

## Karoon enters new fashionable oil address – offshore Brazil

**Nov 29:** Karoon continues to take giant leaps for what still is a very small company, signing itself up for some brand new real estate in an attractive, oil and gas producing basin offshore Brazil where – as it does with its local Browse acreage – it will be mixing it with the Big Boys.

Upon formal award of the blocks in March next year, Karoon will be required to pay a US\$25mil signatory bonus, with minor refundable components in bid bonds, to the governing body of the Brazilian Petroleum industry ANP.

Karoon should be able to cover these costs fairly comfortably, having raised a further \$51mil via a placement of 14.8mil new \$3.45 shares as announced Nov 22, adding to the \$71.3mil in the bank at the end of the Sep quarter.

To secure the rights, Karoon has committed to assess the potential of the area through G&G work and the purchase and reprocessing of existing seismic data early on, before progressing to the acquisition of new 3D in the third year. This will aid Karoon in firming up possible drilling locations for wells, of which five are due – one in each block – in the following optional two year license term.

To get most of this program majority funded, Karoon will have to do what it has done in its Browse Basin acreage, and that is, farm down fairly significantly. ConocoPhillips is Karoon's wallet in Australia, funding 80% of a well in WA-314-P and WA-315-P to earn an initial 51% permit share, and 60% of a well in WA-398-P as per its pro-rata JV share. With the two companies already in a JV arrangement, you would have to think ConocoPhillips would be given first right of refusal on any future calls for farmin partners that Karoon will make in regards to its Brazilian blocks, so it will be interesting to see whether Conoco subscribes to a second JV area with Karoon.

The five Santos Basin blocks, 1037, 1101, 1102, 1165 & 1166, are considered to lie in a hydrocarbon prospective neighbourhood, with potential in the multiple hundreds of millions of barrels of oil and multi TCF gas. Producing fields are not all that far away, with Karoon's blocks splitting the distance between the Caravela field 100km SW and the Merluza field 100km NE.

Also to the east of Karoon's area is the Tupi field, discovered by Brazil's state owned oil company Petrolio Brasilio (Petrobras) earlier this month, rated as the second largest resource to be discovered anywhere in the world in the last 30 years and which has caused a substantial re-rating of Brazil's exploration potential. At three quarters the size, Tupi sits only behind Kazakhstan's Kashagan field as the two biggest finds of the past three decades, with Kashagan containing 12bil barrels of recoverable oil.

Well tests earlier in Nov indicate that the Tupi field could contain up to 8bil bbls oil, which would be a 62% increase on the nation's currently defined reserves, and will put that discovery alone on par with Norway's 8.5bil bbls of proved reserves. Petrobras' release on the find was scant in detail, but stated that the oil found at Tupi was light and would be more valuable than the heavier oil Brazil has a reputation for producing.

Another ASX-listed company, albeit a much more 'junior' one, with some interests in Brazil, is Eromanga Hydrocarbons, which entered a 50-50 arrangement with Silver Marlin Exploration on Feb 15 this year for a series of blocks. Eromanga Hydrocarbons now holds interests in eight permits in the onshore Reconcavo Basin.

Silver Marlin found itself running out of time to get through the committed work program to advance the leases to a second one year term, with wells to drill in each area. Eromanga came in promising to fund a 2D survey to advance some already-defined leads to drillable status, along with funding 80% of the first well in each block.

Eromanga also submitted bids for additional acreage in the 9<sup>th</sup> bid round, completed by ANP in the last couple of days, where Eromanga expects to gain a position in two blocks. To help with its future funding requirements, Eromanga conducted a share placement on Nov 12, raising \$8mil through the issue of 50mil \$0.16 shares.

Karoon closed up 0.88% at \$3.44 on volumes around 178,000 on Nov 29.

Karoon was trading up \$0.02 at \$3.32 on volumes around 23,000 earlier today.

## Karoon announcement:

### Karoon wins five Brazilian Petroleum exploration blocks

Karoon Gas Australia Ltd has successfully bid for five offshore exploration blocks in the Santos basin in the state of Santa Catarina, Brazil, just south of Rio De Janeiro.

This exciting acquisition represents a major new exploration interest for Karoon and continues the company's strong organic growth.

Set out on below is a map of the area around the newly awarded Karoon blocks in Brazil:

### Newly Awarded Karoon Blocks



Karoon was awarded blocks 1037, 1101, 1102, 1165 and 1166 covering 850 square kilometres yesterday by ANP (National Agency of Petroleum) in Brazil.

Karoon believes the blocks offer good exploration potential in the hundreds of millions of barrels of oil and trillions of cubic feet of gas range.

The blocks are located in an existing oil and gas producing province in close proximity to several large oil and gas producing fields including the Caravela and Coral fields 100km to the south west and the Merluza field 100km to the north-west.

The giant new discovery by Petrobras of the deep water Tupi field, to the east of the blocks awarded to Karoon, has altered industry perception of the Santos basin. The Tupi field, discovered recently by Brazilian national oil company Petrobras, ensured strong competition in the latest round of bidding for exploration acreage in Brazil.

Karoon will complete the acquisition of these blocks in March 2008 at an award ceremony in Brazil, at which time Karoon is obligated to pay a total of \$US25 million in non-refundable signature bonuses and refundable bid bonds to ANP, the governing body of the Brazilian petroleum industry.

The work program Karoon has submitted for the award of these blocks consists of extensive geological analysis work, the purchase, reprocessing and interpretation of existing seismic. On three of the blocks there is a requirement to acquire a further 170 square kilometres of 3D seismic in the first 3 year term. In the optional second term of 2 years, one well is required to be drilled in each block.

All expenditure will be funded either through the use of Karoon funds or possibly the equity restructuring or farm out of the permits over the coming year.

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## Tap cranks up activity in 8-month old Bass block

**Dec 3:** Tap is off and running on its committed work program for Bass Strait block T-47-P, which was only awarded in Mar this year, taking control of the PGS vessel Pacific Explorer for a 3D seismic survey to firm up existing structures to drillable status.

The 517km<sup>2</sup> Labatt 3D will take about a month, and will be focussed on the western extent of the permit, which was awarded to operator Tap with 40%, and its JV partners Jubilant Energy with 25% and Singapore Petroleum Company with 35%. Existing leads, estimated to contain anywhere up to 40mil bbls oil have already been delineated by 2D, and will be the primary focus of the upcoming program.

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