



3rd August 2006

(ASX Code: KAR)

### **Browse Basin WA-314-P & WA-315-P exploration update**

Karoon Gas is pleased to announce that the final 284 sq km portion of the 3D seismic program (D Lead) was completed this morning under budget. This data will be processed for interpretation in November 2006.

Processing of the first 850 square km 3D seismic data is now complete with interpretation and mapping underway. Early results confirm the position and size of the two leads (Updip Buffon and A Lead) in the survey area. Improved data quality and coverage has allowed the volcanics and reservoir intervals within the closures to be mapped far more accurately to better define potential reserves, confirming initial potential reserve estimate ranges from the earlier 2D seismic mapping. An extensive and detailed mapping and analysis program is ongoing to best define drilling locations.

Processing of Karoon's 850 km 2D seismic survey is nearly complete with final processed lines being available for interpretation in the coming weeks.

With this seismic acquisition work finished, Karoon has fulfilled and exceeded the Year 2 work program commitments in both permits.

#### **Farmout program**

Karoon has started showing the new 3D seismic data and preliminary interpretation to interested companies via booked data room visits. Currently the data-rooms are booked out to the end of August.

### **Gippsland Basin exploration update**

A three well exploration drilling program is currently being designed to test the commercial viability of the Narracan Trough. The drilling program will follow up on the high quality oil shows discovered in the Megascolides-1 well and the results of 2005 2D seismic survey data.

#### **Seismic Interpretation**

Interpretation of the recently acquired seismic is continuing with results revealing a number of prospective structures and has demonstrated that the Megascolides-1 well intersected a structure near the lower limit of the closure. Further Gippsland 2D seismic interpretation results shall be available over the 3rd quarter 2006.

**Drilling program**

Karoon has contracted Upstream Petroleum, an experienced drilling and development service group to secure a drilling rig and assist with the planning approvals and operations of the drilling program.

Karoon through Upstream Petroleum has now signed a letter of intent with Century Drilling for their Century Rig 11 for a drilling program scheduled to start in November 2006.

**Appointment of Engineering Manager**

Karoon is very pleased to announce the addition to its staff of Mr Lino Barro to the position of Engineering Manager for Karoon. This appointment is essential to Karoon Gas, as a greater amount of engineering expertise is required. Karoon Gas will be moving toward major exploration and development programs requiring an increasing engineering contribution. Mr Barro has broad engineering expertise across most facets of the petroleum industry.

Mr Barro was previously with BHP Billiton where he spent over 13 years in senior technical and co-ordination roles associated with exploration, appraisal and subsurface development planning of oil and gas fields and coal bed methane throughout Australia and a number of other countries. Mr Barro spent five years based in the Middle East working for Kufpec which included two years as head of their New Ventures and Acquisitions group and three years managing their Production group.

For more information please see the Karoon website or Contact:

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