



Thursday, 25 August 2011

(ASX Code: KAR)

**ASX ANNOUNCEMENT**

**“BLACKFORD DOLPHIN” SEMI SUBMERSIBLE DRILLING CONTRACT SIGNED FOR 2012 SANTOS BASIN DRILLING PROGRAM.**

Karoon, as operator of five wholly owned blocks in the Santos Basin, Brazil, today executed final drilling agreements with Dolphin Drilling Ltd, for the “Blackford Dolphin” semi-submersible drilling rig.

The drilling contract covers the use of the Blackford Dolphin rig for the drilling of three wells in Karoon’s Santos Basin blocks, to commence 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 as interpreted from the latest 3D seismic interpretation which is now reaching the final stages of processing and interpretation.

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

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

**For more information please see the Karoon website or Contact:**

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