



7 October 2005

(ASX Code: KAR)

Karooon Browse Basin Update

Karooon has received a withdrawal notice from BG International concerning WA-314-P and WA-315-P.

Karooon wishes to advise that BG have withdrawn from the JOA. BG have stated in their notice "BG will provide their reasonable assistance for 30 days to Karoon to allow Karoon to carry out Phase 2 of the Exploration Programme". This will not exempt the possibility of BG entering into further agreements concerning WA-314-P and WA-315-P with Karoon Gas at a later date after the completion of the 3D seismic program.

Karooon shall now proceed with the 3D program for WA-314-P and WA-315-P and retain a 100% interest in both permits.

Karooon is completing contractual obligations for the PGS Vessel, Ramform Victory, in order to ensure the successful commencement of the 3D Seismic Survey Program.

Karooon will consider farming out after the completion of the 3D seismic program. This will allow Karoon the opportunity to further evaluate and high grade prospects for drilling.

Since Karoon's last ASX release, dated 3rd October 2005, informing the market of the extension of time given for BG to take up the seismic option, a number of large International Companies have expressed an interest in farming into the permits in the event that BG withdraw.

For further information please contact:

Robert Hosking – Executive Director
Telephone: 03 59741044
Fax: 03 59741644
Website: www.karoongas.com.au