



17th of May 2005

Dear fellow shareholder,

SHARE PURCHASE PLAN

On the 27th of April 2005 the directors of Karoon Gas Australia Limited ("Karooon") invited you to participate in a Share Purchase Plan ("SPP") to be offered to all shareholders. The non-renounceable SPP is capped at 2.5 million shares to be issued at \$1.20 each and is not underwritten.

As previously announced the Closing Date for applications under the SPP was the 17th of May 2005. Your directors have now resolved to extend the SPP for a further two weeks.

Accordingly the Closing Date for applications under the SPP is now the 31st of May 2005 and the revised timetable is as follows:

Record date	6 May 2005
Closing date	31 May 2005
Issue of shares	7 June 2005
Dispatch of holding statements	9 June 2005

The terms of the SPP remains the same in all other respects.

Should you have any questions or require further information regarding the above, please do not hesitate to contact me on (03) 5974 1044.

Yours faithfully

Karooon Gas Australia Limited

Robert Hosking
Chairman