



ASX RELEASE

9th December 2004

Karoon Gas Update – Megascalides – 1 Drilling Operations Narracan Trough West Gippsland

Progress Update No 8

Further to the last ASX Release dated the 6th December 2004, the latest drilling information is that at 0800 hours on the 9th December the Megascalides-1 well had reached a depth of 1674m in 8-1/2" hole.

The well is drilling toward the deeper target at 1700m. This target is the Crayfish Group equivalent interval which produces gas in the western Otway Basin. The drilling operation is in a position to core and evaluate zones of interest as they are intersected down to the planned total depth of 2000m.

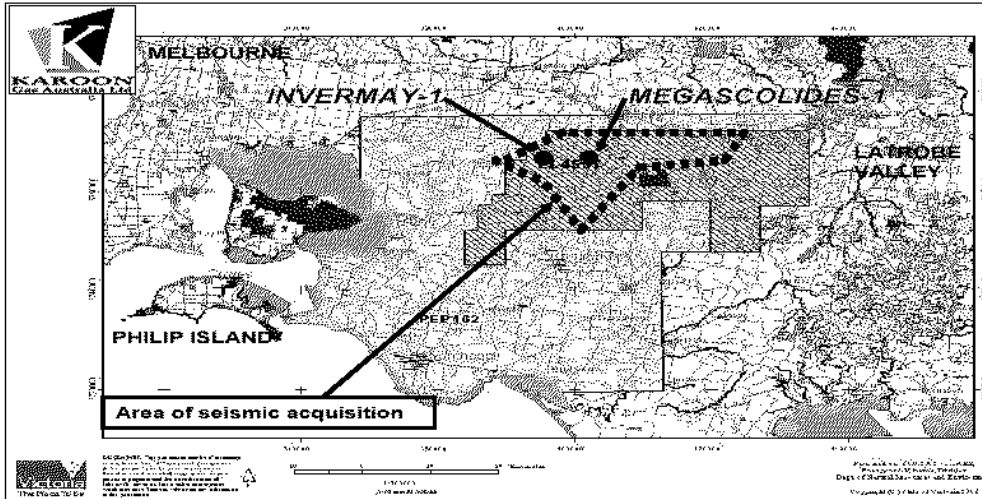
At 1645m the well intersected a thin fracture zone. Oil fluorescence was recorded in the fracture zone associated with calcite vein infill mineralization. The fluorescence had 30% bright patchy to solid medium yellow oil fluorescence. This zone will be evaluated further at the end of the well.

Karoon Gas (through its 100% owned subsidiary Karoon Gas Pty Ltd) has a 100% registered interest in PEP 162 and EL 4537, within the Western on-shore Gippsland Basin of Victoria. The Megascalides – 1 drilling site is located in PEP 162 and EL 4537, approximately 100 Kilometres South East of Melbourne.

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KAROON GAS AUSTRALIA LTD. ACREAGE, SEISMIC AND PLANNED WELL LOCATIONS



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