



19 June 2009

DISPATCH OF KAROON SHARE PURCHASE PLAN

Please find attached the following offer material for the Karoon Gas Australia Limited Share Purchase Plan, details of which were announced to the market on 10 June 2009:

- Share Purchase Plan; and
- Application Form.

These documents are provided to ASX in accordance with Listing Rule 3.17 for announcement to the market today.

Shareholders should note the updated timetable, which includes varied dates for the issuing of new shares and the dispatch of holding statements, under the Share Purchase Plan.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Power'.

Stephen Power
Non-Executive Director
Phone: 03 5974 1044
Fax: 03 5974 1644
Email: info@karoongas.com.au
Website: www.karoongas.com.au

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KAROON GAS AUSTRALIA LIMITED
ABN 53 107 001 338

SHARE PURCHASE PLAN

This is an important document offering eligible shareholders the opportunity to apply to purchase up to A\$5,000 of Karoon Gas Australia Limited ordinary shares without brokerage or transaction costs. If you are unsure about what to do, please contact your professional adviser.

If you have any questions about the Karoon Share Purchase Plan after reading this booklet, please call the Share Registry Information Line on 1300 850 505 (within Australia) +61 3 9415 4000 (outside Australia) or E.L. & C. Baillieu Stockbroking Ltd on 1800 339 521 (within Australia) +61 3 9602 9222 (outside Australia).



CHAIRMAN'S LETTER

19 June 2009

Dear Shareholder

On behalf of the Directors of Karoon Gas Australia Limited (**Karoon**), I am pleased to offer you the opportunity to participate in the Share Purchase Plan (**SPP**), allowing you to apply to purchase up to approximately A\$5,000 of Karoon's ordinary shares (**Shares**) without brokerage and transaction costs.

Karoon recently conducted a placement of Shares to professional investors, raising A\$149.6 million (**Placement**). The SPP gives you a chance to increase your Karoon shareholding at the same price as participant's in the Placement of A\$6.70 per Share.

Funds raised through the SPP and the Placement will provide Karoon with a strong cash position for its continued exploration and appraisal program in the Browse Basin, along with the upcoming exploration programs in Peru and Brazil. You can read more about this by visiting our website www.karoongas.com.au and from the announcements lodged with ASX Limited (**ASX**).

Participation in the SPP is entirely voluntary. If you are an Eligible Shareholder, you may apply to purchase a parcel in increments of approximately A\$1,000 up to a maximum of approximately A\$5,000 of Shares (**Parcel**) at an issue price per Share of A\$6.70 (**Issue Price**).

On behalf of the Board, I invite you to consider this opportunity to increase your investment in Karoon.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robert Hosking', is written over a light grey background.

Robert Hosking
Chairman

KEY DATES

The key dates for the SPP are set out below. These dates are subject to change by Karoon and Eligible Shareholders should ensure they check the Karoon website and the ASX for announcements concerning the SPP.

Record Date Date for determination of Eligible Shareholders	7.00pm (AEST), Thursday, 4 June 2009
Opening Date Applications mailed and opening date for receipt of acceptances	Friday, 19 June 2009
Closing Date Closing date for acceptances to be received by Karoon	5.00pm (AEST), Friday, 10 July 2009
Allotment Date Date upon which Shares will be allotted	Friday, 17 July 2009
Share Trading Date Date upon which Shares are expected to commence trading on ASX	Monday, 20 July 2009
Dispatch Date Dispatch of holder statements	Wednesday, 22 July 2009

US SHAREHOLDERS

The SPP and this document does not constitute an offer of securities for sale in the United States or to "U.S. persons" (as defined in Regulation S under the U.S. Securities Act) (**U.S. Person**) and may not be sent or disseminated in, directly or indirectly, the United States or to any U.S. Person in any place. Karoon's Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or the securities laws of any state of the United States and may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of, any U.S. Person except in compliance with the registration requirements of the U.S. Securities Act and any other applicable state securities laws or pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws.

INSTRUCTIONS

If you would like to apply to participate in the SPP, please follow the instructions on the enclosed Application Form.

To participate, you can either:

- (a) **Apply Online:** Apply online by making a payment by BPay®. To do this, you must have an Australian bank account. Your personalised Application Form carries the Biller Code and your unique personalised Customer Reference Number which you must use to take up the offer. If you make your payment with BPay® you do not need to return your Application Form.

OR

- (b) **Apply using the enclosed Application Form:** Complete the enclosed Application Form and return it, together with your cheque, bank draft or money order made payable to 'Karoon Gas Australia Limited' and made in Australian currency, drawn on an Australian bank for the correct amount and return using the enclosed reply paid envelope.

You will not be able to withdraw or revoke your application or BPay® payment once you have submitted it or made it.

All payments and applications must be received no later than 5.00pm (AEST), 10 July 2009.

IMPORTANT NOTICES

If you apply to participate in the SPP by completing and returning the Application Form or making a BPay® payment, you are accepting the risk that the market price of Karoon Shares may change between the date of this offer, the date on which you send in an Application Form or make a BPay® payment and the Allotment Date. This means that it is possible that, up to or after the Allotment Date, you may be able to buy Shares at a lower price than the Issue Price.

Karoon encourages you to seek your own professional advice regarding your participation in the SPP.

Investments in Karoon are subject to investment risk. Karoon does not guarantee any particular rate of return or the performance of Karoon, nor does it guarantee the repayment of capital from Karoon.

TERMS AND CONDITIONS

The following information sets out the terms and conditions of the SPP (**Terms and Conditions**).

1. Offer Timetable

- 1.1 This offer is dated and opens on Friday, 19 June 2009 (**Opening Date**).
- 1.2 The offer closes at 5.00pm (AEST), Friday, 10 July 2009 (**Closing Date**). Applications by BPay® or by cheque, bank draft or money order accompanied by a hard copy Application Form may not be processed or may not be valid if they have not been received by this time.
- 1.3 It is proposed to allot the Shares issued under the SPP on Friday, 17 July 2009 (**Allotment Date**).
- 1.4 Karoon expects the Shares issued under the SPP will commence trading on ASX on Monday, 20 July 2009 (**Share Trading Date**).
- 1.5 Karoon expects to despatch holding statements for the Shares issued under the SPP on or around Wednesday, 22 July 2009 (**Despatch Date**).
- 1.6 Karoon can change, at any time, the Closing Date, the Allotment Date, the Share Trading Date and the Dispatch Date (even if the offer has opened, or BPay® payments or Application Forms have been received) by lodging a revised timetable with ASX.

2. Eligible Shareholders

- 2.1 You are an Eligible Shareholder and may participate in the SPP if you were a registered holder of Shares with an address in Australia or New Zealand at 7.00pm (AEST), Thursday, 4 June 2009 (**Record Date**), unless:
 - (a) you hold Shares on behalf of another person who resides outside Australia or New Zealand, in which case you will not be eligible to participate in respect of the Shares of that person; or
 - (b) you are a "U.S. person" as defined in Regulation S under the U.S. Securities Act; or
 - (c) you are acting for the account or benefit of a U.S. Person, in which case you will not be eligible to participate in respect of the Shares of that person.
- 2.2 The offer is being made to New Zealand shareholders in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002.
- 2.3 If you are an Eligible Shareholder, your rights under this offer are personal to you and are non-renounceable, so you may not transfer them.

3. Joint holdings

If you are recorded with one or more other persons as the joint holder of a holding of Shares, that joint holding is considered to be a single registered holder for the purpose of the SPP, and the joint holders are entitled to participate in the SPP in respect of that holding. If the same joint holders receive more than one offer under the SPP due to multiple holding, the joint holders may only contribute up to a maximum of A\$5,000 in applying for Shares across all your holdings.

4. Trustees and nominees

If you are expressly noted on Karoon's share register as a trustee or nominee for a named beneficiary, you may apply for one maximum Parcel of Shares in respect of each such beneficiary. If the Karoon share register does not record a named beneficiary in respect of your trustee or nominee holding, the rules for multiple single holdings apply.

5. Limitations on Applications

5.1 If you are an Eligible Shareholder, you may apply to acquire a Parcel of Shares of either:

- (a) Parcel 1 - 149 Shares or A\$998.30;
- (b) Parcel 2 - 298 Shares or A\$1996.60;
- (c) Parcel 3 - 447 Shares or A\$2994.90;
- (d) Parcel 4 - 597 Shares or A\$3999.90;
- (e) Parcel 5 - 746 Shares or A\$4998.20.

5.2 Eligible Shareholders who receive more than one offer under the SPP (for example, because they hold Shares in more than one capacity) may submit more than one Application (using multiple Application Forms or the Reference Number shown on the Application Forms) but may not apply for Shares with an aggregate cost of more than A\$5,000.

6. Karoon's Discretion Regarding Applications

6.1 Karoon may accept or reject applications to acquire Shares under the SPP, including (but not limited to) cases where:

- (a) an Application Form is incorrectly completed, incomplete or otherwise determined by Karoon to be invalid;
- (b) a cheque is dishonoured or has not been completed correctly;
- (c) a cheque, bank draft or money order is not made out for the exact amount of the Parcel of Shares selected on the Application Form;
- (d) a BPay® payment is not received, or is incomplete or invalid;
- (e) an applicant appears to be applying for more than A\$5,000 of Shares (in aggregate) at the Issue Price;
- (f) an Application Form is received after the Closing Date. While Karoon has discretion to accept late BPay® payments, Application Forms and cheques, bank drafts or money orders, there is no assurance that it will do so. Late BPay® payments, Application Forms and cheques, bank drafts or money orders, if not processed, will be returned to you at your registered address or refunded; or
- (g) Karoon believes an applicant is not an Eligible Shareholder (subject to compliance with any applicable Australian Securities & Investments Commission or ASX requirements).

7. Interest

No interest will be paid on any application monies, including any application monies returned to you.

8. Significance of Paying by Bpay® or Sending in an Application Form

8.1 If you apply to participate in the SPP by submitting a BPay® payment or completing and returning the Application Form:

- (a) you confirm that you are an Eligible Shareholder and represent and warrant that you are not:
 - (i) a "U.S. person" as defined in Regulation S under the US Securities Act and are not acting for the account or benefit of a U.S. Person, or
 - (ii) otherwise a person to whom it would be illegal to make an offer or issue of Shares under the SPP;
- (b) you certify that you have not applied for more than A\$5,000 of Shares under the SPP and any similar arrangement in the 12 months prior to your application, even though you may have received more than one offer under the SPP or received offers in more than one capacity under the SPP;
- (c) you agree that your application is made on these Terms and Conditions;
- (d) you accept that you will not be able to withdraw or revoke your Application or BPay® payment once you have sent it in;
- (e) you authorise Karoon (and its officers or agents) to correct any error or omission in your Application Form and to complete the Application Form by the insertion of any missing details;
- (f) you acknowledge that Karoon may at any time determine that your Application Form is valid, in accordance with these Terms and Conditions, even if the Application Form is incomplete, contains errors or is otherwise defective;
- (g) you agree that where you have previously provided Karoon or its securities registry with bank account details for the purpose of direct credit of Karoon dividends, any refund to be paid to you under these Terms and Conditions may be direct credited into that nominated account;
- (h) you accept the risk associated with any refund that may be sent to you by direct credit or cheque to your address shown on Karoon's register;
- (i) you are responsible for any dishonour fees or other costs Karoon may incur in presenting a cheque for payment which is dishonoured;
- (j) you acknowledge that Karoon has not provided you with investment advice or financial product advice, and that it does not have any obligation to provide this advice, concerning your decision to apply for and buy Shares;
- (k) you acknowledge that Karoon is not liable for any exercise of its discretions referred to in these Terms and Conditions;
- (l) you irrevocably and unconditionally agree to these Terms and Conditions and agree not to do any act or thing which would be contrary to the spirit, intention or purpose of the SPP;
- (m) you acknowledge that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws; and
- (n) you agree not to send any materials relating to the SPP to any person in the United States or that is, or is acting for the account or benefit of, a U.S. Person.

8.2 The postal acceptance rule does not apply to acceptance of this offer. If the full amount is not received via BPay® or tendered by cheque, bank draft or money order with a completed Application Form by the closing time for the offer, Karoon reserves the right to refund the money received without interest or return the cheque and Application Form to you and not allot any Shares to you.

9. Issue Price

- 9.1 The Issue Price will be an amount of A\$6.70 per Share.
- 9.2 You agree to pay the Issue Price per Share for the value of the Parcel of Shares you have selected.
- 9.3 The closing price of Karoon Shares as quoted on the ASX on 12 June 2009 was A\$7.21. The Issue Price is a set price which is not connected to the market price of Karoon Shares. The market price of Karoon Shares may be lower or exceed the Issue Price at any particular time.

10. Ranking of Shares

The Shares issued under the SPP will rank equally with existing Shares quoted on ASX, with the same voting rights and other entitlements.

11. Scaleback

- 11.1 Karoon reserves absolute discretion regarding the amount raised under the SPP, including the right to scale back applications (**Scaleback**).
- 11.2 If there is a Scaleback, you may not receive the full Parcel of Shares for which you have applied. If a Scaleback produces a fractional number when applied to your Parcel, the number of Shares you will be allotted will be rounded up to the nearest whole number of Shares.
- 11.3 In the event of a Scaleback, each applicant will be scaled back based on their Parcel size, shareholding at Record Date, or a combination of both. The difference between the value of the Shares allotted (calculated at the Issue Price) and the application money received will be refunded to you by Karoon, without interest, following allotment. Amounts will be refunded by direct credit to your nominated account for the payment of Karoon's dividends or by cheque mailed to your address as shown on Karoon's members register.

12. Administration of the SPP

- 12.1 Karoon has appointed E.L & C. Baillieu as broker to the SPP. They will be paid a management fee of 1% of funds raised for this role. In addition a stamping fee of 1.5% will be paid to licensed financial service providers.
- 12.2 Karoon reserves the right to withdraw the offer or suspend or terminate the SPP at any time up to the Allotment Date.
- 12.3 Karoon reserves the right to waive compliance with any provision of these Terms and Conditions. Karoon may amend these Terms and Conditions and, where there is any uncertainty as to the operation of the SPP, may make determinations about the operation, and may do so in each case generally or in relation to any participant or application. Any amendment or determination that is made by Karoon will be conclusive and binding on all eligible Karoon shareholders and other persons to whom the determination relates.

13. Governing Law

These Terms and Conditions are governed by the laws in force in Victoria, Australia and are to be interpreted in accordance with their spirit, intention and purpose.

14. Underwriting

The SPP is not underwritten.

QUESTIONS

If you have any questions about this SPP, please call:

Karoon's Share Registry Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or E.L & C. Baillieu Stockbroking Ltd on 1800 339 521 (within Australia) +61 3 9602 9222 (outside Australia).



Please return completed form to:
Computershare Investor Services Pty Limited
GPO Box 505 Melbourne
Victoria 8060 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
web.queries@computershare.com.au
www.computershare.com

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SAM
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



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For your security keep your SRN/HIN confidential.

Entitlement Number:
Record Date: 4 June 2009
Offer Closes: 5.00pm AEST 10 July 2009
Price per Security: A\$6.70

SHARE PURCHASE PLAN APPLICATION FORM

This personalised Application Form can only be used in relation to the securityholding represented by the SRN or HIN printed above. This is an important document and requires your immediate attention. If you are in doubt about how to deal with this document, please consult your financial or other professional adviser.

Pursuant to the terms and conditions of the Karoon Gas Australia Limited (Karoon) Share Purchase Plan (SPP) contained in the letter to Karoon securityholders dated 19 June 2009, Karoon is offering eligible securityholders the opportunity to purchase Karoon ordinary Shares (Shares) up to a maximum value of A\$4,998.20 per eligible securityholder, subject to a minimum application of A\$998.30.

If you do not wish to purchase additional Shares under this offer there is no need to take action.

By making your payment, you agree to be bound by the Constitution of Karoon and agree that the submission of this payment constitutes an irrevocable offer to you by Karoon to subscribe for Shares on the terms of the SPP. In addition, by submitting the slip below you certify that the aggregate of the application price paid by you for:

- the Shares the subject of the slip below; and
any other shares and interests in the class applied for by you under the SPP or any similar arrangement in the 12 months prior to the date of submission of the slip below, does not exceed A\$5,000.00.

METHOD OF ACCEPTANCE

You can apply for Shares and make your payment utilising one of the payment options detailed overleaf.

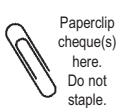
Karoon may make determinations in any manner it thinks fit, in relation to any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP whether generally or in relation to any participant or application. Any determinations by Karoon will be conclusive and binding on all eligible securityholders and other persons to whom the determination relates. Karoon reserves the right to waive strict compliance with any provision of the terms and conditions of the SPP, to amend or vary those terms and conditions and to suspend or terminate the SPP at any time. Any such amendment, variation, suspension or termination will be binding on all eligible securityholders even where Karoon does not notify you of that event.

KAR

SPRB



PLEASE DETACH HERE



Paperclip cheque(s) here. Do not staple.



Please see overleaf for Payment Options



Billor Code: 657494

Ref No: 123412341234123412

I/We wish to purchase: [] 149 Shares or A\$998.30 or [] 298 Shares or A\$1,996.60 or [] 447 Shares or A\$2,994.90 or [] 597 Shares or A\$3,999.90 or [] 746 Shares or A\$4,998.20

* These share amounts may be subject to scale-back in accordance with the terms of the SPP.

Payment Details - Please note that funds are unable to be directly debited from your bank account

Drawer, Cheque number, BSB number, Account number, Cheque amount

Make your cheque, bank draft or money order payable to Karoon Gas Australia Limited - Share Purchase Plan Trust Account

Contact Details

Please provide your contact details in case we need to speak to you about this slip

Name of contact person

Contact person's daytime telephone number

Name of contact person input field

Contact person's daytime telephone number input field

1234567890123456+1234567890-1234+12

How to accept the Share Purchase Plan

Payment Details

You can apply for Shares by utilising the payment options detailed below. There is no requirement to return the slip below if you are paying by electronic means. By making your payment using either electronic means or by cheque, bank draft or money order, you confirm that you:

- agree to all of the terms and conditions of the SPP as enclosed with this Application Form;

Your cheque, bank draft or money order payable to "Karoon Gas Australia Limited" in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian branch of a financial institution. Please ensure you submit the correct amount. Incorrect payments may result in your application being rejected. Complete cheque details in the boxes provided. **Please note that funds are unable to be directly debited from your bank account.**

If paying by cheque, return the slip below and Cheque, Bank Draft or money order in the envelope provided.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your application being rejected. Paperclip (do not staple) your cheque(s) to the slip below where indicated. Cash will not be accepted. A receipt for payment will not be forwarded.

Contact Details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding the slip below.

Lodgement of Application

If you are applying for Shares and your payment is being made by BPAY®, you do not need to return the slip below. Your payment must be received by no later than 5.00pm (AEST) on 10 July 2009. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order, the slip below must be received by Computershare Investor Services Pty Limited (CIS) Melbourne by no later than 5.00pm (AEST) on 10 July 2009. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for securityholders in Australia. New Zealand holders will need to affix the appropriate postage. Return the slip below with cheque, bank draft or money order attached.

Neither CIS nor Karoon accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au.

If you have any enquiries concerning this Application Form or your entitlement, please contact CIS on 1300 850 505 (within Australia) +61 3 9415 4000 (outside Australia) or E.L & C. Bailliau Stockbroking Ltd on 1800 339 521 (within Australia) +61 3 9602 9222 (outside Australia).

This form may not be used to notify your change of address. For information, please contact CIS or visit www.computershare.com (certificated/issuer sponsored holders only).

CHES holders must contact their Controlling Participant to notify a change of address

Payment Options:



Billers Code: 657494
Ref No: 123412341234123412

Telephone & Internet Banking – BPAY

Call your bank, credit union or building society to make this payment from your cheque or savings account. More info: www.bpay.com.au



By Mail
Karoon Gas Australia Limited
Computershare Investor
Services Pty Limited
GPO Box 505
Melbourne, Victoria 3001
AUSTRALIA



Entitlement Number: <xxxxxxxxxx>

SAMPLE CUSTOMER
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLETOWN TAS 7000

