



KAROON GAS AUSTRALIA LTD
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KAROON GAS AUSTRALIA LIMITED AND CONTROLLED ENTITIES
ABN 53 107 001 338
QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31st March 2008

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KARON GAS AUSTRALIA LTD: WORLDWIDE LOCATIONS



1 AUSTRALIA Western Australia

Browse Basin WA-314-P, WA-315-P & WA-398-P

Completion of Endurance 3D Seismic Survey over an area of approx 1900 sq km in and around WA-398-P.

Bonaparte Basin AC/P8

Karoon continued to conduct geotechnical analysis and liaise with state & federal regulatory bodies in relation to proposed work program.

2 AUSTRALIA Victoria

Gippsland Basin EL - 4537

The Karoon technical team is continuing its economic assessment of EL-4537.

3 PERU

Peru Block Z-38

Completion of Joint Venture documentation with Vietnam American Exploration LLC for entry into the Tumbes Basin Block Z-38.

4 BRAZIL

Brazil Santos Basin Block 1037, 1101, 1102, 1165 and 1166.

The preliminary signing of agreements with the Agencia Nacional Petroleo Gas Natural and Biocombustivies (ANP) for five Santos Basin exploration blocks.

1 AUSTRALIA Western Australia

Browse Basin Permits

WA-314-P and WA-315-P

Karoon Gas is a 49% interest holder in oil and gas exploration permits WA-314-P and WA-315-P in the offshore Browse basin located 350 km offshore from the North-Western Australian coastline. Karoon's joint venture partner and operator in WA-314-P and WA-315-P is ConocoPhillips.

Interpretation of the seismic data acquired in 2006 and 2007, has continued throughout the quarter. This work will lead to the identification of potential locations for the drilling program later in the year.

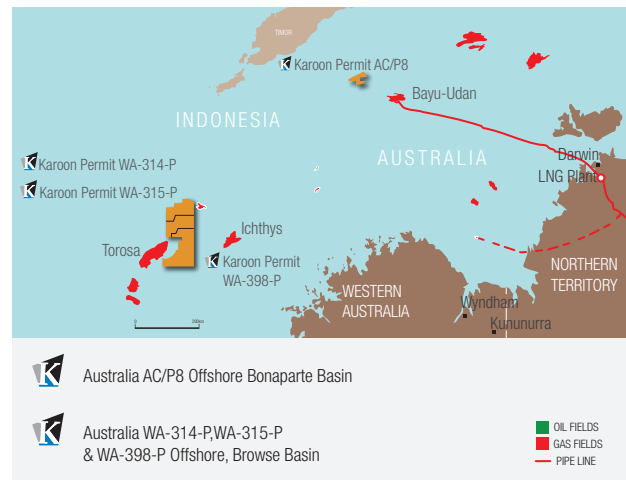
The drilling program is expected to be 200 - 225 days in length and is expected to commence late in 2008.

WA-398-P Endurance 3D Seismic Acquisition

Karoon is a 40% interest holder of WA-398-P directly south of Karoon's adjacent permits WA-314-P and WA-315-P. ConocoPhillips is Karoon's joint venture partner and operator of the permit.

The Endurance 3D seismic survey over permit WA-398-P was completed late March 2008 on budget. The survey covered approximately 1900 sq km, in excess of 1400 sq km of which is within the boundaries of WA-398-P.

Processing of a portion of the data will now be fast tracked and used to further define prospects and aid in planning the final well locations for the drilling program later in the year.



Bonaparte Basin AC/P8

During the quarter Karoon continued to conduct geotechnical work and liaise with the state and federal regulatory bodies in relation to the approval of the application and proposed work program for a 5 year extension on the permit.

Karoon believes the AC/P8 permit offers good exploration potential due to its location in an existing oil and gas producing province and its close proximity to several large producing oilfields including the Woodside operated Laminara and Corallina fields.

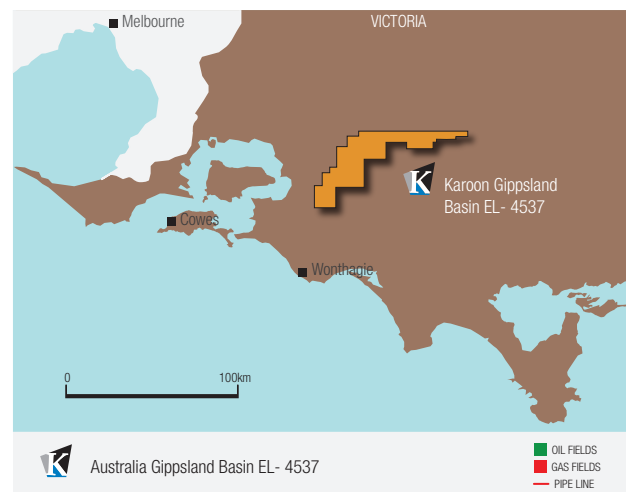
The AC/P8 permit contains two prospects and at least three leads which will need to be further defined by Karoon and its new joint venture partner Talisman Oil and Gas.

This exciting acquisition represents a major new exploration interest for Karoon and continues the company's strong organic growth.

2 AUSTRALIA Victoria

Gippsland Basin EL - 4537

Karoon has a 100% registered interest EL-4537, located within the western on-shore Gippsland basin of Victoria.



3 PERU

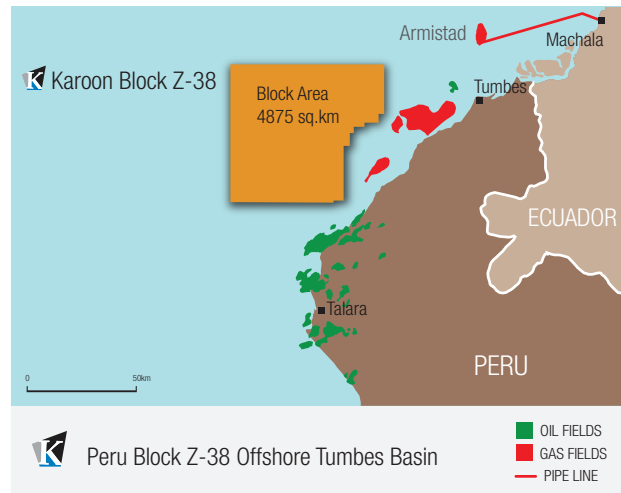
Peru Tumbes Basin Z-38

During January Karoon signed a Farmin agreement with Vietnam American Exploration Company LLC (Vamex) for the exploration of block Z-38 located in the offshore Tumbes basin in Northern Peru.

Subject to the receipt of regulatory approvals, Karoon will earn an initial 20% interest in the block by funding a new 2,000 km 2D seismic survey with the option of earning an additional 40% interest in the block by acquiring 670 sq km of new 3D seismic data.

The geotechnical analysis of the existing data indicates that the block is prospective for both oil and gas. Preliminary economic evaluation by Karoon indicates that any offshore development could be rapidly brought to production due to the close proximity of existing oil and gas infrastructure.

Vamex is a 100% subsidiary of Pitkin Petroleum, a United Kingdom independent oil and gas company. Vamex is an active explorer in South East Asia and South America.



4 BRAZIL

Brazil Santos Basin

Blocks 1037, 1101, 1102, 1165 & 1166

In March Karoon completed agreements with the ANP to sign concession agreements which will see it take 100% ownership of Santos basin blocks 1037, 1101, 1102, 1165 and 1166. The Santos basin is offshore from the Santa Catarina region of Brazil, just south of Rio de Janeiro.

Karoon believes the blocks offer good exploration potential in the hundreds of millions of barrels of oil and trillions of cubic feet of gas range.

The blocks are located in an existing oil and gas producing province in close proximity to several large oil and gas producing fields including the Tupi and Carioca Fields 200km to the North-East, the Newton discovery 53km to the north-east, the Caravela and Coral fields 100km to the south west and the Merluza field 100km to the north-west.

The work program Karoon has submitted for the award of these blocks consists of extensive geotechnical work including the purchase, reprocessing and interpretation of existing 3D seismic data. On three of the blocks there is a requirement to acquire a further 170 sq km of 3D seismic in the first 3 year term. In the optional second term of 2 years, one well is required to be drilled in each block.

The Brazilian and Peruvian Exploration acreage are exciting acquisitions for Karoon and continue the company's strong organic growth through the diversification of the asset base into high equity positions in prospective exploration areas.

