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ASX Announcement

Pacific Rubiales Exercises option to acquire 35% equity in Bilby Exploration well Santos Basin, Brazil Blocks

Pacific Rubiales Energy Corp. (TSX: PRE) (BVC:°PREC) (BOVESPA: PREB) has elected to exercise its option to acquire a 35% interest in Karoon Gas Australia Ltd's Santos Basin Block, S-M-1166. In consideration for acquiring the option interest in S-M-1166, Pacific Rubiales will fund the initial US\$70 million in well costs along with 35% of costs thereafter relating to the Bilby-1 exploration well.

Agreement Background

In October 2012, Karoon and Pacific Rubiales executed final agreements for PRE to acquire a 35% interest in the Karoon's wholly owned Santos Basin exploration blocks, S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166 ("**Blocks**").

As part of this agreement, Pacific Rubiales has paid Karoon US\$40 million, as consideration for the assignment of the first of the Santos Blocks and carried the first US\$70 million in well costs for each of the two wells in the Santos basin exploration program, Kangaroo and Emu/Cassowary. Pacific Rubiales will now carry the first \$70 million in well costs at Bilby, for a cumulative total of US\$210 million in well carry. After meeting the first US\$70 million in individual well costs, Pacific Rubiales will meet 35% of all costs thereafter.

Karoon will remain operator of the blocks during the three well exploration phase and Pacific Rubiales will be entitled to request the operatorship after such time, subject to the completion of its farm-in commitments, and compliance of all regulatory and other legal requirements to the satisfaction of the ANP.

The transaction is conditional on obtaining regulatory approval from the Agencia Nacional do Petroleo ("**ANP**") of the assignment.

Karoon Gas executive chairman, Robert Hosking, said, "*Pacific Rubiales has proven to be a great partner for Karoon in the Santos Basin drilling program. Our companies have worked well together in our Brazilian partnership, having made the Kangaroo discovery and we look forward to further success in the future.*"

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. Karoon's first Santos Basin exploration well, Kangaroo 1, discovered oil in Eocene aged rocks. This discovery will be appraised with a follow up well to be drilled as soon as a suitable drilling rig can be sourced and mobilised to the Kangaroo-2 location.

Karooon was awarded 100% participation in the Blocks in the Santos Basin, Brazil during 2008. The five Blocks total 865 square kilometres.

In the shallow water Santos Basin, several recent discoveries have also been made which have similar geological characteristics to Karooon'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 resources in the billions of barrel of oil equivalent in-place.

Who is Pacific Rubialaes

Pacific Rubiales Energy Corp, a Canadian-based company and producer of natural gas and heavy crude oil, owns 100 percent of Meta Petroleum Corp., a Colombian oil operator which operates the Rubiales, Piriri and Quifa oil fields in the Llanos Basin in association with Ecopetrol, S.A., the Colombian national oil company, and 100 percent of Pacific Stratus Energy Corp. which operates the La Creciente natural gas field.

The Company is focused on identifying opportunities primarily within the eastern Llanos Basin of Colombia as well as in other areas in Colombia and northern Peru. Pacific Rubiales has working interests in 43 blocks in Colombia, Peru and Guatemala.

Pacific Rubiales' common shares trade on the Toronto Stock Exchange and La Bolsa de Valores de Colombia and as Brazilian Depositary Receipts on Brazil's Bolsa de Valores Mercadorias e Futuros under the ticker symbols PRE, PREC, and PREB, respectively.

Who Is Karooon

Karooon Gas Australia Ltd, an Australian Stock Exchange listed global energy exploration company, with highly prospective assets in Australia, Brazil and Peru.

Karooon is currently in the midst of a two year exploration drilling program which includes a minimum of eleven wells in three independent basins. Currently the Phase II exploration campaign has commenced in the Browse Basin, Australia, with the goal to confirm the size and composition of the Greater Poseidon Trend ahead of development decision making.

At least three exploration wells will be drilled in the Santos Basin, with the goal of making new shallow water hydrocarbon discoveries. During 2013, Karooon expects to commence drilling in Block Z-38 in the Tumbes Basin, Peru.

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