



MAY 2007 STATUS REPORT

KAROON GAS AUSTRALIA LTD

Disclaimer

This presentation contains statements that are subject to risk factors associated with oil and gas businesses.

It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions that could cause actual results or trends to differ materially. These include but are not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.



Karoon Gas snapshot

- Listed on the ASX on 8 June 2004.
- Approximately 113.4 million shares and 7 million options.
- Market Capitalization approximately A\$255 million (@A\$2.25 share price)
- Cash in the bank after farmout and fundraising is \$A76.8 million.
- Of the above, 19 million shares and \$A41 million are subject to shareholder approval (EGM 15 June 2007).

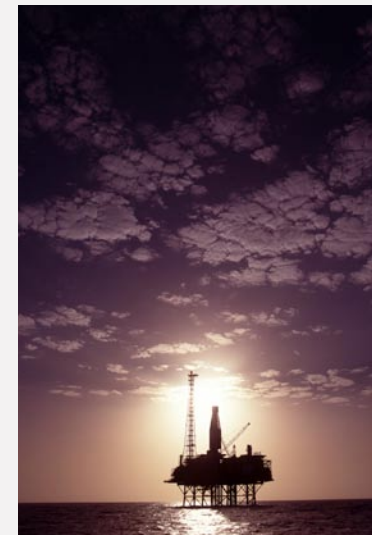
Browse Basin acreage WA-314-P & WA-315-P (49%)

Market capitalization increase has been largely driven by Browse Basin activity since December 2004:

- Acquired WA-314-P and WA-315-P from Liberty Petroleum in November 2004.
- A contingent resource estimate of 30 TCF plus 600mmbbls condensate (risky) in seven large prospects.
- New 2D and 3D seismic is partly interpreted, confirming the potential of the prospects.
- Farmout to ConocoPhillips completed who can earn up to 60% equity.
- Two wells are planned for the fourth quarter 2007–first quarter 2008.

Browse Basin New Acreage award (40%)

- A joint venture between Karoon and ConocoPhillips has been offered the WA06-6 permit and have indicated their intent to accept.
- Additional contingent resources.
- Southern flank of Poseidon Prospect (D Lead) captured.



Karoon Gas Australia's key personnel

ROBERT HOSKING EXECUTIVE CHAIRMAN

Founding Director of Karoon Gas with 30 years of commercial experience. Involved in the oil and gas industry for 10 years. Founding director of Nexus Energy.

MARK SMITH EXECUTIVE DIRECTOR AND EXPLORATION MANAGER

26 years' experience as a geologist and exploration manager in petroleum exploration and development, mainly with BHPB in Australia, Southeast Asia and North America.

GEOFF ATKINS DIRECTOR

34 years' experience as a marine engineer with involvement with design and construction of LNG facilities.

STEPHEN POWER DIRECTOR

20 years as a commercial lawyer providing advice to participants in the resources industry in Australia and overseas.

SCOTT HOSKING COMPANY SECRETARY

Commercial background.

LINO BARRO ENGINEERING MANAGER

26 years' experience in reservoir and development engineering with Delhi, BHPB & Kufpec

JORG BEIN GEOPHYSICS MANAGER

36 years' experience as a geophysicist and manager with Exxon and BHPB.

DAVID ORMEROD NEW VENTURES MANAGER

20 years' experience as a geophysicist and manager with Petrofina, BHPB, Woodside, Stirling and Tap Oil.

MICHELLE GROSSER GEOSCIENTIST AND IT MANAGER

Nine years' experience with a range of resource companies worldwide including BHPB, Exxon Mobil and Shell.

JIM BOYD TECHNICAL OFFICER

23 years' experience in geoscience, data management and technical software support with a range of resource companies world wide including Shell, BP and BHPB.

Consultants

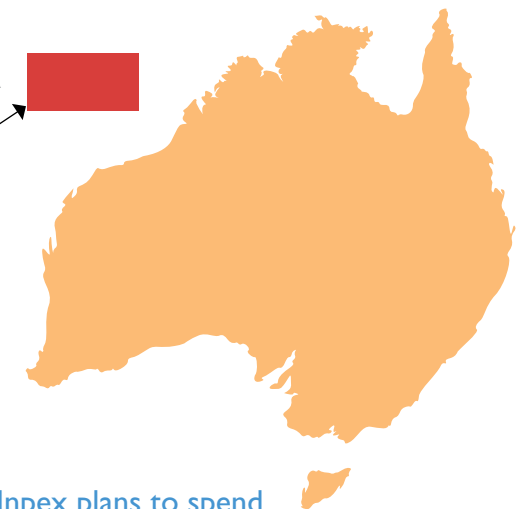
RALPH SPINKS DRILLING CONSULTANT

30 years in the industry with Phillips Petroleum worldwide.

Karoon Gas has an extensive network of consultants in a range of disciplines, who are brought in as required.

The setting

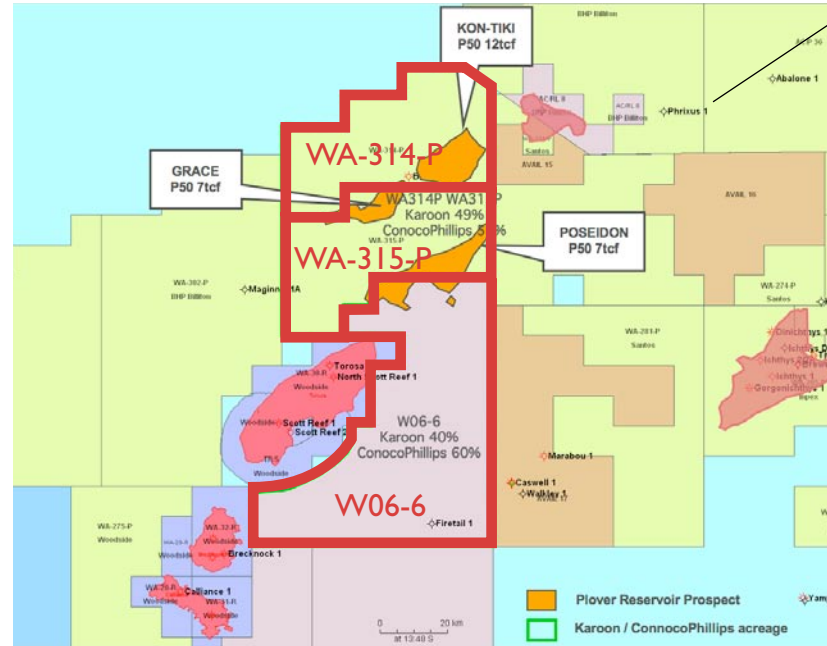
MAP AREA



Argus Gas/condensate field 2tcf ?

Woodside plans to spend US\$20 billion on LNG development

Scott Reef / Brecknock giant Gas/condensate fields 21tcf P50 reserves 200mmbls condensate



Inpex plans to spend US\$6 billion on LNG development

Brewster/Dinichthys Gas/condensate field 9.5tcf + 312mmbls condensate

Political

Karoon's Australian Browse Basin permits are in a politically safe environment administered under a stable and tested legislative system. This equates to low commercial and sovereign risk, critical factors in large development projects.

Geological

The acreage is immediately on trend with the giant Scott Reef/Brecknock gas fields discovered in the 1970s, which are currently being appraised and developed.

The same play type as Scott Reef/Brecknock with seven large structures having been mapped in Karoon's permits immediately to the north of Scott Reef.

Farm-out

Karoon Gas Australia Ltd has entered into agreements to farm out up to a 60% interest in its Browse Basin permits, WA-314-P and WA-315-P, to the ConocoPhillips Group subsidiary company, ConocoPhillips SH2 Pty Ltd.

ACQUISITION OF 51% INTEREST

Pursuant to the agreements, the parties will enter into a joint operating agreement and separate farm-in agreement whereby ConocoPhillips SH2 will acquire a 51% interest in the permits by:

1 Paying Karoon US\$9.6 million in reimbursement of approximately 80% of the costs incurred in carrying out the second year work programme for the permits. This involved the acquisition, processing and interpretation of seismic surveys completed throughout 2006, comprising approximately 1200 sq kms of 3D Seismic and 800 kms of 2D seismic.

2 Funding 80% of the costs of the third year work programme for the permits, which will require the drilling of one exploration well in each permit, including testing. The cost of the third year work programme, which is subject to the 80% funding arrangement is estimated to be US\$60–80 million.

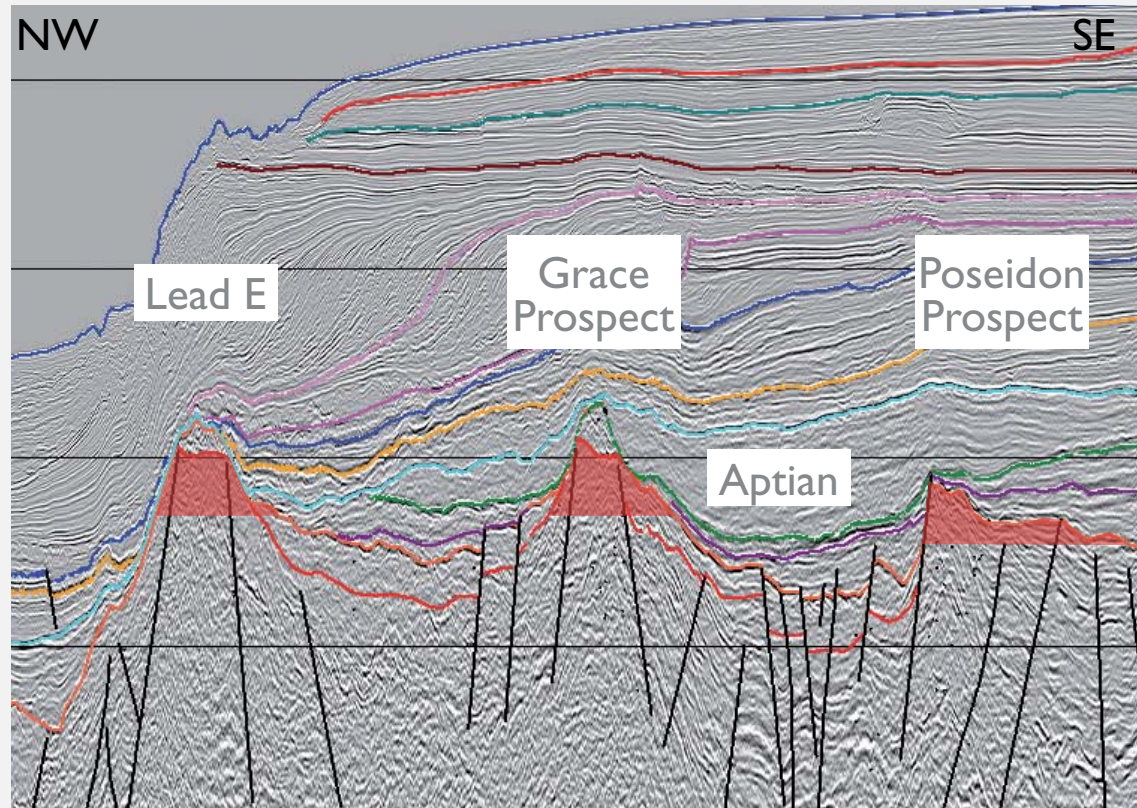
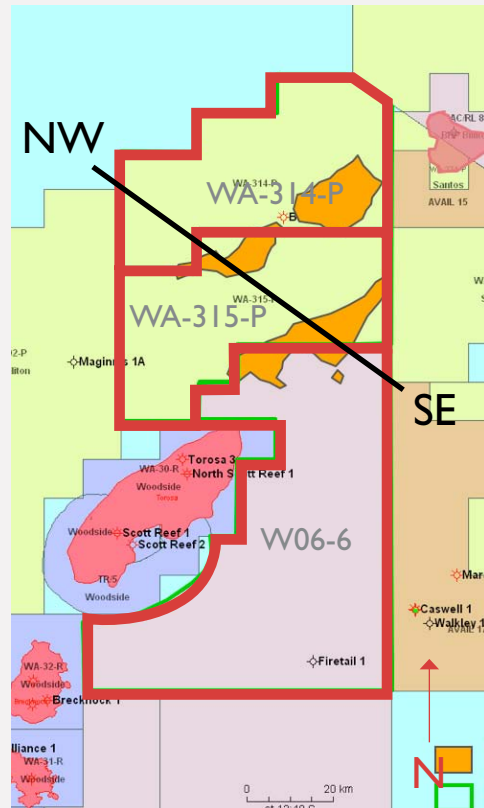
OPTION TO INCREASE INTEREST TO 60%

Pursuant to the agreements, ConocoPhillips SH2 has an option, upon completing its obligations relating to the acquisition of its 51% interest, to acquire a further 9% interest in the permits by paying 80% of the next US\$125 million of joint venture expenditure.

2D mapping results

Seven large high-relief prospects with areas ranging from 60 to 350 square kilometres.

The same play type as Scott Reef immediately to the south.
Red polygons show indicative gas accumulations.



2D and 3D seismic surveys

The seismic program was designed to provide a range of options for the planned two-well drilling program.

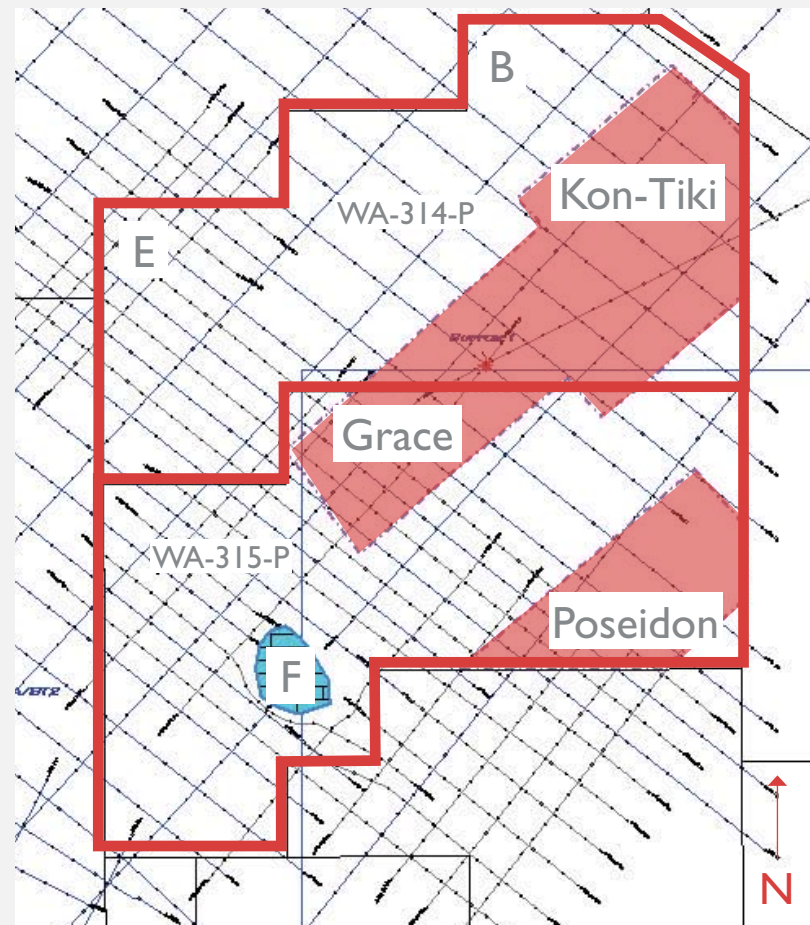
High graded prospects to date are:

- Kon-Tiki
- Grace
- Poseidon

Kon-Tiki and Grace Prospect, 3D acquisition completed 1 January 2006 with data being interpreted.

2D processing completed in March 07 with data now being interpreted

Poseidon 3D data acquired in July 06 with processed product now being interpreted.



Potential reserves

BROWSE BASIN CONTINGENT RESOURCE POTENTIAL* – PERMITS WA-314-P & WA-315-P											
Prospect	Water depth Metres	Prospect area Sq. Kms	Risk ranking	Gas in place		Gas recoverable		Condensate			
				Most likely	High case	Most likely	High case	Most likely		High case	
								Low rate	High rate	Low rate	High rate
				19bbbls/mmscf	43bbbls/mmscf	19bbbls/mmscf	43bbbls/mmscf				
Tcf	Tcf	Tcf	Tcf	mm bbls	mm bbls	mm bbls	mm bbls				
Grace	575	83	Low	8.60	14.51	6.45	10.88	123	277	207	468
Kon-Tiki	500	280	Med	17.14	49.58	12.86	37.19	244	553	707	1599
Prospect B	1300	43	Med	2.52	4.25	1.89	3.19	36	81	61	137
Prospect C	1250	127	High	7.36	12.41	5.51	9.30	105	237	177	400
Poseidon	480	132	Low	3.46	5.85	2.60	4.38	49	112	83	189
Prospect E	1500	333	High	45.58	76.90	34.18	57.68	649	1470	1096	2480
Prospect F	600	53	Med	3.90	6.58	2.93	4.94	56	126	94	212
Totals				88.60	170.10	66.40	127.60	1262	2856	2425	5485
Million tonnes LNG equivalent				443	850	332	638				

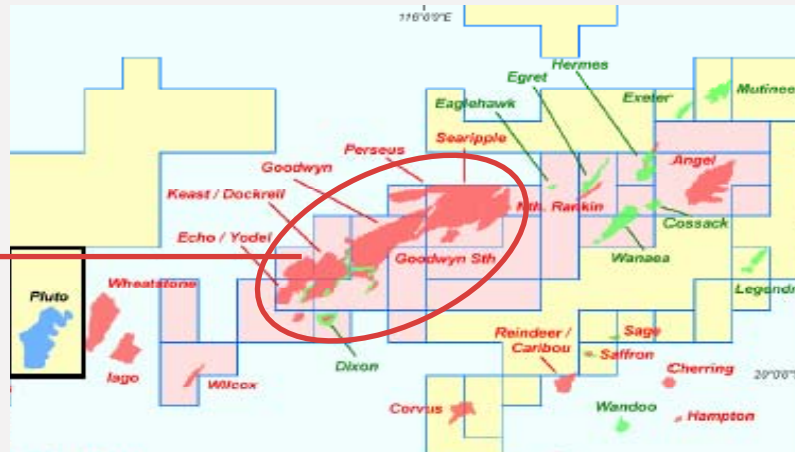
■ = HIGH GRADE PROSPECTS bbls = barrels of oil mmscf = million standard cubic feet Tcf = trillion cubic feet

* Contingent resource estimates will change as work progresses on the new 2D and 3D seismic data interpretation.

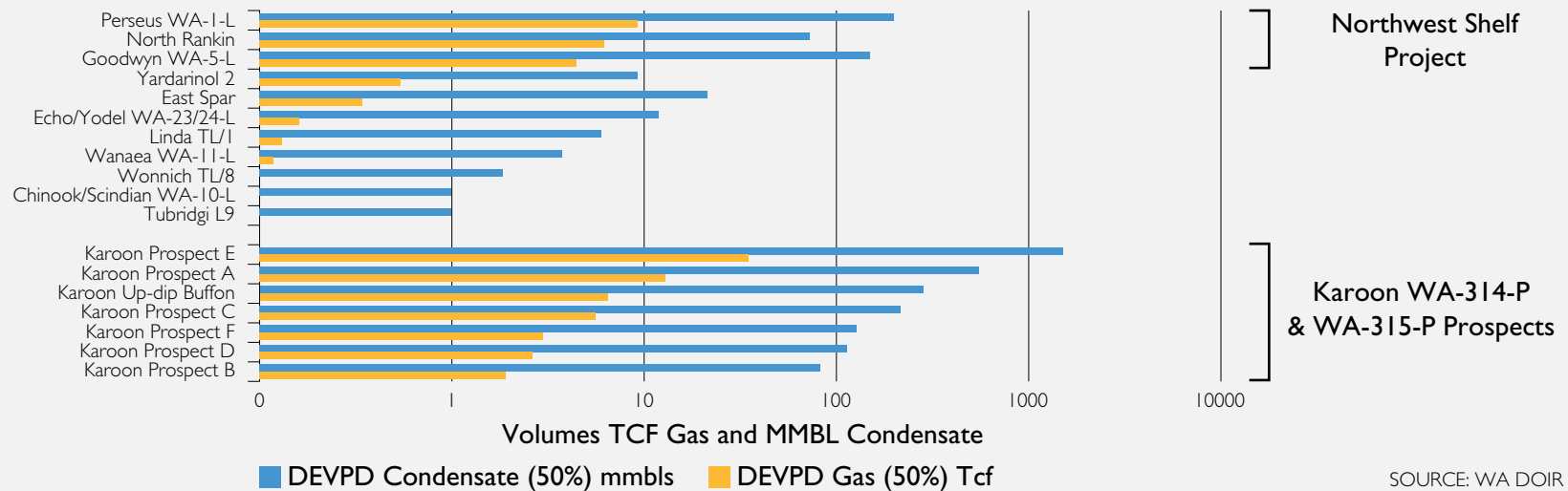
Comparisons

WA FIELDS RESERVES V. KAROON'S EXPLORATION PROSPECTS

WOODSIDE'S
NORTHWEST
SHELF
PROJECT



Allowing for some exploration failure, there is potential in the Karoon acreage for the discovery of reserves of similar magnitude to that of the NWS project.



SOURCE: WA DOIR

The Buffon-1 story

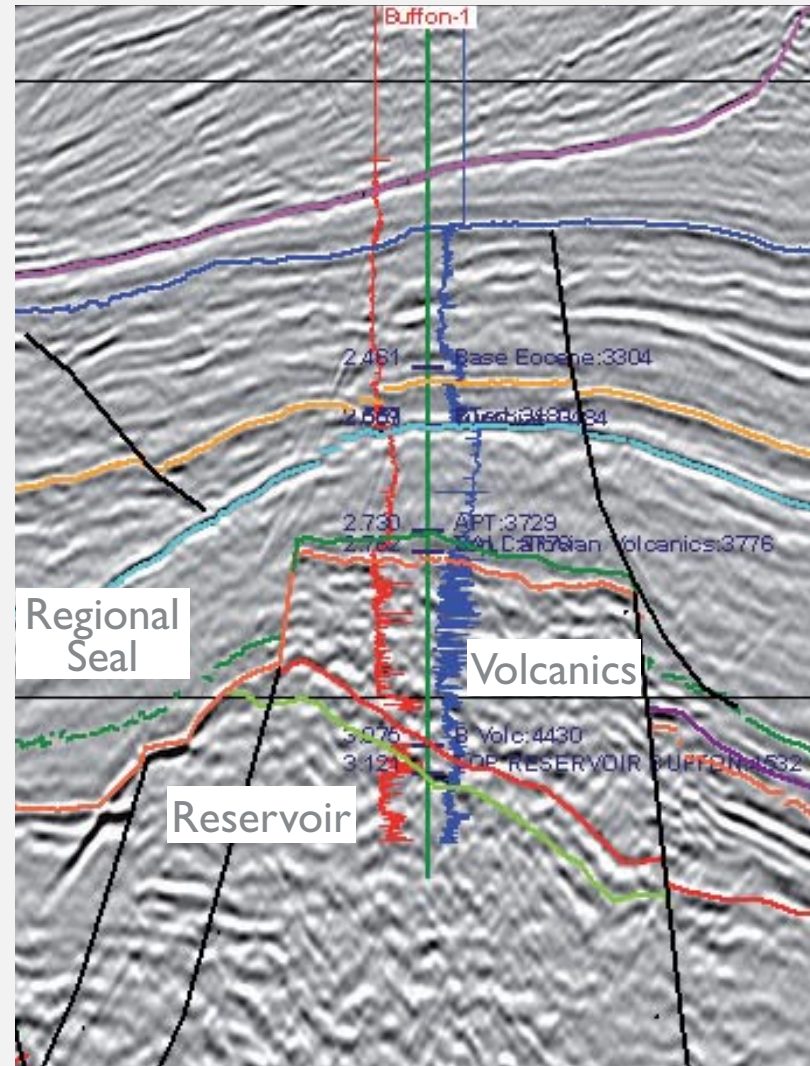
Buffon-1 gas readings were over 20% higher than North Scott Reef-1 when drilling the proven gas productive reservoirs.

Mud weights were increased to control high gas in mud.

At 4270m the well flowed briefly and was killed with mud weights up to 2.0SG

300 bbls of mud were lost to the formation damaging interbedded sands in the volcanics and invalidating subsequent tests.

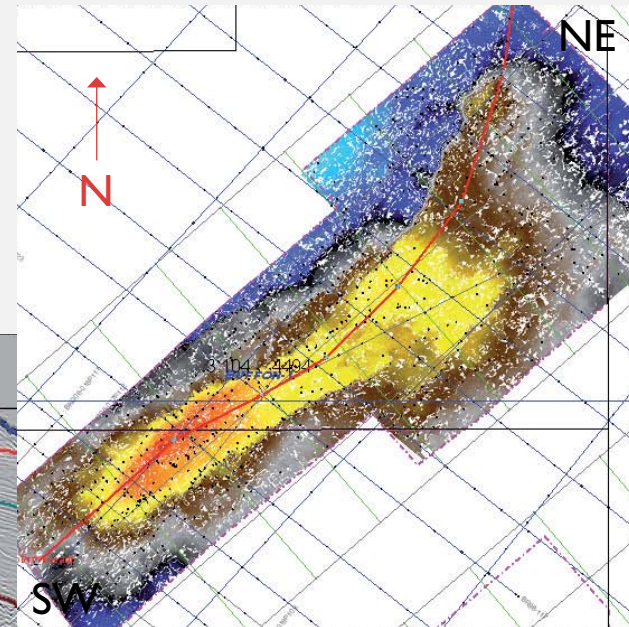
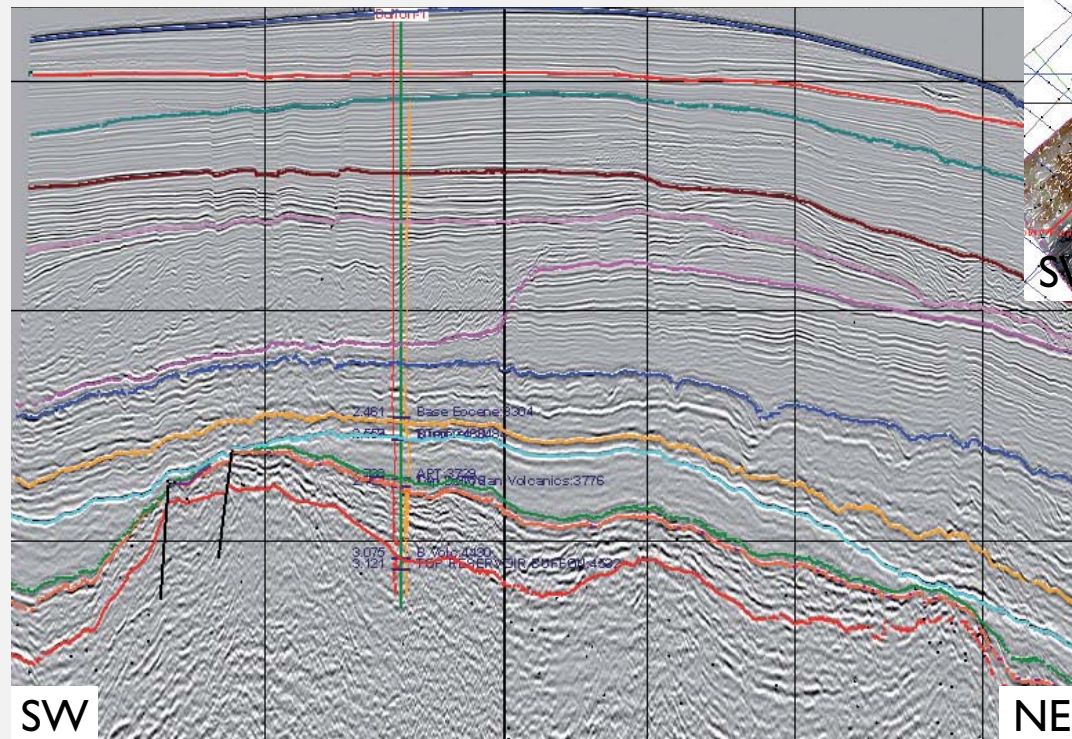
There is a strong case that the Buffon-1 wells intersected a large gas accumulation.



3D results

- Greatly increased resolution at all levels.
- Now able to better differentiate the varying volcanic and Plover reservoir interval relationships across the structures. Reservoir (volume and distribution) was recognized as one of the key risks that the 3D seismic was designed to address.

EXTRACTED 3D LINE

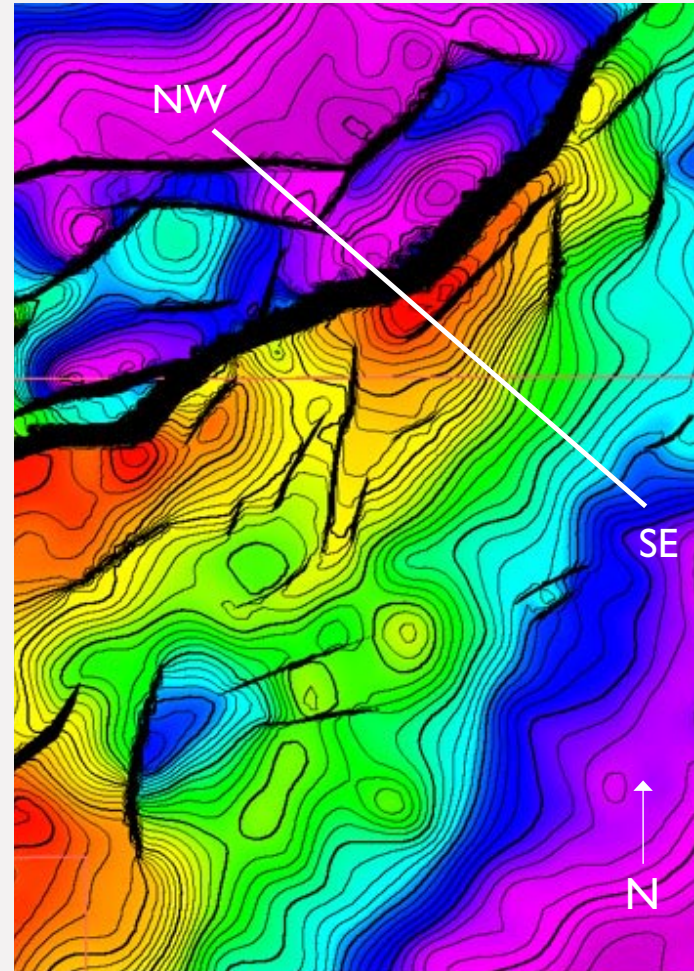


10 kms

Prospect examples

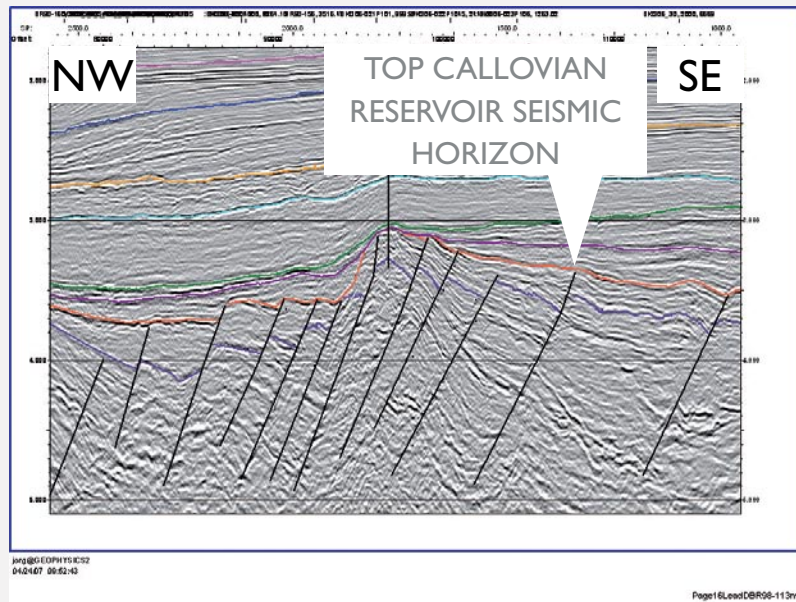
POTENTIAL RESERVES AND INPUT PARAMETERS (PROSPECT D)

Cases	Most likely (P50)	High case (P10)
Water depth (m)	480	480
Top depth (mss)	4440	4440
Spill point (mss)	4660	4660
Trap height (m)	220	220
Area (Km sq.)	132.6	132.6
GRV (m ³)	7.0738E+09	7.0738E+09
Porosity (ave)	0.12	0.16
Net to Gross	0.65	0.75
Gas saturation	0.70	0.75
Residual temp. (degC)	163	163
Gas expansion	254	260
Gas in place TCF	3.46	5.85
Gas reserves @ 75% recovery factor	2.60	4.38
Condensate potential	Reserves MMbbls	Reserves MMbbls
At 43 stbbls/MMscf (Buffon-I DST)	112	189
At 19 stbbls/MMscf (Nth Scott Reef DST)	49	83

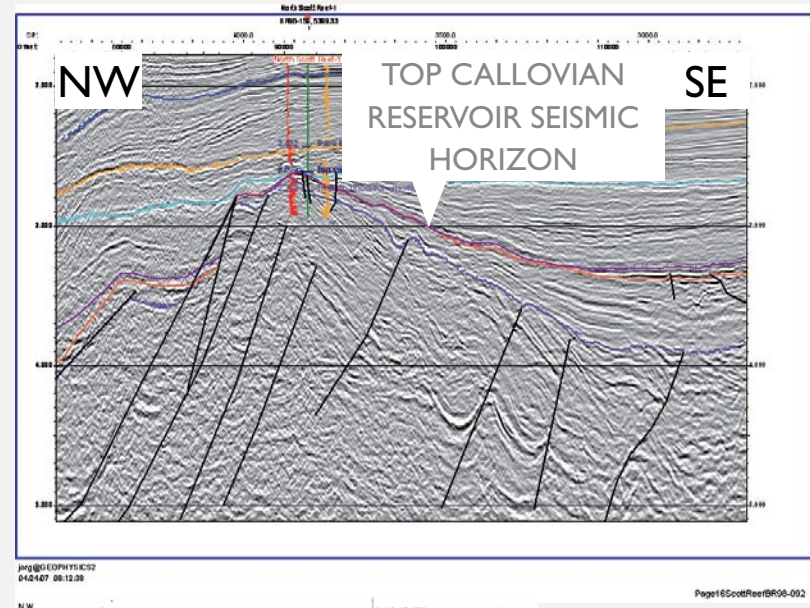


Prospect examples

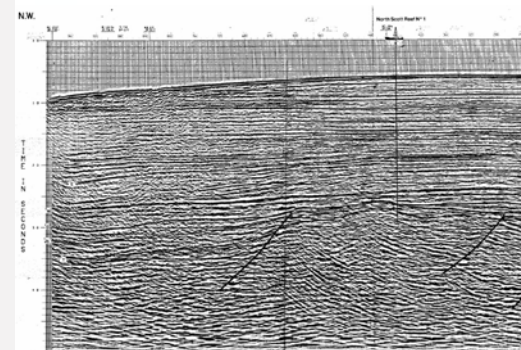
POSEIDON PROSPECT



SCOTT REEF FIELD
Nth Scott Reef-I



POSEIDON PROSPECT IS THE CLOSEST ANALOG TO THE SCOTT REEF FIELD



OLD SEISMIC DATA OVER SCOTT REEF

Supply and demand setting

Worldwide reducing discovery sizes and increasing world demand for oil and gas.

ECONOMIC STATISTICS

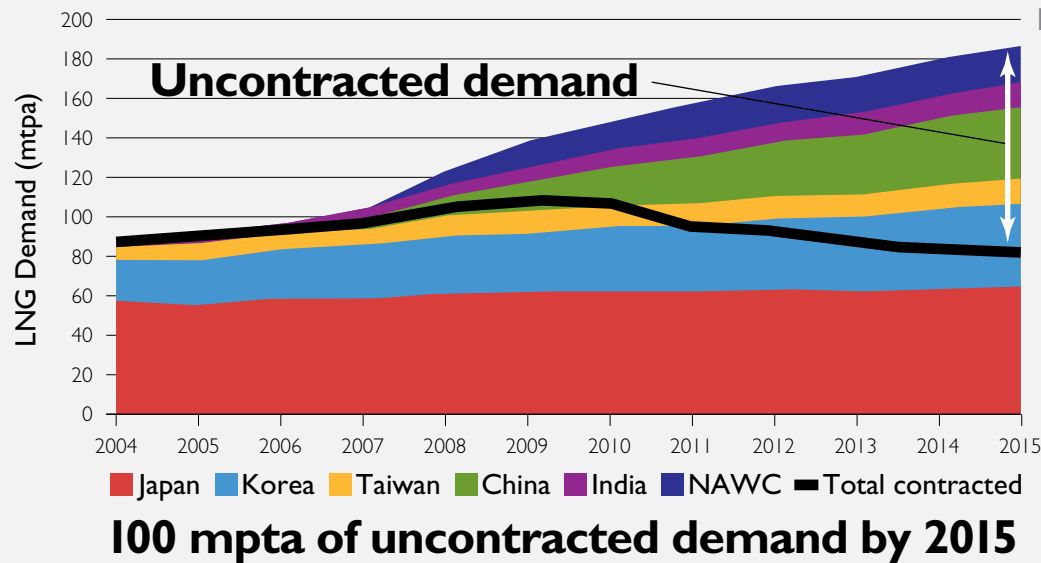
Australia uses about 1 TCF per year, with an approximate wholesale value of A\$3 billion per TCF.

USA uses about 23 TCF per year, with an approximate wholesale value of A\$6–7 billion per TCF.

USA's current LNG import capacity is about 1 TCF per year with anticipated LNG import capacity and demand increasing to 3 TCF per year in 2010.

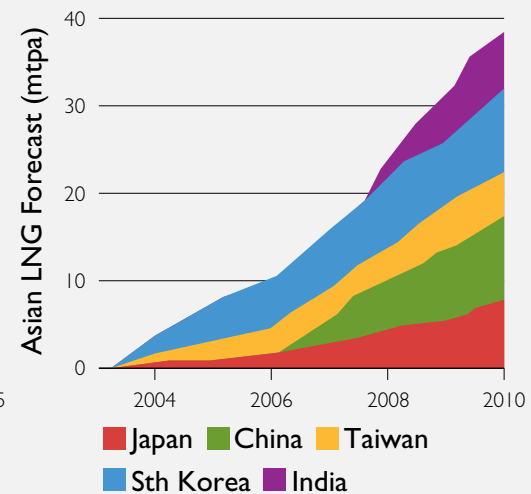
Significant importing countries of LNG from 2006 onward are USA, India, China, South Korea, EEC and UK.

ASIA PACIFIC DEMAND FORECAST



SOURCE: WOODSIDE

ADDITIONAL ASIAN LNG DEMAND FORECAST

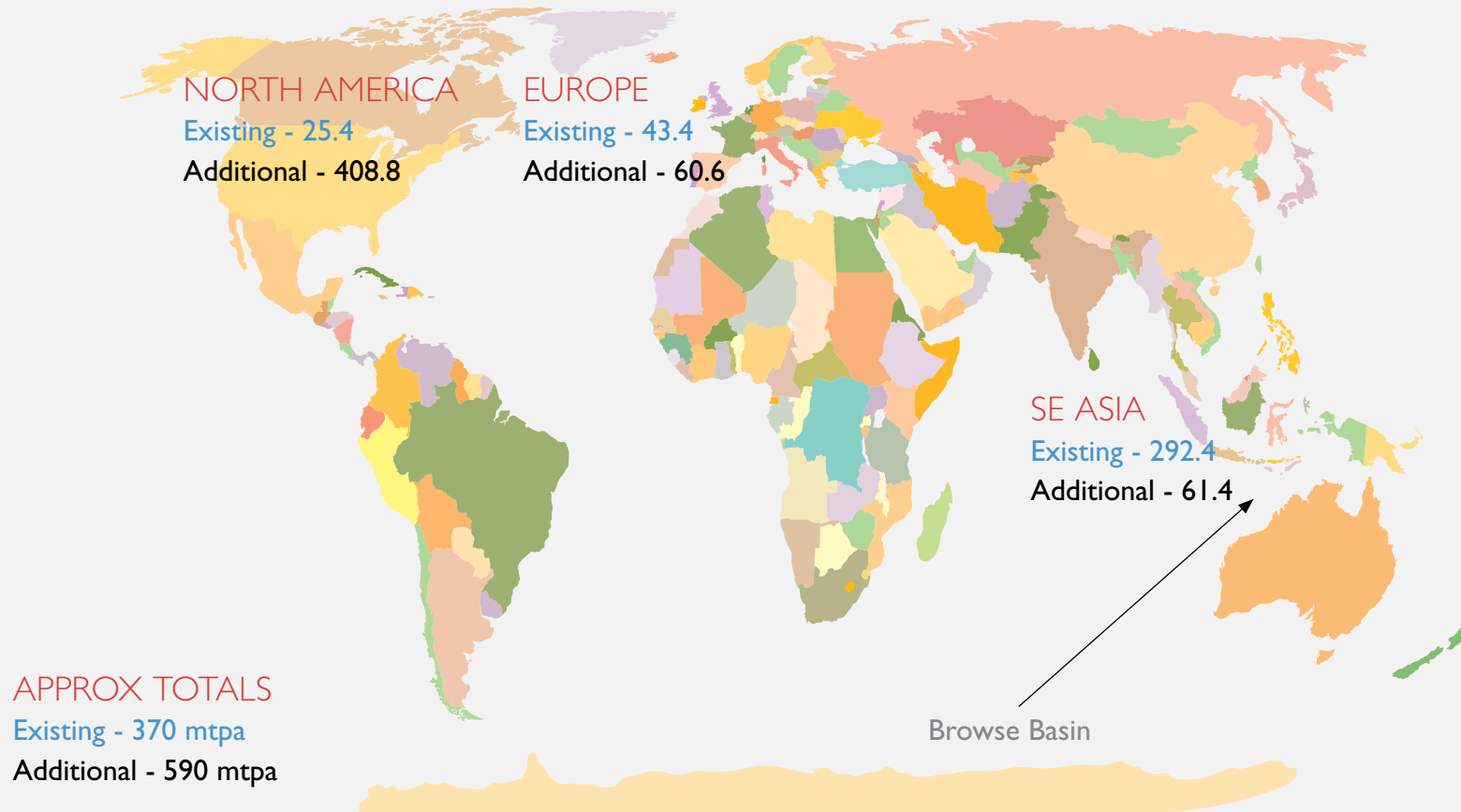


SOURCE: WA DOIR

LNG market indicators

LNG RECEPTION TERMINAL CAPACITY (MTPA)

Demand Side - Existing and Additional (Planned)

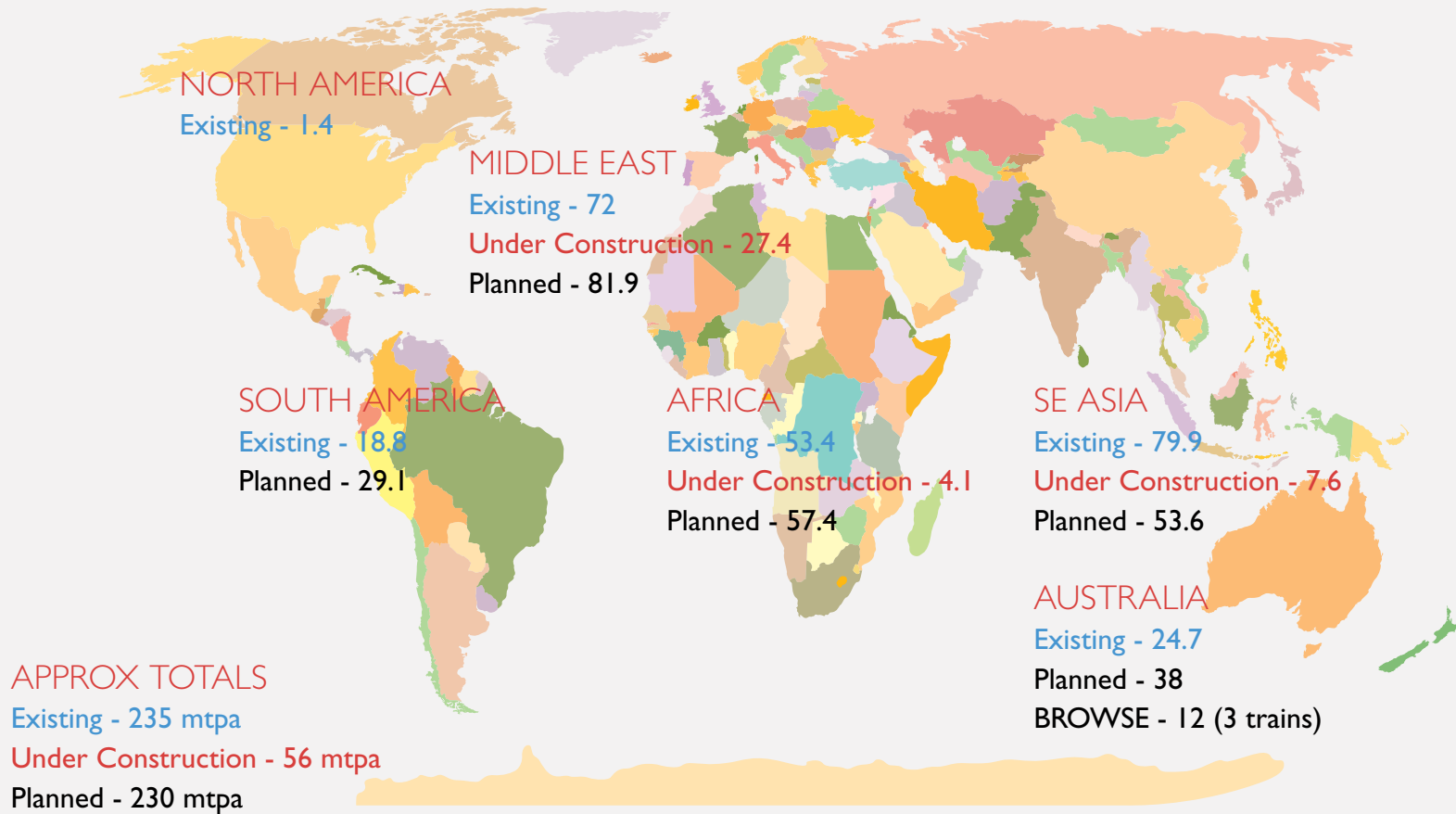


SOURCE: LNG JOURNAL STATISTICS, MARCH 2006

LNG market indicators

LNG PRODUCTION (LIQUEFACTION) TERMINALS

Supply Side - Existing, Under Construction and Planned (mtpa)



SOURCE: LNG JOURNAL STATISTICS, MARCH 2006

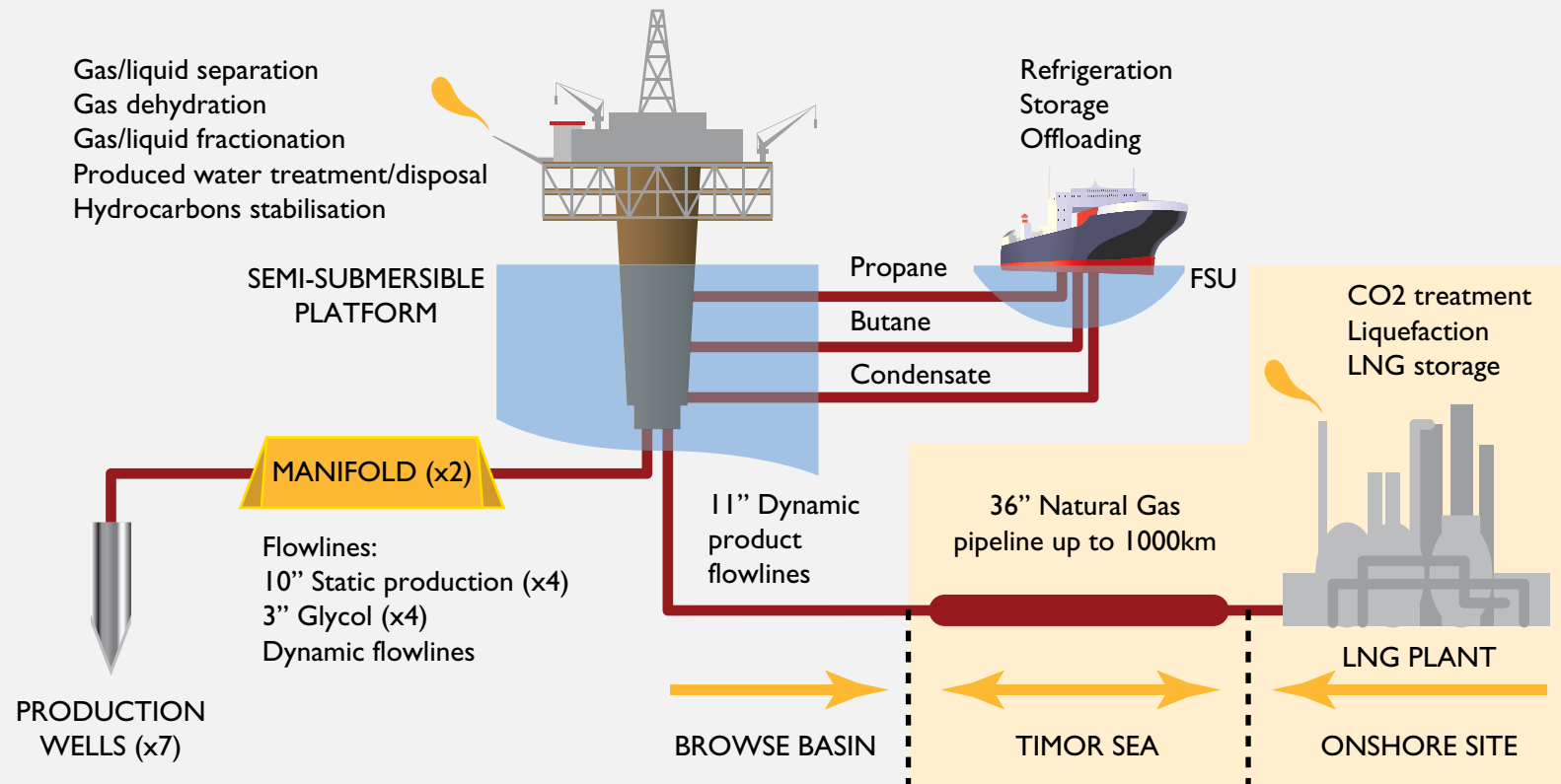
Schematic disclaimer

KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS
Field Development, Pipeline and LNG Facilities Schematic (Darwin LNG Option)

The Development Model Economics are internally generated and make broad assumptions relating to resources, technical, geological and financial issues together with assumed terms and conditions upon which any development may be approved, developed and funded. None of these matters are entirely within the control of the Company and each of them may have a material and unexpected effect on the Development Model Economics. The Development Model Economics are not a profit or revenue forecast for the Company but a potential financial revenue stream generated after drilling success in the Browse Basin has been achieved.

Schematic

KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS (7 TCF RESERVE CASES)
 Field Development, Pipeline and LNG Facilities Schematic (Darwin LNG Option)



LIQUID PRODUCTS (BASED ON BUFFON-I DATA)

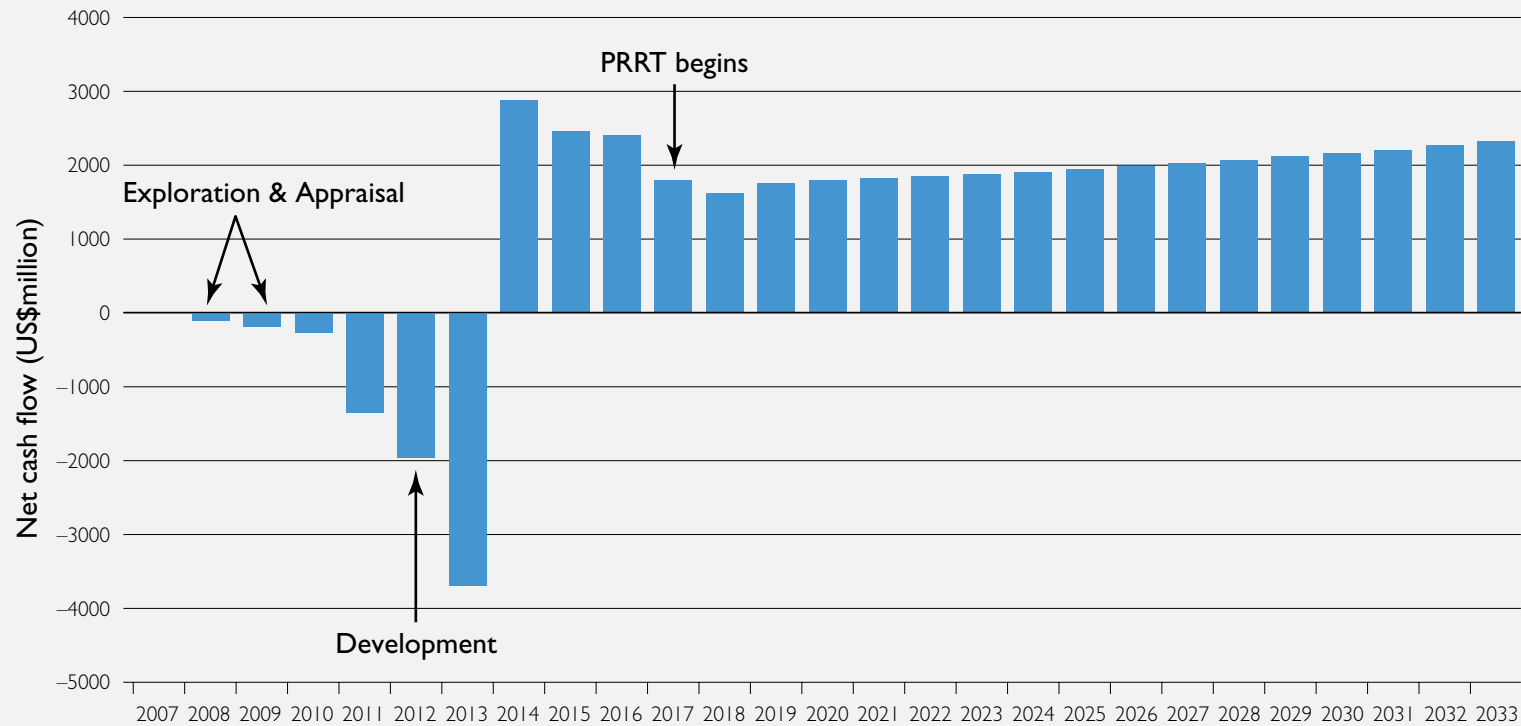
Condensate 33bbls/million cubic feet

Liquified petroleum gas (LPG) 68bbls/million cubic feet

Combined net cash flow

KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS

Net cash flow for combined offshore liquids removal and Darwin LNG – 100% Share



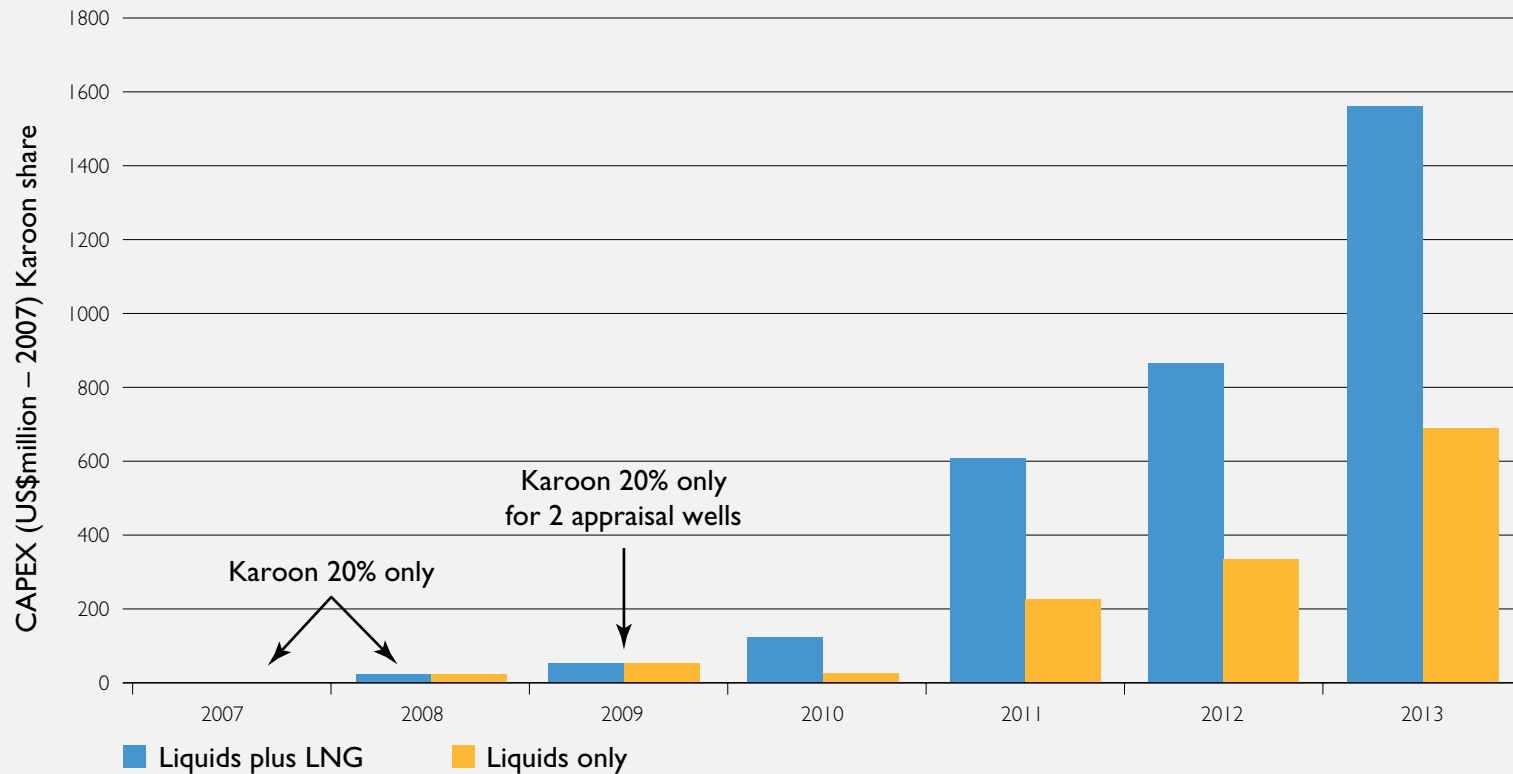
Project NPV US\$5.0 Billion, IRR 22%.

Assumptions: Condensate US\$50/bbl, LPG US\$40/bbl, LNG US\$5/MMbtu.

Capex profile

KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS

Karoon 40% share – 2007 US dollars

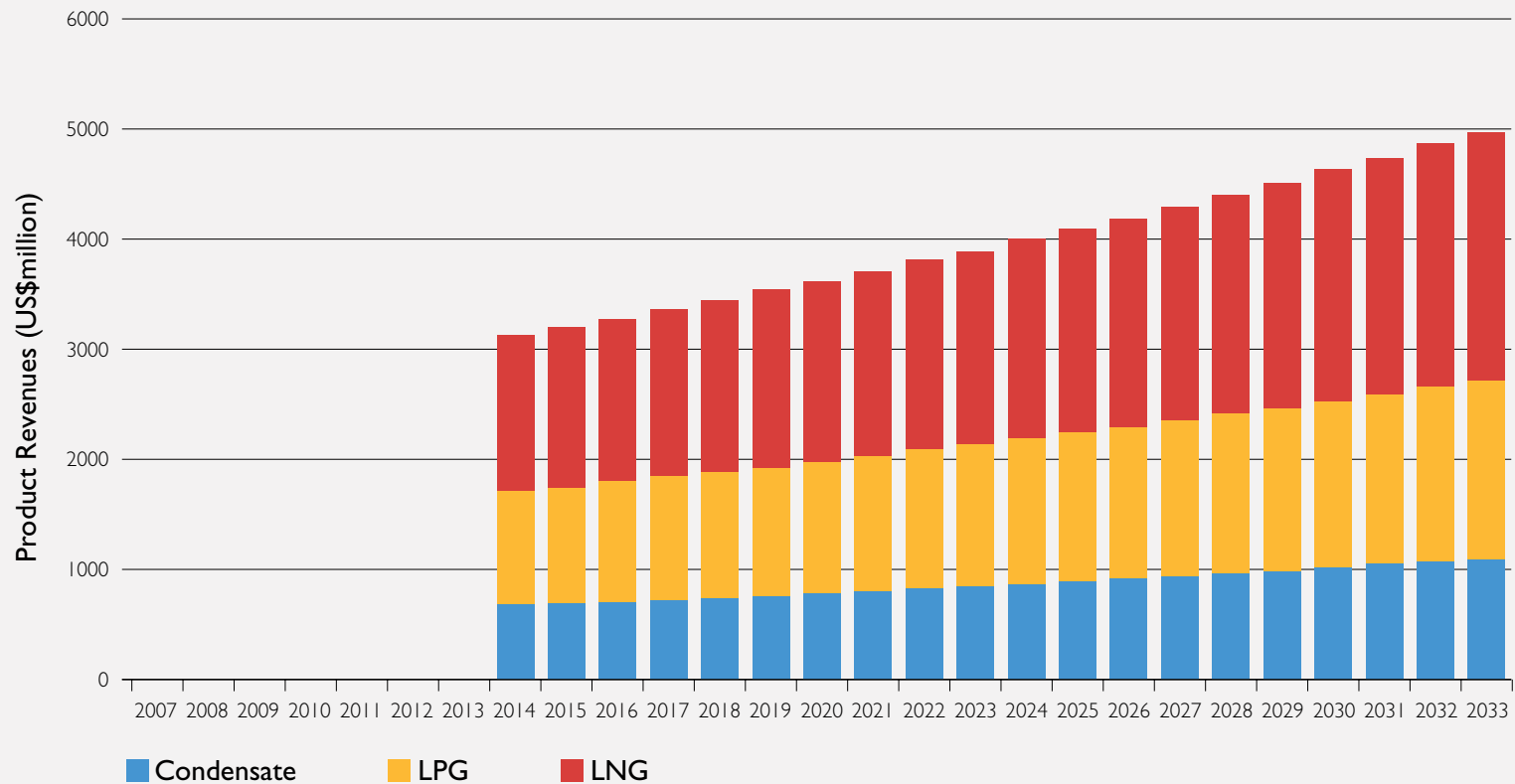


Total Capex liquids plus LNG = US\$3.2 Billion

Total Capex liquids only = US\$1.4 billion

Product revenues

KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS
 Product Revenues for combined Offshore Liquids removal and Darwin LNG – 100% Share



Liquids revenue similar to LNG