



ASX RELEASE

17th November 2004

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

Progress Update No 3

Further to the last ASX Release dated the 8th November 2004, Hunt Energy & Mineral Co. Australia Pty Ltd have confirmed that Megascolides – 1 was spudded 1330 hours EST Wednesday the 17th November 2004.

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.

The Megascolides – 1 is drilling to a total depth of approx. 2000 metres. The intervals of interest are the black coal horizons and the deeper Crayfish Group equivalent sandstones.

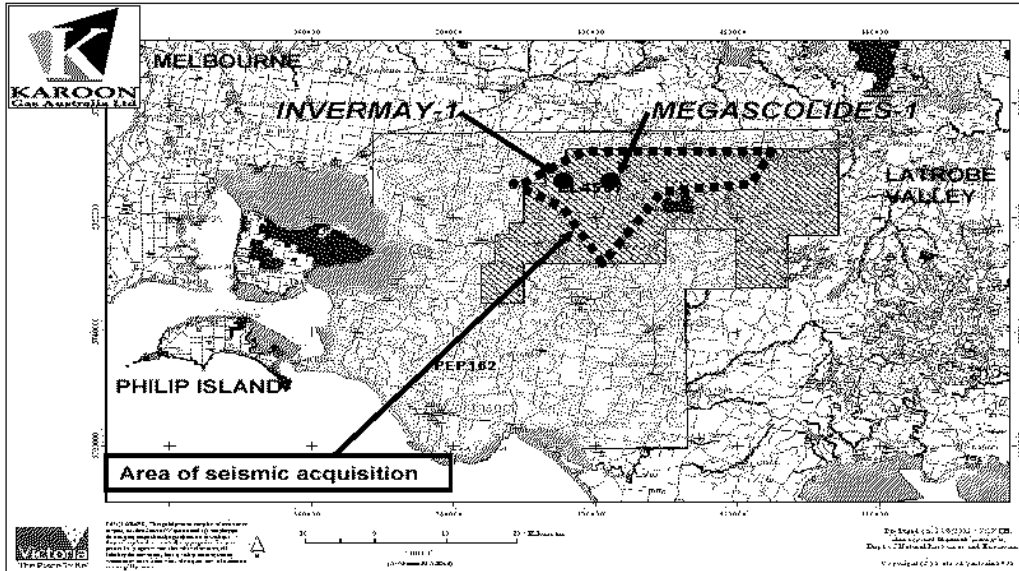
The Company looks forward to a successful drilling program for the Karoon Gas shareholders.

For further information please contact:

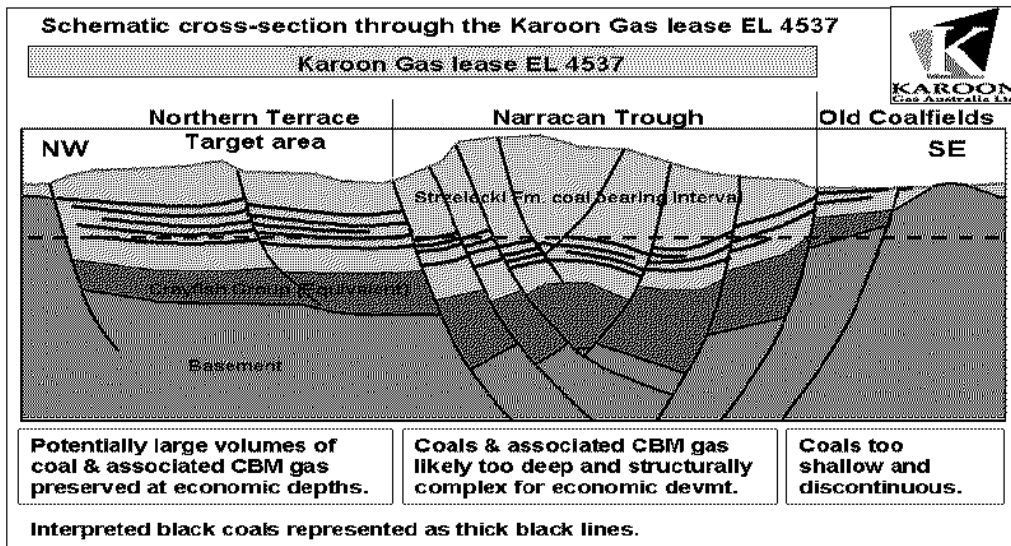
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KAROON GAS AUSTRALIA LTD. ACREAGE, SEISMIC AND PLANNED WELL LOCATIONS



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