



KAROON
Gas Australia Ltd

KAROON GAS AUSTRALIA LTD
ABN 53 107 001 338

QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2009 AND APPENDIX 5B

Review of Operations

Highlights;

- Encouraging results from Poseidon-1 exploration well with three gross sand reservoir intervals interpreted by the ConocoPhillips/Karooon Joint Venture to contain hydrocarbons.
- Subsequent to the end of the Quarter, the spudding of the Kontiki-1 exploration well.
- The drilling rig Transocean Legend contracted for a minimum of 2 wells with options to increase this up to 8 wells.
- The completion of a \$150 million share placement to sophisticated and professional investors.
- Subsequent to the end of the Quarter \$23.5 million was raised through a Share Purchase Plan.
- Planning, tendering and negotiating for 3D seismic acquisition programs commenced for Brazil and Peru.

Australia

Browse Basin Permits WA-314-P, WA-315-P and WA-398-P

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

During the Quarter Karoon and its joint venture partner, ConocoPhillips, made the Poseidon-1 gas discovery using the Sedco-703 drilling rig. 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. Further wells will be required to appraise the size and extent of the discovery.

The drilling rig, Sedco 703 was released from the Poseidon-1 well on the 28th May 2009.

Subsequent to the end of the Quarter, Karoon and its joint venture partner, ConocoPhillips (Browse Basin) Pty Ltd, spudded the Kontiki-1 exploration well using the Transocean Legend. The well was spudded in the northern most block, WA-314-P, on 22nd July 2009. The Kontiki-1 well had reached total depth of 2300mRT on 30 July 2009.

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

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

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

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

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

Bonaparte Basin AC/P8

During the Quarter Karoon continued planning for a Controlled Source Electro-Magnetic (CSEM) survey. This survey is expected to commence late in the third quarter calendar 2009.

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 a number of leads which will need to be further defined by Karoon and its joint venture partner Talisman Oil and Gas (Australia) Pty Limited.

Permit interests of the participants in AC/P8 are:

Talisman Oil & Gas (Australia) Pty Limited	33.33%
Karoon Energy International Ltd (Operator)	66.67%

South America

Brazil

Blocks 1037, 1101, 1102, 1165 and 1166.

During the Quarter, Karoon continued its planning of a 730 square kilometer 3D seismic acquisition program which is expected to commence late 2009/early 2010.

Karoon continued its geotechnical analysis of its Santos Basin blocks. Recent discoveries in the area immediately around Karoon's Santos Basin blocks provide it with more significant data. Karoon also commenced the environmental and regulatory approval process for future drilling operations in its blocks.

The Santos Basin is offshore from the Santa Catarina region of Brazil, just south of Rio de Janeiro, which 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 has a 100% working interest in its Santos Basin blocks 1037, 1101, 1102, 1165 and 1166.

Peru

Block Z38

During the Quarter Karoon commenced processing of its new 2D seismic data acquired earlier in the year. The interpretation of the data also commenced and along with continued geotechnical work. A proposed 1600 square kilometre 3D seismic acquisition program is expected to commence in late 2009/early 2010.

Karoon is now moving to the second phase of its farmin with Vamex to acquire an additional 40% interest in Block Z38 by acquiring additional 3D seismic data.

Block Z38 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 Z38. The Talara Basin to the south of the Tumbes Basin which has similar geology and has also produced more than 1 billion barrels of oil. The Talara Basin is also the location of the first oil production in South America in the late 1800's.

Block interests of the participants in Peru Block Z38 are:

KEI (Peru Z-38) Pty Ltd, Sucursal del Peru 20%

Vietnam American Exploration Company LLC (Operator) 80%

Karoon is in the process of becoming the operator of this Block pending regulatory approvals.

Block 144

During the Quarter Karoon signed the formal acceptance of the award of Block 144 during a signing ceremony in Lima, Peru.

Karoon commenced the planning for the reprocessing of the existing seismic data.

Karoon has a 100% working interest in Block 144.

For further information please contact:

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Company Secretary

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**QUARTERLY FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2009**

**Appendix 5B
Unaudited**

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Karoon Gas Australia Ltd

ABN

53 107 001 338

Quarter ended ("current quarter")

June 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$'000	Year to date (12 months) \$'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for:		
(a) exploration and evaluation	(29,183)	(52,086)
(b) development		
(c) production		
(d) administration	(2,242)	(5,537)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	860	4,627
1.5 Other costs of finance paid	(131)	(218)
1.6 Income taxes paid		
1.7 Other - GST refunds	523	526
Net Operating Cash Flows	(30,173)	(52,688)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) security deposits ⁶	7,186	(3,906)
(c) other fixed assets	(96)	(757)
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	7,090	(4,663)
1.13 Total operating and investing cash flows (carried forward)	(23,083)	(57,351)

1.13	Total operating and investing cash flows (brought forward)	(23,083)	(57,351)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	150,243	202,181
1.15	Funds Held in Escrow (Share Purchase Plan)	4,512	4,512
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – Equity Raising Costs	(6,222)	(8,287)
	Net financing cash flows	148,533	198,406
	Net increase (decrease) in cash held	125,450	141,055
1.20	Cash at beginning of quarter/year to date	113,581	77,423
1.21	Exchange rate adjustments to item 1.20	(10,793)	9,760
1.22	Cash at end of quarter	228,238	228,238

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	82
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 : \$ 22,000
Consulting Fees included in 1.23 : \$ 60,000

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	19,000
4.2 Development	Nil
Total	

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	45,167	11,623
5.2 Deposits at call	183,082	101,958
5.3 Bank overdraft		
5.4 Other		
Total: cash at end of quarter (item 1.22)	228,249	113,581

Changes in interests in tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in tenements relinquished, reduced or lapsed			
6.2	Interests in 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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 ⁺Ordinary securities	171,301,831	171,301,831		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Shares out of escrow	22,333,934 100,000 75,000	22,333,934 100,000 75,000	670 cents 295 cents 400 cents	670 cents 295 cents 400 cents
7.5 ⁺Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,645,000 1,500,000 1,500,000 1,500,000 1,030,000 1,105,000 230,000		<i>Exercise price</i> 295 cents 400 cents 450 cents 500 cents 400 cents 500 cents 685 cents	<i>Expiry date</i> 31 Oct 2010 30 Apr 2011 30 Apr 2011 30 Apr 2011 30 Apr 2010 30 Apr 2011 30 Oct 2011
7.8 Issued during quarter	230,000		<i>Exercise price</i> 685 cents	<i>Expiry date</i> 31 Oct 2011
7.9 Exercised during quarter	100,000 75,000		<i>Exercise price</i> 295 cents 400 cents	<i>Exercise date</i> 1 Jun 2009 29 Jun 2009
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

1 This statement has been prepared under accounting policies which comply with relevant Australian Accounting Standards as defined in the Corporations Act 2001 (see note 5); and

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 31st July 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.

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Note 1
Schedule of Exploration Permits
Held by the Consolidated Group
At 30th June 2009

<u>Exploration Permits</u>	<u>Basin</u>	<u>Operator</u>	<u>Interest %</u>
WA-314-P	Browse	ConocoPhillips	49.00
WA-315-P	Browse	ConocoPhillips	49.00
WA-398 P	Browse	ConocoPhillips	40.00
Brazil Block 1037	Santos	Karoon	100.00
Brazil Block 1101	Santos	Karoon	100.00
Brazil Block 1102	Santos	Karoon	100.00
Brazil Block 1165	Santos	Karoon	100.00
Brazil Block 1166	Santos	Karoon	100.00
Peru Block Z-38	Tumbes	VAMEX*	20.00
Peru Block 144	Maranon	Karoon	100.00
AC/P8	Bonaparte	Karoon	66.67

*Karoon to become the operator pending regulatory approvals.

Comment [g1]: