



9 May 2006

(ASX Code: KAR)

On-shore West Gippsland Basin Update

Initial interpretation of the recent 250 km 2D seismic survey data is showing positive results. Karoon has so far identified ten leads, three of which will be worked up for drilling. Each of these leads has a potential recoverable reserve of approximately three million barrels of oil. Karoon expects to have interpretation and mapping of the seismic data complete in the coming months.

Karoon is currently in discussions to secure a drilling rig to commence a drilling program in the permit PEP-162 between 2006 and the beginning of 2007.

Initial economic modelling has indicated that upon successful drilling, wells could be developed with a minimum economic production threshold of 500,000 barrels of oil per lead.

WA-314-P & WA-315-P

Processing of the seismic data from the recently acquired 3D and 2D surveys is nearing completion. Interpretation of this data will commence in June 2006. The final 3D seismic acquisition program is due to commence in June 2006 with final processing of this data to be completed and ready for interpretation in October 2006.

Farmout update

Karoon has received considerable interest in its farmout of permits WA-314-P & WA-315-P. Discussions are continuing, with various Australian and International oil and gas companies who are currently assessing the existing geotechnical data over the permits.

Karoon believes it is in the shareholder's best interests to achieve the farmout terms and conditions, given the unique position and prospective environment of Karoon's Browse permits.

For further information please contact:

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