



ASX Limited
Level 45, South Tower Rialto
525 Collins Street,
Melbourne, VIC 3000

Attn: Julia Kagan

Karooon Gas Australia Ltd Operational Update

After a significant movement in the price of Karoon Gas Australia Ltd shares this morning and a price query received by the ASX, Karoon Gas would like to update the market of its current operations.

Through Karoon Gas' announcements over the previous six months, the market is aware that Karoon and its joint venture partner, ConocoPhillips, are currently in the process of identifying a suitable rig for their joint operations in the Browse Basin permits WA-314-P and WA-315-P off Western Australia. Drilling is expected to commence between late 2007 and early 2008 depending on the availability and acquisition of a suitable rig.

Karoon believes that the recent rise in its share price can be attributed to the addition of Karoon to the All Ordinaries Index and the forthcoming drilling campaign in the Browse Basin. Karoon has noted significant levels of interest from investors both from Australia and Overseas.

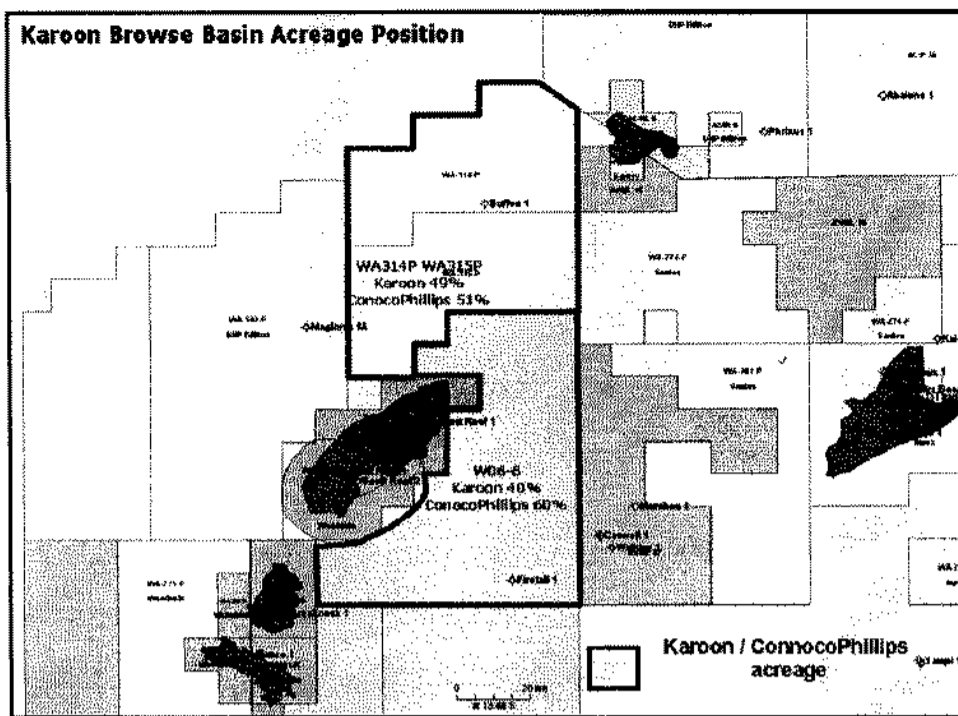
Offer of New Acreage

Karoon can also announce that Karoon and its Joint Venture Partner ConocoPhillips have also been offered, and intend to accept, an additional gazettal W06-6 in the Browse Basin Area off Western Australia. The gazettal W06-6 has been offered by the Department of Industry and Resources and upon approval will be awarded by the Commonwealth – Western Australian Offshore Petroleum Joint Authority.

The gazettal area, currently known as W06-6, is located immediately to the south of the Karoon – ConocoPhillips joint venture's current WA-315-P permit and east of the Woodside operated Torosa gas/condensate field.

ConocoPhillips will hold a 60% interest in the permit area with Karoon holding the remaining 40%. ConocoPhillips will be the operator of the new acreage.

The map below sets out the position of the permit area within the Browse Basin.



While information concerning any offer of W06-6 could conceivably have caused an increase in Karooon's share price had it been known, Karooon believes that such information has remained confidential up to the date of this release and that such information does not explain the recent trading in Karooon's shares.

Karooon confirms that it remains in compliance with the ASX Listing Rules and, in particular, ASX listing rule 3.1.

For more information please see the Karooon website or Contact:

Scott Hosking: Company Secretary
 Telephone: 03 59741044
 Fax: 03 59741644
 Website: www.karoongas.com.au

Ian Howarth: Farrington National
 Telephone: 0407 822 319
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ASX

AUSTRALIAN SECURITIES EXCHANGE

19 April 2007

Mr Scott Hosking
Karoon Gas Australia Limited
Mt Martha VIC 3934

By e-mail only

Dear Scott

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Karoon Gas Australia Limited (the "Company") - Price Query

We have noted a change in the price of the Company's ordinary shares from \$1.70 at the close of trading on 12 April 2007 to \$2.17 at the time of writing today.

In light of the price change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by return e-mail. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie **before 9:30 a.m. EST**) on Friday 20 April 2007.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

[Sent electronically, without signature]

Julia Kagan
Senior Adviser, Issuers