



17 April 2008

Mr Darren Collins - Senior Adviser, Issuers
ASX Limited
Level 45, South Tower Rialto
525 Collins Street
Melbourne Victoria 3000

Dear Darren

KAROON GAS AUSTRALIA LIMITED – PRICE QUERY

In response to the queries raised in your letter of 17 April 2008, Karoon Gas Australia Limited (**Karoon**) provides the following information.

1. QUERY 1

IS THE COMPANY AWARE OF ANY INFORMATION CONCERNING IT THAT HAS NOT BEEN ANNOUNCED WHICH, IF KNOWN, COULD BE AN EXPLANATION FOR RECENT TRADING IN THE SECURITIES OF THE COMPANY?

Karoon is not aware of any information concerning it that has not been announced which, if released, could explain recent trading in its securities.

2. QUERY 2

IF THE ANSWER TO QUESTION 1 IS YES, CAN AN ANNOUNCEMENT BE MADE IMMEDIATELY? IF NOT, WHY NOT AND WHEN IS IT EXPECTED THAT AN ANNOUNCEMENT WILL BE MADE?

Not applicable.

3. QUERY 3

IS THERE ANY OTHER EXPLANATION THAT THE COMPANY MAY HAVE FOR THE PRICE CHANGE AND INCREASE IN VOLUME IN THE SECURITIES OF THE COMPANY?

Karoon believes that certain developments in the market segments in which Karoon operates may have increased interest in Karoon's assets and the company in general, namely:

- An increased interest in the Australian Energy Sector on the back of media coverage in relation to the Australian Petroleum Production and Exploration Association ("APPEA") Conference held in Perth, Western Australia during the week commencing 6 April, 2008.
- Various international news sources this week describing the Petrobras operated Carioca field in the Santos Basin region of Brasil which could hold as much as 33 billion barrels of oil. When coupled with the neighbouring 5-8 billion barrel Tupi discovery announced by Petrobras in November 2007, the Santos Basin region of Brasil has become a highly sought after and prospective area for petroleum exploration. Karoon has recently acquired 5 blocks in the Santos Basin approximately 200 kms from the Tupi and Carioca fields creating increased interest in the company.
- Karoon approaching its 200-225 day drilling program in the Browse Basin area off North Western Australia, which is expected to commence in the 3rd or 4th quarter of this year. This drilling program is much awaited and will be watched with great interest over the coming year.

4. QUERY 4.

PLEASE CONFIRM THAT THE COMPANY IS IN COMPLIANCE WITH THE LISTING RULES AND, IN PARTICULAR, LISTING RULE 3.1.

Karoon confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1.

Yours Sincerely,

A handwritten signature in blue ink that reads 'SPHosking'.

Scott Hosking
Company Secretary
Karoon Gas Australia Ltd