



31st October 2006

(ASX Code: KAR)

Capital Raising to Institutional and Sophisticated Investors

Karoon Gas Australia Ltd is pleased to announce that it has agreed to place 12.186 million fully paid shares at a price of \$1.80 per share, raising \$21.935m, to sophisticated and institutional investors in Australia, and with a major portion coming from the United Kingdom. The placement was managed by BBY Limited (BBY) and E.L & C. Baillieu Stockbroking Ltd.

The funds raised under the placement will be used to fund Karoon's share of the two well program in the Browse Basin, extended drilling in the Gippsland Basin and for general working capital.

Karoon has been pleased with the reception it has received from the institutional and sophisticated investors involved.

For further information please contact:

Scott Hosking
Company Secretary
Phone: 03 5974 1044
Fax: 03 5974 1644
Email: scotthosking@karoongas.com.au
Website: www.karoongas.com.au