

ASX RELEASE

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## INCENTIVE OPTIONS

Karoon Gas Australia Ltd has negotiated the renewal of the service agreements of its executive chairman, Bob Hosking, and its exploration director, Mark Smith.

The new agreements are for a period of 3 years and include remuneration consisting of both salary and incentive options. An extensive remuneration review was conducted by the Karoon Gas Australia Ltd remuneration committee using independent analysis and industry reviews of current trends in remuneration at senior executive and board levels.

As part of the packages agreed with Mr Hosking and Mr Smith, shareholders will be asked to approve the grant of the following incentive options to each director;

Tranche 1: 750,000 options exercisable at \$4.00

Tranche 2: 750,000 options exercisable at \$4.50, vesting date; 1 May 2009 and;

Tranche 3: 750,000 options exercisable at \$5.00, vesting date; 1 May 2010.

All options will have an expiry date of 31 April 2011.

The issue of the incentive options is subject to the approval of shareholders at the next general meeting.

Karoon is pleased to have been able to retain the services of both Mr Hosking and Mr Smith.

Their appointments, for the next three years, will allow Karoon to continue the successful development path the company has pursued for the past few years and will help to ensure the continued development of the company's core petroleum business.