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ASX ANNOUNCEMENT

KAROON SIGNS LETTER OF INTENT TO CONTRACT THE “BLACKFORD DOLPHIN” SEMI-SUBMERSIBLE DRILLING RIG FOR KAROON’S SANTOS BASIN DRILLING PROGRAM.

Karoon, as operator of five blocks in the Santos Basin, today signed a letter of intent to contract with Dolphin Drilling Ltd, for the “Blackford Dolphin” semi-submersible drilling rig. The completion of the final drilling agreements is subject to final negotiations and is expected by the end of June 2011.

This letter of intent covers the drilling of three wells in Karoon’s Santos Basin blocks, to begin in the first half of 2012. These will be located about 280 kilometers off the coast of the State of São Paulo, Brazil, in water depths of approximately 400m.

The “Blackford Dolphin” is a Semi-Submersible Drilling Rig, currently operating in Brazilian waters, and was the preferred drilling rig for Karoon’s upcoming Santos Drilling Program.

Karoon will be targeting several prospects in this drilling program along with satisfying its second period work commitments. Prospects within Karoon’s Santos Basin Blocks contain several large drilling targets will be announced at the completion of seismic interpretation later in 2011.

Preparations are currently being carried out to obtain all the necessary regulatory and other approvals, long lead items have been ordered and a specialists team of drilling engineers has commenced well planning and pre-drilling engineering.

Karoon's wholly owned subsidiary, Karoon Petroleo & Gás S.A., has entered into the Letter of Intent and currently owns 100% of the Santos Basin Blocks 1037, 1101, 1102, 1165 and 1166.



Photo; *Blackford Dolphin Semi Submersible Drilling Rig*

For further information please contact:

Scott Hosking: Company Secretary
Telephone: 03 59741044
Fax: 03 59741644
Email: shosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
Email: ian@collinsstreetmedia.com.au