



KAROOON GAS AUSTRALIA LTD

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2009**

ABN 53 107 001 338

Contents	Page
Directors' Report	2
Auditor's Independence Declaration	7
Condensed Consolidated Statement of Comprehensive Income	8
Condensed Consolidated Statement of Financial Position	9
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	
Note 1 Basis of Preparation of Condensed Consolidated Financial Statements	12
Note 2 Results for Financial Half-Year	13
Note 3 Dividends	13
Note 4 Segment Information	14
Note 5 Issued Capital	17
Note 6 Commitments	18
Note 7 Contingent Liabilities	19
Note 8 Subsequent Events	19
Directors' Declaration	20
Independent Auditor's Review Report to the Members of Karoon Gas Australia Ltd	21
Glossary	23

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**DIRECTORS' REPORT
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2009**

The Board of Directors submit their Directors' Report on Karoon Gas Australia Ltd and its subsidiaries (the "Group") for the half-year ended 31 December 2009 (the "financial half-year").

Board of Directors

The names of the Directors of Karoon Gas Australia Ltd (the "Company") during the financial half-year and up to the date of this Directors Report are set out below:

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

Highlights - Company Operations

- DeGolyer and MacNaughton independent net contingent resource estimate of 1.27 Billion Barrels of Oil Equivalent ("boe") and Risked Net Mean Prospective resource estimate of 900 Million boe.
- The Poseidon-2 exploration well, the third in a multi-well drilling program in the Browse Basin, was spudded and subsequently completed and tested after the end of the financial half-year.
- During October 2009, the CGG Veritas seismic vessel "M/V Geowave Voyager" commenced a 2,800 square km 3D seismic acquisition over the greater Poseidon structure.
- During October 2009, an additional 15% interest in Block Z-38 was agreed to be acquired, taking Karoon's post farm-in and approvals equity interest to 75%.
- Successful share purchase plan capital raising of \$23.5 million was completed during July 2009.
- The Kontiki-1 exploration well, the second in a multi-well drilling program in the Browse Basin, was drilled.

Financial Results

The consolidated loss for the financial half-year was \$11,475,748 (2008: profit \$16,978,040). The loss for the financial half-year was largely attributable to net unrealised currency exchanges losses of \$9,456,049 on USD denominated cash and cash equivalents held by the Group as at 31 December 2009.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**DIRECTORS' REPORT (Continued)
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2009****Review of Operations****Australia***Browse Basin permits WA-314-P, WA-315-P and WA-398-P*

Further exploration of the Poseidon field continued over the period with the drilling of the Poseidon-2 well. This well forms part of a multiple well program which will define the size and production capacity of the Poseidon discovery and form the basis of a potential future development decision. The ongoing exploration program includes wells which are designed to test the extremities of the field as was the case with the recent Poseidon-2 well. The short term forward program involves the completion of the acquisition, processing and interpretation of the 2800 square kilometre Poseidon 3D seismic survey over the Poseidon field and surrounding prospective areas along with the drilling of the current Kronos-1 well. The new seismic data will form the basis for the planning of the next drilling program expected to commence during 2011 and continuing into 2012.

During the financial half-year, the Kontiki-1 exploration well was also drilled by the Transocean semi submersible rig, the "Transocean Legend". ConocoPhillips also exercised its right to acquire an additional 9% equity in exploration permits WA-314-P and WA-315-P. As part of the exercise of its option ConocoPhillips will pay 80% of the next US\$125 million in joint venture expenditure within exploration permits WA- 314-P and WA-315-P.

The Kontiki-1 exploration well in exploration permit WA-314-P was drilled to a total depth of 4,600 mRT and penetrated approximately 40 metres of interbedded sands with complex lithologies over a gross interval of approximately 460 metres. Interpretation of mudlogging and petrophysical data indicates some possible gas saturation in poorly developed sands.

The Poseidon-2 well was spudded during October 2009 with the objective to test the extent, presence and quality of reservoirs down-dip from the Poseidon-1 exploration well where the Plover Formation was interpreted to thicken. Poseidon-2 was located in WA-398-P, on the southern flank of the north-east trending structural high of the greater Poseidon structure.

Overall, the Poseidon-2 exploration well achieved the following:

- Intersected a potentially gas-charged Montara sand;
- Penetrated the three Plover Formation reservoir sands discovered in the Poseidon-1 well, establishing continuity of the gross sand intervals and intervening shales;
- Conducted Drill Stem Tests ("DST") that prove log interpretation results identifying the presence of movable gas; and
- Karoon reservoir modelling indicated that Plover B reservoir properties at this down-dip location should be sufficient to contribute to overall field gas recovery.

An initial Plover Formation level DST failed due to technical difficulties. When the DST was re-run gas was produced to surface at a maximum rate of 850 standard cubic feet per day on a 1" choke. Karoon's interpretation is that the restricted flow resulted in part from completion brine being present in the well, severely restricting gas flow to the surface. Liquids volumes were not measured due to the low gas rates and a gas-liquids separator was not used.

The geological and reservoir simulation modelling by Karoon of the Poseidon field incorporating the Poseidon-2 Plover-B core permeability data are considered unlikely to materially impact the Karoon pre-drill P50 7 TCF Poseidon contingent resource estimates for the Plover reservoirs.

Prior to intersecting the Plover Formation the well penetrated a 20 metre gross hydrocarbon bearing sand in the Montara Formation not seen in Poseidon-1.

For further information please see the Karoon website or contact:

**DIRECTORS' REPORT (Continued)
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2009**

Review of Operations

Australia

Browse Basin permits WA-314-P, WA-315-P and WA-398-P (continued)

The Poseidon-2 well was drilled to a total depth of 5,356 mRT and was plugged and abandoned on 17 February 2010. The Poseidon-2 well fulfils one of the primary term well commitments in WA-398-P.

The next well in the current drilling campaign is Kronos-1, located on the south-western high of the greater Poseidon structure. Kronos-1, which is also being drilled by the Transocean Legend, was spudded during February 2010 and drilling is continuing. This well is designed to test and evaluate the Plover reservoirs located high on the structure. A key Kronos-1 objective is to define potential commercial production rates and gas composition on the crest of the greater Poseidon structure. The drilling of the Kronos-1 will continue to fulfil primary term well commitments in WA-398-P.

Also during October 2009, the CGG Veritas seismic vessel, the M/V Geowave Voyager commenced a 2,828 square km 3D seismic acquisition program over the greater Poseidon structure. The acquisition is currently 94% complete. This new 3D seismic covers southern WA-315-P and the northern section of WA-398-P. The survey will provide a uniform set of high quality seismic data over the entire Poseidon trend also covering additional leads that could be tied into a Poseidon development in the event of exploration success.

The offshore Browse Basin is located 350 km offshore from the North-Western Australian coastline. The company's review of operations for the Browse Basin permits do not necessarily reflect the views of ConocoPhillips.

Permit interests of the participants in WA-314-P, WA-315-P and WA-398-P are:

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

Bonaparte Basin permit AC/P8

During the financial half-year, Karoon continued planning and tendering for a Controlled Source Electro Magnetic ("CSEM") survey. This survey is expected to commence during calendar 2010.

Karoon believes the AC/P8 permit offers good exploration potential, due to its location in an existing oil and gas producing province and its proximity to several producing oilfields, including the Woodside operated Laminaria 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.

Permit interests of the participants in AC/P8 are:

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

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**DIRECTORS' REPORT (Continued)
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2009****Review of Operations****Worldwide***Brazil Blocks 1037, 1101, 1102, 1165 and 1166*

During the financial half-year, Karoon completed its planning and contracting work for a 750 square km 3D seismic acquisition program. The 3D seismic acquisition has been contracted to WesternGeco and commenced mid February 2010.

Initial research and planning for a drilling program also commenced during the financial half-year with the environmental and regulatory approval process for future drilling operations underway. Drilling is anticipated to commence early calendar 2011.

Karoon continued its geotechnical work in its Santos Basin Blocks. Recent discoveries in the area immediately around Karoon's Blocks provide Karoon with additional information assisting with the delineation of prospects and leads.

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, the Newton oil discovery, the Caravela and Coral fields and the Merluza field.

Most recently Petrobras announced the discovery of a 550 million boe in place resource at the Piracuca field just 5 kms to the east of Karoon's permits. Karoon is currently evaluating the available technical information from this discovery.

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

Peru Block Z-38

During financial half-year, Karoon agreed to acquire an additional 55% interest in Block Z-38 to hold a total 75% interest. To earn its additional 55% interest, Karoon will fund the continuing work program through the second and third period of the exploration phase of the licence contract, including two exploration wells. Drilling in the Block is expected late calendar 2011.

Interpretation of new 2D seismic data acquired earlier in 2009 was complete and planning for the new 3D seismic acquisition continued.

Karoon completed negotiations with CGG Veritas for the use of the "M/V Geowave Endeavour" for a 1,500 square km 3D seismic survey. Seismic acquisition was completed late in February 2010. Processing and interpretation will continue throughout the first half of calendar 2010.

Block Z-38 is located in the Tumbes Basin, offshore in the northwest of Peru. It is a region that is experiencing renewed activity after a series of successful exploration programs by the holder of the license area adjoining Block Z-38. The Talara Basin, to the south of the Tumbes Basin, has produced more than 1 billion barrels of oil. The Talara Basin is reported to be the location of the first oil production in South America in the late 1800's.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**DIRECTORS' REPORT (Continued)
FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2009****Review of Operations***Peru Block Z-38 (continued)*

After completion of the farm-in work programs and regulatory approvals equity interests in Block Z-38 will be:

KEI (Peru Z38) Pty Ltd, Sucursal del Peru (Operator)	75% *
Vietnam American Exploration Company LLC	25%

* Equity interests stated are based on the post farm-in ownership. KEI (Peru Z-38) Pty Ltd, Sucursal del Peru is a subsidiary of Karoon.

Peru Block 144

Karoon continued its geotechnical, social and environmental work in the Block and has now completed the reprocessing of 1,000 kms of existing 2D seismic data.

Karoon has a 100% working interest in Block 144.

Future Plans, Development, Business Strategies and Prospects

Other than the matters included in this Directors' Report or elsewhere in the Interim Financial Report, future developments, business strategies and prospects of the Group and the expected results of those operations have not been disclosed as the Directors believe that the inclusion would most likely result in unreasonable prejudice to the Company and/or the Group.

Auditor's Independence 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 Directors' Report is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:



Mr Robert Hosking
Executive Chairman

Dated Melbourne, 1 March 2010

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**AUDITORS' INDEPENDENCE DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
Website: www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the review of Karoon Gas Australia Ltd for the half year ended 31 December 2009, 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 Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Charles Christie'.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
1 March 2010

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	Consolidated	
		31 Dec 2009	31 Dec 2008
		\$	\$
Revenue		3,768,267	3,127,484
Other income		914	19,768,302
Total revenue and other income		3,769,181	22,895,786
Computer support		(180,717)	(213,616)
Consulting fees		(161,752)	(614,257)
Depreciation and amortisation expense		(211,756)	(228,314)
Employee benefits expense (net)		(3,421,338)	(3,021,576)
Exploration and evaluation expenditure expensed or written off		(68,966)	(553,593)
Finance costs		(72,534)	(72,951)
Legal fees		(276,912)	(62,940)
Net foreign currency losses		(9,281,522)	-
Property costs		(102,775)	(106,998)
Share registry and listing fees		(342,257)	(129,843)
Travel and accommodation expenses		(350,030)	(70,088)
Other expenses		(774,370)	(843,570)
Total expenses		(15,244,929)	(5,917,746)
Profit (loss) before income tax		(11,475,748)	16,978,040
Income tax		-	-
Profit (loss) for financial half-year	2	(11,475,748)	16,978,040
Other comprehensive income:			
Exchange differences arising from the translation of financial statements of foreign subsidiaries		(245,350)	(826,494)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for financial half-year, net of tax		(245,350)	(826,494)
Total comprehensive income for financial half-year		(11,721,098)	16,151,546
Earnings per share for profit (loss) attributable to ordinary equity holders of the company:			
Basic profit (loss) per ordinary share		(0.0651)	0.1176
Diluted profit (loss) per ordinary share *		(0.0651)	0.1171

* Diluted loss per ordinary share equates to basic loss per ordinary share because a loss per share is not considered dilutive for the purposes of calculating earnings per share pursuant to AASB 133 'Earnings per Share'.

The accompanying notes form an integral part of these condensed consolidated financial statements.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	Consolidated	
		31 Dec 2009 \$	30 June 2009 \$
Current Assets			
Cash and cash equivalents		197,052,299	228,238,280
Trade and other receivables		3,031,139	1,785,266
Inventories		807,072	1,448,793
Security deposits		2,843,360	3,172,610
Other assets		490,244	299,002
Total current assets		204,224,114	234,943,951
Non-Current Assets			
Property, plant and equipment		681,111	618,562
Intangible assets		375,462	240,689
Exploration and evaluation expenditure carried forward		166,381,101	100,235,662
Security deposits		11,062,082	10,331,455
Total non-current assets		178,499,756	111,426,368
Total assets		382,723,870	346,370,319
Current Liabilities			
Trade and other payables		24,944,746	7,105,297
Funds held in escrow		-	4,512,228
Total current liabilities		24,944,746	11,617,525
Non-Current Liabilities			
Long-term provisions		44,100	93,955
Total non-current liabilities		44,100	93,955
Total liabilities		24,988,846	11,711,480
Net Assets		357,735,024	334,658,839
Equity			
Issued capital	5	379,511,212	347,331,271
Accumulated losses		(31,292,349)	(19,816,601)
Share-based payments reserve		10,607,402	7,990,060
Foreign currency translation reserve		(1,091,241)	(845,891)
Total Equity		357,735,024	334,658,839

The accompanying notes form an integral part of these condensed consolidated financial statements.

For further information please see the Karoon website or contact:

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

Consolidated	Issued capital	Accumulated losses	Share-based payments reserve	Foreign currency translation reserve	Total Equity
	\$	\$	\$	\$	\$
Balance as at 1 July 2008	151,335,352	(24,269,367)	3,676,071	-	130,742,056
Profit for the financial half-year	-	16,978,040	-	-	16,978,040
Exchange differences arising from the translation of financial statements of foreign subsidiaries	-	-	-	(826,494)	(826,494)
Total comprehensive income for financial half-year	-	16,978,040	-	(826,494)	16,151,546
Transactions with owners in their capacity as owners:					
Ordinary shares issued	54,562,950	-	-	-	54,562,950
Transaction costs arising on shares issued	(2,064,416)	-	-	-	(2,064,416)
Share-based payments expense	-	-	2,725,666	-	2,725,666
	52,498,534	-	2,725,666	-	55,224,200
Balance as at 31 December 2008	203,833,886	(7,291,237)	6,401,737	(826,494)	202,117,802
Balance as at 1 July 2009	347,331,271	(19,816,601)	7,990,060	(845,891)	334,658,839
Loss for the financial half-year	-	(11,475,748)	-	-	(11,475,748)
Exchange differences arising from the translation of financial statements of foreign subsidiaries	-	-	-	(245,350)	(245,350)
Total comprehensive income for financial half-year	-	(11,475,748)	-	(245,350)	(11,721,098)
Transactions with owners in their capacity as owners:					
Ordinary shares issued	32,468,259	-	-	-	32,468,259
Transaction costs arising on shares issued	(288,318)	-	-	-	(288,318)
Share-based payments expense	-	-	2,617,342	-	2,617,342
	32,179,941	-	2,617,342	-	34,797,283
Balance as at 31 December 2009	379,511,212	(31,292,349)	10,607,402	(1,091,241)	357,735,024

The accompanying notes form an integral part of these condensed consolidated financial statements.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Consolidated	
	31 Dec 2009	31 Dec 2008
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers (inclusive of GST refunds)	359,629	324,665
Payments to suppliers and employees (inclusive of GST)	(3,416,787)	(3,026,494)
Interest received	3,094,609	2,240,671
Interest and other costs of finance paid	(72,534)	-
Net cash flows used in operating activities	(35,083)	(461,158)
Cash Flows From Investing Activities		
Purchase of plant and equipment and computer software	(409,068)	(265,354)
Payments for exploration and evaluation expenditure	(48,440,993)	(11,714,278)
Payment of security deposits	-	(3,630,190)
Net cash flows used in investing activities	(48,850,061)	(15,609,822)
Cash Flows From Financing Activities		
Proceeds from issue of ordinary shares	27,956,031	51,937,950
Payments for transaction costs arising on ordinary shares issued	(800,819)	(2,064,416)
Net cash flows provided by financing activities	27,155,212	49,873,534
Net increase (decrease) in cash held	(21,729,932)	33,802,554
Cash as at beginning of financial half-year	228,238,280	77,423,254
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(9,456,049)	19,968,302
Cash as at End of Financial Half-Year	197,052,299	131,194,110

The accompanying notes form an integral part of these condensed consolidated financial statements.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009****NOTE 1 BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The condensed consolidated financial statements are general-purpose financial statements, which have been prepared in accordance with Australian Accounting Standard *AASB 134 'Interim Financial Reporting'* and the *Corporations Act 2001*.

The condensed consolidated financial statements do not include all the notes of the type normally included in an Annual Financial Report.

It is recommended that the condensed consolidated financial statements be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and any public announcements made by Karoon Gas Australia Ltd during the half-year ended 31 December 2009 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Apart from the changes in accounting policy noted below, the condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as used in the corresponding interim financial half-year and Annual Financial Report for the financial year ended 30 June 2009.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with financial half-year amounts and other disclosures.

Australian Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current reporting period. Disclosures required by these Standards that are deemed material have been included in these condensed consolidated financial statements on the basis that they represent a significant change in information from that previously made available.

Segment information

The Group has applied *AASB 8 'Operating Segments'* from 1 July 2009. *AASB 8* requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Previously, operating segments were determined and presented in accordance with *AASB 114 'Segment Reporting'* that required an entity to identify two sets of segments (geographical and business), using a risk and rewards approach, with the entity's system of internal reporting only the starting point of such segments.

As a result, following the adoption of *AASB 8*, the identification of the Group's reportable segments has changed to be in a manner consistent with the internal reporting provided to the chief operating decision maker.

Reconciliations of such internal reporting information to the statutory information contained in the condensed consolidated financial statements have been included in Note 4.

Comparative segment information has been re-presented in conformity with the transitional requirements of *AASB 8*. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1 BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Presentation of condensed consolidated financial statements

The Group applies revised AASB 101 'Presentation of Financial Statements', which became effective as of 1 July 2009. As a result, the Group presents in the Condensed Consolidated Statement of Changes in Equity all changes in equity arising from transactions with owners in their capacity as owners separately from all non-owner changes in equity, which are now presented in the Condensed Consolidated Statement of Comprehensive Income. This presentation has been applied in the condensed consolidated financial statements as at and for the half-year ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per ordinary share.

In addition, other financial statements have been renamed in accordance with the Standard.

Going Concern

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

- i. Farm-out its interests in exploration permits/blocks in order to fund future exploration expenditure commitments;
- ii. Raise capital through the issue of new ordinary shares in the Company to meet working capital requirements and/or 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 twelve-month period from the date of signing the Directors' Declaration, the Group and Company will have sufficient liquidity to meet their existing commitments and accordingly present these condensed consolidated financial statements on a going concern basis.

NOTE 2 RESULTS FOR FINANCIAL HALF-YEAR

	Consolidated	
	31 Dec 2009	31 Dec 2008
	\$	\$
The results for the financial half-year include the following revenue and expense items which are unusual because of their nature, size or incidence:		
Net foreign currency (losses) gains	(9,281,522)	19,768,302

NOTE 3 DIVIDENDS

There were no ordinary dividends declared or paid during the financial half-year by the Company (31 December 2008: \$Nil).

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009****NOTE 4 SEGMENT INFORMATION****(a) Description of segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Chairman and Executive Director and exploration manager (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments identified are based on the Group's equity interest in each individual exploration permit. Discrete financial information (including expenditure on exploration and evaluation assets) is provided to the chief operating decision maker on a regular basis. In certain circumstances individual exploration permits are aggregated into a single operating segment where the economic characteristics and long term planning and operational considerations of the individual exploration permits are such that they are considered interdependent.

The Group has identified three operating segments:

- Australia exploration – the Group is currently involved in the exploration and evaluation of hydrocarbons in four offshore permit areas within the Browse Basin, Australia: WA-314-P, WA-315-P, WA-398-P and AC/P8;
- Brazil exploration – the Group is currently involved in the exploration and evaluation of hydrocarbons in five offshore blocks within the Santos Basin, Brazil: Block 1037, Block 1101, Block 1102, Block 1165, Block 1166;
- Peru exploration – the Group is currently involved in the exploration and evaluation of hydrocarbons in onshore and offshore blocks Peru: Block 144 and Block Z-38.

Unallocated assets include amounts of a corporate nature not specifically attributable to an operating segment.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment but are reviewed by the chief operating decision maker on a monthly basis:

- Interest income
- Net foreign currency gains and losses
- Finance costs
- Employee benefits expense (net)
- Administration and other operating expenses
- Property costs
- Income tax expense.

Employee benefits expenses and other operating expenses, that are associated with the exploration for and evaluation of the resources and specifically relate to an area of interest, are allocated to the area of interest and are capitalised as exploration and evaluation assets.

Segment revenues and results do not include transfers between segments as intercompany balances are eliminated on consolidation.

For further information please see the Karoon website or contact:

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

NOTE 4 SEGMENT INFORMATION (Continued)

(b) Operating segments

Segment performance	Australia	Brazil	Peru	Unallocated	Consolidated
	\$	\$	\$	\$	\$
Revenue for half-year 31 December 2009					
Segment revenue	-	-	-	-	-
Interest income from unrelated entities					3,768,267
Total revenue					3,768,267
Result for half-year 31 December 2009					
Segment result	(21,443)	(5,136)	(2,839)	(38,634)	(68,052)
Interest income from unrelated entities					3,768,267
Net foreign currency losses					(9,281,522)
Finance costs					(72,534)
Employee benefits expense (net)					(3,421,338)
Administration and other operating expenses					(2,297,794)
Property costs					(102,775)
Loss before income tax					(11,475,748)
Income tax					-
Loss for financial half year					(11,475,748)
Revenue for half-year 31 December 2008					
Segment revenue	-	-	-	-	-
Interest income from unrelated entities					3,127,484
Total revenue					3,127,484
Result for half-year 31 December 2008					
Segment result	(137,831)	(4,992)	(277,974)	(132,796)	(553,593)
Interest income from unrelated entities					3,127,484
Net foreign currency gains					19,768,302
Finance costs					(72,951)
Employee benefits expense (net)					(3,021,576)
Administration and other operating expenses					(2,162,628)
Property costs					(106,998)
Profit before income tax					16,978,040
Income tax					-
Profit for financial half year					16,978,040

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

NOTE 4 SEGMENT INFORMATION (Continued)

(b) Operating segments (Continued)

Segment assets	Australia	Brazil	Peru	Unallocated	Consolidated
	\$	\$	\$	\$	\$
As at 31 December 2009					
Segment assets	133,551,000	46,154,626	12,072,995	190,945,249	382,723,870
<u>Segment asset information:</u>					
Cash and cash equivalents	6,444,371	1,106,280	533,354	188,968,294	197,052,299
Exploration and evaluation expenditure carried forward	124,574,074	34,060,826	7,746,201	-	166,381,101
Security deposits	34,082	10,972,146	2,843,359	55,855	13,905,442
Other	2,532,555	15,374	950,081	1,887,018	5,385,028
As at 30 June 2009					
Segment assets	65,139,315	42,772,517	10,709,564	227,748,923	346,370,319
<u>Segment asset information:</u>					
Cash and cash equivalents	1,655,114	752,041	40,890	225,790,235	228,238,280
Exploration and evaluation expenditure carried forward	61,865,072	31,728,583	6,642,007	-	100,235,662
Security deposits	34,015	10,283,616	3,130,591	55,843	13,504,065
Other	1,585,114	8,277	896,076	1,902,845	4,392,312

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

NOTE 5 ISSUED CAPITAL

		31 Dec 2009	30 June 2009
(a) Share capital		\$	\$
Ordinary shares, fully paid		379,511,212	347,331,271
(b) Movement in ordinary shares			
		Number of ordinary shares	\$
Date	Details		
30 June 2008	Opening balance in previous financial year	132,277,897	151,346,874
16 July 2008	Exercise of ESOP options	40,000	81,200
21 July 2008	Exercise of ESOP options	20,000	40,600
7 August 2008	Share placement	14,000,000	49,000,000
19 August 2008	Exercise of ESOP options	30,000	60,900
18 September 2008	Exercise of ESOP options	75,000	152,250
19-25 September 2008	Exercise of other share options	2,250,000	5,025,000
31 October 2008	Exercise of ESOP options	100,000	203,000
1 June 2009	Exercise of ESOP options	100,000	295,000
16 June 2009	Share placement	22,333,934	149,637,358
29 June 2009	Exercise of ESOP options	75,000	300,000
	Less: Transaction costs arising on ordinary shares issued during previous financial year		(8,810,911)
30 June 2009	Balance as at end of previous financial year	171,301,831	347,331,271
2 July 2009	Exercise of ESOP options	30,000	88,500
7 July 2009	Exercise of ESOP options	50,000	200,000
14 July 2009	Exercise of ESOP options	200,000	695,000
17 July 2009	Exercise of ESOP options	100,000	295,000
21 July 2009	Exercise of ESOP options	230,000	783,500
22 July 2009	Exercise of ESOP options	30,000	120,000
24 July 2009	Share purchase plan	3,514,367	23,546,259
27 July 2009	Exercise of ESOP options	300,000	1,300,000
30 July 2009	Exercise of ESOP options	10,000	40,000
10 August 2009	Exercise of other share options	1,250,000	5,000,000
28 October 2009	Exercise of ESOP options	100,000	400,000
	Less: Transaction costs arising on ordinary shares issued during the financial half-year		(288,318)
31 December 2009	Balance as at end of financial half-year	177,116,198	379,511,212

For further information please see the Karoon website or contact:

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

NOTE 6 COMMITMENTS

	Consolidated	
	31 Dec 2009	30 June 2009
	\$	\$
(a) Capital expenditure commitments		
Contracts for capital expenditure in relation to assets not provided for in the condensed consolidated financial statements:		
(i) Drilling operations		
Not later than 1 year	57,654,085	19,837,934
	<hr/> 57,654,085	<hr/> 19,837,934
(ii) Seismic		
Not later than 1 year	36,901,576	926,978
	<hr/> 36,901,576	<hr/> 926,978
Total capital expenditure commitments	<hr/> 94,555,661	<hr/> 20,764,912

(b) Exploration expenditure commitments

Some subsidiaries within the Group have commitments for exploration expenditure arising from commitments to governments, to perform minimum exploration and evaluation work and expend minimum amounts of money pursuant to the award of exploration permits WA-314-P, WA-315-P, WA-398-P, Block 1037, Block 1101, Block 1102, Block 1165, Block 1166, Block Z-38, Block 144 and AC/P8 not provided for in the condensed consolidated financial statements. Included in exploration expenditure commitments are \$171,047,419 (30 June 2009: \$190,678,235) of commitments that relate to the non-guaranteed work commitments:

Not later than 1 year	76,927,132	84,419,775
Later than 1 year but not later than 5 years	194,245,589	234,928,576
Total exploration expenditure commitments	<hr/> 271,172,721	<hr/> 319,348,351

Estimates for future exploration expenditure commitments to government are based on estimated well and seismic costs, which will change as actual drilling locations and seismic surveys are organised, and are determined in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties.

The commitments may also be reduced by the Group entering into farm-out agreements, which are typical of the normal operating activities of the Group.

Where exploration and evaluation expenditure included in this category relates to an existing contract for expenditure, the amount will be included in both categories (a) and (b) above.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009****NOTE 7 CONTINGENT LIABILITIES**

An additional performance guarantee (via a letter of credit) for \$4,069,573 was established as at 31 December 2009 and was provided to Perupetro SA on 4 January 2010 for Block Z-38 for the second year work commitments. The first year work commitments for the Block, which are also supported by a letter of credit totaling \$2,564,388, is expected to be released by Peru Petro SA during March 2010. The Directors are of the opinion that the work commitments for the Block will be satisfied. The letters of credit are fully funded by way of payment of security deposits, which will be released once the commitments are met.

NOTE 8 SUBSEQUENT EVENTS

Since 31 December 2009, the following material events have occurred:

(a) Poseidon-2 exploration well

The Poseidon-2 well was drilled to a total depth of 5,356 mRT and was plugged and abandoned on 17 February 2010. The Poseidon-2 well fulfils one of the primary term well commitments in WA-398-P.

(b) Kronos-1 exploration well

Located on the south-western high of the greater Poseidon structure Kronos-1 was spudded during February 2010 and drilling is continuing. This well is designed to test interpreted higher quality Plover Formation C sand interval reservoirs located high on the structure and also to test Formation B sand interval reservoirs updip from the Poseidon 2 well. A key Kronos-1 objective is to define likely commercial production rates and gas composition for possible future development production wells located on the crest of the greater Poseidon structure.

(c) Brazilian seismic acquisition

A 750 square kilometre 3D seismic acquisition program over Karoon's Santos Basin blocks commenced on the 10 February 2010 using the WesternGeco seismic vessel the Western Patriot.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

**DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

In the Directors' opinion:

1. The condensed consolidated financial statements and notes set out on pages 8 to 19 are in accordance with the *Corporations Act 2001* including:
 - a) Complying with Australian Accounting Standard *AASB 134 'Interim Financial Reporting'* and the *Corporations Regulations 2001*; and
 - b) Giving a true and fair view of the financial position as at 31 December 2009 and the performance for the financial half-year ended on that date of the Group.
2. There are reasonable grounds to believe that the Company 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 Board of Directors.

On behalf of the Directors:



Mr Robert Hosking
Executive Chairman

Dated Melbourne, 1 March 2010

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KAROON GAS AUSTRALIA LTD



PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
Website: www.pwc.com/au

Independent auditor's review report to the members of Karooon Gas Australia Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Karoon Gas Australia Ltd (the "Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Karoon Gas Australia Ltd Group (the "Group"). The Group comprises both 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 Group's financial position as at 31 December 2009 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 Karoon Gas Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Liability limited by a scheme approved under Professional Standards Legislation

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au



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

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.

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.

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

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 Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2009 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*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Charles Christie'.

Charles Christie
Partner

Melbourne
1 March 2010

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
Telephone: 03 5974 1044
E-mail: scotthosking@karoongas.com.au
Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
Telephone: 0407 822 319
E-mail: ian@collinsstreetmedia.com.au

GLOSSARY

Term	Definition
2D	Two-dimensional seismic.
3D	Three-dimensional seismic.
\$ or cents	Units of Australian currency.
AASB	Australian Accounting Standards Board.
ASX	Australian Securities Exchange or ASX Limited (ABN: 98 008 624 691).
Block	A licence or concession area. It may be almost any size or shape, although usually part of a grid pattern.
boe	Barrel of oil equivalent. The factor used to convert gas to oil equivalent is based upon an approximate energy value of 6,000 standard cubic feet per barrel and not price equivalence at the time.
condensate	Hydrocarbons which are predominantly pentane and heavier compounds which spontaneously separate out from natural gas at the well head and condense to liquid.
ConocoPhillips	ConocoPhillips (Browse Basin) Pty Ltd.
contingent resources	Quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not yet currently considered to be commercially recoverable.
CSEM	Controlled Source Electro Magnetic (survey).
Director	A Director of Karoon Gas Australia Ltd.
discovery	The first successful well on a new prospective reservoir structure.
DST	Drill stem test.
ESOP	The Karoon Gas Australia Employee Share Option Plan.
exploration	The process of identifying prospective hydrocarbon regions and structures, mainly by reference to regional and specific geochemical, geological, geophysical surveys and drilling.
farm-in and farm-out	A commercial agreement in which an incoming joint venture participant (the "farmee") earns an interest in an exploration permit by funding a proportion of exploration and evaluation expenditures, while the participant owning the interest in the permit (the "farmor") pays a reduced contribution. The interest received by a farmee is a farm-in while the interest transferred by the farmor is a farm-out.
Group	Karoon Gas Australia Ltd and its subsidiaries.
GST	Goods and Services Tax in Australia.
hydrocarbon	A compound of the elements hydrogen and carbon, in either liquid or gaseous form. Natural gas and petroleum are mixtures of hydrocarbons.
Karoon or Company	Karoon Gas Australia Ltd.
km	Kilometre.
lead	A potential hydrocarbon target which had been identified but is under evaluation.
LNG	Liquefied natural gas.
m	Metres.
mRT	Metres rotary table.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
 Telephone: 03 5974 1044
 E-mail: scotthosking@karoongas.com.au
 Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
 Telephone: 0407 822 319
 E-mail: ian@collinsstreetmedia.com.au

GLOSSARY (Continued)

Term	Definition
Monte Carlo simulation	Where there is uncertainty in the variables used in the calculation of economically recoverable reserves, the ranges of possible values of each variable can be incorporated in a Monte Carlo simulation calculation to produce a range of probabilistic outcomes that reflect that uncertainty. The "mean" is the expected outcome. The P10 (probability greater than 10%) is often used as the maximum case, the P50 (probability of 50%) the mid case and the P90 (probability greater than 90%) the minimum case.
operator	One joint venture participant which had been appointed to carry out all operations on behalf of all the joint venture participants.
ordinary shares	The ordinary shares in the capital of Karoon Gas Australia Ltd.
permit	A hydrocarbon tenement, lease, licence, concession or Block.
play	A geological concept which, if proven correct, could result in the discovery of hydrocarbons.
prospect	A geological or geophysical anomaly that had been surveyed and defined, usually by seismic data, to the degree that its configuration is fairly well established, and on which further exploration such as drilling can be recommended.
prospective resource	The term used to describe undiscovered volumes in an exploration prospect yet to be drilled.
PSDM	Pre Stack Depth Migration.
reservoir	A porous and permeable rock formation to store and transmit fluids such as hydrocarbons and water.
risk	Prospect risk or geologic risk is the assessed chance that the drilling of the prospect will be successful in finding significant volumes of hydrocarbons. The risk is calculated by multiplying the chance of success of each of the petroleum system elements involved in the prospect.
seismic survey	A type of geophysical survey where the travel times of artificially created seismic waves are measured as they are reflected in a near vertical sense back to the surface from subsurface boundaries. This data is typically used to determine the depths to the tops of stratigraphic units and in making subsurface structural contour maps and ultimately in delineating prospective structures.
spud	To start drilling a new well.
Talisman	Talisman Oil & Gas (Australia) Pty Limited.
TCF	Trillion cubic feet (1,000,000,000,000 cubic feet).
unrisked	Without risk.
USD	United States dollars.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary
 Telephone: 03 5974 1044
 E-mail: scotthosking@karoongas.com.au
 Website: www.karoongas.com.au

Ian Howarth: Collins Street Media
 Telephone: 0407 822 319
 E-mail: ian@collinsstreetmedia.com.au