



29 November 2010

KAROON AGREES TO ACQUIRE INCREASED INTEREST IN BROWSE PERMIT WA-314-P

Karoon Gas Australia Limited (ASX: KAR) has executed an agreement with its joint venture partner, ConocoPhillips (Browse Basin) Pty Ltd ("**ConocoPhillips**"), under which Karoon will acquire an additional 50% participating interest in Browse Basin permit, WA-314-P.

As illustrated in the map below, the permit is located to the north of permits WA-315-P and WA-398-P, which contain the Poseidon gas discovery.

Karoon has assessed seven leads and prospects within WA-314-P and believes the permit has the potential to contain over 10 trillion cubic feet of gas and 150 million barrels of condensate.

The high graded Grace prospect has 3.3 trillion cubic feet of gas and 45 million barrels prospective resource potential. These prospective resource estimates do not include the portion of the Grace prospect which lies outside the WA-314-P permit boundary.

Key Agreement Terms

The key terms of the proposed transaction are set out below:

- ConocoPhillips will transfer a 50% equity interest in the permit to Karoon for nil cash consideration;
- ConocoPhillips will remain as operator of the permit;
- The parties will agree detailed documentation to effect the transaction;
- Karoon will have the right to determine final location, depth and target for the commitment well to be drilled in the permit;
- The well to be drilled in the joint venture's upcoming Phase -2 drilling program;
- ConocoPhillips Browse Basin will have the option to buy back a 10% interest after the permit well is drilled;
- ConocoPhillips's ongoing obligations under the Farmin Agreement dated 9th October 2006 to pay 80% of the next US\$125 million of expenditure will apply only to expenditure incurred on the WA-315-P permit;
- If the transaction successfully completes, the interests of Karoon and ConocoPhillips in the permit will be:

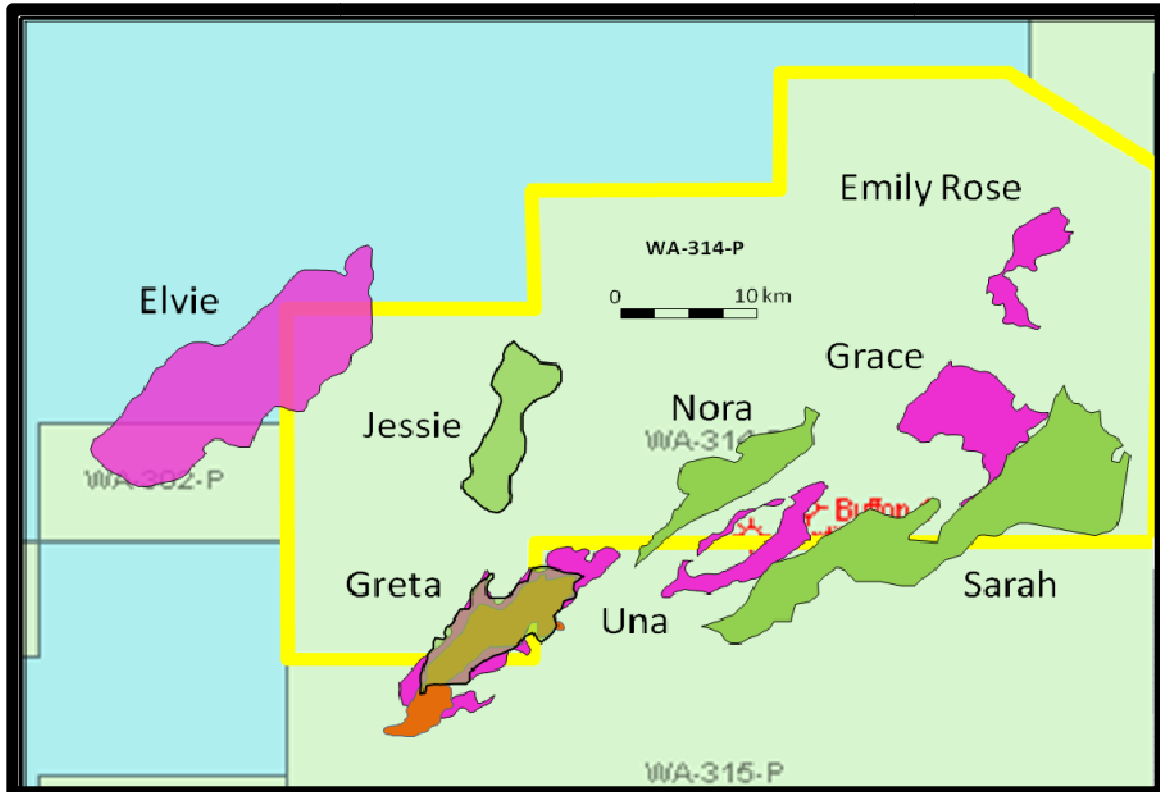
Karoon Gas (Browse Basin) Pty Ltd	90%
ConocoPhillips (Browse Basin) Pty Ltd (Operator)	10%

WA-314-P Plays and Prospectivity

The main exploration targets in WA-314-P are the Plover Formation reservoir sands and shallower Montara Formation sands. Other targets include Late Cretaceous Puffin Formation equivalent sands and Aptian turbidite sands.

There is good 2D and 3D seismic coverage over the permit and Karoon will conduct further 2D and 3D seismic processing to define the best targets for drilling during the Phase-2 drilling campaign.

The following map shows the Prospects and Leads identified to date.



Legend;

Purple coloring-Plover Formation Target.

Green coloring-Montara Formation Target.

For further information please contact:

Scott Hosking

Company Secretary

Phone: 03 5974 1044

Fax: 03 5974 1644

Email: scotthosking@karoongas.com.au

Website: www.karoongas.com.au