

22nd January 2008

Karoon acquires Z38 Block Peru

Karoon Gas Australia Ltd has signed a Farmin Agreement with Vietnam American Exploration Company LLC (Vamex) for the exploration of Block Z38 located in the offshore Tumbes Basin in Northern Peru.

Subject to the receipt of regulatory approvals, Karoon will earn an initial 20% interest in the block by funding a new 2,000 km 2D seismic survey with the option of earning an additional 40% interest in the block by acquiring 670 sq km of new 3D seismic data.

The acquisition of the required permits and approvals for conducting of the 2D seismic survey is nearing finalization. Tendering for the survey vessel is well advanced with the expectation that the seismic acquisition will commence later in 2008.

The current geotechnical analysis of the existing data indicates that the block is prospective for both oil and gas. Preliminary economic evaluation by Karoon indicates that any offshore development could be rapidly brought to production due to the close proximity of existing oil and gas infrastructure.

The farmin further represents Karoon's strategy of diversifying its asset base by securing large equity interests in prospective exploration areas.

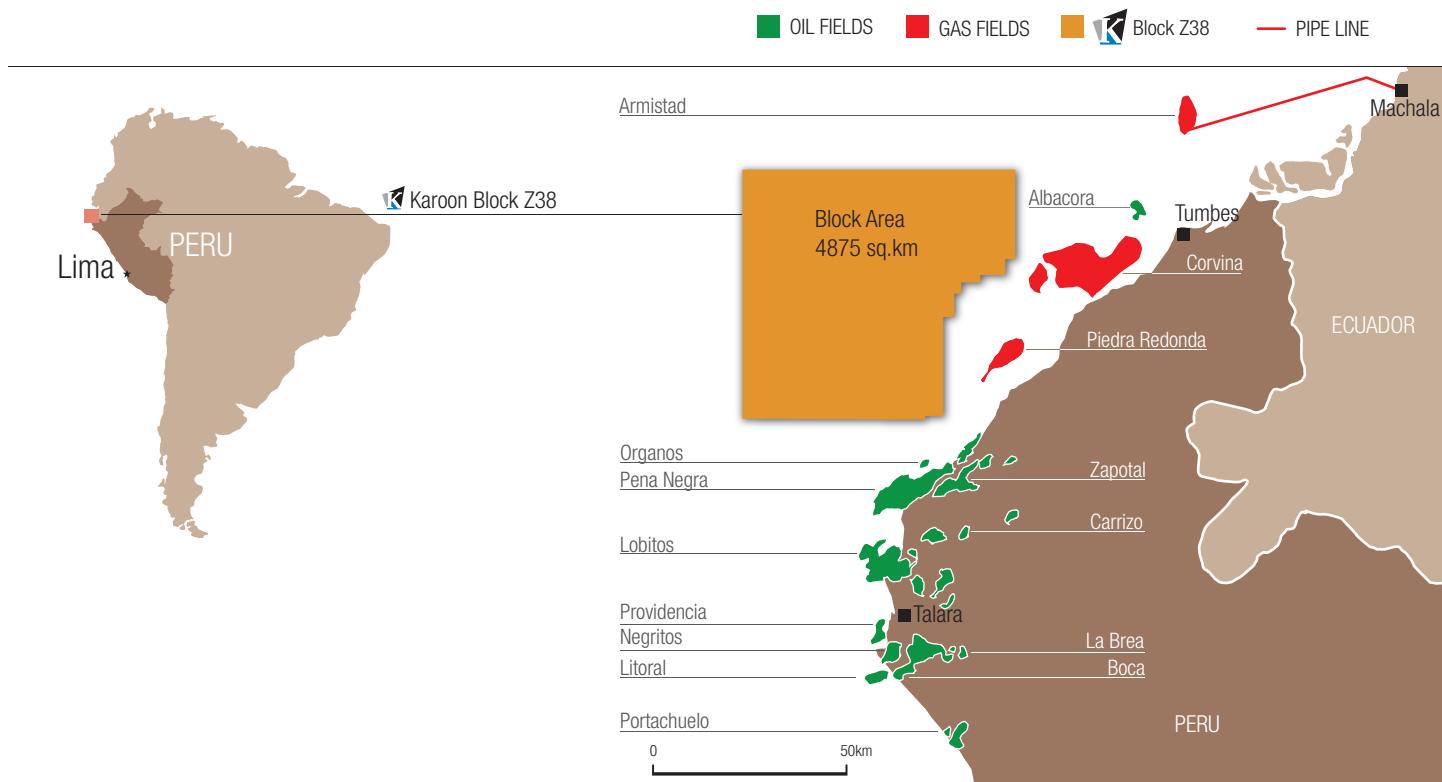
Vamex is a 100% subsidiary of Pitkin Petroleum, a United States independent oil and gas company. Vamex is an active explorer in South East Asia and South America.

About Peru

Peru has a long history of oil and gas exploration and development beginning in the late 1800's. Current major international oil company's operating in the country include ConocoPhillips, Talisman, Occidental, Repsol, Hess, Chevron and Hunt Oil.

Recent gas developments in Peru include the development of the 8.7 TCF and 411 million barrels of associated liquids of the onshore Camisea LNG project operated by Pluspetrol and partnered by Hunt Oil, South Korea's SK Corporation and Sonatrach Petroleum.

The Tumbes Basin is located adjacent and to the north of the Talaes Basin in the North of Peru with both basins having similar source rocks. The Talaes Basin is a prolific oil and gas area with over 1 billion barrels of oil produced to date. Block Z38 is in close proximity to the existing producing Amistad gas field operated by Noble Energy.



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