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(ASX Code: KAR)

SEDCO 703 SEMI SUBMERSIBLE DRILLING RIG CONTRACT SIGNED FOR BROWSE DRILLING PROGRAM

A contract has been signed with Sedco Forex International for the use of the Sedco 703 semi-submersible drilling rig on the forthcoming drilling programme in the Browse Basin leases situated offshore Western Australia, WA-314-P, WAP-315-P and WA-398-P held by Karoon with its joint venture partner ConocoPhillips.

The drilling contract is for 200 - 225 days. Drilling is expected to start in the third quarter of 2008.

The drilling of 3 wells will satisfy the current year work programme commitments for each of the permits, which have been recently extended. The Year 3 drilling work commitments for WA-314-P and WA-315-P (i.e. the drilling of one well in each permit) have been extended for a period of 12 months and are now required to be completed by 11 February 2009. The Year 1 drilling work commitment for WA-398-P (i.e. the drilling of one well) has also been extended for a period of 12 months and is now required to be completed by 30 April 2009 .

ConocoPhillips will be funding 80% of the drilling and testing costs for 2 exploration wells in WA-314-P and WA-315-P and 60% of the drilling and testing costs for one exploration well in Permit WA-398-P. Karoon will be funding the balance of the drilling and testing costs in each case. The permits are immediately on trend with the giant Scott Reef/Brecknock gas fields which are currently being appraised for development.

For more information please see the Karoon website or Contact:

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