



Thursday, 27th May 2010

(ASX Code: KAR)

ASX ANNOUNCEMENT

Kronos-1 PROGRESS REPORT NO 13

Confirmed equipment constrained maximum sustained production test flow rate of 26 million standard cubic feet a day from the Kronos-1 Well

At 0600 hrs today, Karoon advises that production test of the Kronos-1 exploration well was complete and the testing string was being removed from the well. Since the last report, testing operations included a multi-rate flow test followed by a pressure build-up and bottom hole reservoir fluid sampling.

The maximum sustained flow rate attained during the multi-rate test was 26MMscf/d through a 32/64" choke, with a flowing wellhead pressure of 3900 psia. As with the previously released clean up flow rates, the flow rates achieved were equipment constrained. A Condensate-Gas Ratio of 9.5bbl/MMscf was measured at the surface, along with a 10% CO₂ content taken from the gas flow on a volume basis.

Based on an analysis of the well test data, Karoon believes that future production wells drilled adjacent to the Kronos-1 location have the potential to flow at commercial rates in excess of 100 MMscf/d.

Future Plan

Well data from the three wells drilled on the greater Poseidon structure will be analysed over the coming months, together with the new Poseidon 3D seismic data which is currently being processed. Further appraisal and exploration well locations will be identified for the re-commencement drilling in early 2011.

Karoon's assessment of the Contingent Resource and Prospective Resource potential will be independently assessed when a full analysis is completed in the coming months.

As planned, the current Karoon/ConocoPhillips drilling campaign will finish with this well and exploration and appraisal drilling will recommence in the acreage in the first quarter 2011.

Reporting schedule

Future announcements will be made as and when material information is available in accordance with ASIC and ASX requirements.

The Transocean Legend semi-submersible rig is drilling the Kronos-1 well, and ConocoPhillips is the operator.

Kronos-1 is located on a high block in the south-western part of the greater Poseidon trend, 15 kilometres from the Poseidon-1 well and is the third well on the greater Poseidon trend. The well is designed to evaluate and test the Plover Formation reservoirs. Key objectives of Kronos-1 are to collect reservoir properties data, reservoir fluid compositional data and then define production rates for possible future production wells.

As with the recent, Poseidon-1 and Poseidon-2 wells, Kronos-1 is planned to be plugged and abandoned following final well evaluation and production testing. During the current exploration and evaluation phase of the Poseidon field, exploration wells are designed to assess the resource potential in the most efficient manner, and are not suitable for production.

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

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

Kronos-1 Location:

Latitude: 13 deg 41' 53.84" S	Northing: 8 485 495 mN
Longitude: 122 deg 11' 29.96" E	Easting: 412 591 mE

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