

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

**QUARTERLY FINANCIAL REPORT  
FOR THE QUARTER ENDED 30<sup>th</sup> JUNE 2007**

**Review of Operations**

**Browse Basin Permits**

**WA-398-P**

In May, a Joint Venture between ConocoPhillips and Karoon was awarded the WA-398-P permit located immediately to the south of WA-315-P. Karoon holds 40% equity while ConocoPhillips holds 60% equity and the operatorship.

It is planned that the Year-1 well commitment will be met by combining the WA-314-P, WA-315-P and WA-398-P drilling programs saving on time and mobilisation costs.

The directors believe that these permits offer potential for gas and condensate that on success will offer a significant resource size.

**WA-314-P AND WA-315-P**

Karoon is continuing its seismic interpretation in preparation for drilling in the WA-314-P and WA-315-P with its joint venture partner in ConocoPhillips.

In July 2007, after the end of the 2007 financial year an agreement was reached to use the Sedco 703 semi-submersible rig. Drilling operations are expected to commence in the third quarter of 2008. The current offshore rig market is very tight and it has proven difficult to secure a vessel to drill within the required permit years.

Karoon retains 49% of WA-314-P and WA-315-P in the offshore Browse Basin located in North-Western Australia while its joint venture partner ConocoPhillips holds 51%.

**Gippsland Basin**

There has been limited work done in the PEP-162 and EL-4537 permits, comprising the writing of well completion reports and well site remediation. After the 2 well drilling program finishing earlier this year, Karoon has decided that its resources will be better utilised pursuing other new high value acreage opportunities (eg the WA-398-P permit recently awarded). Karoon will not proceed with these permits after the permit years expire.

Karoon holds 100% equity in PEP-162 and EL-4537..

**For further information please contact:**

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**Company Secretary**

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## 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

Karooon Gas Australia Ltd

ABN

53 107 001 338

Quarter ended (%current quarter+)

June 2007

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A000	Year to date (12 months) \$A000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1,109)	(1,875)
1.3 Dividends received	(476)	(2,247)
1.4 Interest and other items of a similar nature received	823	2,034
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - GST refunds	950	2,547
<b>Net Operating Cash Flows</b>	<b>188</b>	<b>459</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	(29)	(32)
(b)equity investments	(77)	(585)
(c) other fixed assets		
1.9 Proceeds from sale of:		
(a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(106)</b>	<b>(617)</b>
1.13 Total operating and investing cash flows (carried forward)	82	(158)

1.13	Total operating and investing cash flows (brought forward)	82	(158)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	40,928	62,460
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)		
	<b>Net financing cash flows</b>	<b>40,928</b>	<b>62,460</b>
	<b>Net increase (decrease) in cash held</b>	<b>41,010</b>	<b>62,302</b>
1.20	Cash at beginning of quarter/year to date	36,148	15,701
1.21	Exchange rate adjustments to item 1.20	(746)	(1,591)
1.22	<b>Cash at end of quarter</b>	<b>76,412</b>	<b>76,412</b>

**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	326
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 : \$ 76
Consulting Fees included in 1.23 : \$ 250

**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
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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
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## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A000	Amount used \$A000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

## Estimated cash outflows for next quarter

	\$A000
4.1 Exploration and evaluation	12,000,000
4.2 Development	Nil
<b>Total</b>	

## 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 \$A000	Previous quarter \$A000
5.1 Cash on hand and at bank	4,056	1,359
5.2 Deposits at call (see note 6)	72,356	34,789
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>76,412</b>	<b>36,148</b>

## 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	WA-398-P held in common as part of a Joint Venture	0%	40%

## 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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	114,427,897	114,427,897		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Shares out of escrow	19,000,000 500,000 500,000	19,000,000 500,000 500,000	220 cents	25 cents 135 cents
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	1,500,000 1,500,000 1,500,000 500,000 100,000 575,000		<i>Exercise price</i> 175 cents 200 cents 235 cents 165 cents 160 cents 203 cents	<i>Expiry date</i> 30 Sept 2008 30 Sept 2008 30 Sept 2008 31 Oct 2007 1 August 2008 31 Oct 2008
7.8 Issued during quarter	100,000		203 cents	31 Oct 2008
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

## 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<sup>th</sup> July 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 30<sup>th</sup> June 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
WA-398 P	Browse	40