



ASX RELEASE

24th June 2005

Incentive Options

Karoon Gas Australia Ltd would like to announce that the employment agreements for the Executive Directors have been renegotiated. This is subject to shareholder approval at the Annual General Meeting (AGM). Included in the agreements are performance based incentive options, which shall be issued to each of the two Executive Directors, and will be in three tranches. The options listed below are to be divided equally between the 2 directors, for a total of 2,250,000 options per Executive Director;

Tranche 1: 1,500,000 options exercisable at \$1.75
Tranche 2: 1,500,000 options exercisable at \$2.00 and;
Tranche 3: 1,500,000 options exercisable at \$2.35.

All options have an expiry date of 30 September 2008.

These options are an incentive to create expected future growth and are priced to create rewards for those instrumental in that growth.

Managing Director's Contract

The remuneration package for the Managing Director of Karoon Gas Australia Ltd is pursuant to an employment agreement and comprises:

- a) Fixed annual Base Salary of \$250,000 per annum inclusive of superannuation. Indexed to CPI and reviewed annually;
- b) The term of the contract is to be 3 years, with an optional 2 year extension.
- c) Eligibility to participate in the Karoon Gas Australia Ltd Employee Incentive Option Plan;

For further information please contact:

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