Hot air balloon catches fire over Yarra Valley, east of Melbourne

A woman has been taken to hospital after a hot air balloon caught fire while flying through the Yarra Valley, east of Melbourne.

Key points:

- The fire was started by an in-flight burner
- One woman was taken to hospital with minor injuries
- About 15 others on board were unharmed

The Australian Transport Safety Bureau (ATSB), which is investigating, said the fire was caused by an in-flight burner on the Kavanagh B-350 balloon.

The balloon landed in a paddock near Cahillton Road, Gruyere, about 6:15am.

Police initially said up to a dozen people were on board, but the ATSB said it was carrying 16 people.

They included a 27-year-old woman who was taken to Maroondah Hospital with minor injuries.

She was reported to be in a stable condition.

None of the others on board were injured, Ambulance Victoria said.

Photo: Local CFA crews were at the scene for around an hour. (ABC News)

Six crews from the Country Fire Authority attended the scene, where the charred remains of the balloon's basket sat in a patch of burnt-out grass.

"ATSB transport safety investigators have begun the evidence collection phase, which will define the size and scope of the investigation," it said in a statement.

"Should a critical safety issue be identified during the course of the investigation, the ATSB will immediately notify relevant parties so appropriate action can be taken."

The balloon is branded with the name of an Alice Springs-based company, Outback Ballooning, which said it sold the balloon to another operator some time ago.