



## **ASX RELEASE**

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### **BROWSE BASIN FARMOUT TO CONOCOPHILLIPS**

Karoon Gas Australia Ltd has entered into agreements to farm out up to a 60% interest in its Browse Basin permits, WA-314-P and WA-315-P, to the ConocoPhillips Group subsidiary company, ConocoPhillips SH2 Pty Ltd.

#### **Acquisition of 51% Interest**

Pursuant to the agreements, consisting of a joint operating agreement and separate farm in agreement, ConocoPhillips SH2 will acquire a 51% interest in the permits by:

1. Paying Karoon US\$9.6 million in reimbursement of approximately 80% of the costs incurred in carrying out the second year work programme for the permits. This involved the acquisition, processing and interpretation of seismic surveys completed throughout 2006, comprising approximately 1200 sq kms of 3D Seismic and 800 kms of 2D seismic.
2. Funding 80% of the costs of the third year work programme for the permits which will require the drilling of one exploration well in each permit including testing. The cost of the third year work programme which is subject to the 80% funding arrangement is estimated to be between US\$60-80 million.

#### **Option to Increase Interest to 60%**

Pursuant to the agreements, ConocoPhillips SH2 has an option, upon completing its obligations relating to the acquisition of its 51% interest, to acquire a further 9% interest in the permits by paying 80% of the next US\$125 million of joint venture expenditure.

#### **Effect of the Transaction**

Karoon considers that ConocoPhillips brings substantial expertise and extensive knowledge of gas exploration and LNG production to the joint venture.

The joint venture with ConocoPhillips greatly reduces the monetary commitments required from Karoon in the Browse permits. The option for ConocoPhillips to take up an additional 9% of the permits is also very advantageous to Karoon, as, if exercised, this will ensure Karoon does not have a large financial commitment as the joint venture moves ahead with additional exploration or appraisal work.

## **Background on the Permits**

The permits are located less than 10km from the giant Scott Reef/ Brecknock gas and condensate fields complex, estimated by Woodside Petroleum to contain approx 21TCF (Trillion cubic feet) of recoverable gas reserves with 210 million barrels of condensate. Karoon's mapping and geologic analysis demonstrates that the same play type with similar large structures on trend occur across Karoon's WA-314-P and WA-315-P permits.

ConocoPhillips is an integrated petroleum company with interests around the world. Headquartered in Houston, the company had approximately 38,000 employees, \$162 billion of assets, and \$188 billion of annualized revenues as of June 30, 2006. For more information, go to [www.conocophillips.com](http://www.conocophillips.com).

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