

**KAROON GAS AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ABN 53 107 001 338**

**QUARTERLY FINANCIAL REPORT
FOR THE QUARTER ENDED 31st March 2007**

Review of Operations

Browse Basin Assets WA-314-P and WA-315-P

Drilling Update and Permit Extension

Karoon with its joint venture partner, ConocoPhillips has been granted a one year permit extension within which to complete its Year 3 work commitments by the 11th February 2008. Drilling is expected to commence between late 2007 and early 2008 depending on the availability and acquisition of a suitable rig.

Karoon with its joint venture partner, ConocoPhillips, is currently in the process of prospect mapping and target selection.

Seismic Update

Karoon Gas has completed the 3D data processing from its 284 sq km 3D seismic acquisition in WA-315-P. This interpretation is underway and expected to be complete in the coming months.

The 3D seismic provides improved data quality and coverage and has allowed the volcanic's and reservoir intervals within the closures to be mapped far more accurately to better define prospect drilling locations .

Karoon interest 49%

Karoon will retain 49% equity in the permits WA-314-P and WA-315-P once ConocoPhillips has earned their 51% interest by drilling one well in each permit.

Gippsland Assets PEP162 and EL4537

Karoon completed the drilling of two wells in its PEP162 permit area in the onshore Gippsland Basin

Although the results of the wells were positive for hydrocarbons, permeability measurements however were all very low, indicating very low potential for this formation to flow oil at both locations. With these results Karoon is plugging and abandoning both the Megascolides-1 and Megascolides-2 well.

Karoon interest 100%

Karoon Gas (through its 100% owned subsidiary Karoon Gas Pty Ltd) has a 100% Registered interest in PEP162 and EL4537, within the Western on-shore Gippsland Basin of Victoria. The Megascolides – 1 and Megascolides-2 drill sites are located approximately 100 Kilometres South East of Melbourne.

For further information please contact:

Scott Hosking

Company Secretary

Ph:03 59741044 Fax:03 59741644

Email: scotthosking@karoongas.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Karoon Gas Australia Ltd

ABN

53 107 001 338

Quarter ended ("current quarter")

March 2007

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(6,826)	(766)
1.3	Dividends received	(400)	(1,771)
1.4	Interest and other items of a similar nature received	572	1,211
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - GST refunds	938	1,597
Net Operating Cash Flows		(5,716)	271
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(2)	(3)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	(396)	(508)
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		(398)	(511)
1.13	Total operating and investing cash flows (carried forward)	(6,114)	(240)

1.13	Total operating and investing cash flows (brought forward)	(6,114)	(240)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		21,532
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		21,532
	Net increase (decrease) in cash held	(6,114)	21,292
1.20	Cash at beginning of quarter/year to date	42,564	15,701
1.21	Exchange rate adjustments to item 1.20	(302)	(845)
1.22	Cash at end of quarter	36,148	36,148

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	148
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors Fees included in 1.23 : \$ 54
Consulting Fees included in 1.23 : \$ 94

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	Nil
4.2 Development	Nil
Total	

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,359	842
5.2 Deposits at call (see note 6)	34,789	41,722
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	36,148	42,564

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	94,427,897	94,427,897		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Shares out of escrow				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	500,000 1,500,000 1,500,000 1,500,000 500,000 500,000 100,000 475,000		<i>Exercise price</i> 25 cents 175 cents 200 cents 235 cents 165 cents 135 cents 160 cents 203 cents	<i>Expiry date</i> 30 June 2007 30 Sept 2008 30 Sept 2008 30 Sept 2008 31 Oct 2007 30 June 2007 1 August 2008 31 Oct 2008
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date:30 April 2007
(Company secretary)

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

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

6 **Deposits at Call** Included in the deposits at call is a US dollar term deposit for \$12,678,561.00 which has been converted to Australian dollars for recording purposes only at a rate of .7913 (the USD/AUD exchange rate on the last day of the period).

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Note 1

Schedule of Exploration Permits

Held by the Consolidated Entity

At 31st March 2007

<u>Exploration Permits</u>	<u>Basin</u>	<u>Interest %</u>
PEP162	Gippsland	100
EL 4537	Gippsland	100
WA 314-P	Browse	49
WA 315-P	Browse	49