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(ASX Code: KAR)

Gippsland PEP 162 Exploration Update

This exploration program comprising the 2005 2D seismic and now the three well drilling program follows up on the very encouraging oil shows seen in the 2004 Megascalides-1 well. The mapping results show the Megascalides well to be positioned in a trough suggesting that if oil is trapped there, a stratigraphic trap of indeterminate size may be present. Mapping also showed a number of shallower structural closures offering a range of attractive drilling targets.

Megascalides-1 re-entry and sidetrack results.

Karoon has successfully re-entered, sidetracked the original Megascalides-1 hole and cored the Rintouls Creek Formation sandstones. High gas readings were recorded with good oil fluorescence and oil staining seen over much of the recovered core sections. Core recovery was 85% with porosities up to 11 percent measured from core analysis. Permeability measurements however were all very low, indicating very low potential for this formation to flow oil at this location. With these results Karoon is plugging and abandoning the Megascalides-1st well. The excellent oil shows seen here suggest that significant (though unquantifiable) volumes of oil have been generated and migrated through this site which is encouraging for any shallower nearby structures.

Forward program

The next well, Megascalides-2, located 1.2 km to the east and near the crest of the greater Megascalides structure has the Rintouls Creek Formation target over 200m shallower. Here the well is located within a closure and at these shallower depths porosity and permeability are expected to be improved offering an attractive target.

Initial economic screening has indicated minimum economic reserves threshold of 500,000 barrels. The Megascalides-2 structure has the potential to contain 2.5 million barrels of oil reserves.

For more information please see the Karoon website or Contact:

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