



**Thursday, 8 September 2011**

**(ASX Code: KAR)**

**ASX ANNOUNCEMENT**

**“TRANSOCEAN LEGEND” SEMI SUBMERSIBLE DRILLING CONTRACT SIGNED FOR 5-8 WELL 2011-2013 PHASE-2 BROWSE DRILLING PROGRAM.**

A drilling contract has been signed with Sedco Forex International Inc. on the 8<sup>th</sup> September securing the “Transocean Legend” semi-submersible drilling rig to complete the planned Phase-2 Browse Basin exploration drilling program in the WA-314-P, WA-315-P and WA-398-P permits jointly held by ConocoPhillips and Karoon Gas. The contract comprises five firm wells (fulfilling permit commitments) with options for three additional wells (5-8 wells). Drilling is expected to commence in the fourth quarter of 2011 and is estimated to run for eighteen months to two years

ConocoPhillips is the operator of the jointly held WA-314-P, WA-315-P and WA-398-P Browse Basin permits containing the previously announced Poseidon and Kronos gas discoveries.

The five to eight well drilling program will target the Poseidon trend as well as surrounding prospects, including one prospect in WA-314-P late in the program.

The first well will be Boreas-1, a crestal well in WA-315-P on a large tilted fault block east of the Poseidon-1 fault block.

The results of the drilling campaign will allow the size and quality of the hydrocarbon accumulations within the exploration permits to be determined in preparation for a development decision. Karoon believes that the additional new prospects identified are of sufficient size that, if successful, would result in a meaningful increase in the capacity and economics of an eventual LNG project.

Pursuant to the 2006 Farmin Agreement between Karoon and ConocoPhillips (Browse Basin) Pty Ltd, ConocoPhillips will be funding 80% of the drilling and testing costs for the initial \$125 million of expenditure within WA-315-P.

Based on current forecasted costs Karoon will have sufficient capital at its disposal to complete all drilling activities for the planned program. Karoon is currently well advanced in the process of completing the farmout of its Santos Basin and Peruvian assets, and expects to have reduced financial exposure to both drilling campaigns. A list of potential farm partners will be shortlisted in the near future and negotiations are continuing.

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

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