

12 December 2012

ASX Announcement



**Zephyros-1 Exploration Well in WA-398-P
Progress Report No 3**

Karoon Gas Australia Ltd advises that at 06:00 hours (WST) today, mechanical repair of the Blowout Preventers (“BOP”) was being undertaken. Upon completion of the repairs, the BOP and marine riser will be re-run to the sea floor to allow drilling of the 12-1/4” hole section to proceed.

Since the last report, the BOP’s and marine riser were run to the sea floor, and after function testing were pulled from the hole for further repair and maintenance.

The Transocean Legend semi-submersible rig is drilling the exploration well, which is operated by ConocoPhillips.

ConocoPhillips is the operator of the jointly held WA-314-P, WA-315-P and WA-398-P Browse Basin permits containing the previously announced Poseidon and Kronos gas discoveries. Karoon Gas Australia Ltd holds 40% of the permit WA-315-P and WA-398-P, and 90% of permit WA-314-P.

Zephyros-1 is the second well in the exploration program, and follows the recent Boreas-1 well. Zephyros-1 is located in permit WA-398-P on the flank of a large tilted fault block approximately 9 kilometres southwest of the Kronos-1 discovery well. The objective of the Zephyros-1 well is to test the extent, presence and quality of Plover formation reservoirs.

Upcoming Well Program

The exploration program, operated by ConocoPhillips, plans to utilise the Transocean Legend semi-submersible rig for the entire campaign and is expected to continue through 2013.

A minimum of five wells will be drilled during the exploration program. The principal objective of the exploration program is to better define the size and quality of the hydrocarbon accumulations within the exploration permits which contain the greater Poseidon trend.

The third well, Proteus-1, is located in WA-398-P on a large tilted fault block approximately 14 kilometres south east of the Poseidon-1 discovery location.

Additional well locations for the remainder of the program will be announced as they obtain joint venture approval.

Ongoing progress reports

In addition to complying with its continuous disclosure obligations, Karoon will provide fortnightly progress reports during drilling operations.

For further information please see the Karoon website or contact:

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