



## ASX RELEASE

**3<sup>rd</sup> November 2004**

Karoon Gas Australia Ltd (ASX code:KAR) is pleased to announce that it has acquired the exclusive rights to explore and earn a 100% interest in the oil and gas exploration permits WA-314-P and WA-315-P in the Browse Basin offshore North Western Australia. Karoon Gas has signed a Heads of Agreement with a U.S.A independent, Liberty Petroleum Corporation, which will give Karoon the rights to earn a 100% interest in the permits.

The Permits WA-314-P and WA-315-P are each approx. 2000 km<sup>2</sup> and are situated in the offshore Browse Basin approx 300km from the Buccaneer Archipelago near Derby in North Western Australia.

- The leases are adjacent and on trend with the giant gas condensate fields, Brecknock, Scott Reef – North Scott Reef, the latter well is located 5km south of WA-315-P. Recoverable reserves in these fields total 21 TCF. At Scott Reef reserves are estimated at 13 TCF with 130 million barrels of condensate. These fields form the basis for Woodside's publicized 'Browse Development Hub'.
- Leviathon/Buffon Prospect in WA-314-P and WA315P, mapped from 2D seismic, covers 120 km<sup>2</sup>, has up to 300m vertical closure and could hold 7 TCF of gas with 70 million barrels of condensate, assuming the same gas condensate ratio as Scott Reef. Other prospects are expected to be identified with further work. Karoon is immediately purchasing an existing 2D data set to identify any additional leads and to assist with the planning and mapping of the proposed 3D seismic survey.
- The potential for large oil volumes is recognized in the area from early matured Middle Jurassic oil prone source rocks in the Seringapatam Sub-basin immediately to the west and downdip of the Buffon High trend in WA 314 P and WA 315 P. This oil play is well documented and is being explored by other companies in the basin. With the trap sizes indicated from seismic, oil reserves potential could exceed 1billion barrels in the Karoon's permits.
- Australia consumes approx 1TCF of gas a year at a wholesale price of approx AUS \$3 billion dollars per TCF delivered capital city. U.S.A consumes approx 23TCF of gas a year at a wholesale price of approx AUS \$8 billion dollars per TCF delivered capital city.
- Recent reported discoveries in the area, from 2000-2003, include Marabou-1/ST1 to the southeast, Dinichtys-1, Gorgonichthys-1 and Titanichthys-1 to the east; and Argus-1 to the north.

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- The shallow water setting at the Seringapatam Reef in WA-315-P, will enhance development economics – this area could serve as a hub for this part of Browse Basin and deeper water discoveries to the west.
- Karoon Gas is considering a number of joint venture funding opportunities to finance the 3D acquisition and drilling of 2 wells, which will require only a very modest capital contribution from Karoon Gas.

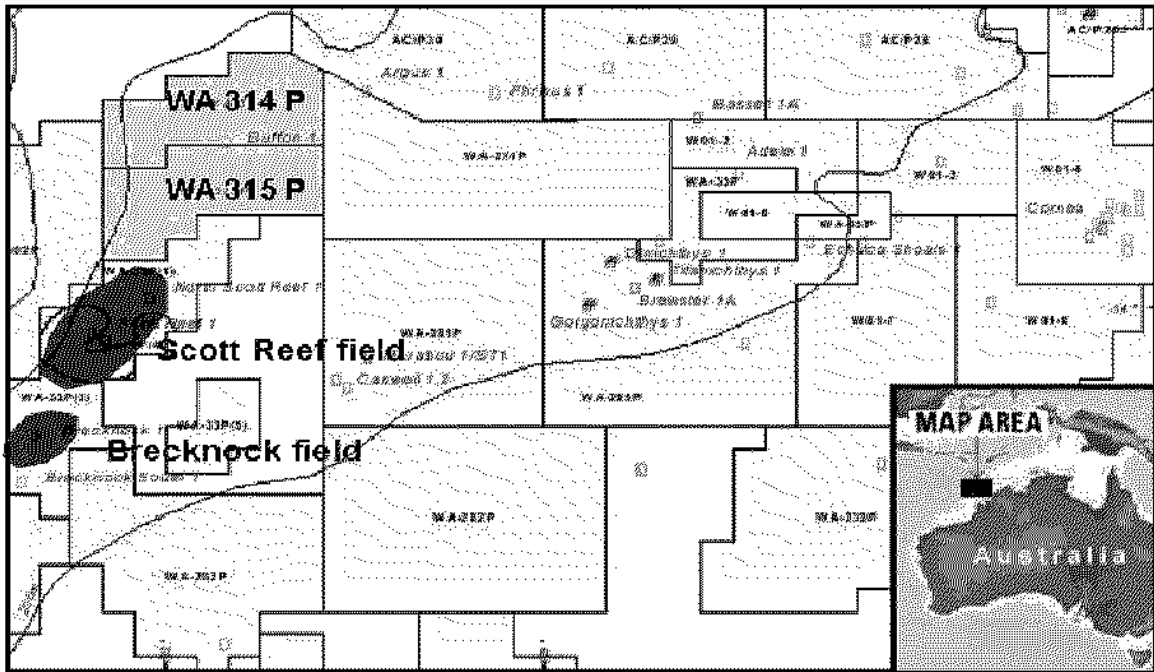
Karoon will have the right to earn a 100% interest in the Permits WA-314-P and WA-315-P by:

1. Carrying out the Year 2 work commitments of the Permits which comprise a 3D survey of approx 400 sq kms in each permit.
2. With exploration success and development, Karoon shall grant to Liberty an overriding royalty of 1.5% on production of oil and gas for a period of 5 years then increasing to 2% after that period of production time.
3. Karoon's right to explore the Permits and earn the interest in the Permits will be sole and exclusive. During the earning period, Karoon will manage the exploration of the Permits and be solely responsible for programmes and budgets and expenditure on the Permits, in each case in its absolute discretion. Karoon will conduct its exploration activities on the Permits in accordance with all applicable Permit conditions, laws and regulations.
4. Upon completion of the earning period, Liberty will assign a 100% unencumbered legal and beneficial interest in the Permits WA-314-P and WA-315-P to Karoon Gas Australia Ltd.
5. An extension of 6 months on the permits for the Year 2 work commitments has been confirmed by the State and Federal Permit Authorities.

For further information please contact:

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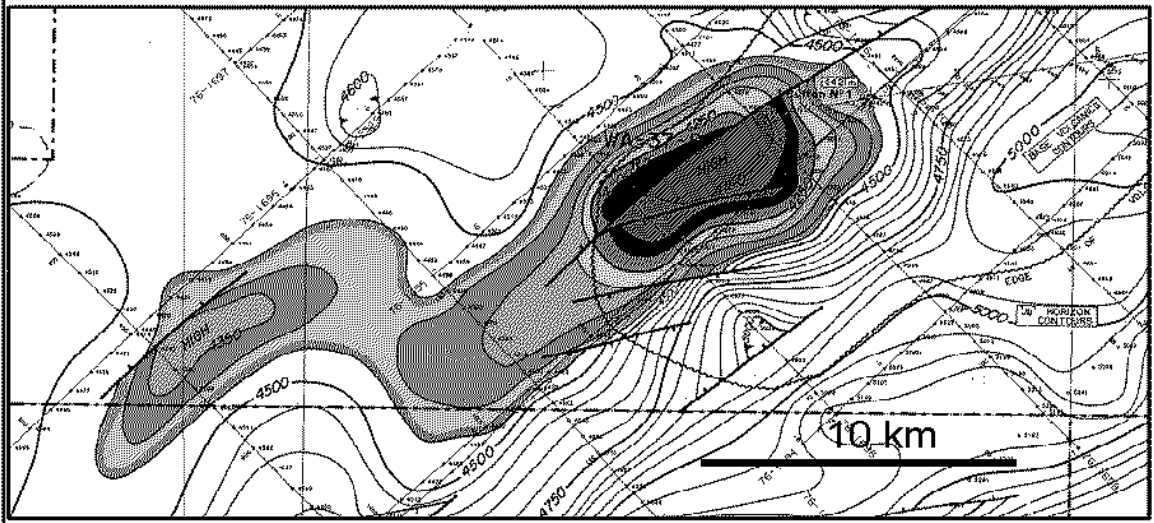


**Leviathon / Buffon Prospect**

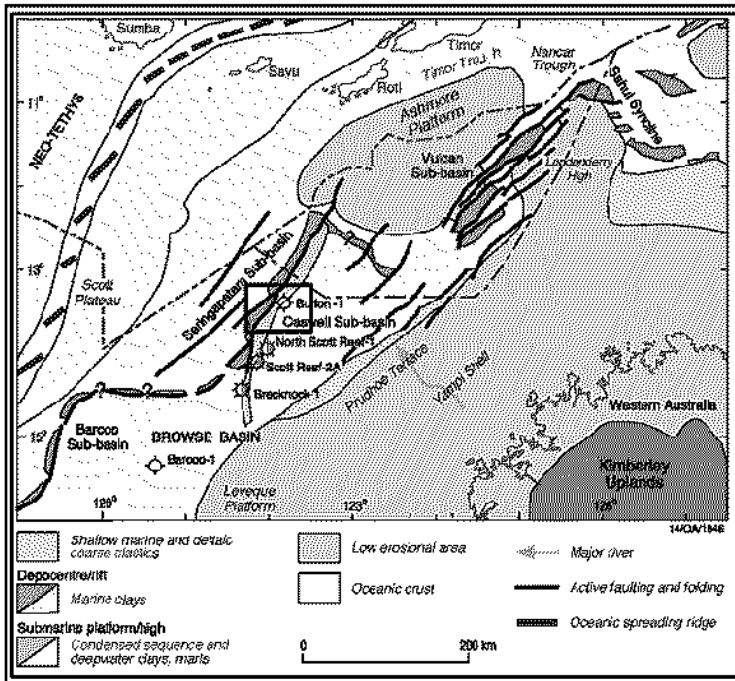
Depth map at the JB top reservoir horizon (Woodside Pet.1982).

The base and limit of the volcanics is also mapped.

Over 100 square km. and up to 300m of closure height.



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Jurassic Oxfordian source rock distribution (Blue- Green areas) show interpreted distribution of oil prone source rocks that are effective in the Sahul Syncline, Vulcan Sub-basin and Carnarvon Basin to the south.

Karoon's acreage (shown in red) is well positioned close these source rocks on a major structural high trend.

Figure from Norvick 2002

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