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(ASX:KAR)



Kangaroo oil discovery preliminary resource

Revised Kangaroo Resource Estimate

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

The Kangaroo-1 well discovered oil in Eocene age rocks, one of the northern Santos and Campos Basin's main oil producing intervals, when it was drilled in January this year.

Seismic post drill reinterpretation indicates additional updip hydrocarbon potential of over 600 metres. The intersection of the oil field so far down dip from the crest of the Kangaroo structure has resulted in a large contingent resource range as outlined below:

Contingent Resource Category	Contingent Resource (millions standard barrels)*#
1C	2
2C	73
3C	337

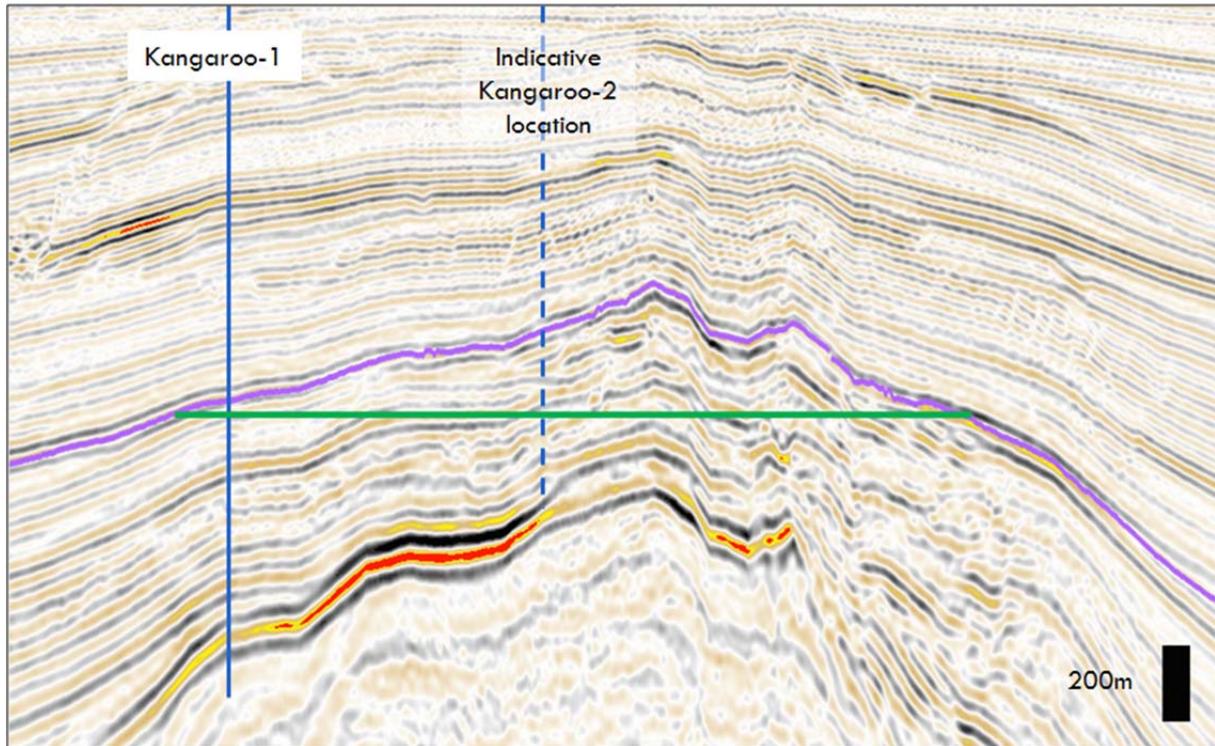
*Management estimate of Contingent resource assessments estimated in accordance with PRMS standards.
further detail on the contingent resource assessments is outlined below.

Remaining Eocene Potential

The discovery of Eocene aged reservoirs at Kangaroo has provided additional information on the prospectivity of the Eocene reservoirs across other Karoon prospects which have significantly reduced the geological risk at this reservoir level. The following table provides an arithmetic summation of the Eocene level total gross prospective resource range for Bilby, Wallaby and Taipan, as assessed by DeGolyer and McNaughton at 30 September 2012.

Prospective Resource Category	Prospective Resource, (million standard barrels)*#
Low Estimate (P90)	79
Best (Median) Estimate (P50)	223
High Estimate (P10)	535

*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.



Seismic strike section over the crest of the Kangaroo field. Purple horizon is Near Top Eocene reservoir. Green line shows Oil Water Contact extrapolated over the field.

Kangaroo Well Background

On January 24 this year Karoon Gas confirmed the discovery of oil at the Kangaroo-1 exploration well.

Kangaroo-1 was drilled to a depth of 3049 mRT and a light oil column was confirmed by mudlog, wireline, petrophysical and MDT pressure and sample data analysis of the Eocene aged rocks.

Pressure data confirmed a 25 metre gross oil column and an oil water contact in the Kangaroo-1 well, reservoir fluid samples recovered a high quality light oil measuring 42 degrees API. A full wireline testing program was conducted providing valuable data.

The well intersected the Eocene reservoir section 600 metres downdip from the trap crest as interpreted from seismic data. A potential gross hydrocarbon column of approximately 600 metres is estimated for the entire trap.

The discovery of oil in Eocene aged reservoirs at Kangaroo-1 provides additional confidence in the other prospects within Karoon's Blocks including the Wallaby, Taipan, and Bilby exploration targets. The Kangaroo-1 well is located within Blocks S-M-1101 and S-M-1165.

Kangaroo Forward Plan

Karoon is currently working to acquire a rig to drill a minimum of one appraisal well, Kangaroo-2. Additional wells may also be contracted as a result of other discoveries or the emerging results of the analysis of geotechnical data still being received. If additional wells are required, Karoon will include them in this second drilling program.

The Kangaroo-2 appraisal well will intersect the structure updip 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. If a more significant oil column is encountered at Kangaroo-2, it has the potential to prove more oil resources and hence increase the 1C category of contingent resources.

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 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.
- 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 updip location. This reservoir section was water wet at Kangaroo-1, but are mapped above the oil water contact updip 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 above the oil water contact in an updip location. The reservoir section was water wet at Kangaroo-1, but can be mapped above the oil water contact updip over the Kangaroo field where they may possibly thicken.

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.

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 subject to the approval of the regulatory approval of the ANP.

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