



3 May 2006

Share placement to raise \$41.8 million

Karoon Gas (ASX: KAR) is proposing to raise a total of \$41.8 million through the placement of 19 million new shares to sophisticated and professional investors at an issue price of \$2.20 per share.

Karoon is pleased with the strong response it has received from this placement and looks forward to a successful exploration campaign in its Browse Basin Acreage.

The capital raising will provide Karoon Gas with the flexibility to fund the company's expected exploration commitments in the Browse Basin, of the coast of northwest Western Australia, including the existing permits WA-314-P and WA-315-P, and for general working capital.

Under the terms of the placement;

- (a) 12 million shares will be issued to Talbot Group Holdings Pty Ltd;
- (b) 2.91 million shares will be issued to clients of E L and C Ballieu Stockbroking Limited (and E L and C Ballieu Stockbroking Limited will subscribe for any shortfall);
- (c) 4.09 million shares will be issued to various other professional and sophisticated investors.

The placement is subject to shareholder approval at a General Meeting currently proposed to be held on 15 June, 2007. A notice of General Meeting will be separately dispatched to Karoon shareholders.

The Browse Basin permits, WA-314-P and WA-315-P, lie close to and on trend with the giant Scott Reef/Brecknock gas fields, discovered in the 1970's and which are currently being appraised for development by Woodside Energy.

For further information please contact:

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