

**KAROON GAS AUSTRALIA LIMITED**  
**ABN 53 107 001 338**

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**NOTICE OF GENERAL MEETING**

**and**

**EXPLANATORY STATEMENT**

**and**

**PROXY FORM**

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Date of Meeting: 26 May 2005  
Time of Meeting: 11.00 am  
Place of Meeting: Collins Room, Le Meridien Hotel at Rialto,  
495 Collins Street, Melbourne, Victoria, 3000

***This Notice of General Meeting and Explanatory Statement should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.***

# KAROON GAS AUSTRALIA LIMITED

ABN 53 107 001 338

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of shareholders of Karoon Gas Australia Limited ABN 53 107 001 338 ("**Karoon**" or "**Company**") will be held at the Collins Room, Le Meridien Hotel at Rialto 495 Collins Street, Melbourne, Victoria commencing at 11.00am on 26 May 2005. The Explanatory Statement that accompanies and forms part of this Notice of General Meeting describes the various matters to be considered.

### AGENDA

#### ORDINARY RESOLUTIONS

##### 1. Approval of Placement of Shares to Professional and Sophisticated Investors

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of Listing Rule 7.1 and for all other purposes, the Directors be authorised to allot and issue within three months from the date of this General Meeting up to sixteen million (16,000,000) ordinary fully paid shares in the capital of the Company at a price of \$1.20 each per ordinary fully paid share to Professional and Sophisticated Investors as outlined in the Explanatory Statement."*

***Voting Exclusion Statement:*** *The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.*

***However, the Company need not disregard a vote if:***

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or***
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides***

**None of the parties who participate in the proposed issue will be related to the Company or its associates.**

# KAROON GAS AUSTRALIA LIMITED

ABN 53 107 001 338

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of shareholders of Karoon Gas Australia Limited ("**Karoon**" or "**Company**") in connection with the business to be conducted at the General Meeting of shareholders to be held at the Collins Room, Le Meridien Hotel at Rialto 495 Collins Street, Melbourne, Victoria on 26 May 2005 at 11.00 am.

This Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting.

If you are in doubt about what to do in relation to the items which are presented in the Notice of Meeting for your consideration, you should consult your financial or other professional advisor.

### 1. APPROVAL OF PLACEMENT OF SHARES TO PROFESSIONAL AND SOPHISTICATED INVESTORS

Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to an issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

Shareholder approval is now sought pursuant to Listing Rule 7.1 to enable Karoon to issue up to 16,000,000 Shares representing 38 % of the issued capital of the Company.

Outlined below is the information required to be provided to Shareholders pursuant to Listing Rule 7.3 for the purpose of obtaining shareholder approval under Listing Rule 7.1 for the proposed placement:

- (a) the number of Shares to be issued is up to 16,000,000 Shares;
- (b) the Shares will be issued and allotted within 3 months of the date of the Shareholders' meeting;
- (c) the Shares will be issued at a price of \$1.20 per Share;
- (d) the allottees of the Shares will be Professional and Sophisticated Investors who are clients of E.L. & C. Baillieu Stockbroking Ltd;
- (e) the Shares will rank pari passu with existing Shares on issue; and
- (f) funds raised by the issue of Shares will be applied as follows:

Browse Basin Exploration Programme	\$11 million
Gippsland Basin Exploration	\$ 4 million
General Working Capital	\$ 3 million
Costs of issue	<u>\$ 1 million</u>
	<u>\$19 million</u>

The funds required for the Browse Basin Exploration includes the Company's expenditure commitment pursuant to its farmout agreement with BG International Ltd (as announced on 14 April 2005) for a permit wide 2D seismic and aeromag survey, 1200 sq km 3D seismic survey and 2 exploration wells.

Upon approval of this resolution the Shares are proposed to be placed to a range of institutional investors to help strengthen the Company's Shareholder base.

The Company does not anticipate appointing any new directors, and does not anticipate any change in control of the Company, as a result of the proposed placement.

## **Glossary**

<b>ASX</b>	Australian Stock Exchange Limited
<b>Board</b>	Board of Directors of Karoon Gas Australia Ltd
<b>Corporations act</b>	Corporations Act 2001 (Cth)
<b>Directors</b>	Directors of Karoon Gas Australia Ltd
<b>EST</b>	Eastern Standard Time, being the time in Melbourne, Victoria
<b>Professional and Sophisticated Investors</b>	An investor within the definition in section and 708(8) or 708(11) of the Corporations Act 2001 (Cth).
<b>Listing Rules</b>	Any rule of the ASX which are applicable while Karoon is admitted to the official list of the ASX.
<b>Shares</b>	Fully paid ordinary shares in the capital of Karoon Gas Australia Ltd
<b>Shareholders</b>	Holder of Shares

## PROXY AND VOTING ENTITLEMENT INSTRUCTIONS

### PROXY INSTRUCTIONS

Shareholders are entitled to appoint up to two individuals to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the registered office of Karoon, **Po Box 469, Mt Martha, Victoria 3934, facsimile number +61 3 5974 1644**, not less than 48 hours before the time for holding the annual general meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy may, but need not, be a shareholder of Karoon.

In the case of shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form is attached to this Notice.

### VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the annual general meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm on 24 May 2005. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

**KAROON GAS AUSTRALIA LIMITED**  
ABN 53 107 001 338

**PROXY FORM**

The Secretary  
Karooon Gas Australia Limited  
Po Box 469  
Mt Martha Victoria 3934

AUSTRALIA

Fax Number: +61 3 5974 1644

I/We \_\_\_\_\_

of \_\_\_\_\_

being a shareholder/(s) of Karoon Gas Australia Limited ("**Karoon**") and entitled to

\_\_\_\_\_ shares in Karoon

hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of Karoon to be held at the Collins Room, Le Meridien Hotel at Rialto 495 Collins Street, Melbourne, Victoria on 26 May 2005 at 11.00 am, and at any adjournment thereof in respect of \_\_\_\_\_ of my/our shares or, failing any number being specified, **ALL** of my/our shares in Karoon.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is [     ]%. (An additional proxy form will be supplied by Karoon on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

