



KAROON
Gas Australia

Directors Speech:

Karooon Gas Australia Ltd was listed on the ASX in early June 2004.

Karooon currently has \$3.5 million in cash, Karoon has an issued capital of approx 42 million fully paid shares and approx 23 million 20 cent options which mature in June 2006.

Karooon have a small experienced board and management team which comprises of a unique and diverse contracting team of Geologists, Geo Physicists and Engineers.

Karoon's assets are as follows:

A 100% holding in oil and gas lease PEP 162 and a mineral lease in EL 4537 which are located in the Western Onshore Gippsland Basin of Victoria.

Karoon has acquired the exclusive rights to explore and earn a 100% interest in the oil and gas exploration permits WA-314-P and WA-315-P in the Browse Basin offshore North Western Australia.

Karoon Gas has signed a Heads of Agreement with a U.S.A independent, Liberty Petroleum Corporation, which will give Karoon the rights to earn a 100% interest in the permits.

The leases are adjacent and on trend with the giant gas condensate fields, Brecknock, Scott Reef-North Scott Reef, the latter well is located 5km south of WA-314-P. Recoverable reserves in these fields total 21 TCF. At Scott Reef reserves are estimated at 13 TCF with 130 million barrels of condensate. These fields form the basis for Woodside's publicized 'Browse Development Hub'. Interests in these fields are Woodside Operator 50%, Chevron Texaco 16.6%, BP 16.667%, Shell 8.33% and BHP Billiton 8.33%. Woodside has announced that it is looking to drill 3 wells in the Browse Basin in 2005 and is looking to

accelerate development studies and marketing initiatives. Woodside was developing plans to build a new LNG plant on the WA coast, north of Broome to process gas from these fields.

Because of problems in ZOCA (Zone of cooperation between Australia and East Timor) Woodside confirmed that Greater Sunrise which is a giant LNG deposit would probably stall over maritime boundaries dispute between Australia and Timor, which now puts the emphasis on the Browse Basin. Karoon has been fortunate to be in the right place at the right time and the size of the potential prize is enormous for Karoon Gas.

Karoon has purchased existing spec 2D seismic data and is currently interpreting this data of which Mark Smith will give you a brief presentation.

Karoon is looking forward into 2005/2006 at achieving the following objectives:

1. Confirming the potential of Gas assets in Western Gippsland.
2. Completing an offshore 3D seismic survey in Western Australia in both leases WA-314-P and WA-315-P by May 2005.

3. On completion of the 3D seismic survey in WA-314-P and WA-315-P and drilling 1 hole in each permit by mid 2006.

Karoon would like to take this opportunity to thank the shareholders for their continued support. The market capitalisation has grown from approx \$8million on listing on the ASX in early June to a value today of approx \$24million.