



12<sup>th</sup> October 2006

(ASX Code: KAR)

### **Lino Barro Issue of Employee Share Options**

The Karoon Gas Board is pleased to announce that as part of the salary review and contract negotiation with employee's on 23<sup>rd</sup> September 2006, it has issued 475,000 options at an exercise price of 203 cents per share to eligible Karoon Gas employees pursuant to the company's Employee Share Option Plan. These options will have an expiry of 31<sup>st</sup> October 2008, and an escrow period ending 31<sup>st</sup> October 2007.

On the 1<sup>st</sup> of August 100,000 options with an exercise price of 160 cents were issued to an executive as part of an executive employment agreement negotiated during July 2006 and executed on the 1<sup>st</sup> August. The Options have an expiry of 1<sup>st</sup> August 2008 and an escrow period ending 1<sup>st</sup> August 2007. These options were originally to be issued to the Employee on the 1<sup>st</sup> August 2006 however recent commercial negotiation activity precluded their issue until this week.

The policy for pricing of all of the above options was determined by taking a premium to the Volume Weighted Average Price (VWAP) of the Karoon Shares traded on the Australian Stock Exchange in the three months proceeding their issue.

#### **For further information please contact:**

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+ See chapter 19 for defined terms.

*Rule 2.7, 3.10.3, 3.10.4, 3.10.5*

## **Appendix 3B**

### **New issue announcement, application for quotation of additional securities and agreement**

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Karoon Gas Australia Ltd

ABN

53 001 107 338

We (the entity) give ASX the following information.

#### **Part 1 - All issues**

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |   |                                |
|---|---|--------------------------------|
| 1 | +Class of +securities issued or to be issued  | Employee Share Options         |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 575,000 Employee Share Options |

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+ See chapter 19 for defined terms.

- |  |  |
|--|--|
| 3 Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Unlisted employee incentive options issued pursuant to the Karoon Gas Australia Ltd Employee Share Option Plan.<br><br>475,000 Options each with an exercise price of \$2.03 per option with an expiry date of 31st August 2008.<br>Escrow period of 12 month ending 31st October 2007<br><br>100,000 options each with an exercise price of \$1.60 per option with an expiry date of 1st August 2008<br>Escrow period of 12 months ending 1 <sup>st</sup> August 2007 |
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+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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<p>4 Do the <sup>+</sup>securities rank equally in all respects from the date of allotment with an existing <sup>+</sup>class of quoted <sup>+</sup>securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>Yes</p>				
<p>5 Issue price or consideration</p>	<p>\$Nil</p>				
<p>6 Purpose of the issue          (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Issue of Employee Share Options to employees</p>				
<p>7 Dates of entering <sup>+</sup>securities into uncertificated holdings or despatch of certificates</p>	<p>475,000 Incentive Options issued 11<sup>th</sup> October 2006</p> <p>100,000 Incentive Option issued 1st August 2006</p>				
<p>8 Number and <sup>+</sup>class of all <sup>+</sup>securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="686 1444 989 1489">Number</th> <th data-bbox="989 1444 1276 1489"><sup>+</sup>Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="686 1489 989 1706">81,241,897</td> <td data-bbox="989 1489 1276 1706">Ordinary Fully Paid Shares</td> </tr> </tbody> </table>	Number	<sup>+</sup> Class	81,241,897	Ordinary Fully Paid Shares
Number	<sup>+</sup> Class				
81,241,897	Ordinary Fully Paid Shares				

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+ See chapter 19 for defined terms.

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	
	1,500,000	Options expiring 30 June 2007, exercisable at 25 cents each
	1,500,000	Options expiring 30 September 2008, exercisable at 175 cents each
	1,500,000	Options expiring 30 September 2008, exercisable at 200 cents each
	1,500,000	Options expiring 30 September 2008, exercisable at 235 cents each
	500,000	Options each with an exercise price of \$1.65: Voluntary Escrow period ending 28th June 2006 with an expiry date 31 October 2007
	500,000	Options each with an exercise price of \$1.35: Voluntary Escrow period ending 25th February 2006 with an expiry date 30th June 2007
	100,000	Options with an exercise price \$1.60, expiring 1st August 2008.
475,000	Options with an exercise price of \$2.03, expiring 31 <sup>st</sup> October 2008	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	

+ See chapter 19 for defined terms.

## Part 2 - Bonus issue or pro rata issue

- |    |   |  |
|----|---|--|
| 11 | Is security holder approval required?   |  |
| 12 | Is the issue renounceable or non-renounceable?  |  |
| 13 | Ratio in which the *securities will be offered  |  |
| 14 | +Class of *securities to which the offer relates  |  |
| 15 | +Record date to determine entitlements  |  |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?  |  |
| 17 | Policy for deciding entitlements in relation to fractions   |  |
| 18 | Names of countries in which the entity has *security holders who will not be sent new issue documents<br><br><small>Note: Security holders must be told how their entitlements are to be dealt with.<br/>Cross reference: rule 7.7.</small> |  |
| 19 | Closing date for receipt of acceptances or renunciations  |  |

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+ See chapter 19 for defined terms.

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20	Names of any underwriters	<input type="text"/>
21	Amount of any underwriting fee or commission	<input type="text"/>
22	Names of any brokers to the issue	<input type="text"/>
23	Fee or commission payable to the broker to the issue	<input type="text"/>
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	<input type="text"/>
25	If the issue is contingent on +security holders' approval, the date of the meeting	<input type="text"/>
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	<input type="text"/>
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	<input type="text"/>
28	Date rights trading will begin (if applicable)	<input type="text"/>
29	Date rights trading will end (if applicable)	<input type="text"/>
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	<input type="text"/>
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	<input type="text"/>

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**Appendix 3B**  
**New issue announcement**

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32 How do <sup>+</sup>security holders dispose of their entitlements (except by sale through a broker)?

33 <sup>+</sup>Despatch date

**Part 3 - Quotation of securities**

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities  
(tick one)

(a)  Securities described in Part 1

(b)  All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

**Entities that have ticked box 34(a)**

**Additional securities forming a new class of securities**

*Tick to indicate you are providing the information or documents*

35  If the <sup>+</sup>securities are <sup>+</sup>equity securities, the names of the 20 largest holders of the additional <sup>+</sup>securities, and the number and percentage of additional <sup>+</sup>securities held by those holders

36  If the <sup>+</sup>securities are <sup>+</sup>equity securities, a distribution schedule of the additional <sup>+</sup>securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over

37  A copy of any trust deed for the additional <sup>+</sup>securities

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<sup>+</sup> See chapter 19 for defined terms.



**Entities that have ticked box 34(b)**

38 Number of securities for which  
+quotation is sought

39 Class of +securities for which  
quotation is sought

40 Do the +securities rank equally in all  
respects from the date of allotment  
with an existing +class of quoted  
+securities?

If the additional securities do not  
rank equally, please state:

- the date from which they do
- the extent to which they  
participate for the next dividend,  
(in the case of a trust,  
distribution) or interest payment
- the extent to which they do not  
rank equally, other than in  
relation to the next dividend,  
distribution or interest payment

41 Reason for request for quotation  
now

Example: In the case of restricted securities, end of  
restriction period

(if issued upon conversion of  
another security, clearly identify that  
other security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX ( <i>including</i> the securities in clause 38)		

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+ See chapter 19 for defined terms.

**Quotation agreement**

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
  
- 2 We warrant the following to ASX.
  - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
  
  - There is no reason why those +securities should not be granted +quotation.
  
  - An offer of the + securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.  
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
  
  - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
  
  - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
  
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
  
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: ..... Date: ..11/10/2006.....  
Company secretary

Print name: .....Scott Hosking.....

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