



21 January 2011

(ASX Code: KAR)

ASX ANNOUNCEMENT

Clarification of Australian Financial Review Article

Karooon Gas Australia Limited (ASX: KAR) make the following clarification to a news article published in the Australian Financial Review on the 20th of January 2011. This article contains information about a potential delay in the commencement of a five to eight well drilling program in the Browse Basin.

As part of the usual preparation for the drilling program, regulatory approval was sought for the purposes of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth). The Department responsible for the administration of this Act, the Commonwealth Department of Sustainability, Environment, Water, Population and Communities, declared the proposed drilling activities a 'Controlled Action', and subject to a more detailed assessment process which had the potential to create delays in the start up date for drilling. This decision was seen by the Company as part of the Australian Governments diligent approach to ensuring all future drilling operations in any Australian waters are completed in a safe and responsible manner.

The Joint Venture has submitted a request for reconsideration of the decision along with the provision of additional detailed information including additional environmental controls aimed at further alleviating risk and hope that this provides the basis for the activities to proceed in accordance with the original project schedule. The Joint Venture expects to hear the result of this request in the near future and is continuing to make preparations to commence drilling in the first or second quarter of 2011 in case a positive result is achieved.

Karooon considers liaising with Australian Government to gain the most safe and responsible result to be a normal part of operations and considers the application process incomplete until a final decision has been made by the relevant regulator.

All other preparations are being made to commence drilling on time in the first or second quarter of 2011.

For further information please see the Karoon website or contact:

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