



1 November 2006

(ASX Code: KAR)

Gippsland Update

Karoon is pleased to advise that the drilling contract with Century Drilling has been signed for the three well program in the western on-shore Gippsland Basin. Commencing in the middle of November 2006. Karoon Gas 100% equity in the Exploration Licences PEP 162 and EL 4537 exploration licences.

Rig mobilisation and site preparation has begun for the first of three wells with the Government approvals process progressing to plan.

Interpretation of the recent 250km 2D Seismic survey data has showed positive results with three prospects now worked up for drilling. Each prospect has a potential reserves capacity of around 3 million barrels of oil.

The entire program comprising the recently acquired 2D seismic and now the drilling program follow up on the very encouraging oil shows seen in the 2004 Megascolides-1 well.

Initial economic screening has indicated that due to the close proximity of infrastructure, there is a minimum economic reserves threshold of 500,000 barrels.

For more information please see the Karoon website or Contact:

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