

13 July 2012

ASX ANNOUNCEMENT



**Boreas-1 Exploration Well in WA-314-P
Progress Report No 7**

Karooon Gas Australia Ltd advises that at 06:00 hours (WST) today, the BOP and marine riser were being pulled from seabed for repairs.

Since the last report, diagnostic testing of the BOP has continued. This further function testing has narrowed the mechanical parts believed to be the root cause of the BOP malfunction. Replacement parts are being secured and mobilized to the rig.

Upon completion of the replacement parts installation and successful function testing of the BOP, both on the surface and on the sea floor, drilling of the 8-1/2" hole section will commence.

The Transocean Legend semi-submersible rig is drilling the exploration well.

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 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

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 permit WA-315-P and WA-398-P, and 90% of permit WA-314-P.

For further information please see the Karoon website or contact:

Shareholder Enquiries

Scott Hosking: Company Secretary
Telephone: +613 59741044

James Wootton: Investor Relations
Telephone: +613 9616 7520

Email: shosking@karoongas.com.au

Email: jwootton@karoongas.com.au

Media Enquiries

Ian Howarth: Collins Street Media
Telephone: +614 0782 2319
Email: ian@collinsstreetmedia.com.au