



ASX RELEASE

26th November 2004

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

Progress Update No 5

Further to the last ASX Release dated the 22nd November 2004, the latest drilling information is that at 0845 hours on the 26th November the Megascolides-1 well had reached a depth of 977m in an 8-1/2" hole, part way through the upper target interval. A drill bit is currently being changed and it is envisaged that drilling would recommence during the later part of today.

The well penetrated the top of the main coal interval at 710m RT close to prediction. Thin coals were penetrated confirming the seismic and geologic interpretation for the presence of coals in this interval.

The chromatographic gas composition with the high relative percentage of propane and iso-butane, coupled with the presence of pentane would indicate this section to be in the oil generation window and oil and gas generation has occurred. This is favourable for both CBM and conventional oil and gas accumulation.

Only when drilling is completed and wireline logging and other analysis is carried out will results from the well be quantitatively defined.

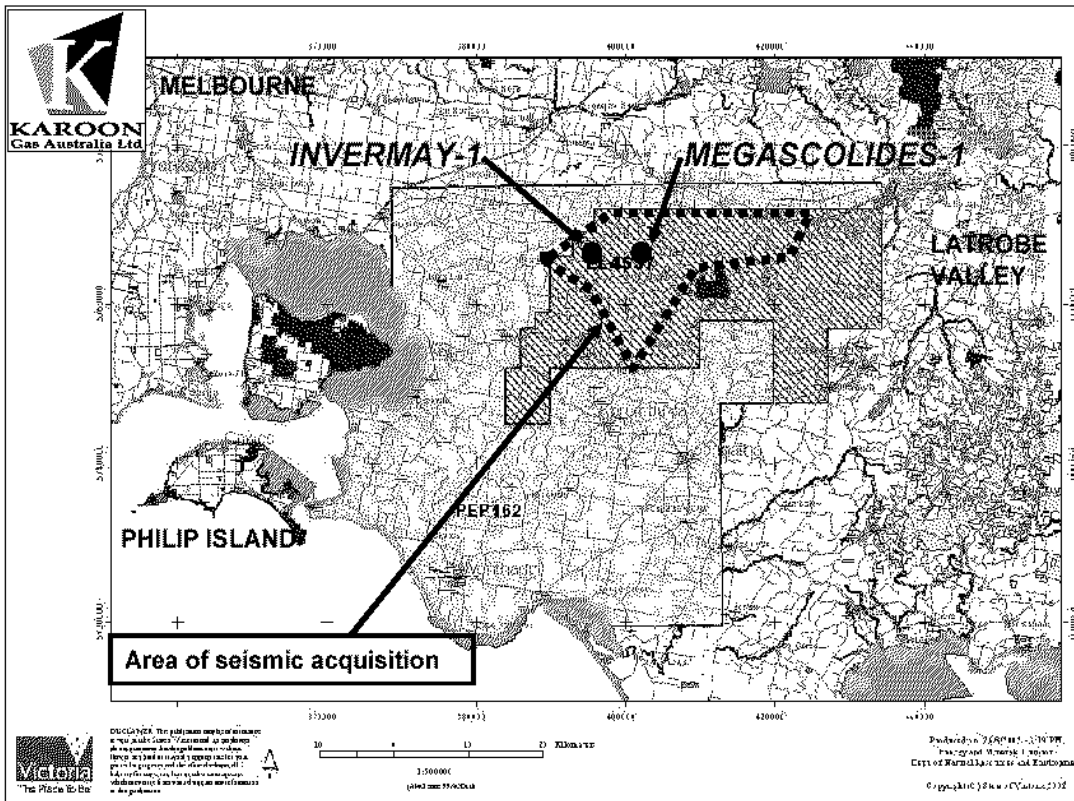
The well is still drilling within the target interval with a series of CBM target yet to be drilled. The well will also test the conventional oil and gas target within the Crayfish group equivalent section at 1700m RT before reaching total depth at 2000m.

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 Megascolides – 1 drilling site is located in PEP 162 and EL 4537, approximately 100 Kilometres South East of Melbourne.

For further information please contact:

Bob Hosking
Chief Executive Officer
Phone: 03 5974 1044
Fax: 03 5974 1644
Email: basspetrol@hotmail.net.au
Mobile: 0414667 844

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



Karoon Gas Australia Ltd. A.C.N. 107 001 338
Karoon Gas Pty. Ltd. ACN 056 976 642 (a subsidiary of Karoon Gas Australia Ltd)
Suite 7A, 34-38 Lochiel Avenue, Mt. Martha 3934 Phone 59741044 Fax 59741644
Po Box 469, Mt Martha 3934
Email: basspetrol@hotmail.net.au