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KARON GAS AUSTRALIA LIMITED AND CONTROLLED ENTITIES  
ABN 53 107 001 338

HALF-YEAR FINANCIAL REPORT  
31 DECEMBER 2008

CONSOLIDATED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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## DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Your directors present the financial report of the consolidated entity, consisting of Karoon Gas Australia Limited and the entities it controlled during the half-year ended 31 December 2008.

### Directors

The following are the names and particulars of the directors of the Company who held office of Karoon Gas Australia Limited during the whole of the half year and up to the date of this report:

Mr Robert Hosking – Executive Chairman  
Mr Mark Smith – Executive Director and Exploration Manager  
Mr Geoff Atkins – Non-Executive Director  
Mr Stephen Power - Non-Executive Director

### Highlights

#### Company Operations:

- Independent prospective resource assessment of 1.23 billion barrels of oil equivalent in 19 prospects in Australia and South America
- Major new oil and gas discoveries in Santos Basin in Brazil, close to Karoon offshore acreage.
- Karoon was granted an initial 20% interest in the exploration block Z-38 in Peru.
- Karoon and its JV partner have contracted out a 2000 km 2D seismic, gravity and magnetic data acquisition survey in Block Z-38 in Peru starting in February 2009.
- Successful capital raisings of \$49 million completed in August 2008.
- Karoon ended the December quarter with a net cash and equivalents bank balance of \$A145 million. We note that \$13 million of this cash is restricted.
- The Poseidon-1 well, the first in a multi-well exploration program in the Browse Basin spudded on January 26, 2009.
- A new, 2639 square kilometre Santos Basin regional 3D seismic data set was acquired.
- AC/P8 exploration permit officially renewed by the relevant authority.

### Financial Results

The consolidated profit after tax for the half-year ended 31 December 2008 was \$16,978,040 (2007: Loss \$1,287,539). The profit for the period is largely attributable to unrealised foreign exchange gains of \$19,768,302 on US denominated cash and cash equivalents held by the consolidated entity as at 31 December 2008.

Karoon successfully raised \$49 million through share placements and \$5.63 million through the exercise of options during the six month period ended 31 December 2008.

## AUSTRALIA

### [Browse Basin permits WA-314-P, WA-315-P and WA-398-P](#)

During the first half of the financial year, Karoon and its joint venture partner ConocoPhillips continued preparations for the 200 day drilling program in the Browse Basin. Preparations for drilling included detailed engineering and geotechnical work to select drilling locations and prepare for the drilling program. Applications were also made to the designated authority to proceed with drilling in preferred locations. Further applications will be made as the final locations are agreed by the joint venture parties.

Throughout the period, the interpretation of data from the Endurance 3D seismic survey continued allowing better definition of the area in the south of the WA-398-P permit.

Subsequent to the financial half year the drilling program began with the spudding of the Poseidon-1 well on the 26th January 2009. As at 6:00am on the 11 March, 2009 Poseidon-1 well was drilling ahead at 3898 metres Rotary Table (mRT) in a 17.5 inch hole. The Poseidon well is expected to drill to 4800 metres with the target zones beginning at around 4400 metres.

Karoon Gas is a 49% interest holder in offshore oil and gas exploration permits WA-314-P and WA-315-P and a 40% interest holder of WA-398-P in the Browse basin located 350 km from the North-Western Australian coastline.

### [Bonaparte Basin AC/P8](#)

During the period Karoon received the approval of the State and Federal Governments for a 5 year extension on the permit.

The work program includes a range of geological studies in the primary three year term. Studies to be conducted include Controlled Source Electro Magnetic Surveying (CSEM), seismic mapping of existing data, Fault Seal Analysis and general geological assessments and modelling.

If the option to progress into the secondary term is taken up, the Year Four (secondary term) commitment is one exploration well.

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.

Karoon holds a 66.67% interest and is operator of AC/P8.

### [Gippsland Basin EL4537](#)

Karoon has a 100% registered interest EL4537, located within the western on-shore Gippsland basin of Victoria.

Further geological and commercial assessments were conducted during the period. When assessments are complete Karoon will review its options in relation to this acreage position.

## WORLDWIDE

### Brazil blocks 1037, 1101, 1102, 1165 and 1166

During the period, Karoon purchased and processed 2639 square kilometres of 3D seismic data. This new seismic data will enhance Karoon's understanding of its Santos Basin acreage as it covers new discoveries made immediately to the south. Karoon is currently interpreting the recently purchased seismic data along with previously purchased seismic and geological data.

Integrating data from discoveries in the area immediately adjacent to Karoon's blocks, the new interpretation and modelling allows greater detail and better quantitative evaluation of potential prospects and leads in the blocks.

Karoon believes the blocks offer good exploration potential in the multi-hundreds of millions of barrels of oil and/or trillions of cubic feet of gas range over 3 main leads.

The Santos Basin is offshore from the Santa Catarina region of Brazil, just south of Rio de Janeiro and has recently yielded multiple oil discoveries. Recent discoveries in the Santos Basin include Tupi, Carioca. Other fields in the area include the Newton and Merluza fields to the north-east and the Caravela and Coral fields to the south-west.

Subsequent to the end of the half year the Brazilian state owned oil company, Petrobras, announced the discovery of a potentially commercial scale gas field immediately adjacent to Karoon's offshore permits. Petrobras has revealed that this new discovery is above the salt layer with the discovery confirmed by subsequent tests. This new discovery is the latest in a string of successful wells in the Santos Basin and highlights the potential for Karoon's acreage.

Karoon is a 100% interest holder of Santos Basin Blocks 1037, 1101, 1102, 1165 and 1166

### Peru Block Z-38

During the period, Karoon tendered and awarded a 2000km 2D seismic, gravity and magnetics data acquisition program to Seabird Exploration. The 2D seismic, gravity and magnetics acquisition subsequently commenced on the 11th February, 2009 and is expected to be complete by the end of the first quarter 2009.

Late in 2008, Karoon was granted formal title of Z-38 by the Peruvian authorities. Karoon's initial farm in obligation includes the funding of 2000 km of 2D seismic, gravity and magnetics data acquisition. Karoon has notified its joint venture partner, Vietnam American Exploration LLC (Vamex) of its intention to exercise its option to increase its participating interest in the block to 60% by funding the second period work program, which includes a 3D seismic survey, in the near future.

Current geotechnical analysis of the existing data indicates that the block is prospective for both oil and gas. Economic assessments indicate that exploration success in this area could be rapidly brought into production due to the close proximity of existing oil and gas infrastructure in the prospective areas. The current geological data suggest that there are two main leads each with around 100-200 million barrels of prospective resource potential.

The Talara Basin to the south of the Tumbes Basin, has similar geology and has produced more than 1 billion barrels of oil. It was also the location of the first oil production in South America in the late 1800's.

Karoon currently holds a 20% interest and has the option to increase its interest to 60% by acquiring a 3D seismic survey.

### Peru Block 144

During the period, geotechnical and commercial work was conducted in preparation to begin studies after final Peruvian regulatory approvals are granted.

Karooon Gas Australia Ltd was offered and subsequently accepted Block 144 in the onshore Maranon Basin in Peru early in 2008. When regulatory approvals are granted, Karooon will earn an initial 100% interest in the block. The primary term work program consists of 1000km 2D seismic reprocessing. In the optional secondary term, the work program includes the acquisition and interpretation of a 300 km 2D seismic survey. In each of the optional third and fourth terms the work program is to drill 1 well to 4,200 metres.

### Independent Prospective Resources Report by DeGolyer and McNaughton

In August 2008, Karooon engaged the services of international petroleum consulting company, DeGolyer and McNaughton, to provide an independent report on the prospective resources of the company's portfolio of exploration assets.

DeGolyer and MacNaughton have reported that Karooon has mean estimated risked prospective resources of 1.23 billion barrels of oil equivalent (BOE) in its 19 prospects in Australia and South America.

The prospective resource estimates presented in the report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March, 2007, by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The PRMS reporting system provides uniform guidelines for the evaluation and reporting of petroleum reserves and resources. Under PRMS, a "prospective resource", as reported by DeGolyer and McNaughton, is defined as the quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated risk of discovery and a risk of development.

The prospective resources reported by DeGolyer and McNaughton have also been "risked" whereby each prospect has been subjected to a probabilistic analysis to reflect risks within the prospect associated with reservoir parameters, recovery efficiency and the like.

The prospective resources reported on by DeGolyer & McNaughton are based on the statistical aggregation method. There is no certainty that any portion of the prospective resources estimated herein will be discovered.

### Future plans

Karooon hopes to complete a successful drilling program with its joint venture partner ConocoPhillips in the Browse Basin.

In the coming months Karooon will complete the 2000 km 2D seismic survey, process and interpret the data in the Tumbes Basin and prepare for the 3D seismic survey later in work program.

In the coming year Karooon aims to complete a 3D seismic data acquisition within its permits in the Santos Basin, Brazil.

### Auditor's Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This report is signed in accordance with a resolution of the Board of Directors.



Robert Hosking  
Executive Chairman  
13th March 2009



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### Auditor's Independence Declaration

As lead auditor for the review of Karoon Gas Australia Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Karoon Gas Australia Limited and the entities it controlled during the period.



Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
13 March 2009

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CONSOLIDATED INCOME STATEMENT FOR  
THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	31 Dec 2008 \$	31 Dec 2007 \$
Revenue		3,127,484	2,541,498
Other income		19,768,302	-
<b>Total revenue and other income</b>		<b>22,895,786</b>	<b>2,541,498</b>
Computer support		(213,616)	(251,494)
Consultancy fees		(614,257)	(203,328)
Depreciation and amortisation		(228,314)	(164,443)
Directors fees and superannuation		(43,600)	(43,600)
Employee benefits expenses		(2,977,976)	(817,589)
Exploration expenditure written off		(553,593)	(1,062,152)
Foreign exchange losses		-	(588,878)
Legal fees		(62,940)	(64,697)
Other expenses		(814,038)	(278,216)
Property and office costs		(209,481)	(131,424)
Share registry and listing fees		(129,843)	(116,034)
Travel and accommodation expenses		(70,088)	(107,182)
<b>Profit/(loss) before income tax expense</b>	<b>2</b>	<b>16,978,040</b>	<b>(1,287,539)</b>
Income tax expense		-	-
<b>Net profit/(loss) after income tax attributable to members of the parent entity</b>		<b>16,978,040</b>	<b>(1,287,539)</b>
Basic profit/(loss) per share		11.76	(1.12)
Diluted profit/(loss) per share		11.71	(1.12)
		Cents	cents

The above consolidated income statement should be read in conjunction with the accompanying notes



CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2008

	Notes	31 Dec 2008 \$	30 June 2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		131,194,110	77,423,254
Trade and other receivables		2,659,289	243,699
Other financial assets		3,694,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>137,547,399</b>	<b>77,666,953</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		430,819	333,859
Intangible assets		186,044	164,390
Exploration and evaluation expenditure carried forward		56,060,495	51,597,114
Other financial assets		9,534,574	9,598,385
<b>TOTAL NON-CURRENT ASSETS</b>		<b>66,211,932</b>	<b>61,693,748</b>
<b>TOTAL ASSETS</b>		<b>203,759,331</b>	<b>139,360,701</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,599,148	5,914,656
Funds held in escrow		-	2,625,000
Provisions		42,381	78,989
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,641,529</b>	<b>8,618,645</b>
<b>TOTAL LIABILITIES</b>		<b>1,641,529</b>	<b>8,618,645</b>
<b>NET ASSETS</b>		<b>202,117,802</b>	<b>130,742,056</b>
<b>EQUITY</b>			
Issued capital	5	203,833,886	151,335,352
Accumulated losses		(7,291,327)	(24,269,367)
Reserves		5,575,243	3,676,071
<b>TOTAL EQUITY</b>		<b>202,117,802</b>	<b>130,742,056</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Accumulated Losses	Share based payments reserve	Foreign Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1.7.2007	96,727,732	(18,252,782)	2,661,771	-	81,136,721
Shares issued during the year	56,070,900	-	-	-	56,070,900
Transaction costs arising on share issues	(1,968,380)	-	-	-	(1,968,380)
Loss attributable to members of parent entity	-	(1,287,540)	-	-	(1,287,540)
Goodwill impairment loss	-	(110,541)	-	-	(110,541)
<b>Balance at 31.12.2007</b>	<b>150,830,252</b>	<b>(19,650,863)</b>	<b>2,661,771</b>	<b>-</b>	<b>133,841,160</b>
Balance at 1.7.2008	151,335,352	(24,269,367)	3,676,071	-	130,742,056
Shares issued during the year	54,562,950	-	-	-	54,562,950
Transaction costs arising on share issues	(2,064,416)	-	-	-	(2,064,416)
Share based payments	-	-	2,725,666	-	2,725,666
Foreign currency translation of overseas subsidiaries	-	-	-	(826,494)	(826,494)
Profit attributable to members of parent entity	-	16,978,040	-	-	16,978,040
<b>Balance at 31.12.2008</b>	<b>203,833,886</b>	<b>(7,291,237)</b>	<b>6,401,737</b>	<b>(826,494)</b>	<b>202,117,802</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	31 Dec 2008 \$	31 Dec 2007 \$
Cash flows from operating activities		
Receipt from customers (inclusive of goods and services tax)	2,913	19,802
Payments to suppliers (inclusive of goods and services tax)	(2,704,742)	(3,545,199)
Interest received	2,240,671	2,521,697
<b>Net cash inflow from operating activities</b>	<b>(461,158)</b>	<b>(1,003,700)</b>
Cash flows from investing activities		
Purchase of property, plant and equipment and software	(265,354)	(109,756)
Purchase of investments	-	(1,000,000)
Payments for security deposits	(3,630,190)	-
Payments for exploration and evaluation expenditure	(11,714,278)	(3,476,130)
<b>Net cash inflow from operating activities</b>	<b>(15,609,822)</b>	<b>(4,585,886)</b>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	51,937,950	56,070,900
Payment of equity raising costs	(2,064,416)	(1,968,380)
<b>Net cash flows from financing activities</b>	<b>49,873,534</b>	<b>54,102,520</b>
<b>Net increase in cash held</b>	<b>33,802,554</b>	<b>48,512,934</b>
Cash and cash equivalents at the beginning of the half year	77,423,254	76,411,604
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currency	19,968,302	(588,878)
<b>Cash and cash equivalent at the end of the half year</b>	<b>131,194,110</b>	<b>124,335,660</b>

The above consolidated cash flow statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 1: BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Karoon Gas Australia Ltd and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

(a) Going Concern

On the basis of the present level of operations and after consideration of the Consolidated entity's ability to:

- i. farm-out interests in permits in order to fund future exploration expenditure commitments; and
- ii. raise additional capital through the issue of additional new ordinary shares to meet working capital requirement shortfalls in exploration expenditure commitments, and
- iii. manage its existing cash and future cash flows to meet its current obligations and future plans,

The Directors are of the opinion that for the next 12-month period from the date of signing the Directors' Declaration, the Consolidated entity has sufficient liquidity to meet its existing commitments and accordingly present these financial statements on a going concern basis.

NOTE 2: PROFIT/(LOSS) FOR THE PERIOD

	Consolidated Entity	
	31 Dec 2008	31 Dec 2007
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period		
Unrealised foreign exchange gains/(loss)	19,768,302	(588,878)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 3: DIVIDENDS

No dividends were paid or proposed in the reporting period.

NOTE 4: SEGMENT INFORMATION

Primary reporting – geographic segments

	Australia	Brazil	Peru	Total
31 December 2007				
Total segment revenue	2,541,499	-	-	2,541,499
Segment result	(1,287,539)	-	-	(1,287,539)
Loss before income tax				(1,287,539)
Income tax expense				-
Loss after income tax				(1,287,539)
31 December 2008				
Total segment revenue	22,339,932	555,854	-	22,895,786
Segment result	16,422,356	555,854	(170)	16,978,040
Profit before income tax				16,978,040
Income tax expense				-
Profit after income tax				16,978,040

NOTE 5: ISSUED CAPITAL

		31 December 2008 \$	30 June 2008 \$
Ordinary shares, fully paid		203,833,886	151,335,352
Movement in ordinary shares on issue during the half year:			
Date	Details	Number of shares	\$
01/07/08	Opening Balance	132,277,897	151,335,352
22/07/08	Exercise of employee share options	60,000	121,800
11/08/08	Share placement	14,000,000	49,000,000
20/08/08	Exercise of employee share options	30,000	60,900
22/09/08	Exercise of employee share options	75,000	152,250
03/10/08	Exercise of employee share options	2,250,000	5,025,000
12/11/08	Exercise of employee share options	100,000	203,000
	Less: Transaction costs arising from share issues		(2,064,416)
		148,792,897	203,833,886

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER

### NOTE 6: CONTINGENT LIABILITIES

Karoon Petroleo and Gas Ltda a wholly owned subsidiary of Karoon Gas Australia Limited has provided Agencia Nacional Do Petroleo a letter of credit totalling \$8,696,946 to carry out minimum work programs in relation to the company's Santos Basin exploration acreage in Brazil. The letter of credit is fully funded by way of payment of a security deposit to Banco BNP Paribas Brasil S/A, which will be released once the programs are met. The directors are of the opinion that the work commitments will be satisfied.

A performance guarantee has been provided to Peru Petro SA totalling \$3,608,545 for Peru Block Z38 for first year work commitments. The directors are of the opinion that the work commitments will be satisfied.

### NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year, the following material events have occurred:

On the 26th January 2009, Karoon along with its Browse Basin joint venture partner ConocoPhillips began a 200 day drilling program with the spudding of the Poseidon-1 well.

On the 11th of February 2009, Karoon along with its joint venture partner in Peru Block Z-38 commenced a 2000 km 2D seismic survey. This seismic acquisition is expected to be completed during March 2009.

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2008.

In the directors' opinion:

1. The financial statements and notes set out on pages 8 to 14 are in accordance with the Corporations Act 2001, including:
  - a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
  - b) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that Karoon Gas Australia Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Robert Hosking  
Executive Chairman  
13th March 2009



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## **Independent auditor's review report to the members of Karooon Gas Australia Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Karooon Gas Australia Limited (the company), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Karooon Gas Australia Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Karooon Gas Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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**Independent auditor's review report to the members of Karoon Gas Australia Limited (continued)**

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the Company for the half-year ended 31 December 2008 included on Karoon Gas Australia Limited's web site. The company's directors are responsible for the integrity of the Karoon Gas Australia Limited's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

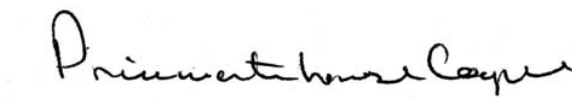
*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Karoon Gas Australia Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*



PricewaterhouseCoopers



Charles Christie  
Partner

Melbourne  
13 March 2009