



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

**QUARTERLY ACTIVITIES REPORT
FOR THE QUARTER ENDED 31st March 2009**

Quarterly Highlights;

- Encouraging results from Poseidon-1 well with three gross sand reservoir intervals interpreted to contain hydrocarbons.
- The completion of a 2300 km 2D Seismic Survey in Block Z-38, Tumbes Basin, Peru.
- The formal award of Block 144, in the Maranon Basin Peru.

Australia

WA-314-P, WA-315-P and WA-398-P

Karooon and its joint venture partner, ConocoPhillips started drilling the Poseidon-1 well in the Browse basin on January 26.

Poseidon-1 reached total depth of 5112 mRT on 28 April. Preliminary results show that over the Plover Formation reservoir interval three gross sand intervals of 10m, 67m and 114+m were penetrated.

Based on mud logging and Logging While Drilling (LWD) petrophysical data, the three gross sand intervals were interpreted to contain hydrocarbons. The nature and significance of the interpreted hydrocarbon intersections will be evaluated after wireline logging and detailed log analysis is complete..

The drilling program is expected to continue into the third quarter of 2009. The next well will be the Kon-Tiki prospect expected to commence during May.

The offshore Browse basin is located 350 km offshore from the North-Western Australian coastline.

Equity interests of the participants in WA-314-P and WA-315-P are:

Karooon Gas Australia Ltd	49%
ConocoPhillips (Browse Basin) Pty Ltd (Operator)	51%

Equity interests of the participants in WA-398-P are:

Karooon Gas Australia Ltd	40%
ConocoPhillips (Browse Basin) Pty Ltd (Operator)	60%

Bonaparte Basin AC/P8

During the quarter Karooon continued to conduct geotechnical work. Planning for a Controlled Source Electro-Magnetic (CSEM) survey was initiated in preparation for completion later in the year.

Karooon 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 a number of leads which will need to be further defined by Karooon and its joint venture partner Talisman Oil and Gas.

Equity Interests of the participants in AC/P8 are;

Talisman	33.33%
Karooon Energy International Ltd	66.67%

Gippsland Basin EL 4537

The EL-4537 permit was relinquished on 12th March 2009. After a lengthy assessment process it was concluded that no value could be added to the license by Karoon.

Brazil

Santos Basin Blocks 1037, 1101, 1102, 1165 and 1166

During the March quarter Karoon continued its geotechnical analysis of the Santos basin blocks with further seismic processing and interpretation of existing data. Discoveries in the area immediately around Karoon's Santos basin blocks provide more significant data, contributing to Karoon's understanding and evaluation process. Karoon believes that the blocks offer good exploration potential for targets in the hundreds of millions of barrels of oil and/or trillions of cubic feet of gas range.

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 the Tupi and Carioca oil fields 200km to the north-east, the Newton oil discovery 53km to the north-east. The Caravela and Coral fields are 70km to the south-west and the Merluza field 100km to the north-east. Karoon is a 100% interest holder of Santos basin blocks 1037, 1101, 1102, 1165 and 1166

Peru

Peru

Tumbes Basin Block Z 38

On the 11th of February, Karoon and its Joint venture partner Vietnam American Exploration LLC commenced its acquisition of 2000kms of 2D seismic in Block Z-38, the acquisition was completed on time and on budget on the 4th March 2009.

Vietnam American Exploration Company, LLC and Karoon contracted Seabird Exploration AS, to use the vessel Aquila to conduct the 2D Seismic Survey.

Block Z-38 is located in the Tumbes basin, offshore Peru,. It is an area that is experiencing renewed exploration and appraisal activity after a series of successful exploration programs by adjoining block holders to Block Z-38. The Talara basin to the south of the Tumbes basin which has similar geology and has produced more than 1 billion barrels of oil while also being the location of the first oil production in South America in the late 1800's.

Karoon believes that Block Z-38 is highly prospective for hydrocarbons with each of the main prospects having a prospective resource in the 100-200 million barrel range.

Equity interests of the participants in Peru Block Z-38;

Karoon Gas Australia Ltd 20%

Vietnam American Exploration Company LLC (Operator) 80%

Maranon Basin Block 144

During the quarter Karoon was notified of the signing ceremony date for the official supreme decree and handover of Peru Block 144. Subsequent to the end of the quarter the Supreme Decree was signed and Karoon was given the final award of the Block.

Karoon will commence preliminary geological and environmental assessments over the Block in the coming period.

Karoon is the 100% interest holder of Block 144.

For further information please contact:

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**QUARTERLY FINANCIAL REPORT
FOR THE QUARTER ENDED 31st MARCH 2009**

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")

March 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for:		
(a) exploration and evaluation	(11,189)	(22,903)
(b) development		
(c) production		
(d) administration	(677)	(3,382)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1,527	3,767
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - GST refunds		3
Net Operating Cash Flows	(10,339)	(22,515)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) security deposits ⁶	(7,462)	(11,092)
(c) other fixed assets	(396)	(661)
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)		
Net investing cash flows	(7,858)	(11,753)
1.13 Total operating and investing cash flows (carried forward)	(18,196)	(34,268)

1.13	Total operating and investing cash flows (brought forward)	(18,196)	(34,268)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	51,938
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 – Equity Raising Costs		(2,064)
	Net financing cash flows	-	49,874
Net increase (decrease) in cash held			
		(18,197)	15,606
1.20	Cash at beginning of quarter/year to date	131,194	77,423
1.21	Exchange rate adjustments to item 1.20	584	20,552
1.22	Cash at end of quarter	113,581	113,581

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	253
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 : \$ 65
Consulting Fees included in 1.23 : \$ 188

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	27,000
4.2 Development	Nil
Total	27,000

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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	11,623	15,515
5.2 Deposits at call	101,958	115,679
5.3 Bank overdraft		
5.4 Other		
Total: cash at end of quarter (item 1.22)	113,581	131,194

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			

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 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	148,792,897	148,792,897		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Shares out of escrow				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	<i>Amount</i>		<i>Exercise price</i>	<i>Expiry date</i>
	1,745,000		295 cents	31 Oct 2010
	1,500,000		400 cents	30 Apr 2011
	1,500,000		450 cents	30 Apr 2011
	1,500,000		500 cents	30 Apr 2011
	1,105,000		400 cents	30 Apr 2010
	1,105,000		500 cents	30 Apr 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

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 March 2009
(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 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Cash Flow Statements, 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 **Security Deposits**, totalling \$20,637,708 held on term deposit, which are subject to the performance of minimum work commitments in Brazil and Peru, have not been classified as cash and cash equivalents as they are not expected to convert to cash during the next quarter.

7 **Deposits at Call** Included in the deposits at call are US dollar term deposits for U\$52,561,181 which has been converted to Australian dollars, for recording purposes only, at a rate of 0.6873 (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 31st March 2009

<u>Exploration Permits</u>	<u>Basin</u>	<u>Operator</u>	<u>Status</u>	<u>Interest %</u>
WA-314-P	Browse	ConocoPhilips		49
WA-315-P	Browse	ConocoPhilips		49
WA-398 P	Browse	ConocoPhilips		40
Brazil Permit 1037	Santos	Karoon		100
Brazil Permit 1101	Santos	Karoon		100
Brazil Permit 1102	Santos	Karoon		100
Brazil Permit 1165	Santos	Karoon		100
Brazil Permit 1166	Santos	Karoon		100
Peru Permit Z 38	Tumbes	Vamex*		20
Peru Permit 144	Tumbes	Karoon		100
AC/P8	Bonaparte	Karoon		66.67

*Karoon to assume Operatorship after completion to 2D and 3D Seismic Surveys in Z-38.