



Wednesday 19th May 2010

(ASX Code: KAR)

ASX ANNOUNCEMENT

Kronos-1 PROGRESS REPORT NO 12

“Kronos-1 Flowing Gas at an equipment constrained 26 million standard cubic feet per day (MMscf/d) during the clean-up flow”

Karoon Gas and WA-398-P joint venture partner, ConocoPhillips (operator) are conducting a drill stem test on the Kronos-1 exploration well in the Browse Basin. The well was perforated over the interval 4999- 5052 mRT, in the Plover Formation reservoir.

During the clean-up flow, the maximum flow attained was 26 MMscf/d through a 34/64” choke, with a flowing wellhead pressure of 3900 psia. The flow rate has been constrained by current surface equipment configuration.

The production test will continue for approximately 7 days and will include shut-in and flowing periods, surface sampling of reservoir fluids, possible bottom hole production logging and reservoir fluid sampling.

Petrophysical interpretation indicates that the well has penetrated a sand interval in the Plover Formation. Kronos-1 MDT pressure data confirms that the Kronos area is a separate gas accumulation, with a gas-water contact potentially over 200m deeper, to that discovered by Poseidon-1.

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 drilling in 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.

The current drilling campaign will finish with this well. Exploration and appraisal drilling is planned 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.

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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:

Karoon 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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Test flare of Kronos-1