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(ASX Code: KAR)

ASX ANNOUNCEMENT

KAROON ACQUIRES ADDITIONAL 15% INTEREST IN PERU BLOCK Z38 –

POST FARMIN KAROON BLOCK EQUITY - 75%

Karoon has secured an additional 15% post farmin interest in its Peru Block Z-38. This new interest is in addition to its previously exercised option to acquire an additional 40% interest in August 2009 and move to the second year work commitments

Karoon will now hold a 75% interest in Block Z38 on the completion of the third year work commitment obligations and the relevant regulatory approvals.

To earn its interest, Karoon will fund the continuing work program through the third period of the exploration phase of the license contract which includes two exploration wells. Drilling in the block is expected late in 2010 or early in 2011.

Karoon is also in the process of becoming operator of the block pending the necessary approvals by the relevant Peruvian authorities.

Block Z-38 is located offshore the Tumbes Basin, to the northwest of Peru. It is a region that is experiencing renewed activities after a series of successful exploration programs in the adjacent blocks. The Talara Basin, to the south of the Tumbes Basin, has produced more than 1 billion barrels of oil. The Talara Basin is reported to be the location of the first oil production in South America in the late 1800's.

After completion of the farm-in work programs and regulatory approvals equity interests in Block Z38 are:

KEI (Peru Z-38) Pty Ltd, Sucursal del Peru: 75%*

Vietnam American Exploration Company LLC (Operator): 25%

Karoon is in the process of becoming the Operator of this Block pending necessary approvals.

*Equity interests stated are based on the post farmin ownership. KEI (Peru Z-38) Pty Ltd, Sucursal del Peru is a wholly owned subsidiary of Karoon Gas Australia Ltd.

