



Thursday, 22 October 2009

(ASX Code: KAR)

ASX ANNOUNCEMENT

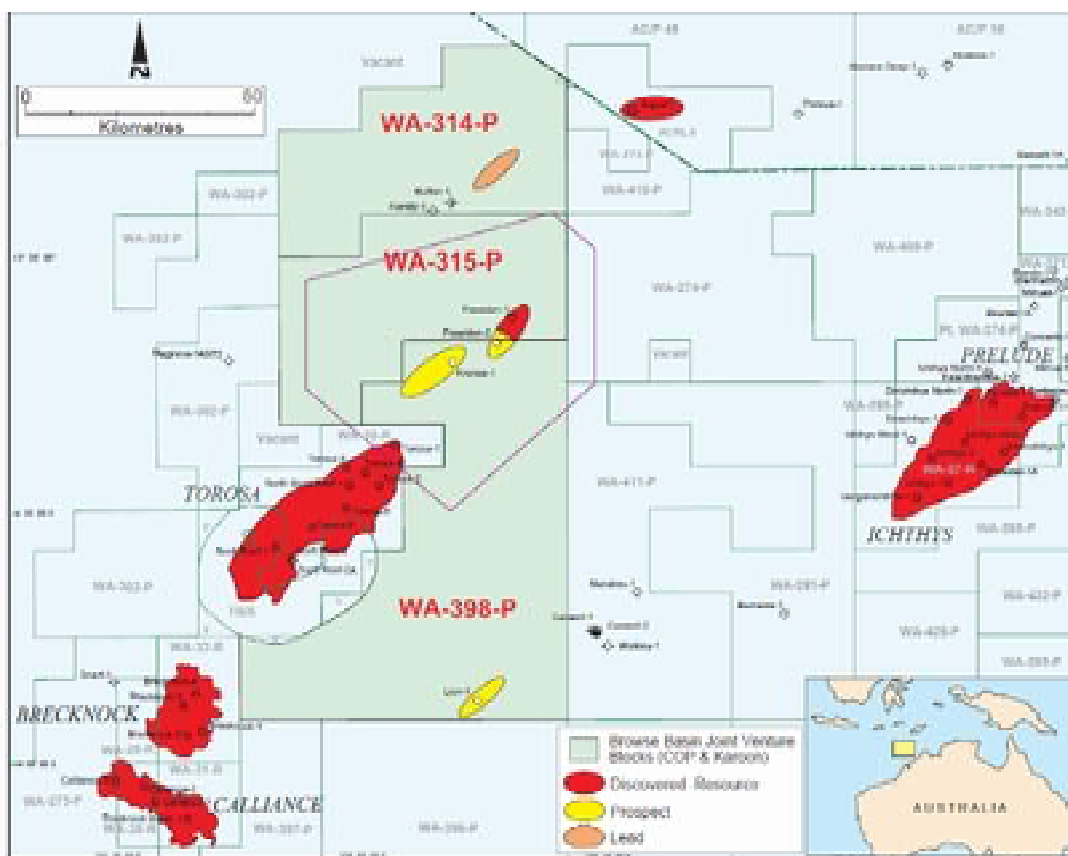
POSEIDON-2 EXPLORATION WELL IN WA-398-P PROGRESS REPORT NO 3

Karoon Gas Australia Ltd advises that at 06:00 hours (WST) today, Poseidon-2 was drilling ahead at 2937 mRT in 12-1/4" hole. Since the last report, surface casing was run and cemented at 2422 mRT and the well was drilled to its current depth.

The Transocean Legend semi-submersible rig is drilling the exploration well, which is operated by ConocoPhillips.

Poseidon-2 is located in WA-398, on the southern flank of the north-east trending structural high of the greater Poseidon structure. The objective of the well is to test the extent, presence and quality of reservoirs down-dip from Poseidon-1 where the Plover Formation is interpreted to thicken. The well has a planned total depth of approximately 5300 mRT.

As with the recent gas discovery well, Poseidon-1, Poseidon-2 is planned to be plugged and abandoned following final well evaluation and production testing if applicable.



Equity interests of the participants in WA-398-P are:

Karoon Gas (Browse Basin) Pty Ltd	40%
ConocoPhillips (Browse Basin) Pty Ltd	60%

Poseidon-2 Location:

Latitude: 13 deg 40' 07.13" S	Northing: 8 488 802 mN
Longitude: 122 deg 16' 32.25" E	Easting: 421 662 mE

For further information please see the Karoon website contact:

Scott Hosking: Company Secretary
Telephone: 03 59741044
Fax: 03 59741644
Email: shosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
Email: ian@collinsstreetmedia.com.au