

Karoon Gas looking at discounted assets in Brazil

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[The cashed-up but unloved Karoon Gas is preparing to put its money to work, with the Melbourne-based group believed to be taking a close look at several deeply discounted assets up for sale in Brazil.](#)

Karoon last week agreed to buy out its distressed joint venture partner in several exploration blocks in Brazil's Santos Basin, clearing up a messy ownership structure and paving the way for Karoon to pursue a fresh farm-out process with other interested parties.

That deal saw Karoon pay Pacific Exploration and Production \$US15.5 million (\$20.2m) upfront plus another \$US5m from future production for Pacific's 35 per cent interest. Pacific itself had bought into the licences a few years back when it paid \$40m upfront and spent \$210m on the exploration drilling campaigns that resulted in the Echidna and Kangaroo discoveries, before financial issues forced it to start selling assets.

Even after the deal, Karoon is still trading at a deep discount to its cash backing. The company has about \$480m in cash to its name, compared to a market capitalisation on Friday of \$326m.

The market appears to be betting that Karoon will burn through that cash by fully funding the upcoming appraisal work on Echidna, although the more likely outcome would be either the securing of a new joint venture partner to help with the costs or the deferral of the drilling until another partner can be found.

At the same time, the company has been looking closely at Brazilian acquisition opportunities that have been shaken out by the oil price rout in recent years and the deep economic issues and corruption allegations that have shaken Brazil's state-owned energy giant Petrobras.

Both Woodside Petroleum and BHP Billiton are known to have been looking at potential acquisitions in Brazilian oil and gas in recent years, and Karoon's experience there — where it holds 'accredited operator' status — could make it a useful partner for either group.