

KARON GAS AUSTRALIA LIMITED ABN 53 107 001 338

Notice of General Meeting

Notice is hereby given that a general meeting of Karoon Gas Australia Limited ("**Company**") will be held at 11.00 am (EST) on Friday, 22 June 2007 at the Latrobe Room, Rialto Hotel on Collins, 495 Collins Street, Melbourne, Victoria ("**General Meeting**").

The Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting describes the various matters to be considered at the General Meeting. Shareholders should read the Explanatory Memorandum carefully before deciding how to vote.

AGENDA

1. RESOLUTION 1 – RATIFICATION OF PLACEMENT OF SHARES

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4 of ASX Limited and for all other purposes, this meeting approves and ratifies the allotment and issue of 12,186,000 fully paid ordinary shares in the capital of the Company at an issue price of \$1.80 per share to Professional and Sophisticated Investors."

Note:

In accordance with Listing Rule 7.5.6, any votes cast on resolution 1 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the resolution, or by the Chairman of the meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, the persons who participated in the issue, or any other person who might obtain a direct benefit if resolution 1 is passed, or any of their respective associates, will be disregarded.

2. RESOLUTION 2 – APPROVAL OF PLACEMENT OF SHARES

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 of ASX Limited and for all other purposes, the Directors be authorised to allot and issue 19,000,000 ordinary shares in the capital of the Company at an issue price of \$2.20 per share to Professional and Sophisticated Investors."

Note:

In accordance with Listing Rule 7.3.8, any votes cast on resolution 2 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the resolution, or by the Chairman of the meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, the persons who may participate in the issue, or any other person who might obtain a direct benefit if resolution 2 is passed, or any of their respective associates, will be disregarded.

REQUIRED MAJORITIES

Resolutions 1 and 2 are ordinary resolutions and will be passed only if supported by a majority of the votes cast by shareholders entitled to vote on the resolutions.

DATED: 15 May 2007.

BY ORDER OF THE BOARD



Scott Hosking
Company Secretary

PROXY AND VOTING ENTITLEMENT INSTRUCTIONS

In accordance with section 249L of the Corporations Act 2001, shareholders are advised that:

- each shareholder who is entitled to attend and vote at the General Meeting has a right to appoint a proxy;
- the proxy need not be a shareholder of the Company;
- a shareholder who is entitled to cast two or more votes at the General Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act 2001, each proxy may exercise one-half of the votes.

A shareholder who appoints a proxy may specify the way in which the proxy is to vote on each resolution or may allow the proxy to vote at his or her discretion.

In accordance with section 250BA of the Corporations Act 2001, the Company specifies the following information for the purposes of receipt of proxy appointments:

Share Registry: Computershare Investor Services Pty Limited
 Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067 Australia

Postal Address PO Box 242
 Melbourne Vic 3001 Australia

Facsimile Number: 61 3 9473 2555

The instrument appointing the proxy must be received by the Company at the address specified above at least 48 hours before the time notified for the General Meeting (proxy forms can be lodged by facsimile).

In accordance with regulation 7.11.38 of the Corporations Regulations 2001, the Company determines that ordinary shares held as at 7.00pm (EST) on Wednesday, 20 June 2007 will be taken, for the purposes of the General Meeting, to be held by the persons who held them at that time.

Notes:

1. Each proxy form and the power of attorney or a certified copy thereof (if any) under which it is signed must be received by the Share Registry - Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067 not later than 48 hours before the appointed time of the General Meeting.
2. Proxy forms executed by a corporation must be in accordance with the requirements of the Corporations Act 2001 or under the hand of its attorney. In the case of a sole director/secretary company, please indicate "sole director" in the space provided.
3. Should you desire to direct your proxy on how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit or abstain from voting.
4. If two proxies are appointed you may delete "all" and insert the relevant number or proportion of shares in respect of which each such appointment is made. A separate proxy must be completed for each proxy.
5. If you need any further information about this form or attendance at the General Meeting please contact the Share Registry - Computershare Investor Services Pty Limited on (within Australia) 1300 850 505 (outside Australia) 61 3 9415 4000.

KAROON GAS AUSTRALIA LIMITED

(ACN 107 001 338)

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of shareholders of Karoon Gas Australia Limited ("Karoon") in connection with the business to be transacted at a general meeting of Karoon to be held on Friday, 22 June 2007 ("General Meeting").

At the General Meeting, Shareholders will be asked to pass resolutions:

- (a) ratifying the previous issue of 12,186,000 Shares at an issue price of \$1.80 per Share to Professional and Sophisticated Investors; and
- (b) authorising the future issue of 19,000,000 Shares at an issue price of \$2.20 per Share to Professional and Sophisticated Investors.

The purpose of this Explanatory Memorandum is to provide information that the Board believes to be material to Shareholders in deciding whether or not to pass these resolutions. It explains the resolutions and identifies the Board's reasons for putting them to Shareholders. The Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

2. RESOLUTION 1: RATIFICATION OF PLACEMENT OF SHARES

ASX Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to an issue of securities representing more than 15% of the issued capital of that company in any 12 month period. Listing Rule 7.4 enables a company to restore its ability to issue securities within the 15% annual limit by obtaining shareholder ratification of an issue previously made within that limit.

Shareholder ratification pursuant to Listing Rule 7.4 is now sought in respect of an issue of Shares made in October 2006 to Professional and Sophisticated Investors. The resolution will restore the Company's ability to issue securities within the 15% annual limit.

Outlined below is the information required to be provided to Shareholders pursuant to Listing Rule 7.5 for the purpose of obtaining Shareholder ratification under Listing Rule 7.4 for the prior placement:

- (a) the number of Shares placed was 12,186,000 Shares;
- (b) the placement of the Shares occurred in October 2006;
- (c) the Shares were issued at an issue price of \$1.80 per Share;
- (d) the allottees of the Shares were Professional and Sophisticated Investors who were identified by, and were clients of:
 - (i) E.L. & C. Baillieu Stockbroking Ltd;
 - (ii) Intersuisse Limited;
 - (iii) BBY Limited; and
 - (iv) Bell Potter Securities Limited;
- (e) the Shares rank pari passu with existing Shares on issue; and
- (f) funds raised by the placement of Shares were used by the Company to fund the Company's share of the two well programs in the Browse Basin, extended drilling in the Gippsland Basin and for general working capital.

If the resolution is passed, the Company will, pursuant to Listing Rule 7.1, be able to issue up to 15% of its issued Share capital without the requirement to seek the approval of Shareholders. The Directors believe this will be beneficial to the Company as it will allow it to capitalise on business opportunities if, and when, they become available.

3. RESOLUTION 2: APPROVAL OF PLACEMENT OF SHARES

Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to an issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

Shareholder approval is now sought pursuant to Listing Rule 7.1 to enable the Company to issue up to 19,000,000 Shares at an issue price of \$2.20 representing 16.9% of the issued capital of the Company on a fully diluted basis.

Outlined below is the information required to be provided to Shareholders pursuant to Listing Rule 7.3 for the purpose of obtaining Shareholder approval under Listing Rule 7.1 for the proposed placement:

- (a) the number of Shares to be issued is 19,000,000 Shares;
- (b) the Shares will be issued and allotted within 3 months of the date of the General Meeting;
- (c) the Shares will be issued at an issue price of \$2.20 per Share;
- (d) 12,000,000 Shares will be issued to Talbot Group Holdings Pty Ltd;

- (e) the allottees of the remaining 7,000,000 Shares will be Professional and Sophisticated Investors who are identified by, and are clients of:
 - (i) E.L. & C. Baillieu Stockbroking Ltd;
 - (ii) BBY Limited; and
 - (iii) Bell Potter Securities Limited;
- (f) the Shares will rank pari passu with existing Shares on issue; and
- (g) funds raised by the issue of Shares will be used to fund the Company's expected exploration commitments in the Browse Basin and for general working capital.

4. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the resolutions set out in the Notice of General Meeting.

Attached to the Notice of General Meeting is a proxy form for use by Shareholders. All Shareholders are invited and encouraged to attend the General Meeting or, if they are unable to attend in person, to complete, sign and return the proxy form to the Company in accordance with the instructions contained in the proxy form and the Notice of General Meeting. Lodgement of a proxy form will not preclude a Shareholder from attending and voting at the General Meeting in person.

5. GLOSSARY

The following terms and abbreviations used in this Explanatory Memorandum have the following meaning.

ASIC:	Australian Securities and Investments Commission.
ASX:	ASX Limited (ACN 008 624 691).
Board:	The board of directors of the Company.
Company or Karoon:	Karoon Gas Australia Limited (ACN 107 001 338).
Corporations Act:	Corporations Act 2001 (Cth).
Director:	A member of the Board.
EST:	Eastern Standard Time, being the time in Melbourne, Victoria
General Meeting:	Is defined in section 1 of this Explanatory Memorandum.
Listing Rules:	The Official Listing Rules of the ASX, as amended from time to time.
Notice of Meeting:	The notice convening the General Meeting which accompanies this Explanatory Memorandum.
Professional and Sophisticated Investors:	An investor within the definition of section 708(8) or 708(11) of the Corporations Act.
Shareholders:	Holders of Shares.
Shares:	Fully paid ordinary shares in the capital of the Company.



Computershare

All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2500
web.queries@computershare.com.au
www.computershare.com

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KAR

MR JOHN SMITH 1

FLAT 123

123 SAMPLE STREET

THE SAMPLE HILL

SAMPLE ESTATE

SAMPLEVILLE VIC 3030



Dear Shareholder

I have pleasure in inviting you to attend our General Meeting and have enclosed the Notice of Meeting, which sets out the items of business. The meeting will be held at the Latrobe Room, Rialto Hotel on Collins, 495 Collins Street, Melbourne on Friday the 22nd of June 2007 at 11.00am.

If you are attending this meeting, please bring this letter with you to facilitate registration into the meeting.

If you are unable to attend the meeting, you are encouraged to complete the enclosed proxy form. The proxy form should be returned in the envelope provided or faxed to our share registry on 61 3 9473 2555 so that it is received by 11.00am on the 20th of June 2007.

Corporate shareholders will be required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. A form of this certificate may be obtained from the Company's share registry.

I look forward to your attendance at the meeting.

Yours sincerely

Robert Hosking
Chairman



KAROOON
Gas Australia Ltd
A.B.N. 53 107 001 338

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

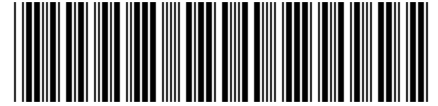
Proxy Form

All correspondence to:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2555
www.computershare.com



Securityholder Reference Number (SRN)



I 1234567890

I N D



000001 000 KAR
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Appointment of Proxy

I/We being a member/s of Karoon Gas Australia Ltd and entitled to attend and vote hereby appoint



the Chairman
of the Meeting
(mark with an 'X')

OR



If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Karoon Gas Australia Ltd to be held at Latrobe Room, Rialto Hotel on Collins, 495 Collins Street, Melbourne on 22 June 2007 at 11.00 am and at any adjournment of that meeting.

Voting directions to your proxy - please mark to indicate your directions

- Ratification of placement of Shares
- Share placement

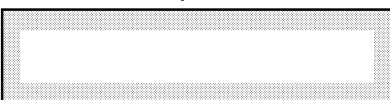
For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

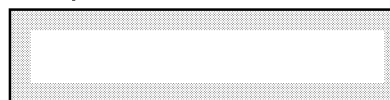
PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1



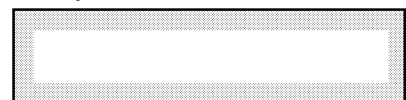
Sole Director and
Sole Company Secretary

Securityholder 2



Director

Securityholder 3



Director/Company Secretary

In addition to signing the Proxy Form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

/ /

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How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 11.00 am on 22 June 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON Share Registry - Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067 Australia
BY MAIL Share Registry - Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 Australia
BY FAX 61 3 9473 2555