



Annual General Meeting

Operations Progress Overview

- Gippsland CBM Drilling**
- Gippsland Yarragon Brown Coal**
- Western Australian acreage**

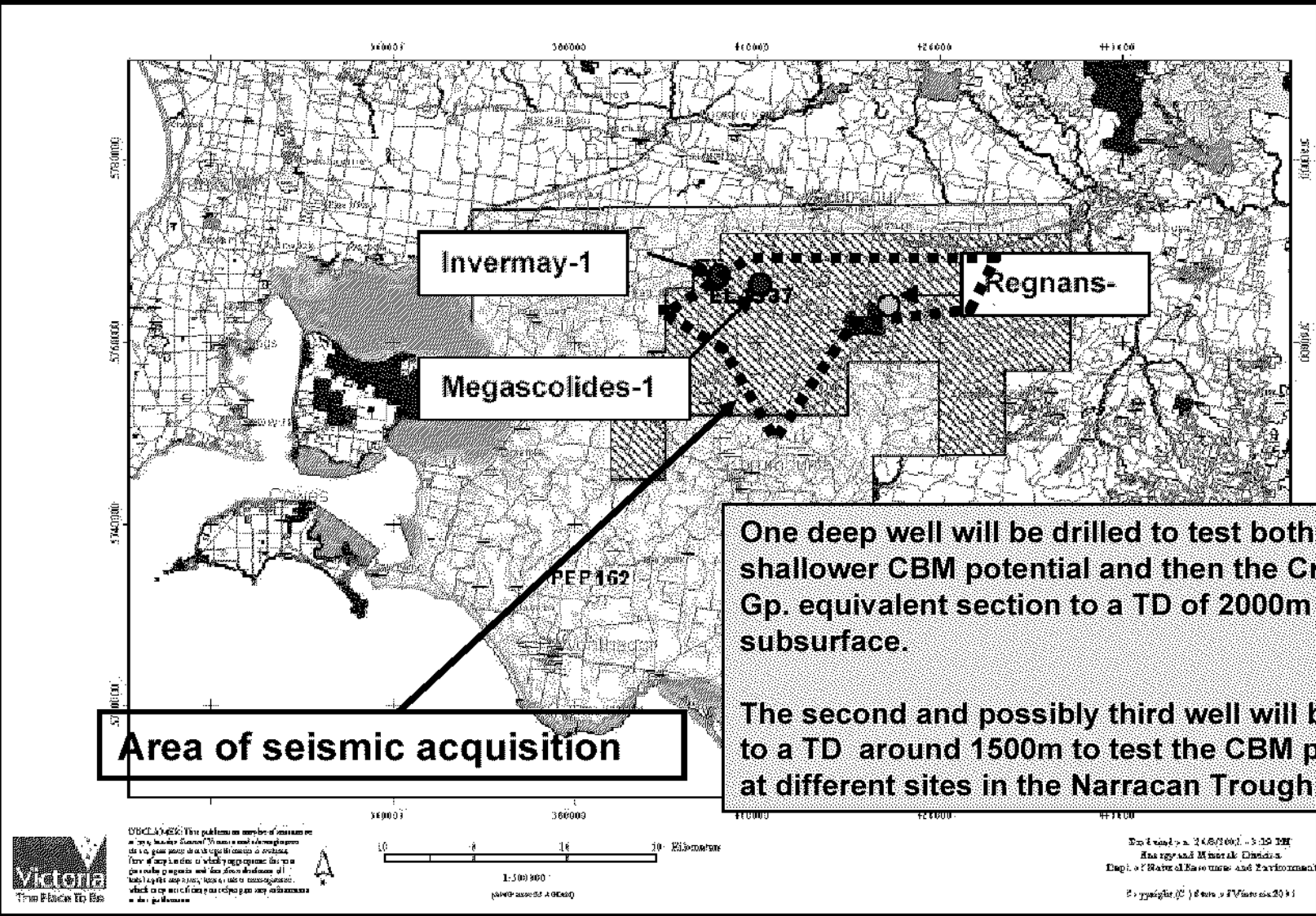
November 26th 2004

Karoon Gas Australia Limited
ABN 53 107 001 338

Agenda

- **Introduction**
- **Gippsland Basin drilling program (PEP-162 & EL4537)**
 - **Megscolides-1 (Currently drilling)**
 - **Invermay-1**
- **Gippsland Yarragon Brown Coal resource**
- **Western Australian acreage (WA-314-P & WA-315-P)**
 - **Geological setting**
 - **Prospects and leads**
 - **Business opportunity**

Gippsland Permits, Well and Seismic locations



One deep well will be drilled to test both the shallower CBM potential and then the Crayfish Gp. equivalent section to a TD of 2000m subsurface.

The second and possibly third well will be drilled to a TD around 1500m to test the CBM potential at different sites in the Narracan Trough

Gas pipelines and power transmission lines run across the permits offering close access to infrastructure and minimizing development costs



Gippsland Permits – Work Programs

KAROON GAS PTY LTD VICTORIAN EXPLORATION PERMITS & LEASES - COMMITMENTS AND TIME LINE

Year	,2000			,2002			,2003			,2004			,2005			,2006			,2007																																						
Month	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D

PEP162	Year-1	Year-2	Year-3	Year-4	Year-5
	14 MAY 60km seismic	14 MAY G&G studies	14 MAY Drill one well	14 AUG 40km seismic	14 AUG Data review
	commitment met & approved		commitment met & approved		

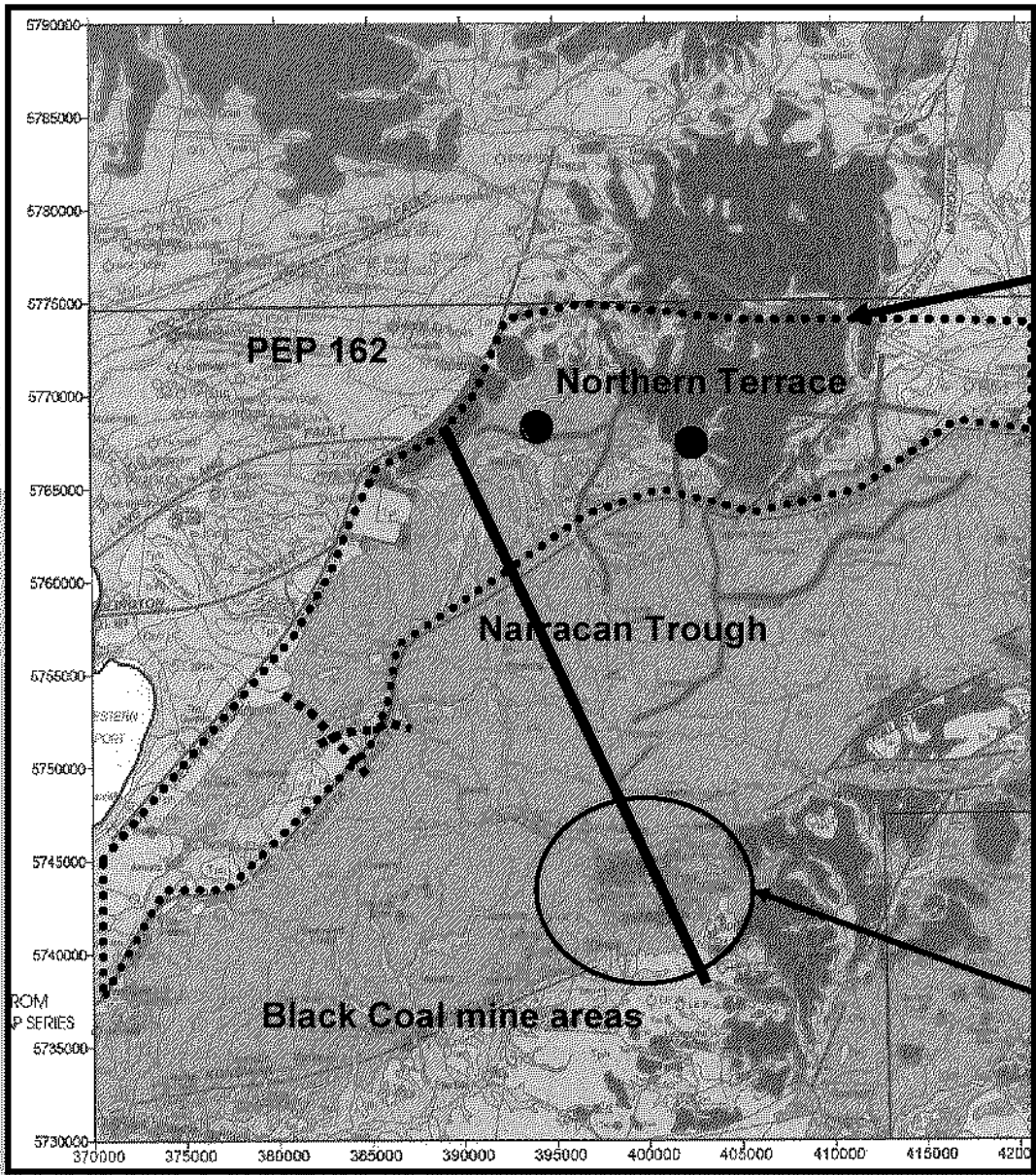
3 month extension granted

PERMIT AREA 2799 SQUARE KM

EL 4537	LICENCE AREA APPROX 820 SQUARE KM	Year-1	Year-2	Year-3	Year-4	Year-5
		Award date 6th March 2003	Anniversary date 6th March	Anniversary date 6th March	Anniversary date 6th March	Anniversary date 6th March
	MINIMUM EXPENDITURE REQUIREMENTS	YR-1 \$81600	YR-2 \$103,000	YR-3 \$121,500	YR-4 \$121,500	YR-5 \$148,200
	(As defined in Registration Document)	AREA 820 SQ KM		25% RELINQ AREA 615 SQ KM		30% RELINQ AREA 461 SQ KM



Gippsland- Geological Setting



Location map for the seismic lines showing also surface geology and coal bore locations.

The seismic (blue lines) is located mainly over less structurally deformed terrace (Northern Terrace) area between the Almurta-Yarragon faults and the Heath Hill Fault.

One long seismic line trends south of the Yarragon Fault across the recently uplifted and faulted Mt. Worth Anticline and toward the Korumburra Coal Fields.

The bright blue dashed lines show the 1998 MiniSosie survey. This survey is also located on the Northern Terrace in an area where the depth to the coals is reducing to the south. Coals here are at 550m.

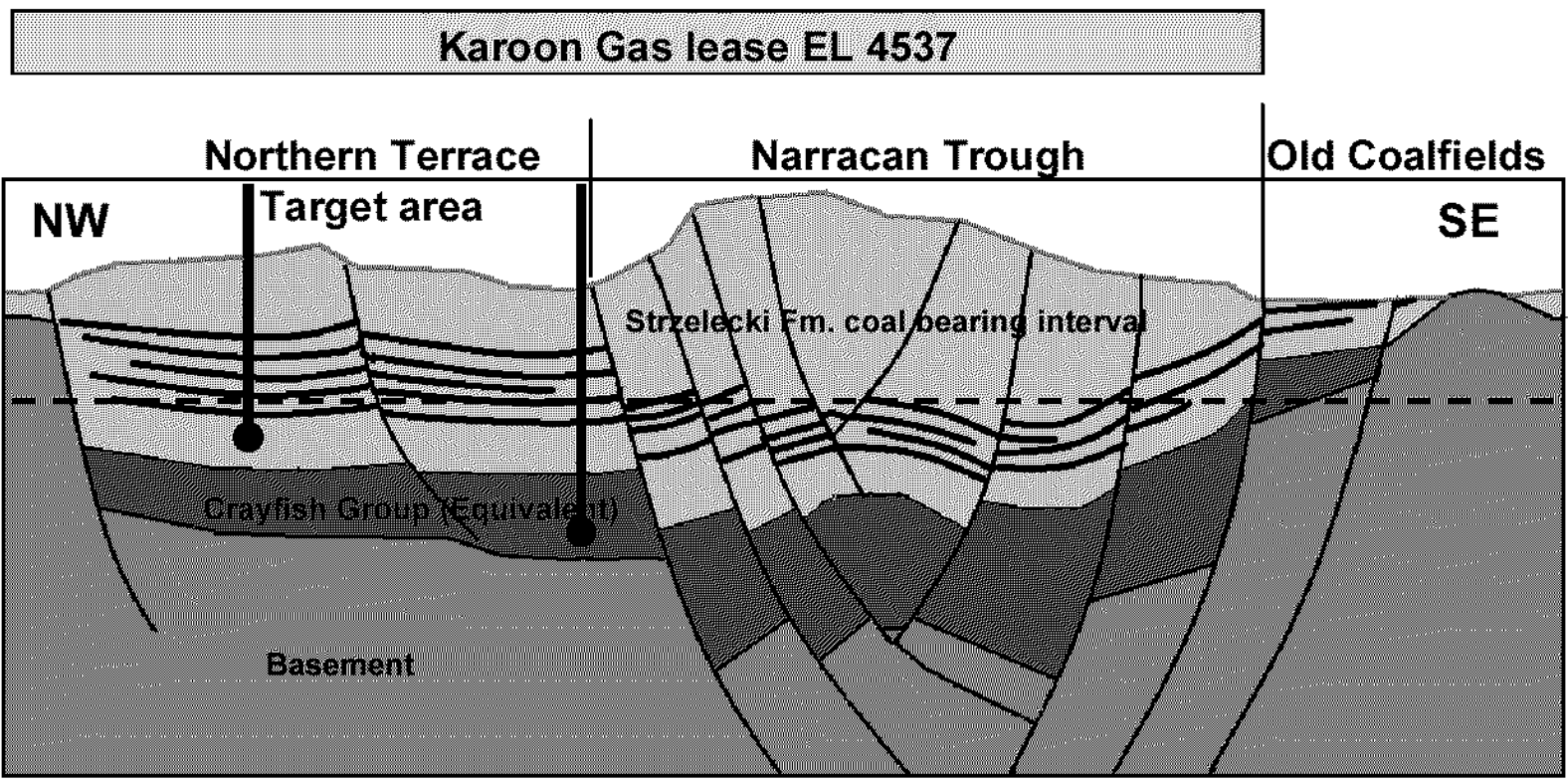
Korumburra Coal Fields

Source - G. J. Blackburn, 2002



Gippsland- Geological Setting

Schematic cross-section through the Karoon Gas lease EL 4537



Potentially large volumes of coal & associated CBM gas preserved at economic depths.

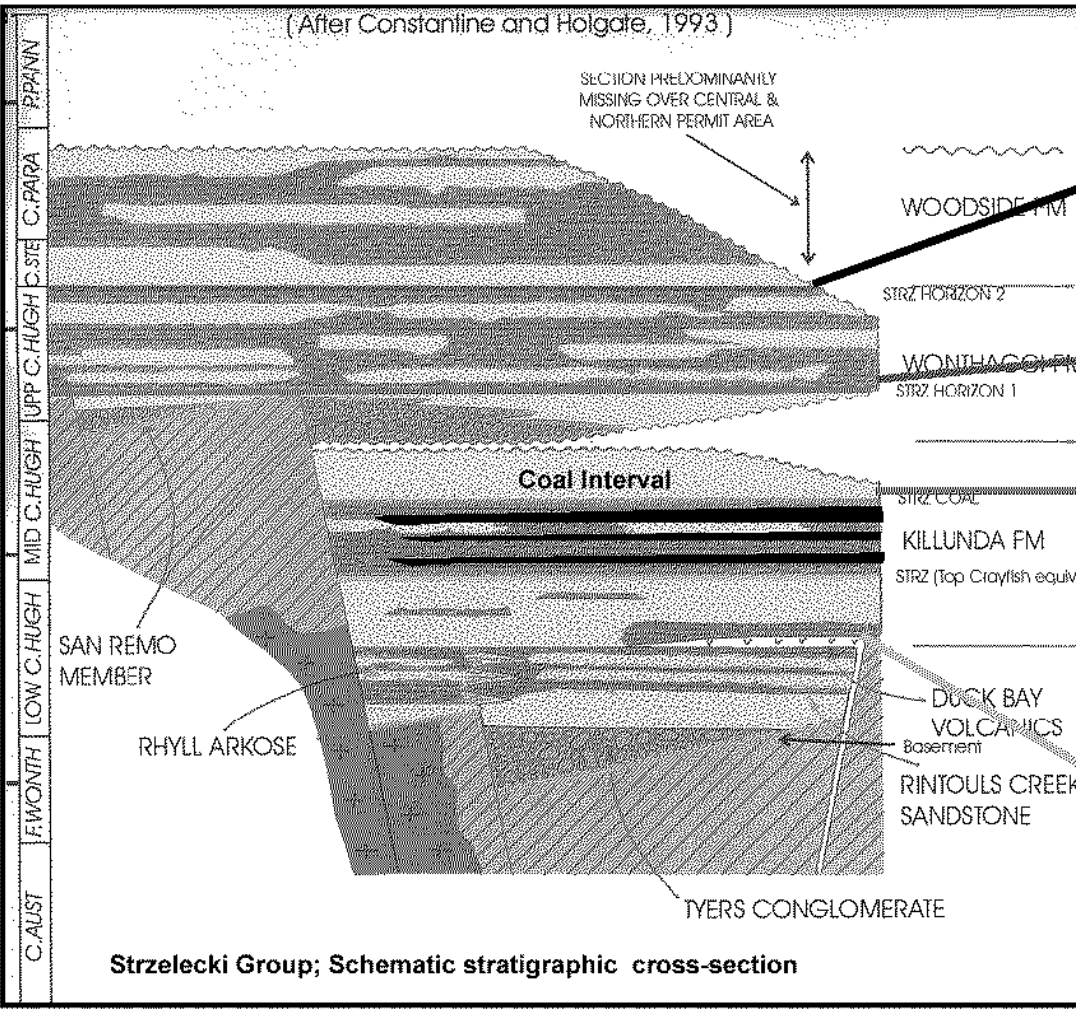
Coals & associated CBM gas likely too deep and structurally complex for economic devmt.

Interpreted black coals represented as thick black lines.

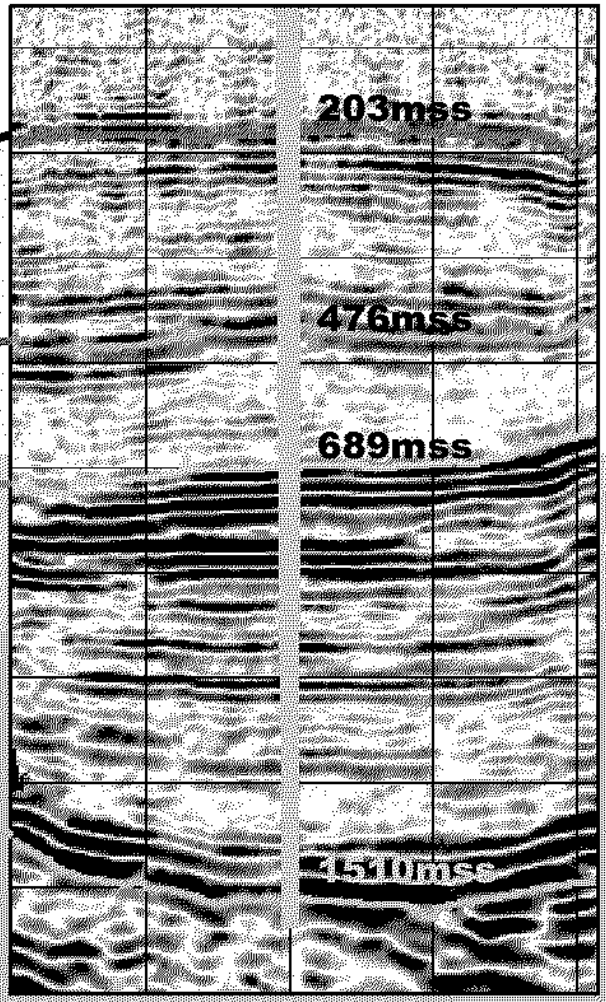


Gippsland- Geological Setting

Strzelecki Gp. Detailed Stratigraphy - Seismic comparison



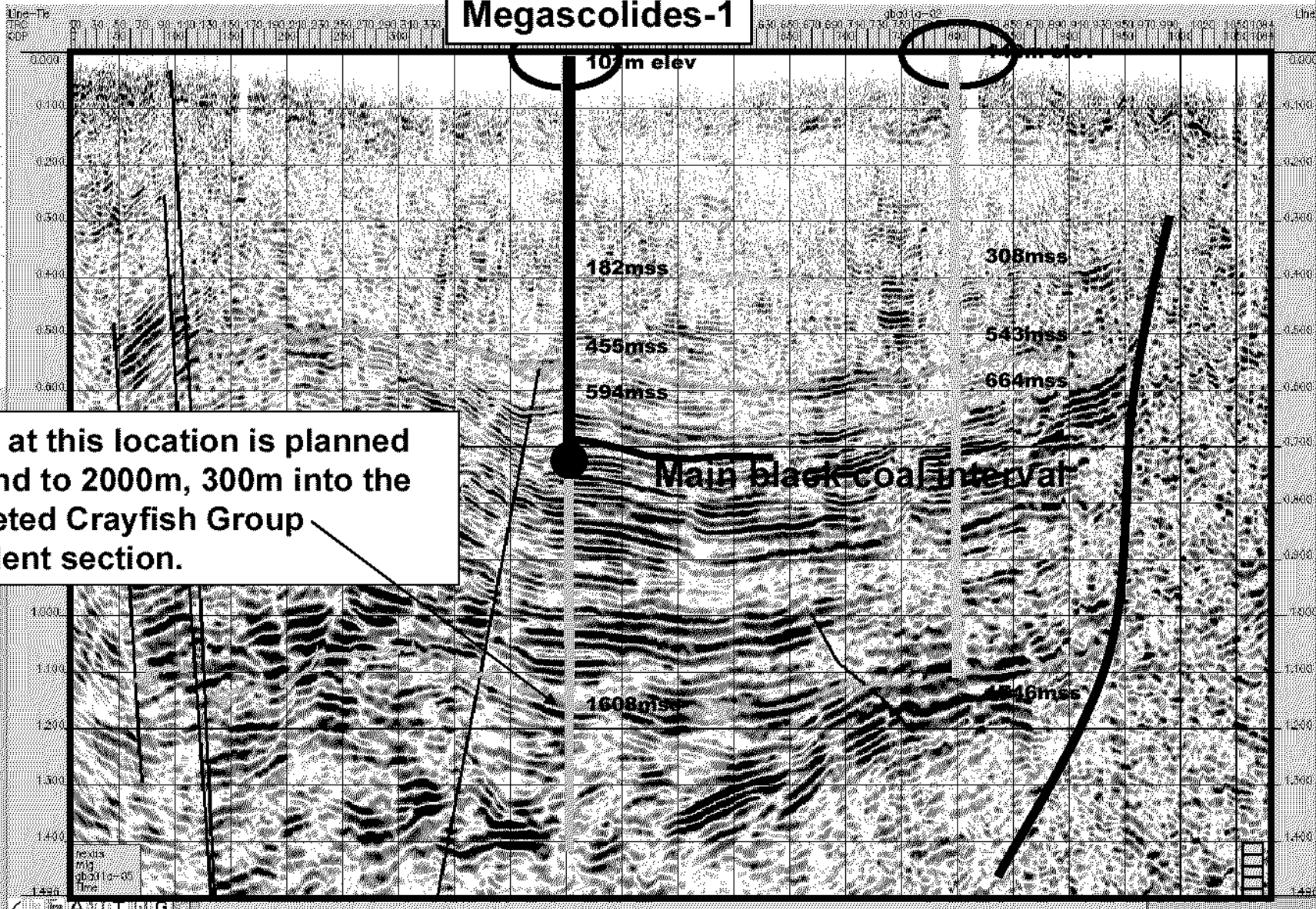
Strzelecki Group; Schematic stratigraphic cross-section



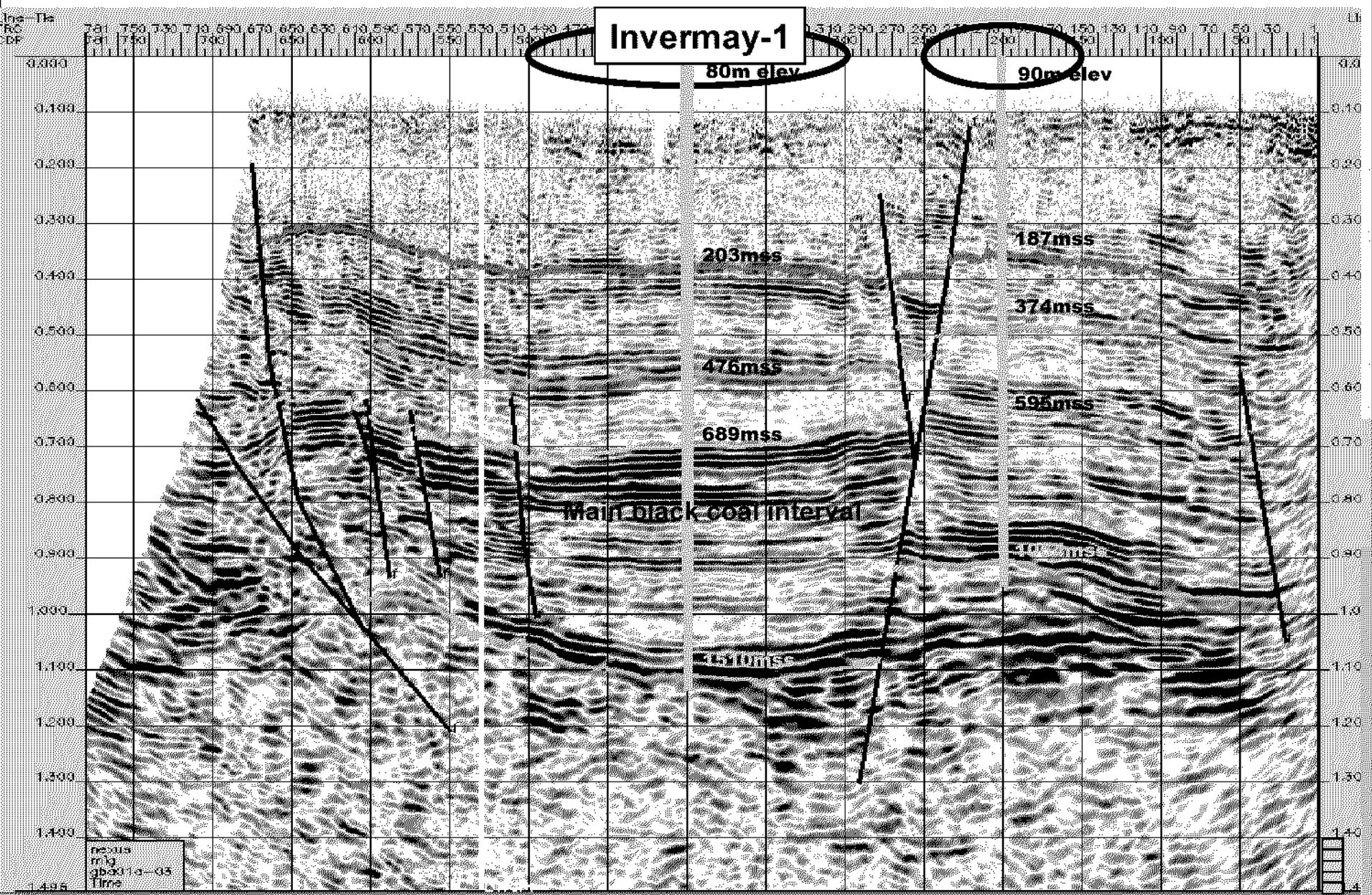
Gippsand- Prospect descriptions

GBA01A - 05

Megascolides-1



Drilling at this location is planned to extend to 2000m, 300m into the interpreted Crayfish Group Equivalent section.



Invermay-1
80m elev

90m elev

Main black coal interval

203mss

187mss

476mss

374mss

689mss

595mss

440mss

440mss

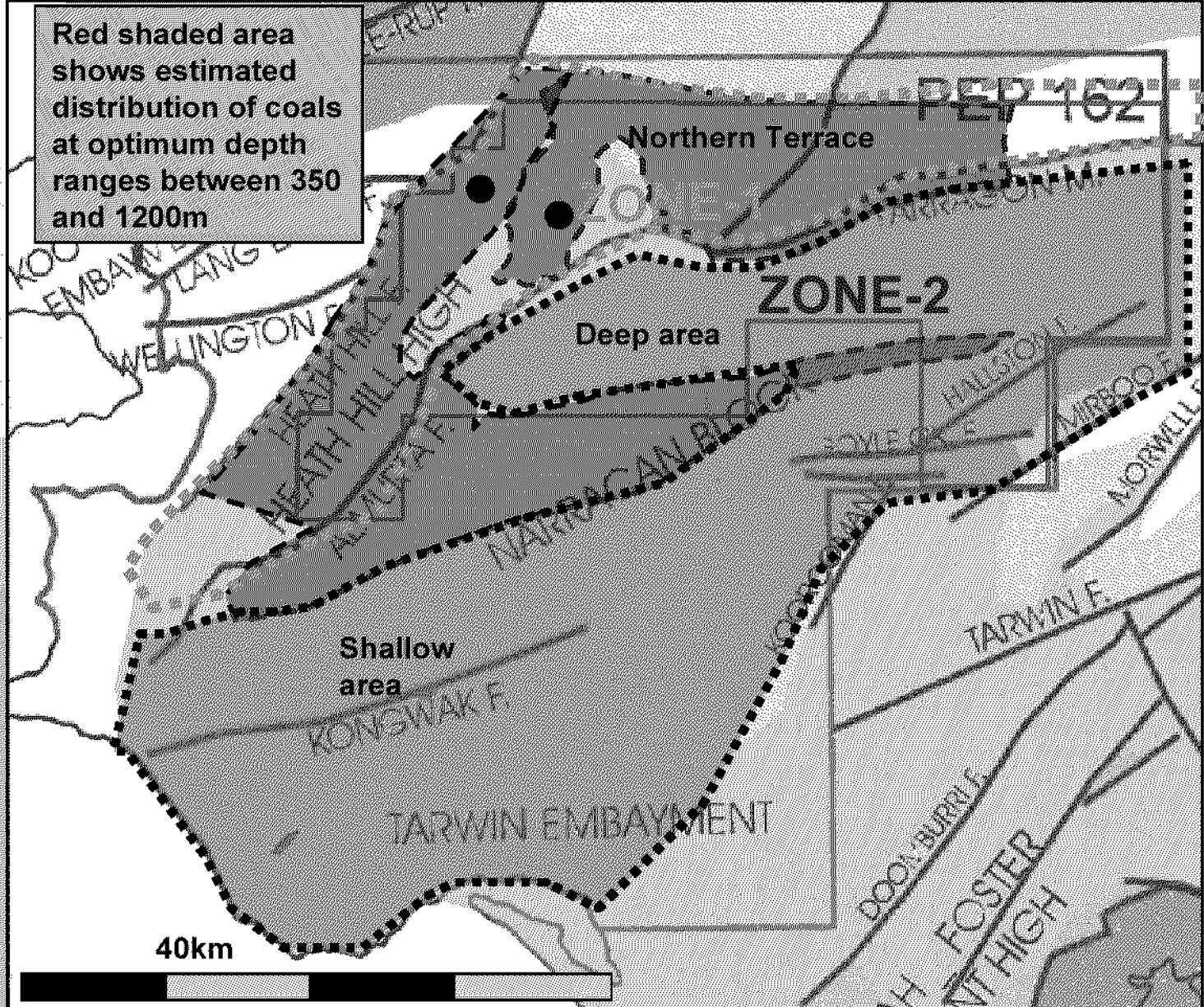
nexus
img
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Time

Interpret
(Point)

X...

397576.40

Gippsland- Prospectivity



Red shaded area - extent of Top Strzelecki coal horizon in optimum depth range.



Yarragon Brown Coal Resource

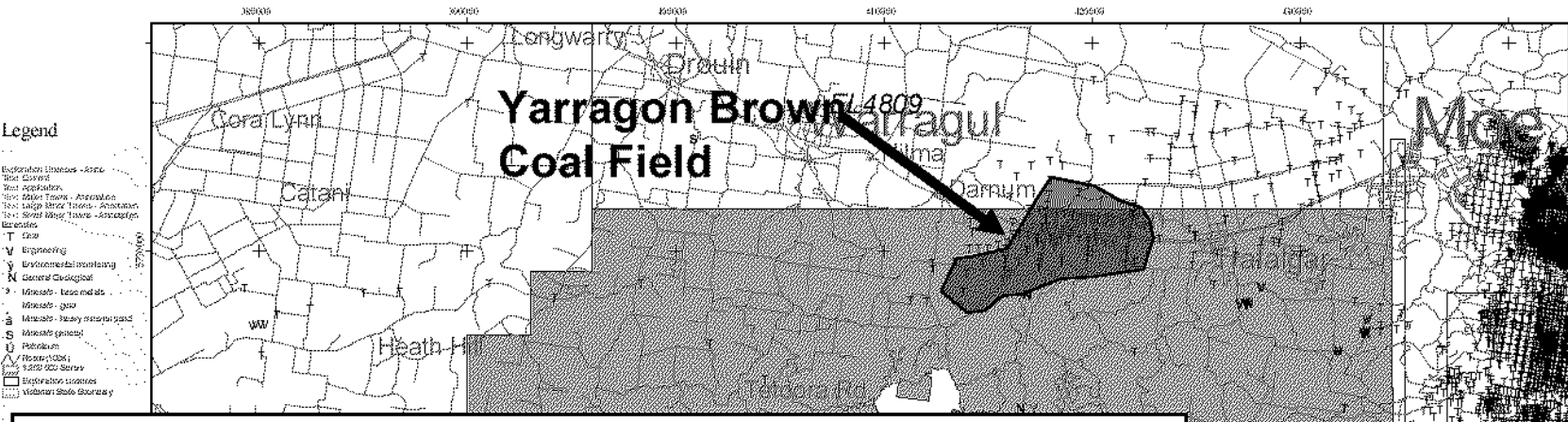


Table 3 Coal In Situ - Resources

Category	Coal In Situ Resources Estimate*
Measured	50 million tonnes
Indicated	210 million tonnes
Inferred	80 million tonnes
Total	340 million tonnes

* The coal in situ resource includes lithologically logged coal and inferior coal. 55% of the recorded depths in the borehole logs refer to coal (<10% ash(wt % dry basis)) and 45% to inferior coal (between 10 and 30% ash). As there is little coal quality testing available, the bore lithological records have be relied upon for the distinction between coal and inferior coal. In reality, field assessment of coal and inferior coal is subjective, particularly around the cut-off values of 10% and 30%.

Source; Independent GHD Report, JORC code standard

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 Department of Primary Industries
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Yarragon Brown Coal Resource

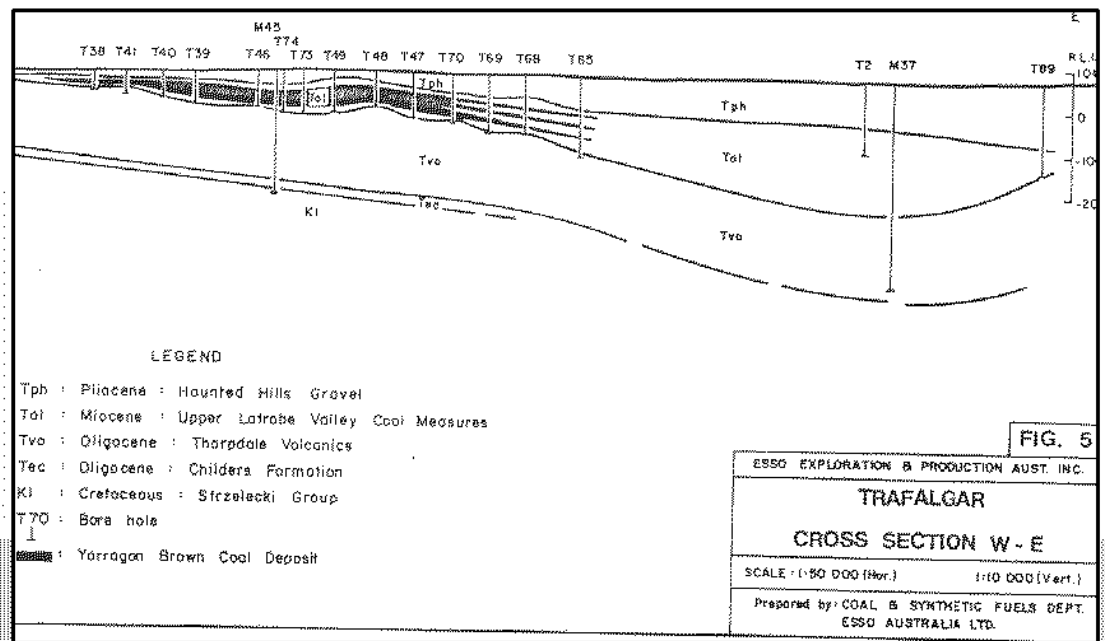
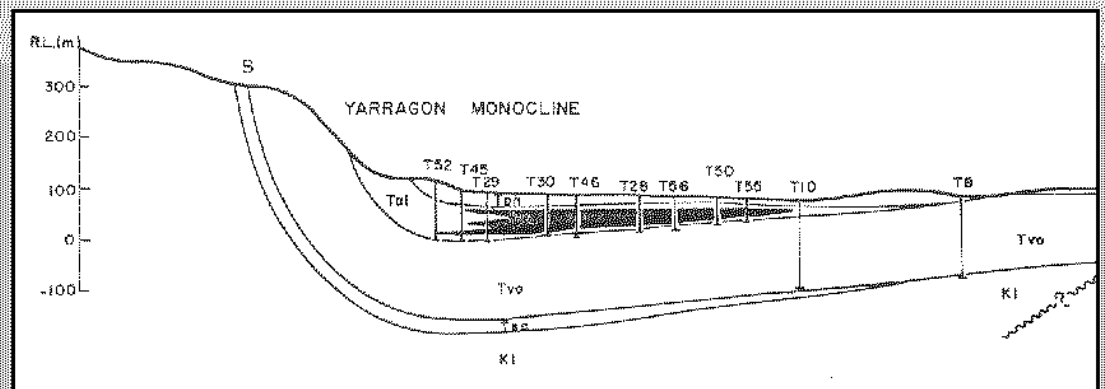


FIG. 5

E-W and N-S cross sections based on multiple bore holes demonstrate a significant and well defined mineable resource

ESSO drilled up and evaluated the field as a candidate for a synthetic fuels development project during a period of high oil prices in 1981. Full field details are available in the ESSO feasibility study.



Expenditure on the project was in the millions of dollars with the project abandoned due to subsequent reduction in oil prices.

Karoon is currently collating all available data on this resource.

- Mining data indicates that Brown Coal, in an economic deposit and used in present day (old technology) electricity generation facilities has a value around \$1.00 per ton.
- Brown Coal has been mined economically on reserves sizes as small as 40 million tons (Yallourn North).



Karoon- Gippsland Resource Base

KAROON GAS AUSTRALIA LTD (EL4537 & PEP 162)					
Resource base- In Place					
RESOURCE		RANKING			COMMENTS / RISKS
		POSSIBLE	PROBABLE	PROVEN	
CBM (TCF)	MINIMUM MOST LIKELY MAXIMUM	1.5 5 10			Carries exploration risk
Brown Coal (Millions Tons)	MINIMUM MOST LIKELY MAXIMUM			100 200 300	No Exploration risk Commercial value enhanced by CBM development synergies

The value potential of Karoon's Gippsland resource base could be realized in;

- an integrated development where Karoon CBM gas is used to boost the efficiency of a state of the art electricity generation plant. (New Brown Coal power plants are nearly twice as efficient as existing plants and have greatly reduced CO₂ emissions.)

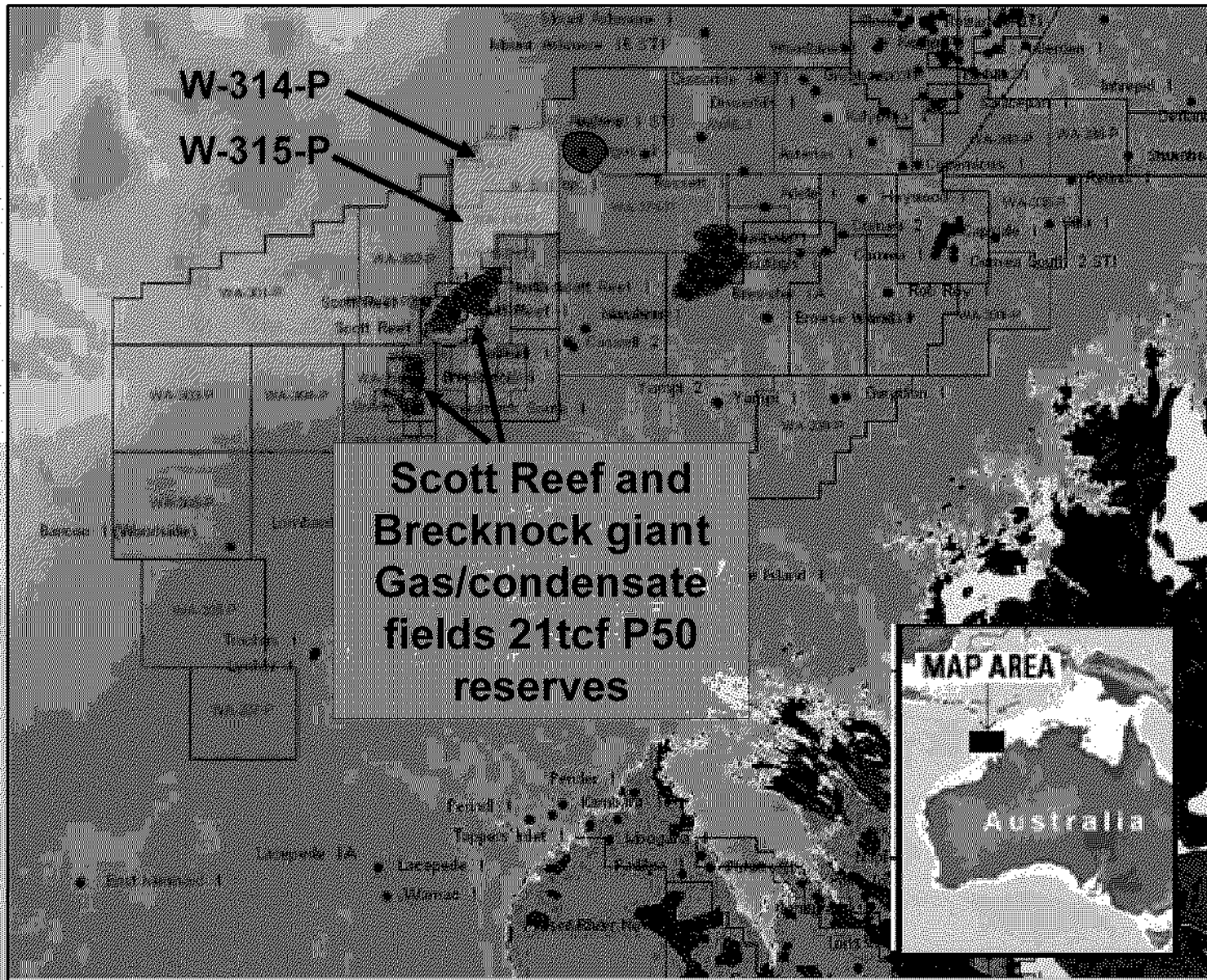
CO₂ emission is a critical issue for future Brown Coal development.

- Domestic gas markets
- Targeted energy intensive industries

Selection of development options is being continually reviewed.

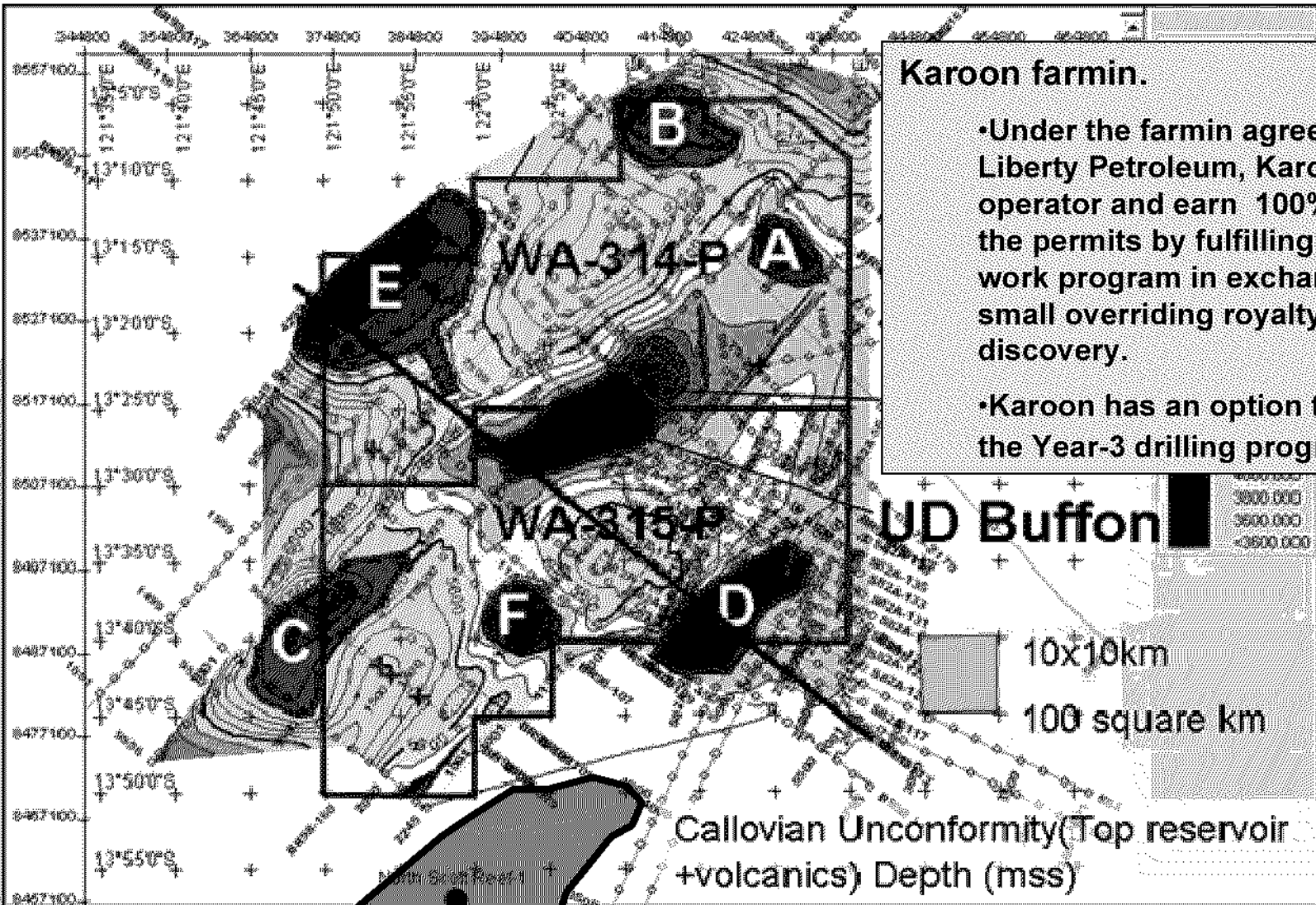


West Australian Acreage WA-314-P & WA-315-P



West Australian Acreage WA-314-P & WA-315-P

- Seven large high relief leads with areas ranging from 60 to 350 square km.
- The same play type as Scott-Reef immediately to the south.



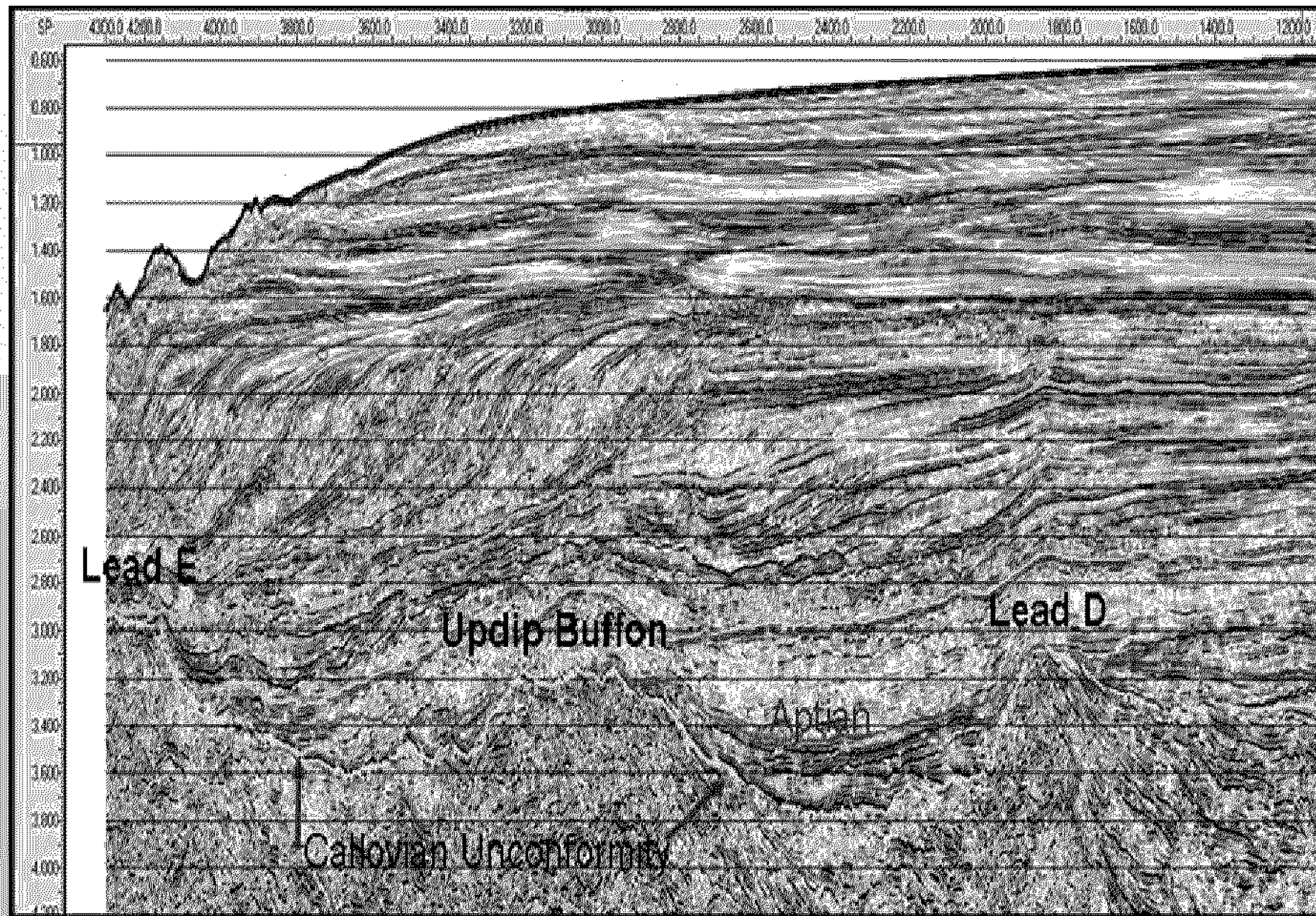
Karoon farmin.

- Under the farmin agreement with Liberty Petroleum, Karoon will be operator and earn 100% equity in the permits by fulfilling the Year-2 work program in exchange for a small overriding royalty on any discovery.
- Karoon has an option to enter into the Year-3 drilling program.



West Australian Acreage WA-314-P & WA-315-P

•Seismic dip line NW-SE.



West Australian Acreage WA-314-P & WA-315-P

Work Program minimum requirements for each permit

- The first three years is a committed program.
- Second three years can be negotiated on sound technical grounds.
- Karoon has been granted permit extensions in Year-2 and has to complete the 3D seismic work program by the 11th of May 2005

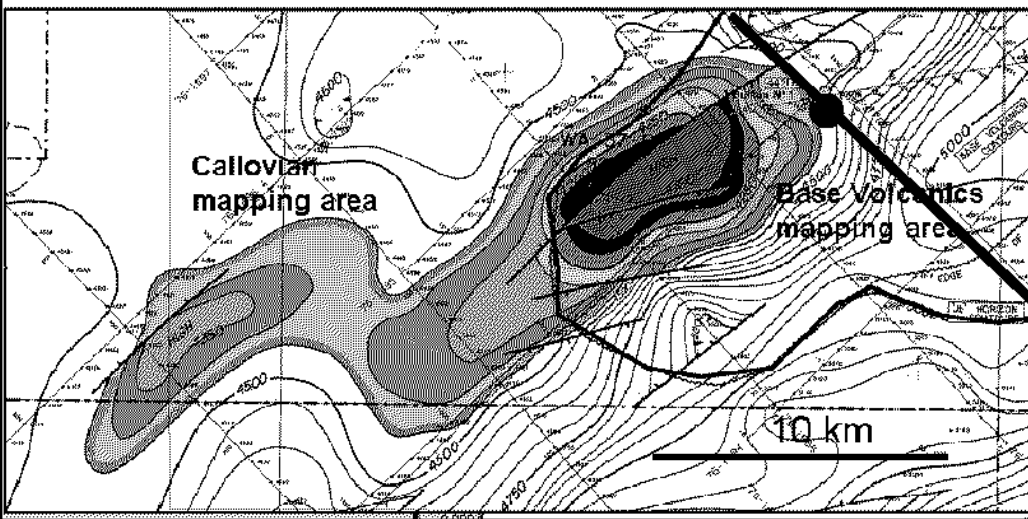
Year of Term Of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure Constant Dollars (indicative only)
First	12-Nov-01	11-Nov-02	Seismic re-interpretation	\$A 200,000
Second	12-Nov-02	11-May-05	400 square km. of new 3D Seismic	3,400,000
Third	12-May-05	11-May-06	Drill One (1) Well	16,000,000
Fourth	12-May-06	11-May-07	Geological, geophysical and Geochemical studies	1,000,000
Fifth	12-May-07	11-May-08	Drill One (1) Well	16,000,000
Sixth	12-May-08	11-May-09	Drill One (1) Well	16,000,000



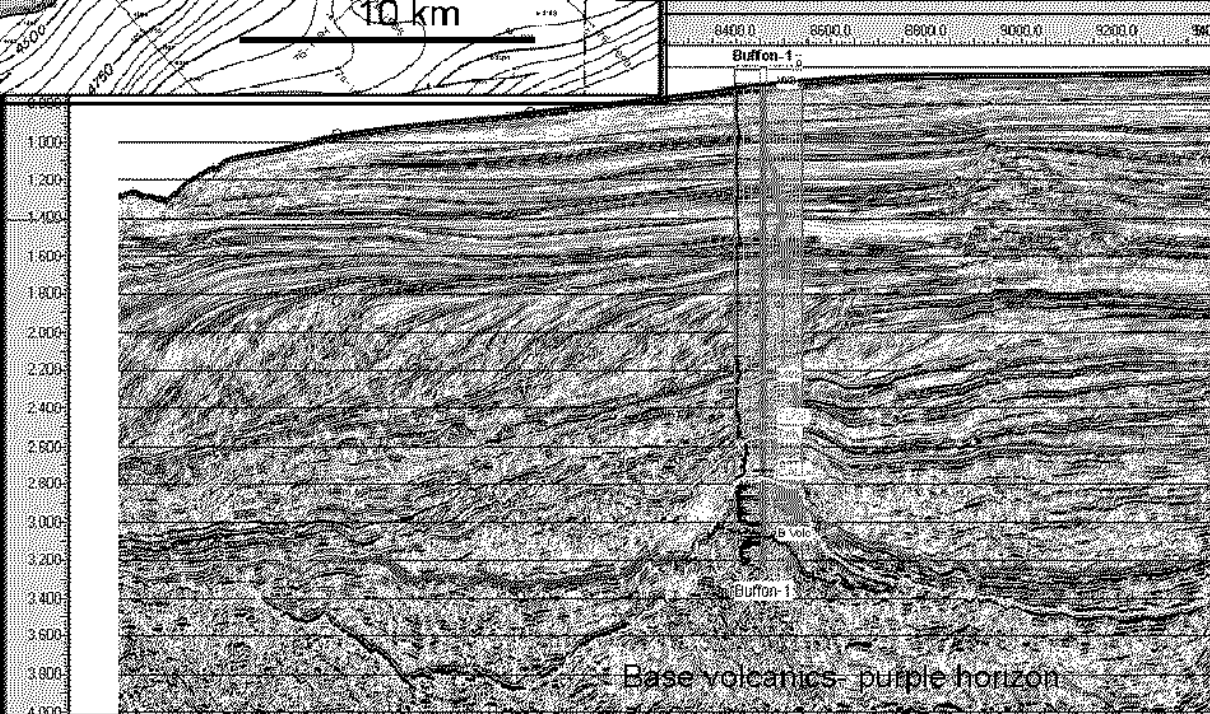
West Australian Acreage WA-314-P & WA-315-P – Prospects & Leads

Leviathon / Buffon Prospect

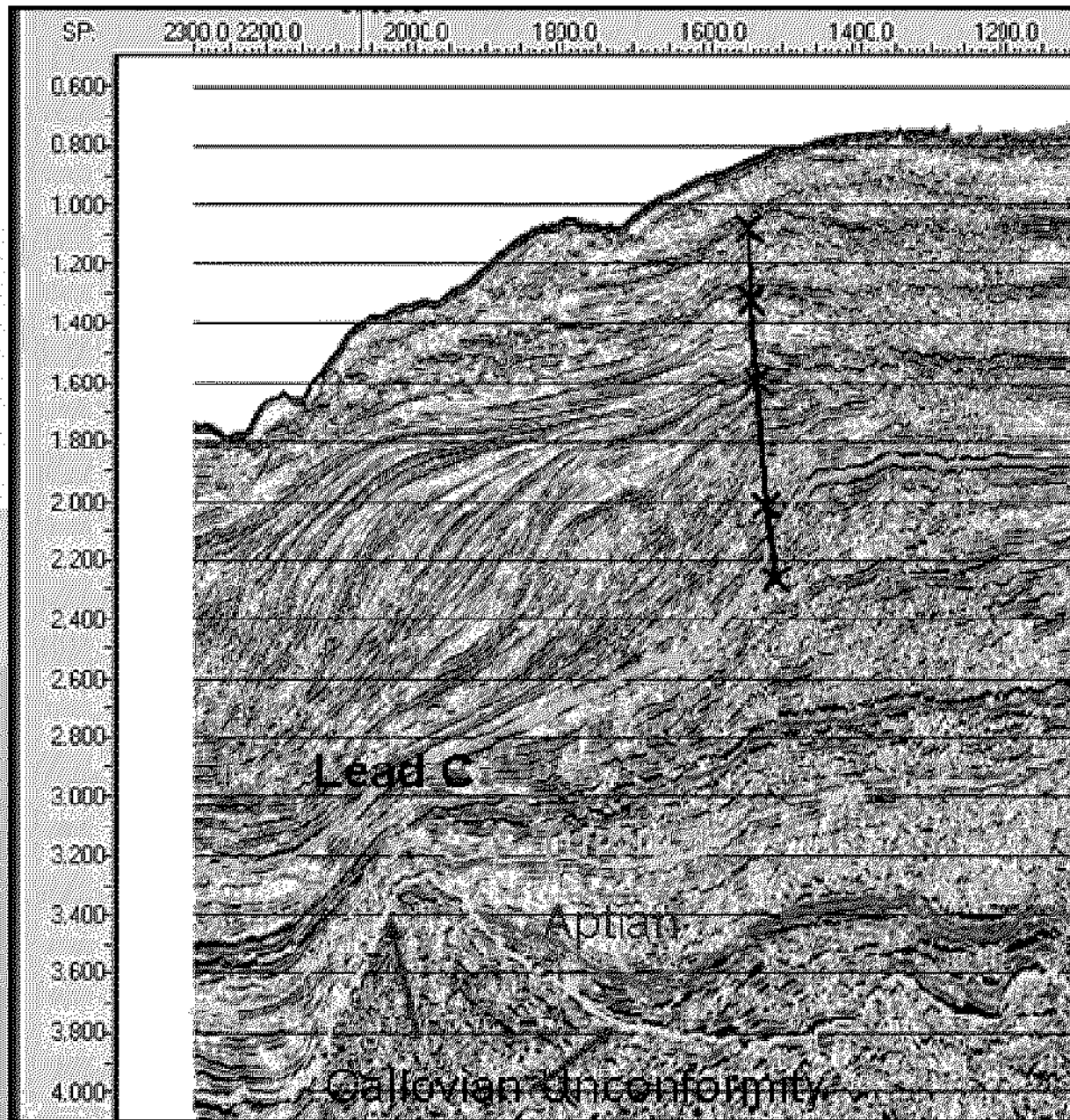
Depth map at the JB top reservoir horizon (Woodside Pet. 1982).
 The base and limit of the volcanics is also mapped.
 Over 100 square km. and up to 300m of closure height.



Prospect	Leviathon /Udpip Buffon		
Cases	Low case (P10) Down to 4300mss	Most likely (P50) Main structure	High case (P90) Main+west ext.
Top depth(mss)	4060	4060	4060
Spill point (mss)	4300	4400	4450
Trap height (m)	240	340	390
Area (Km sq.)	50	110	160
GRV (m ³)	3.96E+09	1.23E+10	2.06E+10
Porosity	0.09	0.12	0.13
Net to Gross	0.5	0.65	0.80
Gas saturation	0.6	0.7	0.75
Res temp (degC)	163	163	163
Gas Expansion	254	254	260
Gas in place TCF	0.96	6.04	14.75
Gas reserves @75% recovery factor	0.72	4.53	11.06



West Australian Acreage WA-314-P & WA-315-P – Prospects & Leads



West Australian Acreage WA-314-P & WA-315-P

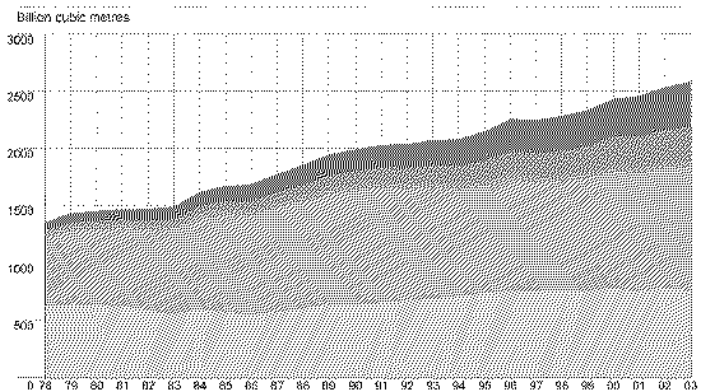
Markets and development opportunities

With Asia-Pacific demand for LNG rising strongly, Karoon Gas believes that large gas accumulations in offshore Western Australia can be commercialised readily over the next decade.

In the current global environment, large accumulations of gas in politically safe environments that can be converted to LPG for transport to markets such as Europe, Japan, China and North America are now increasingly highly prized.

With gas demand outstripping supply, gas fields once considered uneconomic because of excessive water depths, or were too far from the end market, are now viable and very profitable.

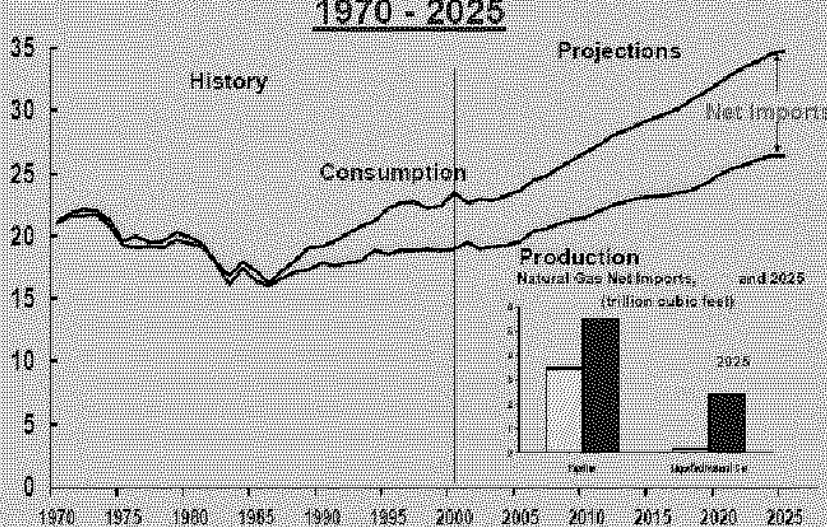
Natural gas consumption by area



Global gas consumption growth was slightly below trend in 2003 at 2%. Growth was robust outside North America, where consumption declined by a steep 3.5%.



Natural Gas Production, Consumption, and Imports, 1970 - 2025



West Australian Acreage WA-314-P & WA-315-P

Karoons position in the markets and development opportunities

Karoon's permits are in a politically safe environment and any discoveries can be converted to LPG for transport to markets such as Europe, Japan, China and North America are now increasingly highly prized.

With gas demand outstripping supply, gas fields once considered uneconomic because of excessive water depths, or were too far from the end market, are now viable and very profitable.

Evidence of this is Woodside's recently announced extensive appraisal drilling program over Scott Reef.

Shallow water settings around Seringapatam Reef in southern WA-315-P will greatly enhance development economics and could result in the area becoming a development hub for Browse and deeper water discoveries to the west.

Development of a large gas condensate or dry gas field could be undertaken on a stand alone basis or in conjunction with Scott Reef and Brecknock. LNG or gas to liquids (GTL) plants on floating facilities is a technology that could also be used.



Karoon Highlights

Gippsland CBM & conventional Oil and Gas

Karoon is currently in an active exploration phase in the Gippsland Basin with the Megascolides-1 well currently rilling the Stzelecki coals at a depth of 980m.

- **The well is just into the CBM interval with only thin coals penetrated so far.**
- **The deeper conventional gas target is expected to be penetrated at 1700m**

At a total depth of 2000m wireline logging will be performed. Other testing is required on the coal cores and in the well to quantify results.

Yarragon Brown Coal

An independent Brown Coal audit shows 300 million tons of coal in the E 4537 lease. Business options are being investigated.

West Australian acreage

Karoon is acquiring a 100% interest in permits WA-314-P and WA-315-P in the Browse Basin immediately north of the Giant Scott Reef gas and condensate field.

- **Seven large leads have been mapped each with multiple TCF potential.**
- **Major shifts in international gas market conditions make any gas discovered here an asset that can be realized in the short term.**
- **Karoon has already received significant interest from major oil companies to farm into this acreage.**



