



Thursday, 21st January 2010

(ASX Code: KAR)

ASX ANNOUNCEMENT

POSEIDON-2 PROGRESS REPORT NO 17

At 0600 hrs today, Karoon advises that Transocean Legend drilling rig was partially de-manning and waiting on weather in preparation for retesting the Plover reservoir. Since the last report, the production test string was retrieved from the well and the hole was cleaned out and circulated in preparation for testing.

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

Poseidon-2 is located in WA-398-P, 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 was drilled to a total depth of 5356 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. These are exploration wells and are not suitable for production purposes.

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
Longitude: 122 deg 16' 32.25" E

Northing: 8 488 802 mN
Easting: 421 662 mE

For further information please see the Karoon website or contact:

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