

28 June 2012

ASX ANNOUNCEMENT



**Boreas-1 Exploration Well in WA-314-P
Progress Report No 5**

Karoon Gas Australia Ltd advises that at 06:00 hours (WST) today, final function testing of the Blowout Preventers ("BOP") on the sea floor is currently being undertaken, with the expectation of drilling ahead with the 8 ½" hole later today.

Since the last report, the BOPs and marine riser were run to the sea floor, and after function testing were pulled from the hole for further repair and maintenance. They have now passed all checks on the surface and have been re-run to the seafloor for final subsea function testing. Transocean, the rig owner, is working closely with ConocoPhillips and has provided a global team of experts to ensure the proper functioning of the BOP.

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

ConocoPhillips is the operator of the jointly held WA-314-P, WA-315-P and WA-398-P Browse Basin permits containing the previously announced Poseidon and Kronos gas discoveries. Karoon Gas Australia Ltd holds 40% of the permit WA-315-P and WA-398-P, and 90% of permit WA-314-P.

Boreas-1 is located approximately 4 kilometres south of Poseidon-1 in WA-315-P on a large tilted fault block which is part 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 within the Boreas-1 fault block.

Upcoming Well Program

The exploration program, operated by ConocoPhillips, plans to utilise the Transocean Legend semi-submersible rig for the entire campaign and is expected to continue through 2013.

A minimum of five wells will be drilled during the exploration program. The principal objective of the exploration program is to better define the size and quality of the hydrocarbon accumulations within the exploration permits which contain the greater Poseidon trend.

The second well, Zephyros-1, is located in permit WA-398-P on a large tilted fault block approximately 8 kilometres south west of Kronos-1 discovery location. The third well, Proteus-1, is located in WA-398-P on a large tilted fault block approximately 14 kilometres south east of the Poseidon-1 discovery location.

Additional well locations for the remainder of the program will be announced as they obtain joint venture approval.

Ongoing progress reports

In addition to complying with its continuous disclosure obligations, Karoon proposes to provide fortnightly progress reports during drilling operations.

Further information

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For further information please see the Karoon website or contact:

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