



ASX RELEASE

27th March 2005

Capital Raising:

Karoon Gas Australia Ltd is pleased to announce that it has agreed to place 10 million fully paid shares at a price of \$1.20 per share to sophisticated and institutional clients of E.L & C. Baillieu Stockbroking Ltd, BBY Ltd and Bell Potter Securities.

Approximately 50% of the placement has gone to overseas institutional investors. The balance of the placement has been taken by local institutions and sophisticated investors. The placement is subject to approval of Karoon shareholders at a General Meeting to be held on the 26th of May 2005 at 11.00am (EST) at the Collins Room, Le Meridien Hotel at Rialto, 495 Collins street Melbourne 3000.

Karoon Gas Australia Ltd is also pleased to announce that it will make an offer to shareholders pursuant to a Shareholder Share Purchase Plan (SPP) under which eligible shareholders may apply for shares in the Company up to a maximum of \$5,000.00 per shareholder.

The offer of shares under the plan is limited to \$3 million representing 2,500,000 shares. In the event of over subscriptions, applications will be processed on a pro rata basis and be subject to scale back on over subscription.

The offer of the plan will be made at \$1.20 per share. The record date for this offer has been set at 5.00pm (EST) on Friday the 6th of May 2005 and offer documents will be forwarded to eligible shareholders on or about the 6th of May 2005. A broker stamping fee of 3% will be paid on successful SPP applications.

It is anticipated that the offer under the plan will close on the 17th of May 2005. The Company will not need to obtain shareholder approval to complete the plan.

The funds raised under the plan and the proposed placement will be used to fund the Browse and Gippsland Basin Exploration Programme. Karoon's Browse Basin acreage has the potential for over 30 TCF (trillion cubic feet) of gas and 300million barrels of condensate, greater than the minimum 4TCF required to support a single LNG facility.

For further information please contact:

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