



20th February 2007

(ASX Code: KAR)

Browse Basin WA-314-P and WA-315-P Exploration update

All seismic data has now been processed and seismic interpretation is well underway. Results to date are encouraging, supporting the previous 2D interpretation of the potential resources in the permits. On a risked basis, Karoon believes that the 2D seismic interpretation indicates the potential for over 20tcf of gas and associated liquids. The interpretation process is expected to take a few more months to complete with final drill site selection in the last half of this year.

In parallel with seismic and geologic interpretation work, Karoon is also separately performing engineering work to assist where it can, in the definition of the potential resource characteristics and development options. Karoon has also separately commissioned the Worley Parsons Group to carry out a conceptual review of the development options, and sales products based on gas samples from the Buffon-1 well.

The gas analysis in the Worley Parsons review predicts a potential condensate yield of 33 barrels (bbls) per million cubic feet and a LPG (Liquefied Petroleum Gas) yield of 6.4 metric tonnes per million cubic feet, approximately doubling the total liquid content of previous estimates. LPG sells in the market at approximately 80% of the crude oil price. A discovery of 10 tcf could possibly yield approximately 100 million barrels of condensate and LPG.

Any discovery that confirms this composition will have a major positive impact on the value of development revenue streams with total revenue contribution from LNG and liquids being approximately equal.

Prior to exploration drilling Karoon and ConocoPhillips will have an integrated interpretation incorporating all geological, geophysical and engineering data to select the best locations for drilling. The market will be informed immediately a contract is secured.

Gippsland PEP 162 Exploration Update

Following Karoon's evaluation of the results of the wells Megascolides-1, Megascolides-1 Sidetrack and Megascolides-2, Karoon has decided it will not drill the planned third well Raniformis-1.

The analysis of these wells and regional data, now clearly defines the main target, the Rintouls Creek Sandstone, as inadequate reservoir for the production of commercial hydrocarbons. This is due to the very low permeability of the sandstone. Also, the sandstone is not always present over the PEP162 area with current seismic unable to clearly define its distribution. In all, this equates to an unacceptable exploration risk for the remaining leads.

Karoon is pursuing other new opportunities with considerably higher potential and lower risk to compliment Karoon's acreage position in the Browse basin.

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