satisfy the minimum work commitments for Block S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166.

Karooon is currently working to acquire a rig to drill an appraisal well, Kangaroo-2, as soon as possible. The Kangaroo-2 appraisal well will target the structure updip of the Kangaroo-1 well with the aim of intersecting a more significant oil column and additional sandstone reservoirs within closure for reservoir evaluation and production testing of the field.

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

Ongoing progress reports

In addition to complying with its continuous disclosure obligations, Karoon proposes to provide fortnightly progress reports during drilling operations.

Block Background

Karooon'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 first Santos Basin exploration well, Kangaroo 1, discovered oil in Eocene aged rocks. This discovery will be appraised in a follow up well to be drilled as soon as a suitable drilling rig can be sourced and mobilised to the Kangaroo-2 location. The Santos Basin has recently yielded multiple oil discoveries and is becoming an exciting area for exploration. 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 a large array of technical work including Wide Azimuth 3D Seismic.

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In the shallow water Santos Basin, several recent discoveries have also been made which have similar geological characteristics to Karoon's Blocks, such as the Sabia, Piracuca, Tiro, Sidon, Guaiama, Panoramix and Vampira discoveries all in the same trend as the previously discovered Merluza, Mexilhao and Caravela fields. These fields have collective in place resources in the billions of barrel of oil equivalent in-place.

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 and S-M-1165. This working interest in the Blocks is subject to the completion of farmin commitments and the approval of the Agencia Nacional do Petroleo ("ANP"). Pacific Rubiales also has an option to acquire a 35% interest in the S-M-1166 block, subject to meeting the farmin requirements and ANP regulatory approval being granted.

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 those Blocks it has been granted a working interest in, operatorship will be subject to the approval of the regulatory approval of the ANP.

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