

Karoon Gas Australia Ltd

Annual General Meeting

22 October 2015



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*"Olinda Star" Semi Submersible Drilling Rig,
Echidna-1 Production Test*

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CORPORATE REVIEW

Robert Hosking,
Managing Director

Corporate Overview



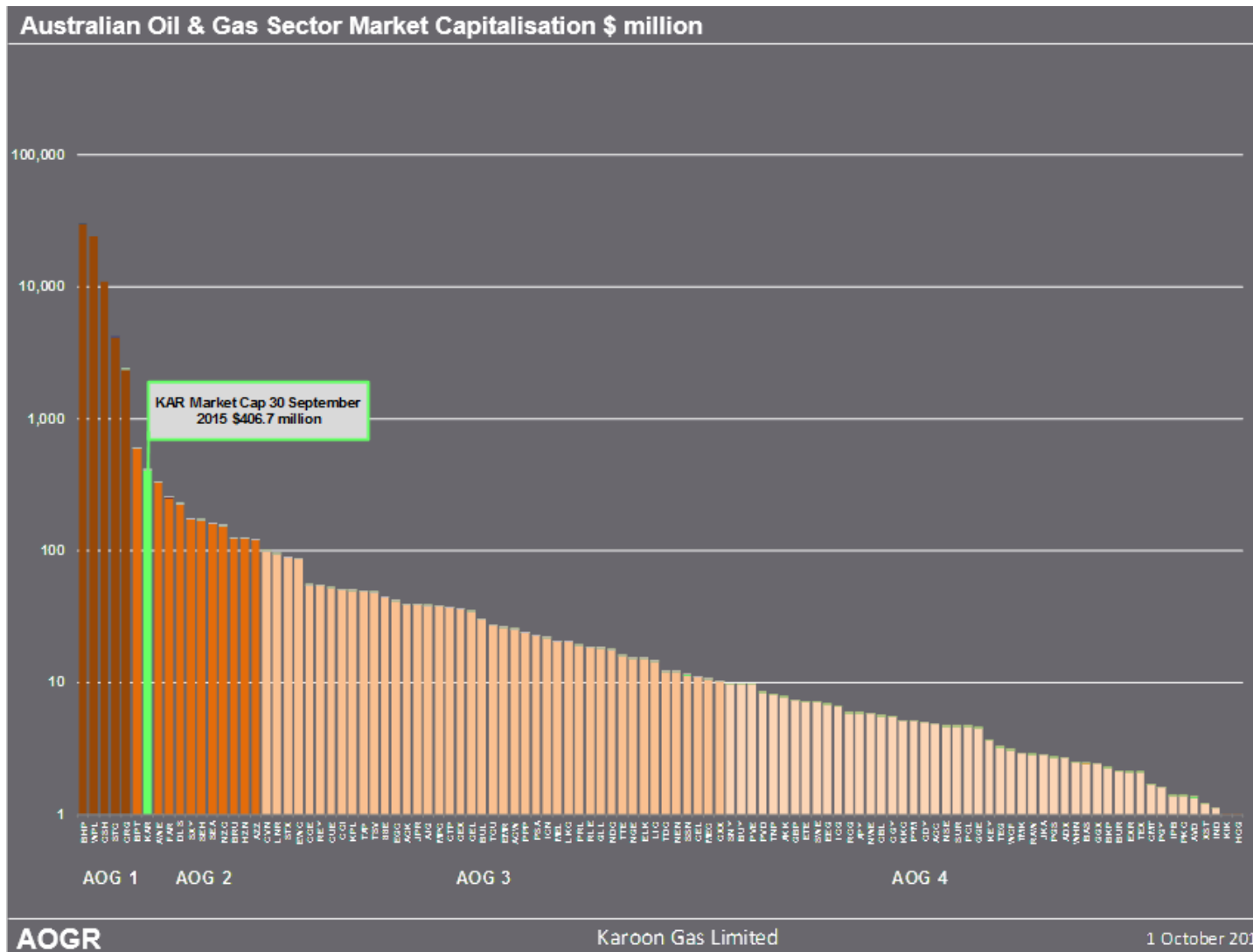
Karoon seeks to create shareholder value through an exploration led growth strategy

- Karoon is a global oil and gas independent
- Market cap A\$470 million (as at 21/10/15)
- A\$560 million cash at bank as at 30/9/15, no debt
- 246.3 million ordinary shares on issue, 6.2 million unlisted rights and options
- Member S&P / ASX 200 Index



Upon appraisal success in the Santos Basin Brazil, Karoon is looking to transition into an oil producer

How Does Karoon Rank?



Investment Highlights

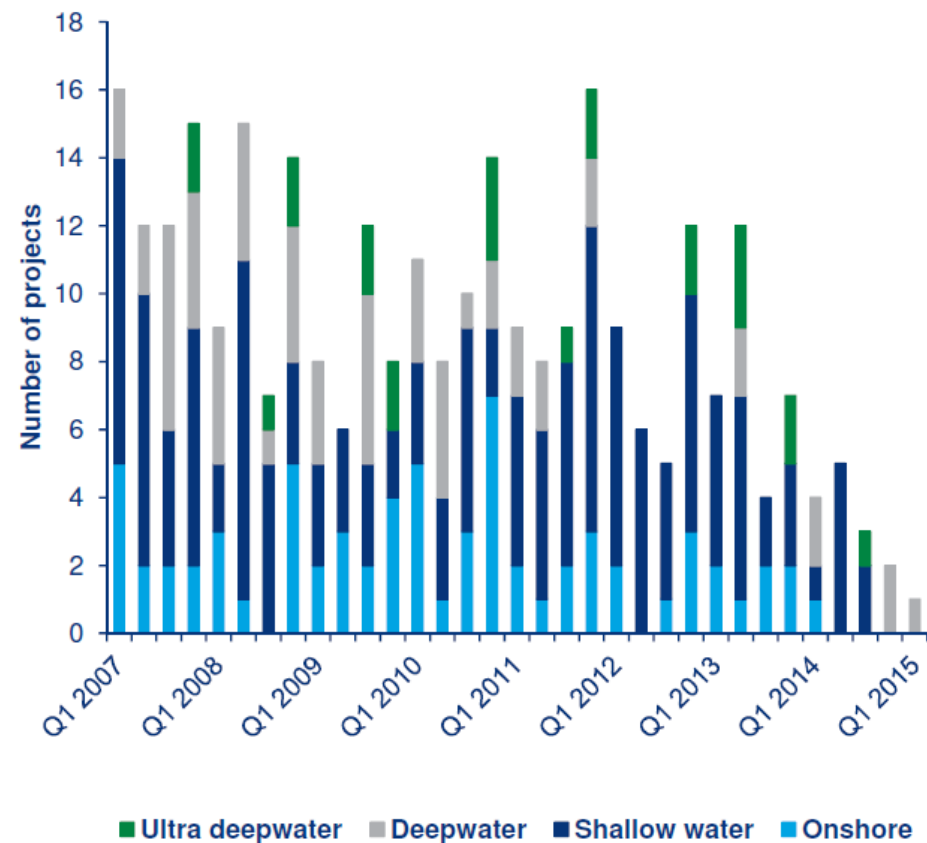


- 62% exploration drilling track record since IPO
- 3 oil discoveries, Santos Basin Brazil
- 84mmbbls net unrisked 2C contingent resource in Kangaroo and Echidna light oil discoveries
- Proven track record in delivering farm-outs / divestments
- A\$560 million cash at bank (as at 30/9/15) held predominantly in USD and no debt
- Focused on less capital intensive, higher returning oil opportunities
- Prioritising production opportunities
- Independent Board with an Independent Chairman
- On-market buyback ongoing

A Supply Gap Looming?

- Industry returns were under pressure from flat oil pricing and rising costs prior to the capitulation in oil
- The current oil price presents further industry headwinds
- Focus shifted from volume to returns and cash flows
- The shift in focus and current uncertainty has resulted in fewer projects being sanctioned
- Over the medium term, this will likely result in a supply gap
- Demand is expected to exceed Supply

Declining number of sanctioned projects

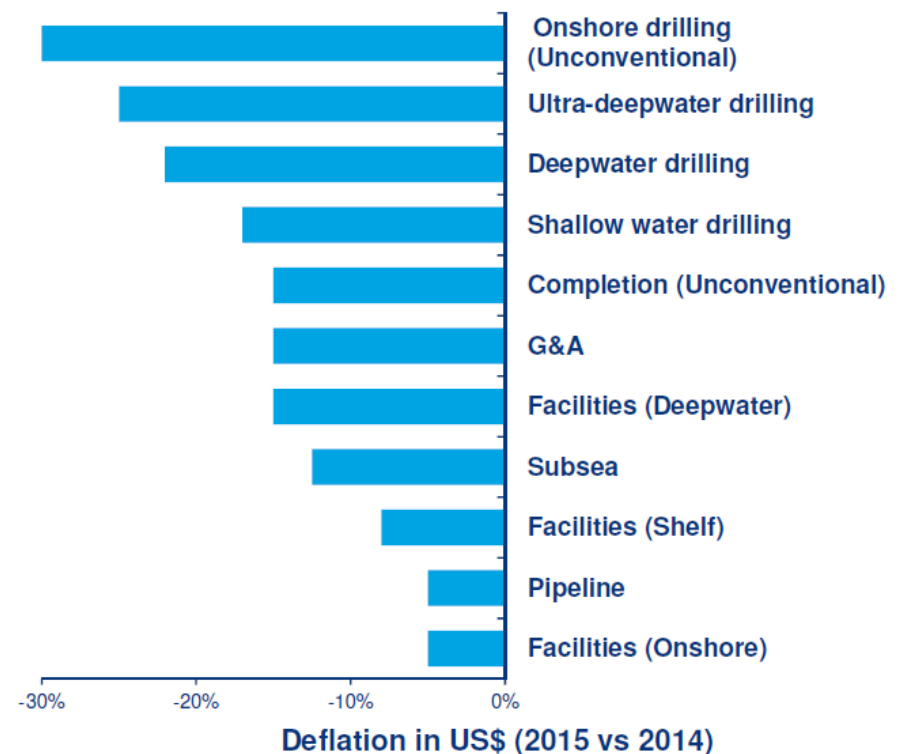


Deflationary Cost Environment



- The industry is adjusting to a shift in supply side behaviour and potentially a lower for longer oil price environment
- Assets are being divested and exploration budgets have been cut back dramatically
- New projects are being deferred
- Utilisation rates are falling
- Service and supply capacity is underutilised
- The adjacent graph is based on industry expectations in January 2015 which are expected to have deteriorated further
- Costs are falling

Industry's initial expectations of development cost deflation by category

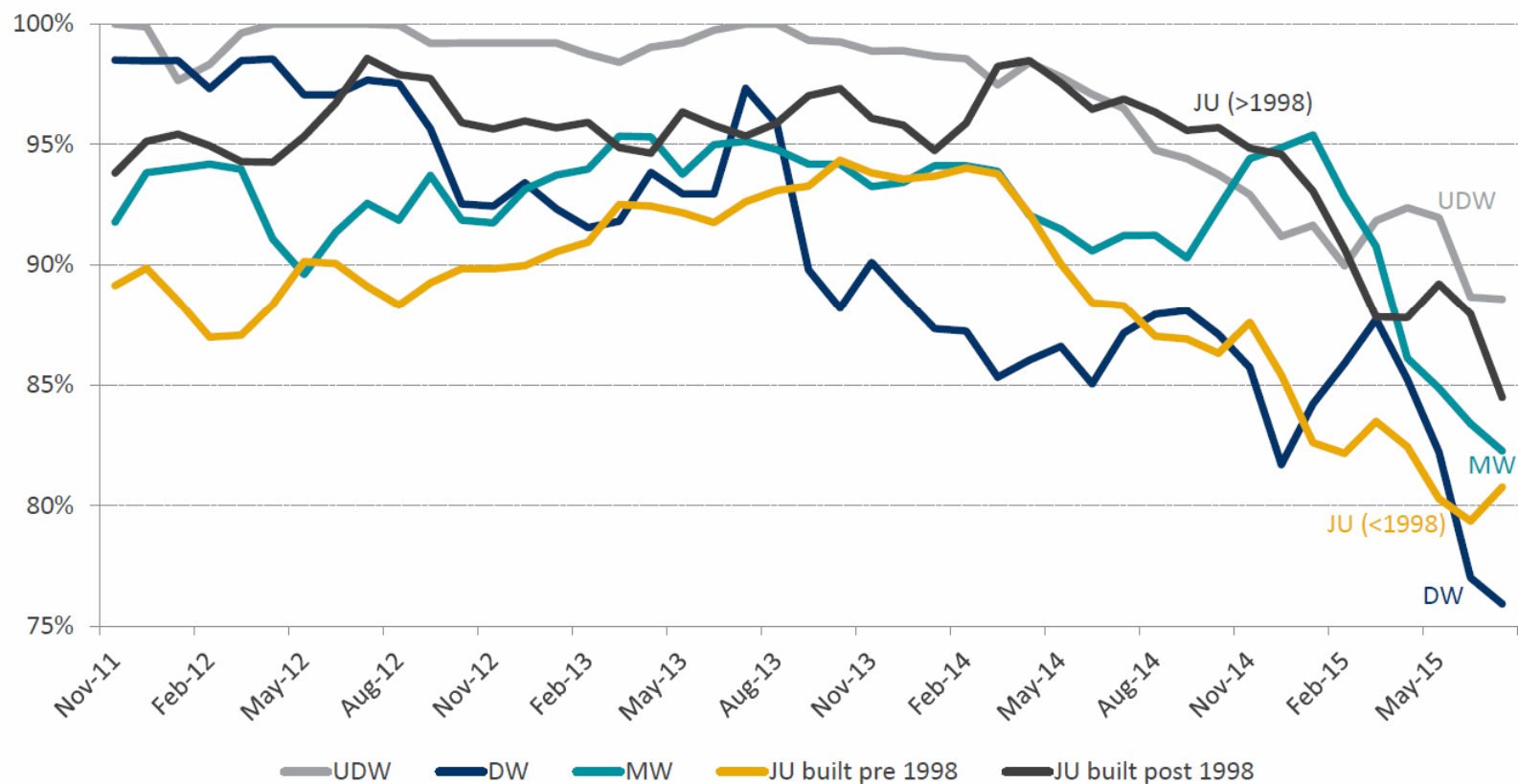


Source: Wood Mackenzie. Based on survey of E&P companies in Jan 2015

Rig Utilisation Rates Trending Lower

Utilization across segments

Segment utilization



Source: IHS, Clarksons Platou Sec.

The Opportunity



“..On Mad Dog II, standardisation, scope optimisation and industry deflation is enabling us to develop around 90% of the resources using half the capital.”

BP, Q2 results

Ref: BP 2015 June Quarterly Earnings Call

Priority Uses of Capital



1. Organic development opportunities: Echidna and Kangaroo
2. Organic exploration opportunities
3. Acquisitions
4. Capital management

Managing Development Risk



Off-shore oil and gas developments are capital intensive and can be complex undertakings

1. Preliminary economics support further investment
2. Capital at risk kept to an acceptable level
3. Early production system reduces reservoir performance risk
4. A phased development concept significantly reduces upfront capex
5. Favourable capex window reduces capex improving maximum economic exposure
6. High project equity interest provides funding flexibility
7. Established a world class project management team

Managing Exploration Risk



1. Geology is the primary driver, focusing on proven petroleum systems with large prospective resource potential
2. High equity interests provide funding flexibility
3. Firm commitments are kept to G&G and seismic work where possible
4. Mobilisation costs have changed dramatically as the rig industry deals with falling rig utilisation rates
5. Rig rates have pulled back
6. Highly experienced drilling team that has successfully completed 2 drill campaigns

2015/16 Operational Objectives



The key focus of the forward program is bring the Echidna resource to a final investment decision point on the early production system during 2016

Santos Basin, Brazil:

- The Appraisal Plan ('PAD') was approved by the Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ('ANP') during August 2015 with 2 firm well commitments required to be drilled by 31 December 2018
- 2016 work program is expected to consist of between 2 and 4 wells
- Reservoir modelling to be completed

Tumbes Basin, Peru:

- Farm-out interest has been reinvigorated due to falling mobilisation costs and new data
- Continue amplitude versus offset work over the prospects

Carnarvon Basin, Australia:

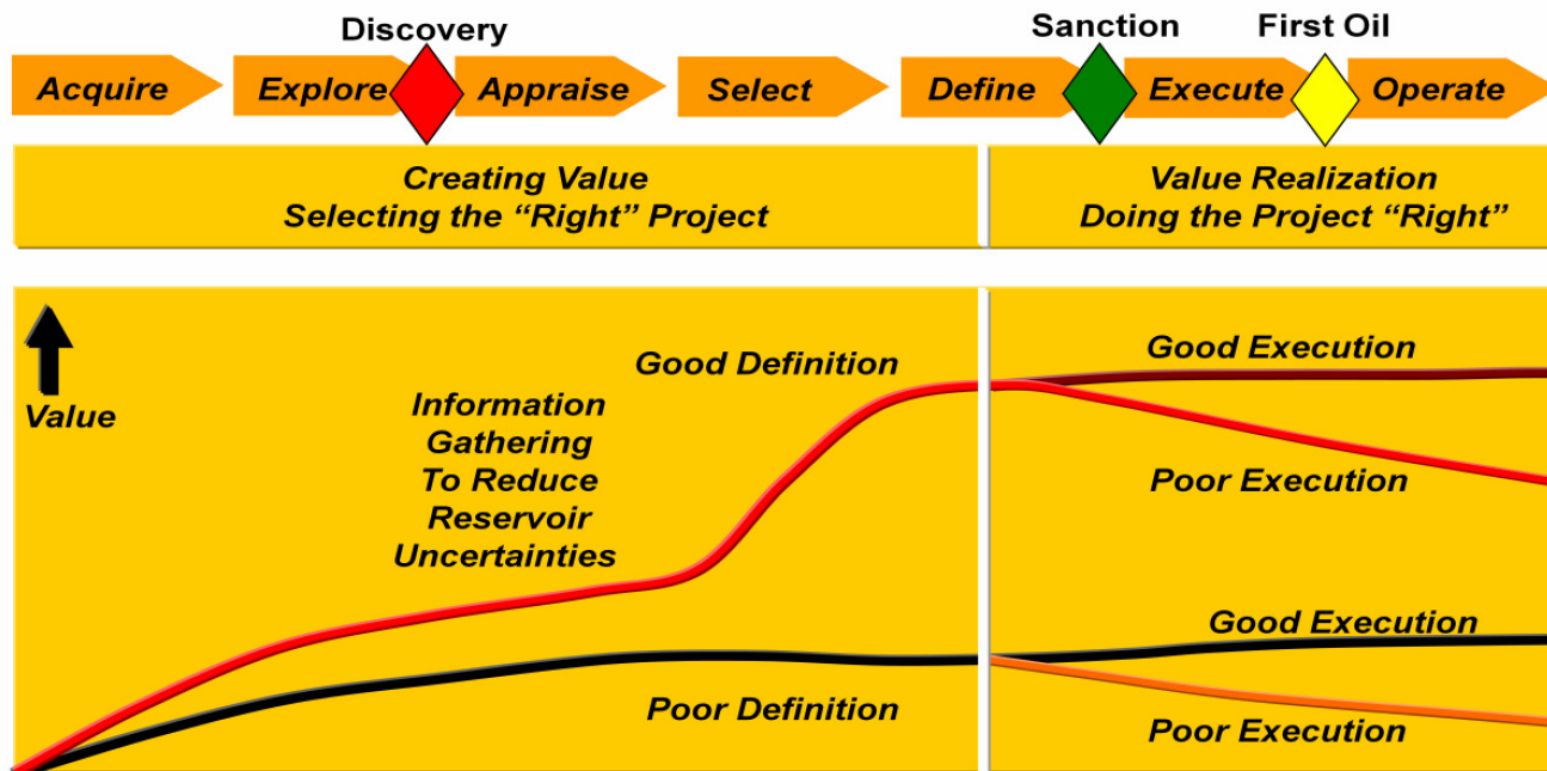
- Complete the interpretation of the Capreolus 3D seismic data over the eastern region of the block
- Incorporate Levitt-1 well results into regional evaluation

Why Echidna & Kangaroo?

- Geologically attractive basin
- Attractive physical setting, shallow water & shallow reservoir
- Strong exploration success in the blocks with 3 oil discoveries: Kangaroo, Bilby and Echidna
- Strong flow rates from the Echidna and Kangaroo light oil discoveries
- Growing geological understanding with 6 wells completed, surrounding well control, 3D seismic data
- Geological data bank provides greater confidence on the updated contingent resource volumes
- Manageable Capex
- Proposed development concept uses a proven, reliable and uncomplicated development solution
- Preliminary economics favourable

Planning the Field Development

Offshore projects are capital intensive and complex undertakings requiring a phased 'gated' process to select and execute on development.



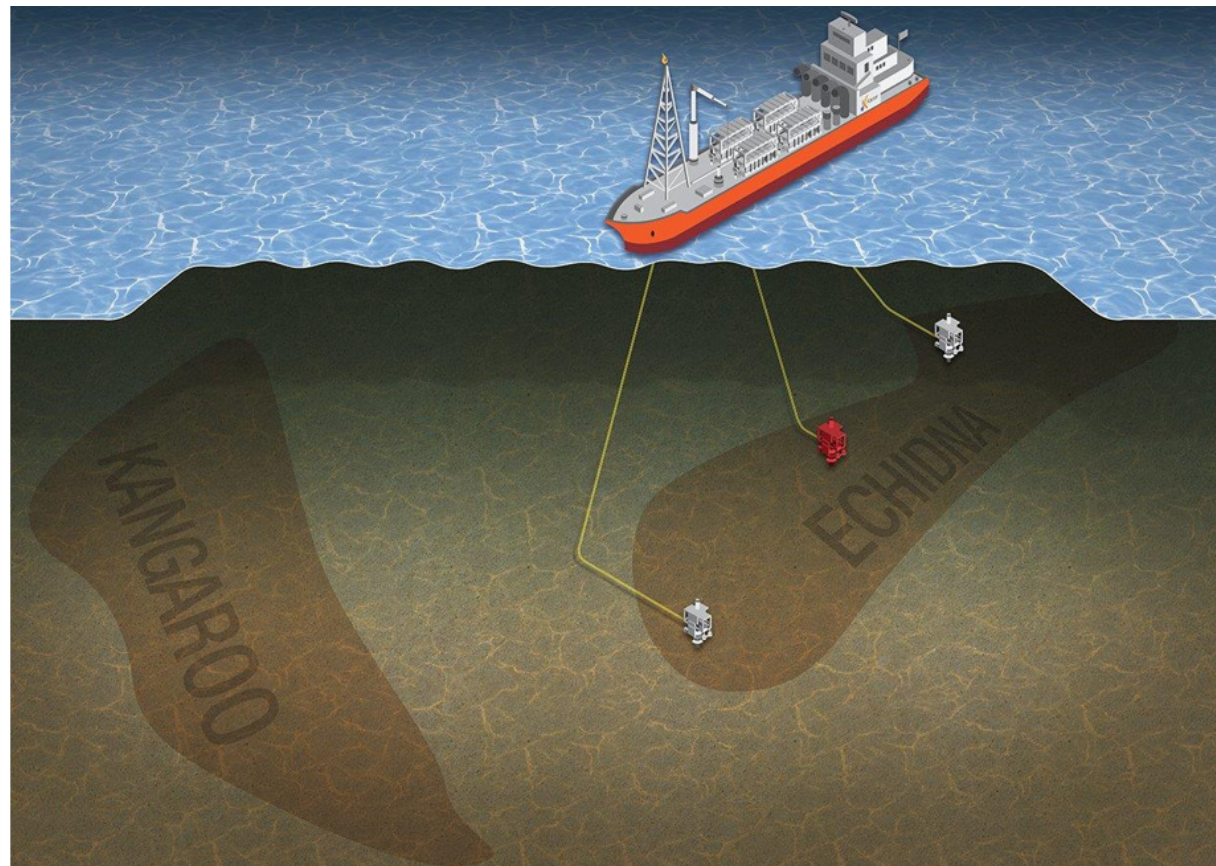
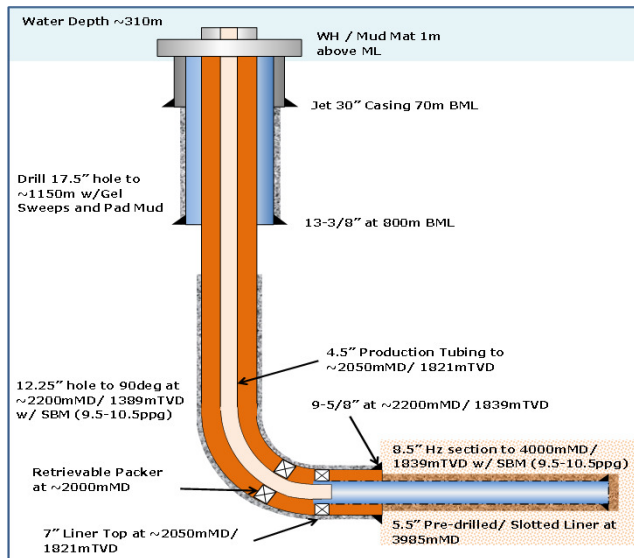
Ref: Selecting the Right Field Development Plan – Richard D'Souza, Granherne

Early Production System (EPS)

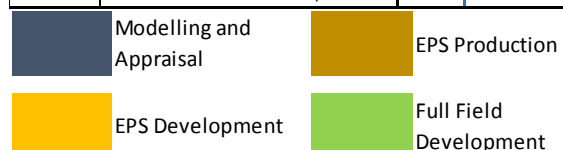
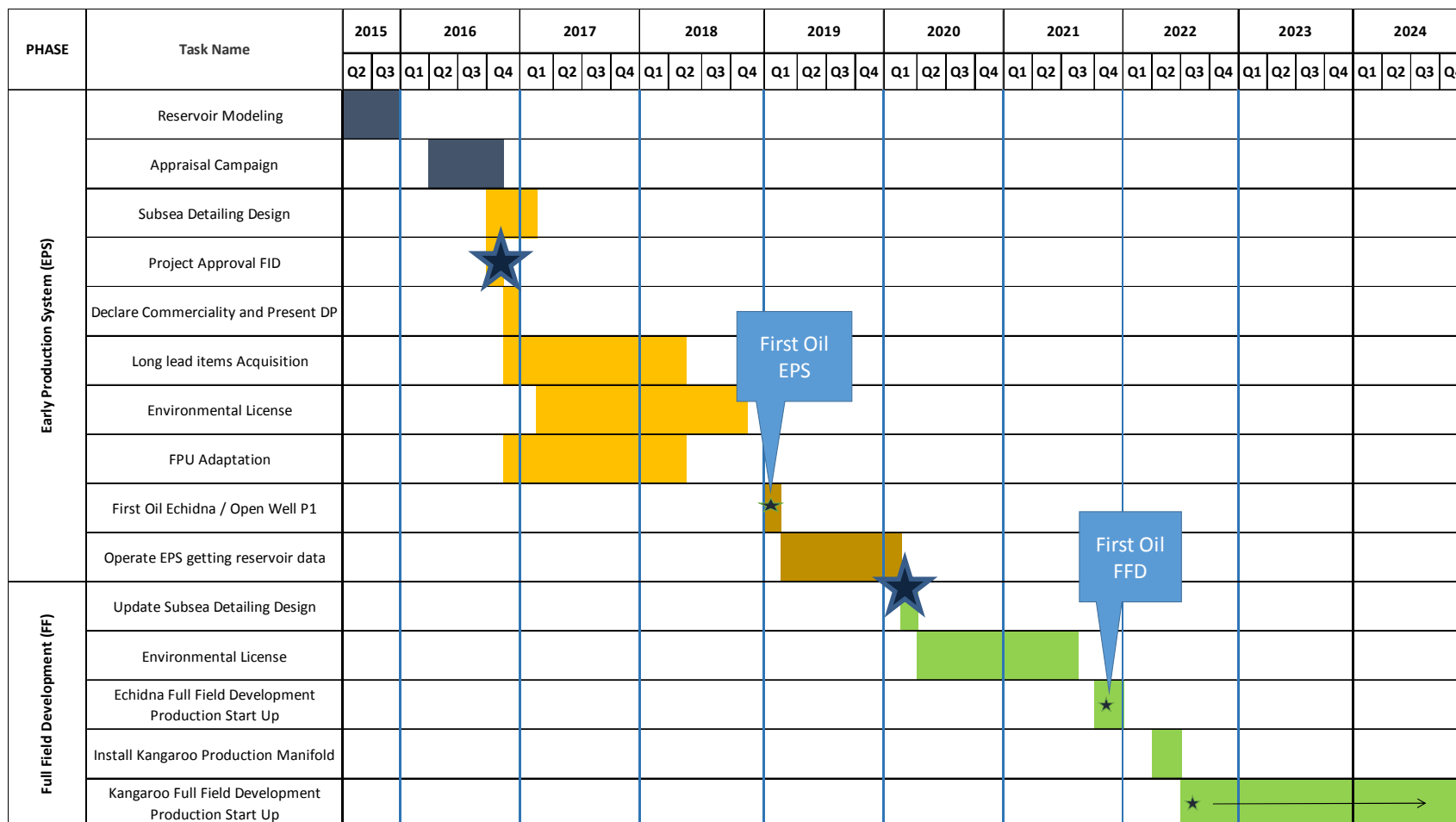
The objective of an EPS is to evaluate reservoir behavior and as a result get technical parameters required for a better design of the Definitive System.

The EPS likely comprises:

- Leased FPSO
- 2 horizontal production wells
- 1 gas injector well
- Estimated production: 20,000 bpd
- Flexible lines



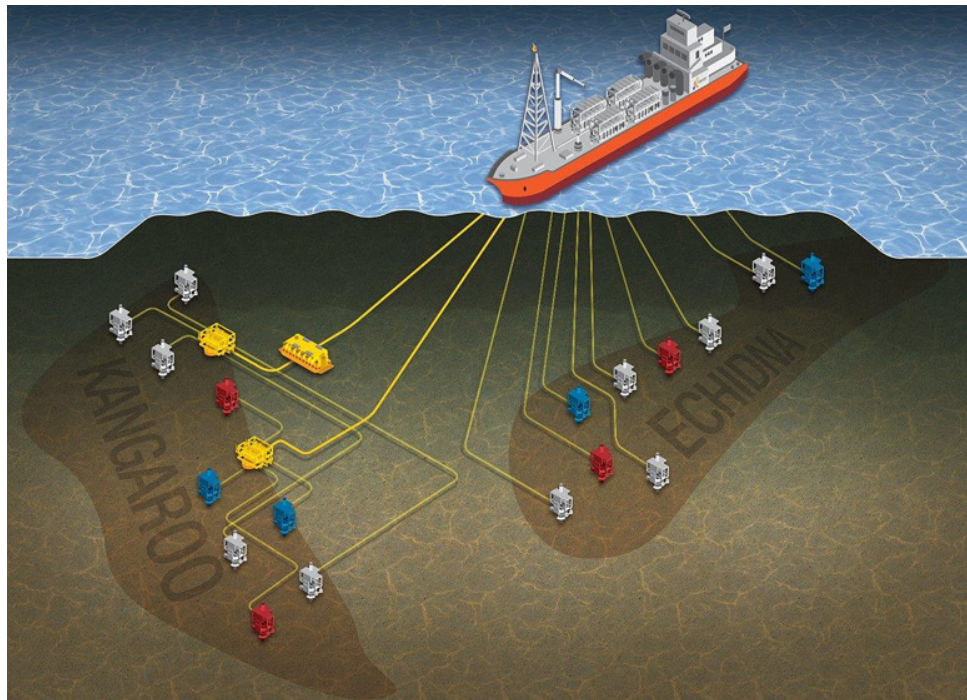
Current Estimate Milestones



Decision points to consider EPS and FFD project sanction

Development Concepts

Increased confidence in the contingent resource volumes, strong production test results, and the shallow water and shallow reservoir setting continue to support the potential for a combined or standalone development option



* The FFD total well count includes wells drilled in the phase one EPS.

Phase 1

EPS

- Production per well: 10kbpd
- 2 horizontal producers
- 1 gas injector

Phase 2

FFD – Echidna & Kangaroo Combined*

- 2C resource: 129mmbbls (84mmbbls net)
- 10 horizontal producers
- 4 gas and 4 water injectors

OR

FFD – Echidna Standalone*

- 2C resource: 75mmbbls (49mmbbls net)
- 5 horizontal producers
- 2 gas and 2 water injectors

TECHNICAL REVIEW

Mark Smith,
Director of Exploration

Resource Summary



Prospective Resources Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. There is no certainty that any portion of the prospective resource estimated on behalf of Karoon will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Internal Management Assessment*					NET Contingent Resource			NET Un-risked Prospective Resource		
Discovery	Interest	Basin	Country		1C	2C	3C	Low	Best	High
Kangaroo (S-M-1101, S-M-1165)	65%	Santos	Brazil	Oil (mmbbls)	13	35	65	-	-	-
Echidna (S-M-1037, S-M-1102)	65%	Santos	Brazil	Oil (mmbbls)	16	49	99	-	-	-

Independent Assessment - DeGolyer & MacNaughton**					NET Contingent Resource			NET Un-risked Prospective Resource		
Block	Interest	Basin	Country	Type	1C	2C	3C	Low	Best	High
Block Z-38	75%	Tumbes	Peru	Oil (mmbbls)	-	-	-	686	1,686	3,764
Block 144	100%	Marañón	Peru	Oil (mmbbls)	-	-	-	53	107	195

Note: The Santos Basin contingent resource volumes presented represent Karoon's internal management estimates and have not necessarily been validated or agreed by joint venture partner Pacific Exploration and Production Corporation.

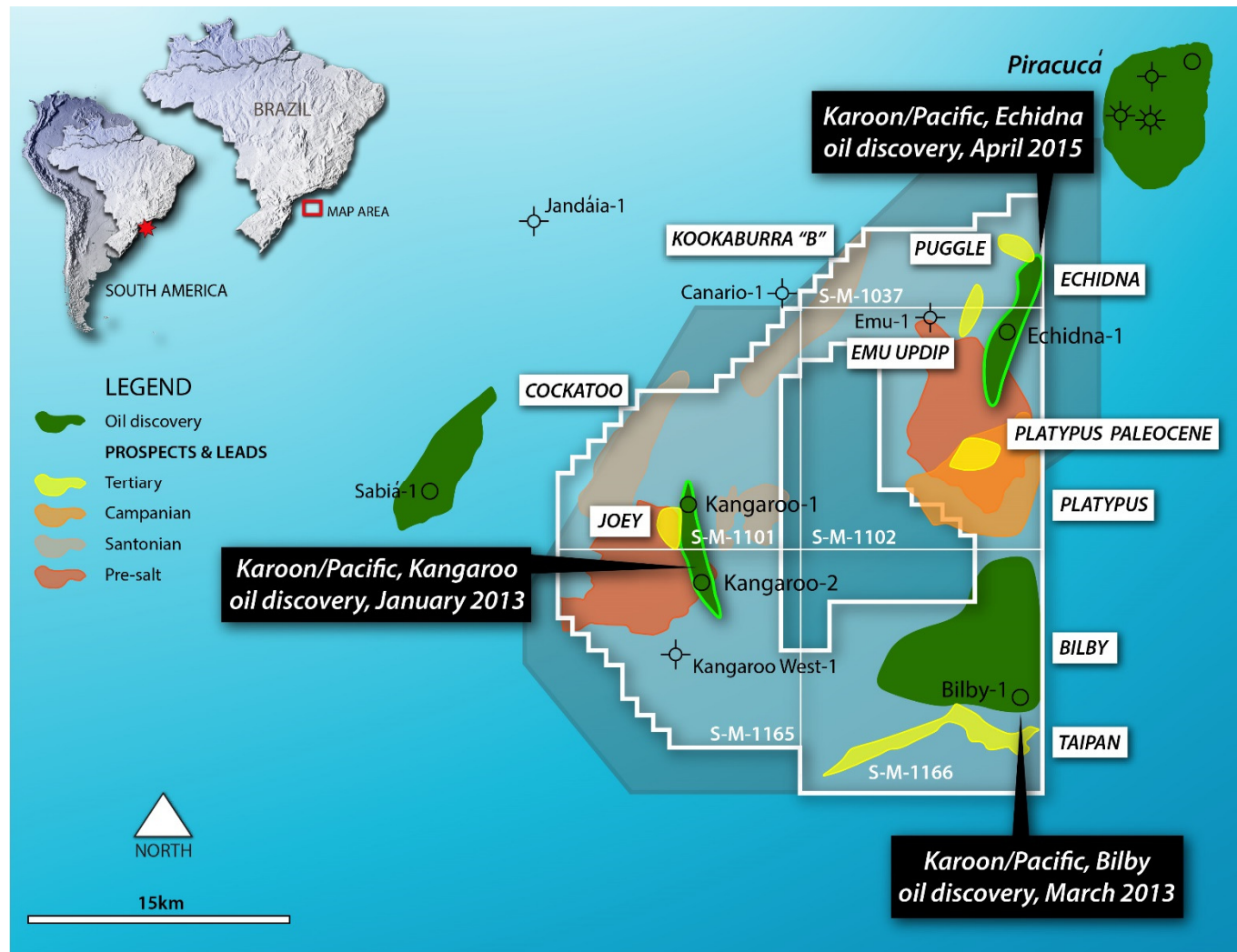
* The Kangaroo and Echidna contingent resource volumes were prepared on a probabilistic basis and have been disclosed in Karoon's announcement 'Contingent Resource Volume Update: Santos Basin Brazil', 17 September 2015. Karoon is not aware of any new information or data that materially affects the resource estimates and all material assumptions and technical parameters underpinning these estimates continue to apply and have not materially changed.

** Prospective resource volume estimates have been independently assessed by DeGolyer and MacNaughton on a probabilistic basis and disclosed in Karoon's 30 April 2014 announcement. Karoon is not aware of any new information or data that materially affects the resource estimates and all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Australian Exploration Permits WA-482-P and WA-314-P

Following the drilling of Levitt-1 (WA-482-P) and thermal modelling and interpretation of the final Kraken 3D seismic survey data (WA-314-P), new data is available that could materially impact assumptions and technical parameters underpinning previously announced prospective resource estimates. Karoon needs to interpret and consider this new data prior to publishing revised prospective resources estimates.

Brazil: Santos Basin



Santos Basin – Contingent Resources

Santos Basin, Brazil - Blocks S-M-1037, 1101, 1102, 1165, 1166

Equity Interests:

- Karoon 65% (Operator), Pacific Exploration and Production Corporation (formerly Pacific Rubiales) 35%

Progress To Date:

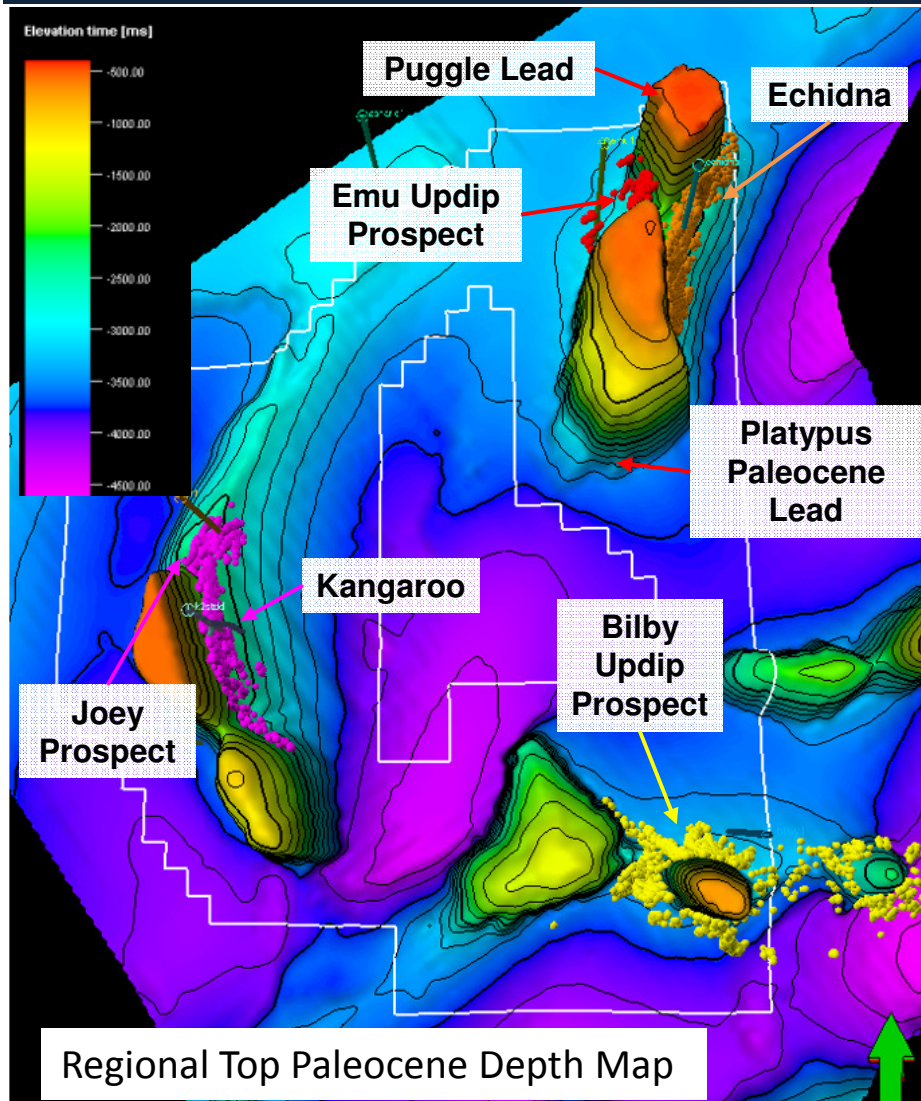
- 3 oil discoveries: Kangaroo, Bilby and Echidna
- Production testing confirmed reservoir productivity
- Ongoing field evaluation using geotechnical and engineering data collected from drilling results and new re-processed 2 millisecond seismic information

Contingent Resource Summary#:

Contingent Resource Volumes					
	Interest	Type	1C	2C	3C
Echidna	100%	Oil (mmbbls)	25	75	152
Kangaroo	100%	Oil (mmbbls)	20	54	100
Total			45	129	252
Echidna	65%	Oil (mmbbls)	16	49	99
Kangaroo	65%	Oil (mmbbls)	13	35	65
TOTAL NET TO KAROON	65%		29	84	164

Note: The contingent resource volumes represent Karoon's internal management estimates and have not necessarily been validated or agreed by joint venture partner Pacific Exploration and Production Corporation.

Mapping and Seismic Attributes



AVO (amplitude versus offset) calibrated at Paleocene level shows:

- Excellent match of AVO anomaly results with mapping and pressure data defining the distribution of oil at Echidna and Kangaroo
- Additional potential identified at the Emu Updip, Joey and Bilby Updip prospects to date
- Additional prospectivity possible at Puggle Lead and Platypus Paleocene Lead

Kangaroo Field – Well Results



Kangaroo-1 (2012)

- Intersected 18 metre gross oil column (13 metres net), 40 degree API oil

Kangaroo-2 (2015)

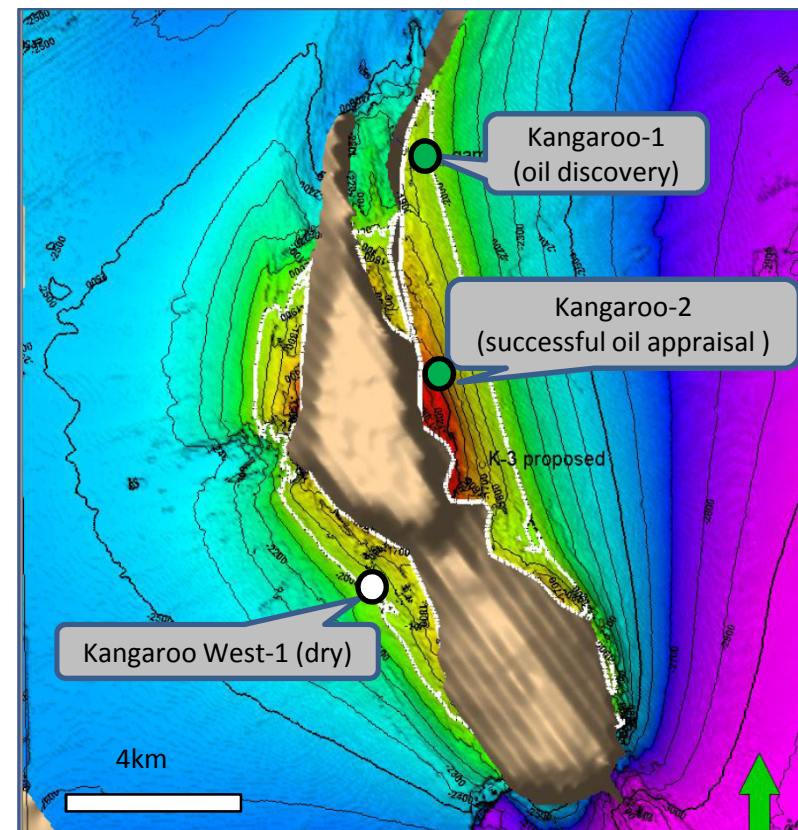
- Intersected 268m gross reservoir (167 metres net) across five oil columns, Paleocene to Maastrichtian age
- **Production test in the Paleocene A, B and C reservoirs** flowed at a maximum flow rate 3,700 stb/d, 33° API oil
- **Production test in the Maastrichtian A and B reservoirs** flowed at a maximum flow rate 3,700 stb/d, 38° API oil
- No CO₂, H₂S, water or sand produced in any of the flow tests

Kangaroo-2 Down-Dip (2015)

- Intersected a 27 metre gross (25 metres net) oil column in Maastrichtian aged reservoirs, 38 degree API oil

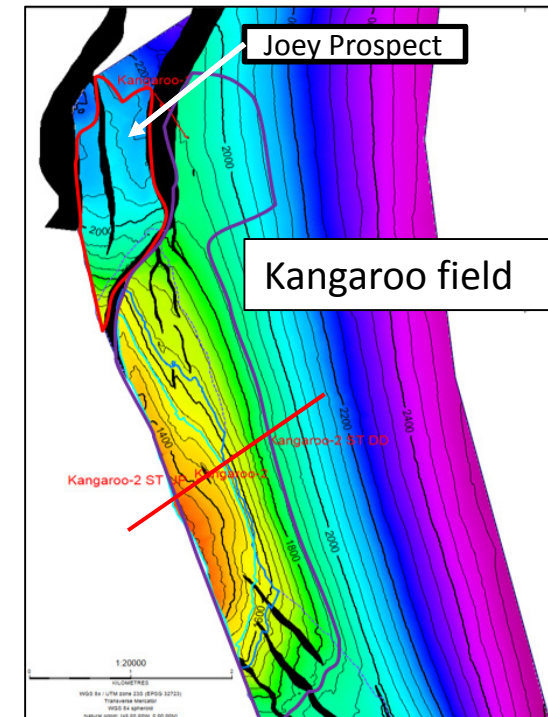
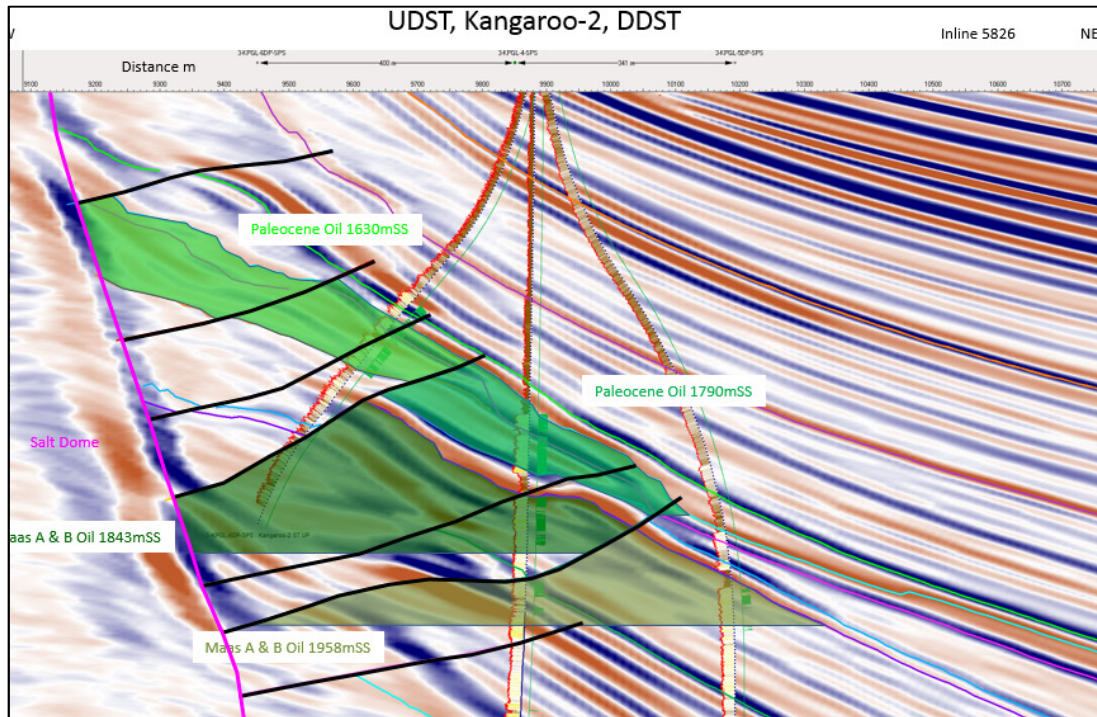
Kangaroo-2 Up-Dip (2015)

- Intersected a 50 metre gross (43 metres net) oil column in Paleocene aged reservoir, 39 degree API oil



"A vertical production well could produce 6,000 to 8,000 stb/d from the combined reservoirs"

Kangaroo Field – Well Results



Kangaroo Field Cross Section and Top Paleocene Depth Map

- Greater well control
- Higher quality 2 millisecond 3D seismic data
- Core samples (MSCT*) provide good reservoir characteristics data

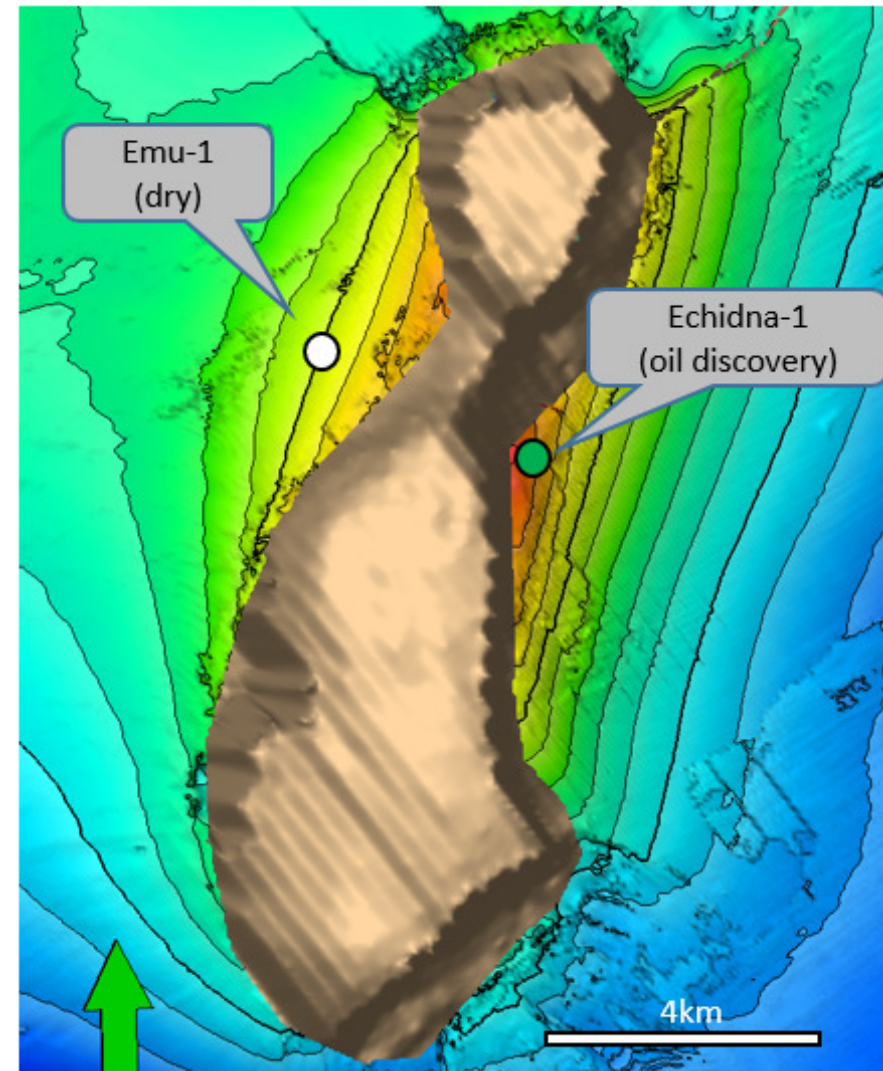
This new data results in a model that shows a close correlation between the observed oil columns and the seismic attributes.

Echidna Discovery – Well Results

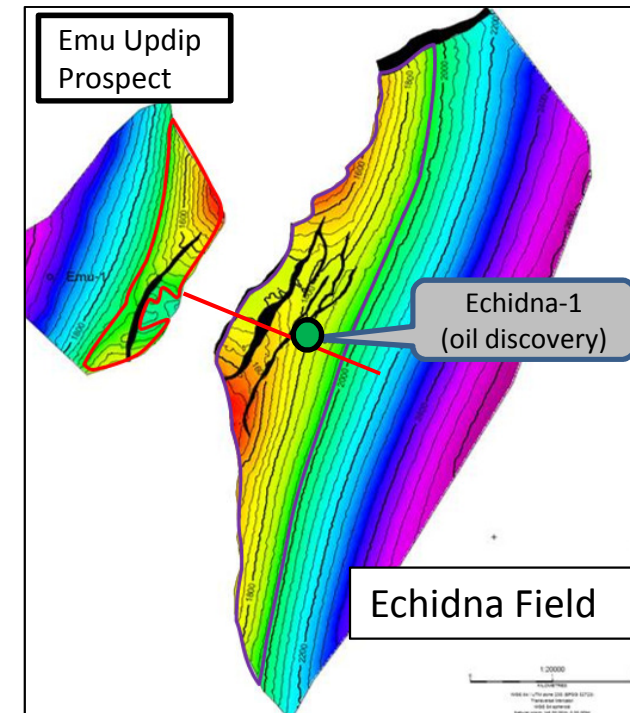
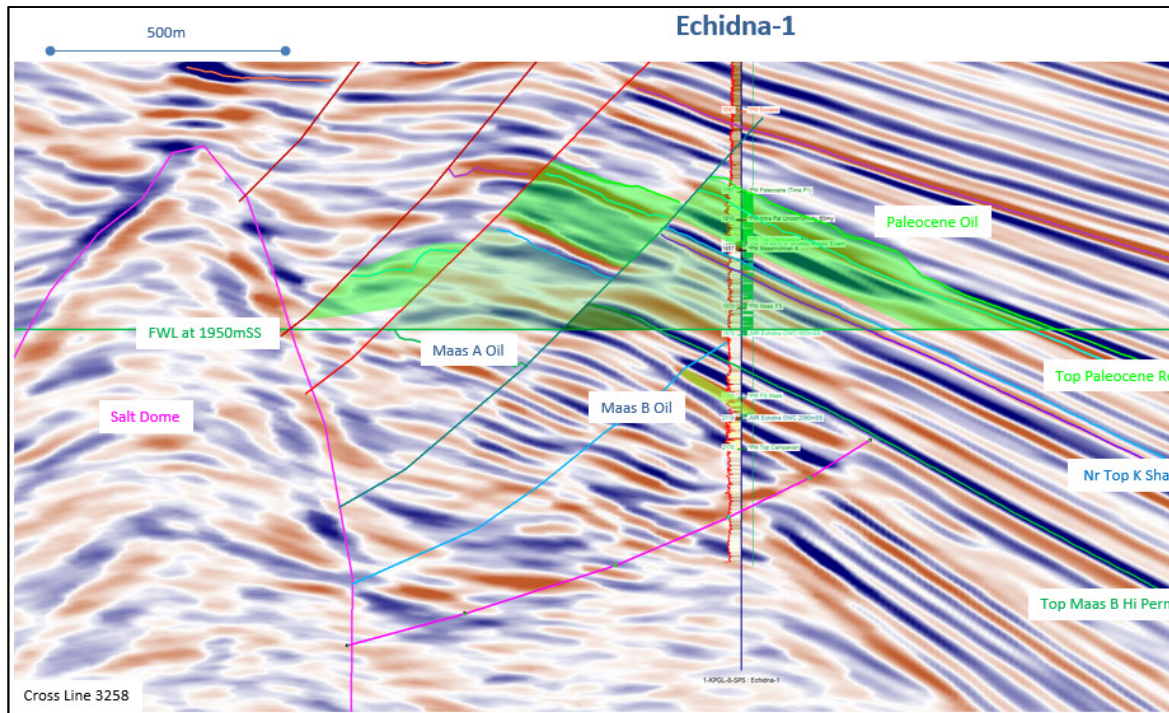


Echidna-1 (2015)

- Intersected 135 metre gross (100 metre net) oil column of Paleocene and Maastrichtian age
- Oil samples measured 39 degree API oil gravity
- Production test in the Paleocene reservoir flowed at a facility constrained flow rate 4,650 bopd
- No CO₂, H₂S, water or sand produced in any of the flow tests



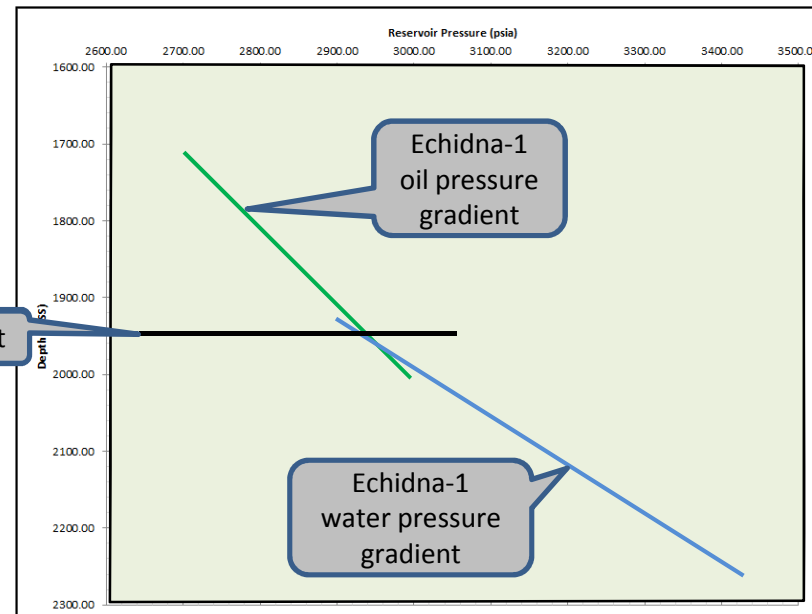
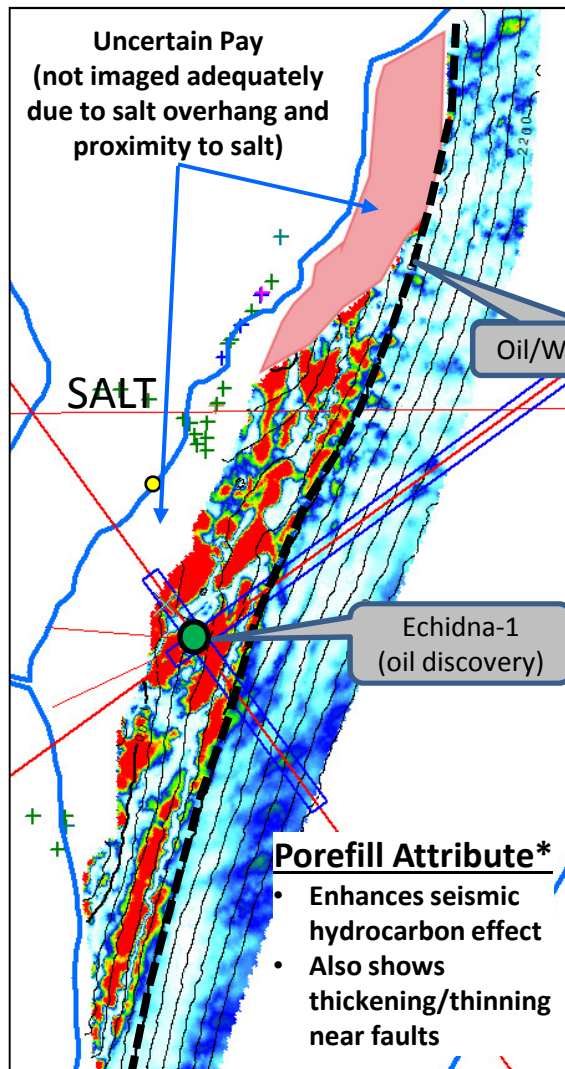
Echidna Discovery – Well Results



Echidna Field Cross Section and Top Paleocene Depth Map

- Higher quality seismic indicates faulting intensity and steepness of dips significantly less than at Kangaroo
- Core samples (MSCT*) provide good reservoir characteristics data

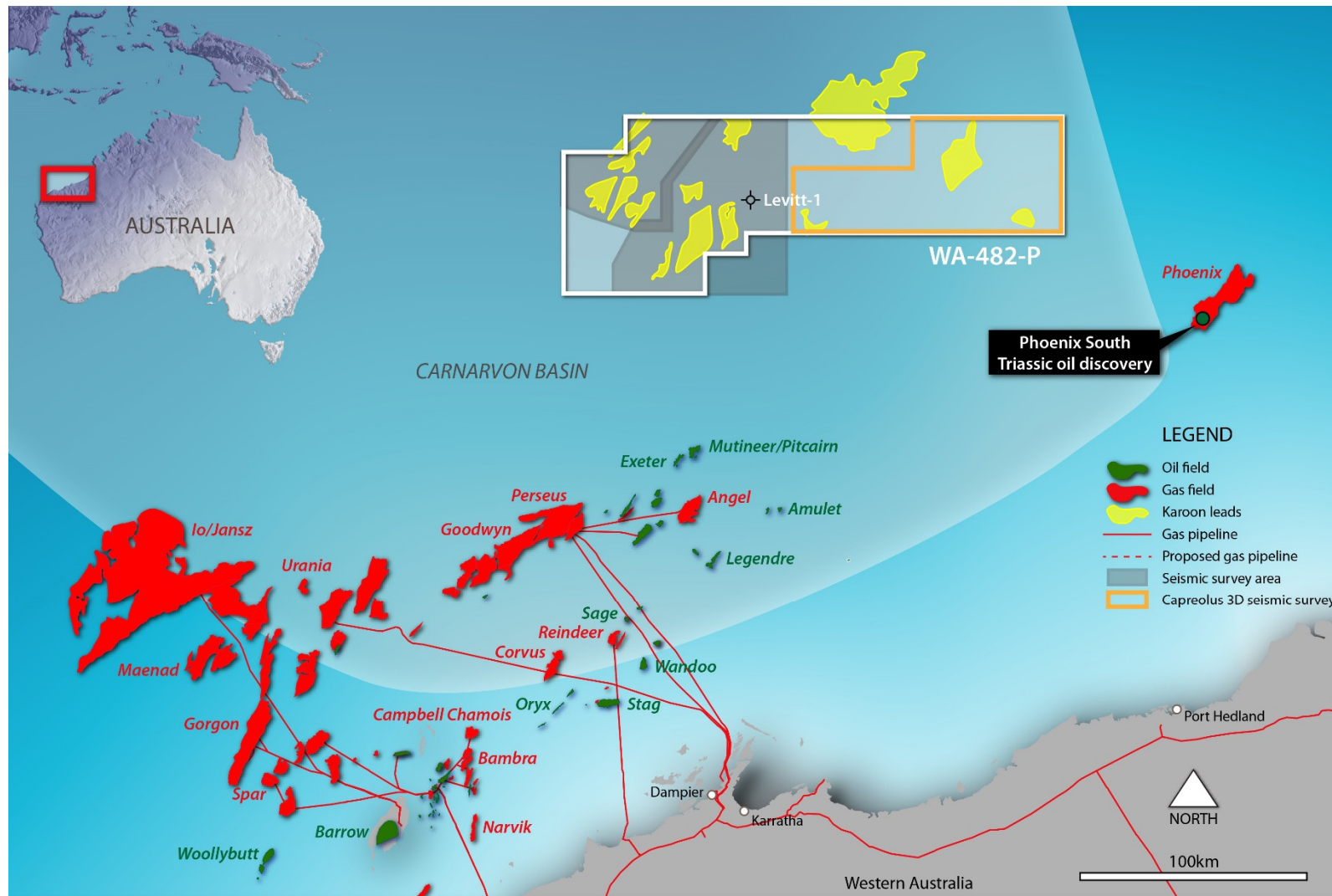
Echidna Discovery – Well Results



Echidna Field Seismic attribute and Top Paleocene Depth Map

- Good match between seismic amplitude anomalies and OWC's calculated from pressure data
- Good level of certainty in hydrocarbon sand distribution
- Good confidence level in Contingent Resource volumes

Australia: Carnarvon Basin



Exploration Permit WA-482-P



Carnarvon Basin, Australia – Permit WA-482-P

Equity Interests:

- Karoon – 50%; Quadrant Energy Australia Limited – 50% (Operator)

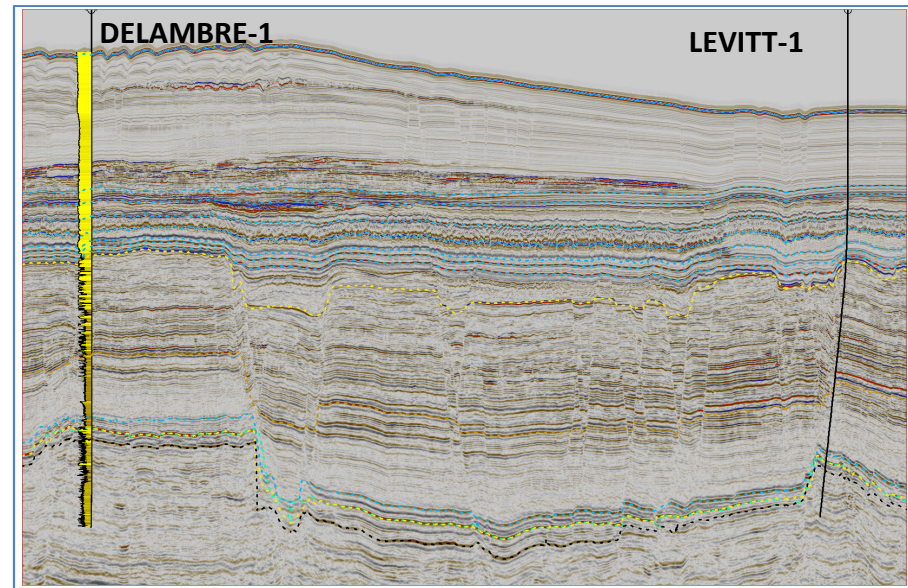
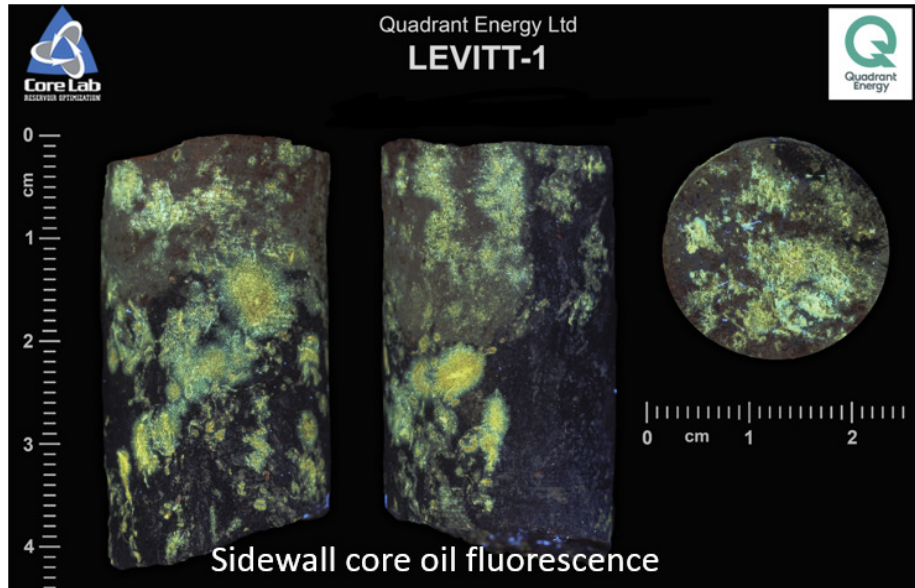
Progress To Date:

- Licensed and reprocessed 4,355 square kilometres of existing 3D seismic data
- Acquired, processed and interpreted the 2,376 square kilometre Chrysalids marine 3D seismic survey data
- Licensed 5,256 square kilometres of the third party Capreolus 3D marine seismic survey acquired over the eastern part of the permit
- Levitt-1 exploration well was drilled during July / August 2015 (Karooon carried for 90% of the cost of the well)

Forward Plans:

- Mapping and analysis of prospects and leads based on new well and seismic data
- Final Pre-stack Depth Migrated dataset from the Capreolus survey is expected during 2016

WA-482-P: Levitt-1 Results



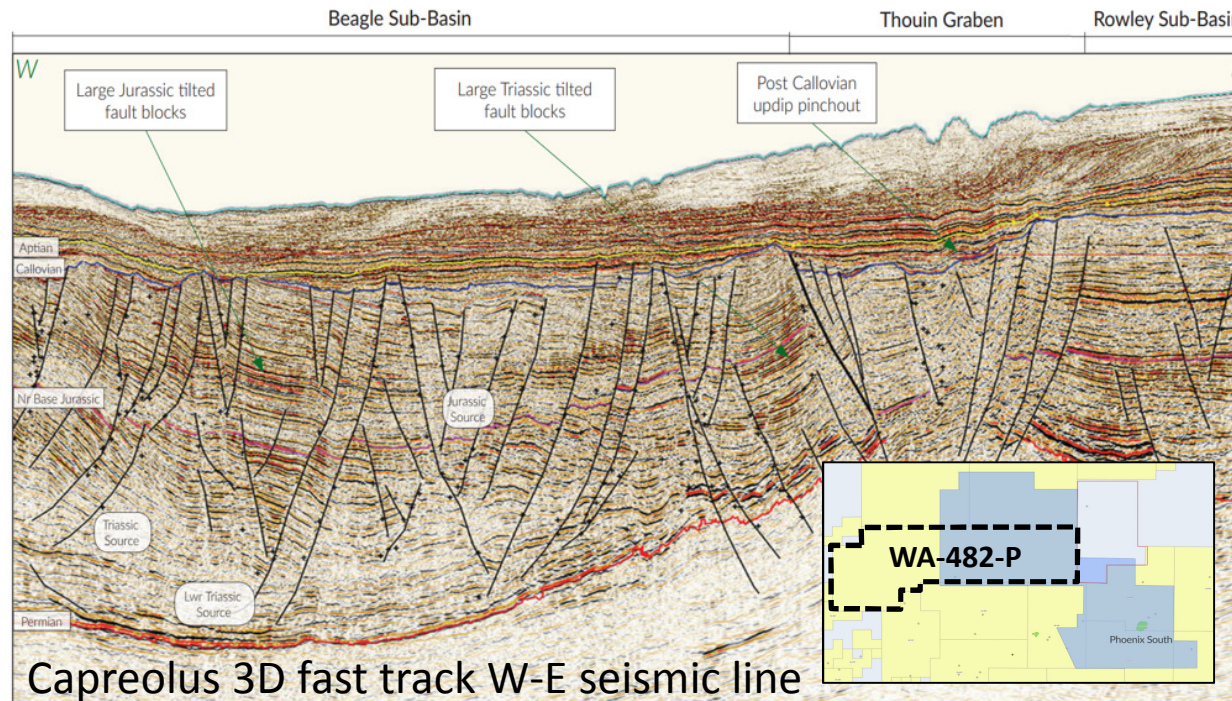
Charge Risk Understanding Improving

- Oil fluorescence seen in side wall cores and GC-MS studies indicative of generated and migrating oil in a working hydrocarbon system
- MS-GS chromatographic studies indicate good quality oil

Reservoir and Seal Risk Understanding Improving

- Good quality reservoirs and seals encountered
- Good evidence from wells and seismic that these extend across the permit

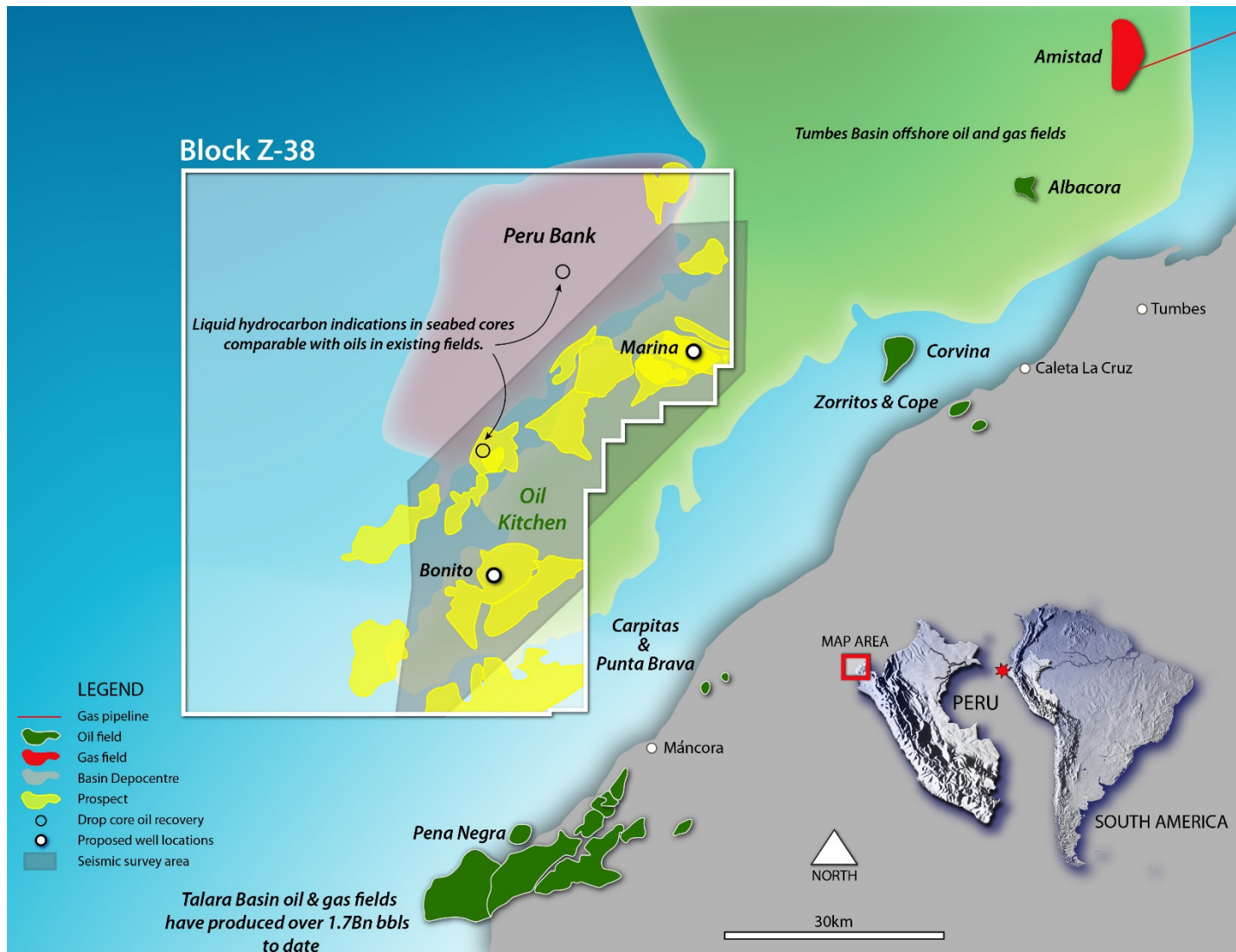
WA-482-P: Exploration Upside



Large remaining potential

- Numerous additional prospects and leads are emerging from the Chrysalids and Capreolus area seismic data
- Preliminary fast track processing products have already identified the presence/continuation of petroleum systems elements from drilled areas
- Acquisition within WA-482-P is now complete with a final Pre-stack Depth Migrated dataset to be available in 2016

Peru: Tumbes Basin



Exploration Block – Z-38

Tumbes Basin, Peru - Block Z-38

Equity Interests:

- Karoon – 75% (Operator); Pitkin Petroleum Corporation – 25%

Progress to Date:

- Acquired, processed and interpreted 1,500 square kilometre marine 3D seismic survey
- Environmental plan approval received
- The block is currently in force majeure

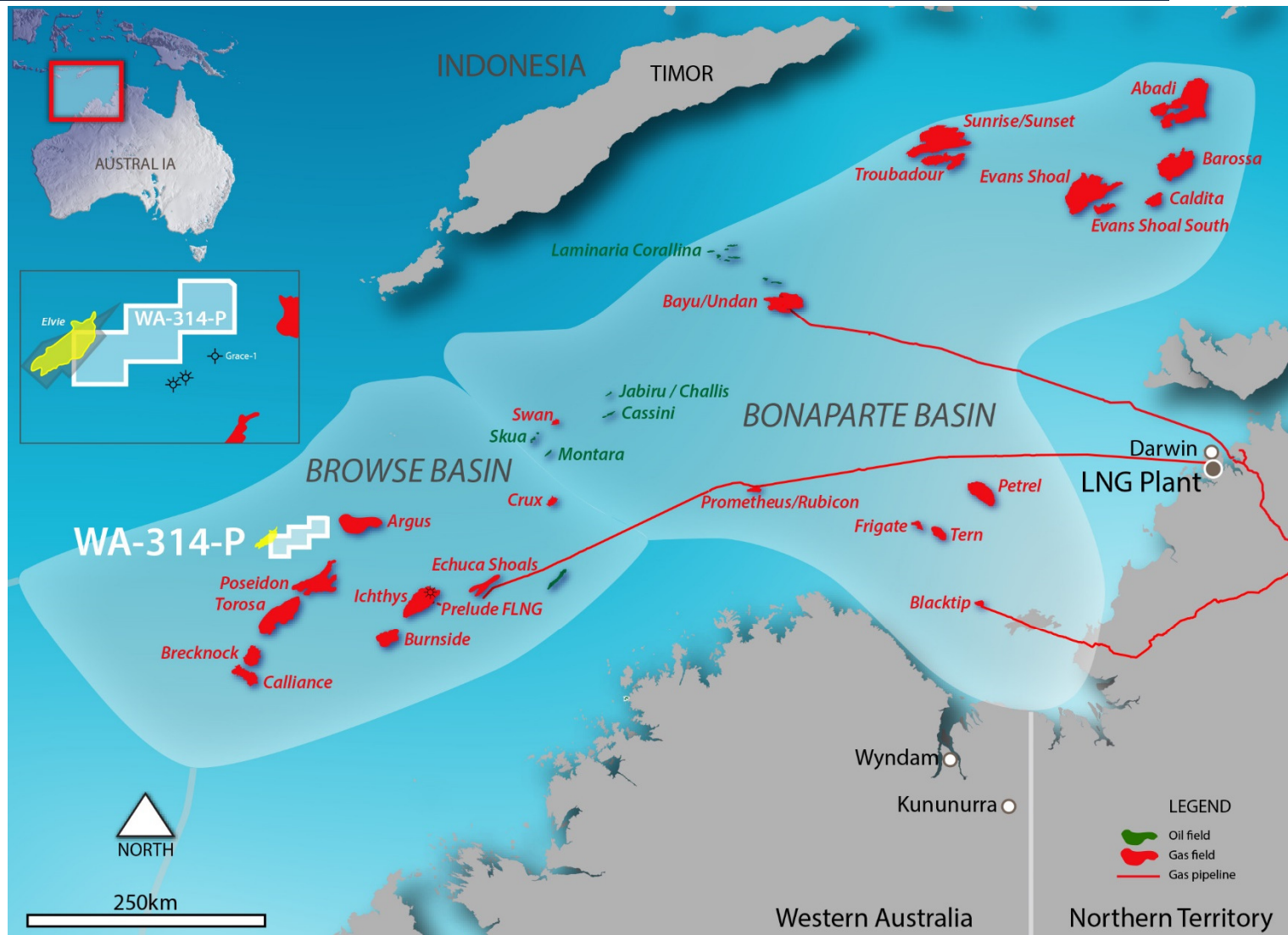
Forward Plan:

- Initial 2 well campaign planned, preliminary well locations Marina and Bonito prospects
- Ongoing mapping of new prospects
- Non-exclusive farm-out discussions remain on-going

Resource Summary:

Independently Assessed			Net Un-risked Prospective Resource		
	Interest	Type	Low	Best	High
Marina (Prospect) #	75%	Oil (mmbbls)	129	240	405
Bonito (Prospect) #	75%	Oil (mmbbls)	186	415	953
Z-38 (Block) #	75%	Oil (mmbbls)	686	1,686	3,764

Australia: Browse Basin



Exploration Permit WA-314-P



Browse Basin, Australia - Permit WA-314-P

Equity Interest:

- Karoon 100% (Operator)

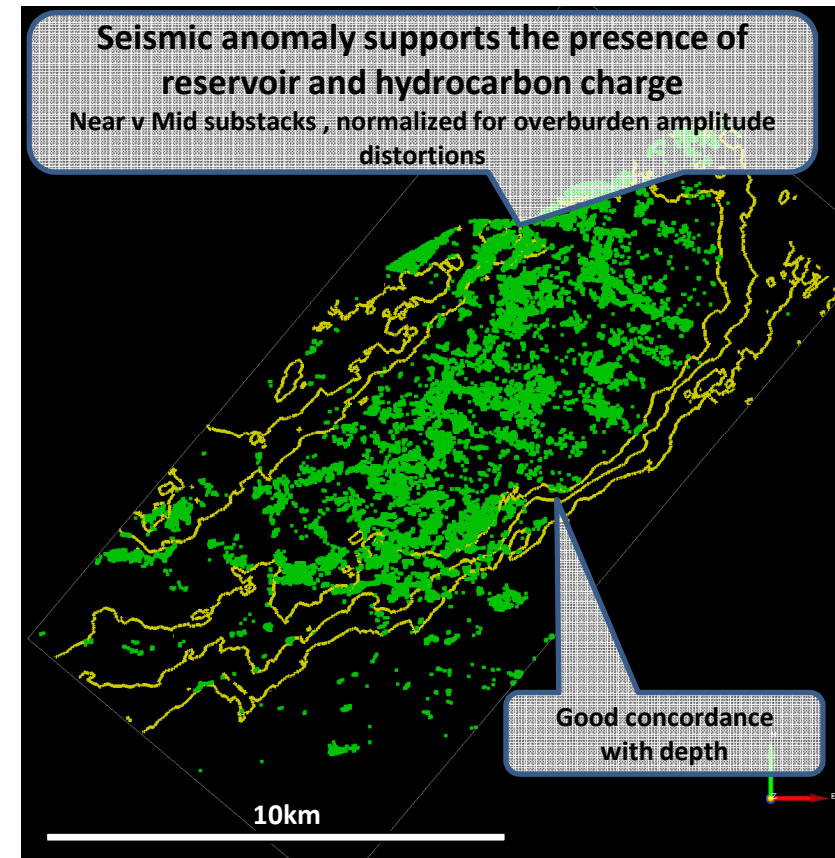
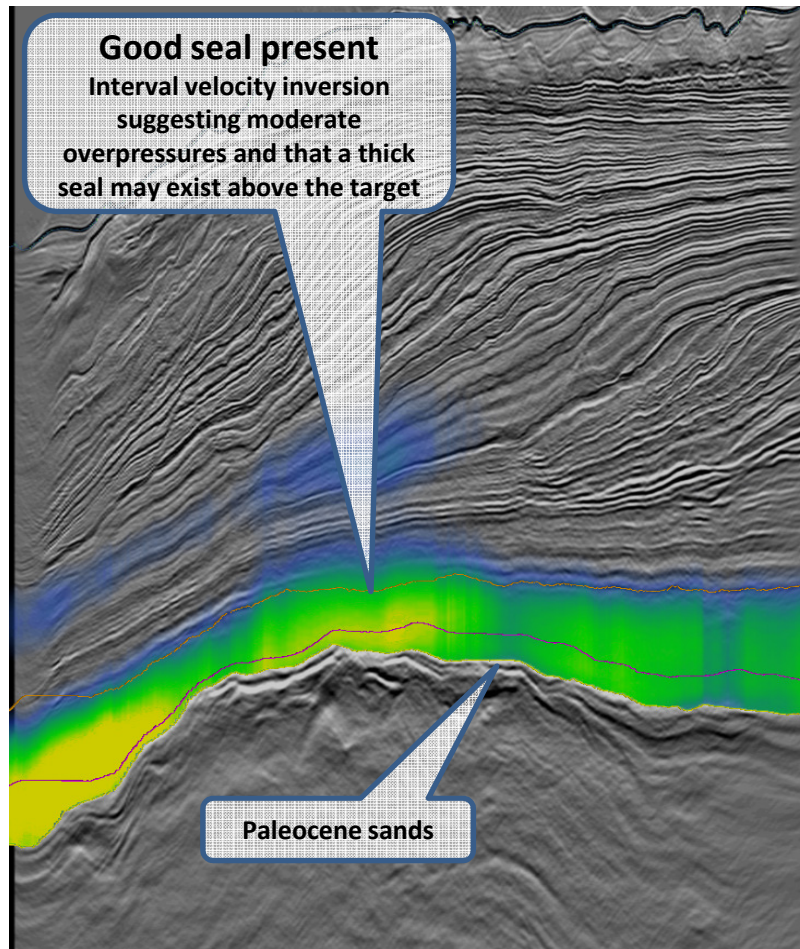
Progress to Date:

- Exploration permit recently renewed with no well commitment in the 3 year primary term
- Prospective area retained
- Work commitment composed of G&G studies and seismic reprocessing only

Exploration upside

- New Tertiary turbidite play fairway identified with the 3D defined Elvie prospect currently high graded as being within “sweet spot”
- Seismic anomalies within modern high quality 3D seismic support the presence of trapped hydrocarbons as well as the presence of reservoir and seal units in the Elvie location
- Regional data and interpretation strongly supports the presence oil as the most likely hydrocarbon type in the large Elvie Prospect

WA-314-P



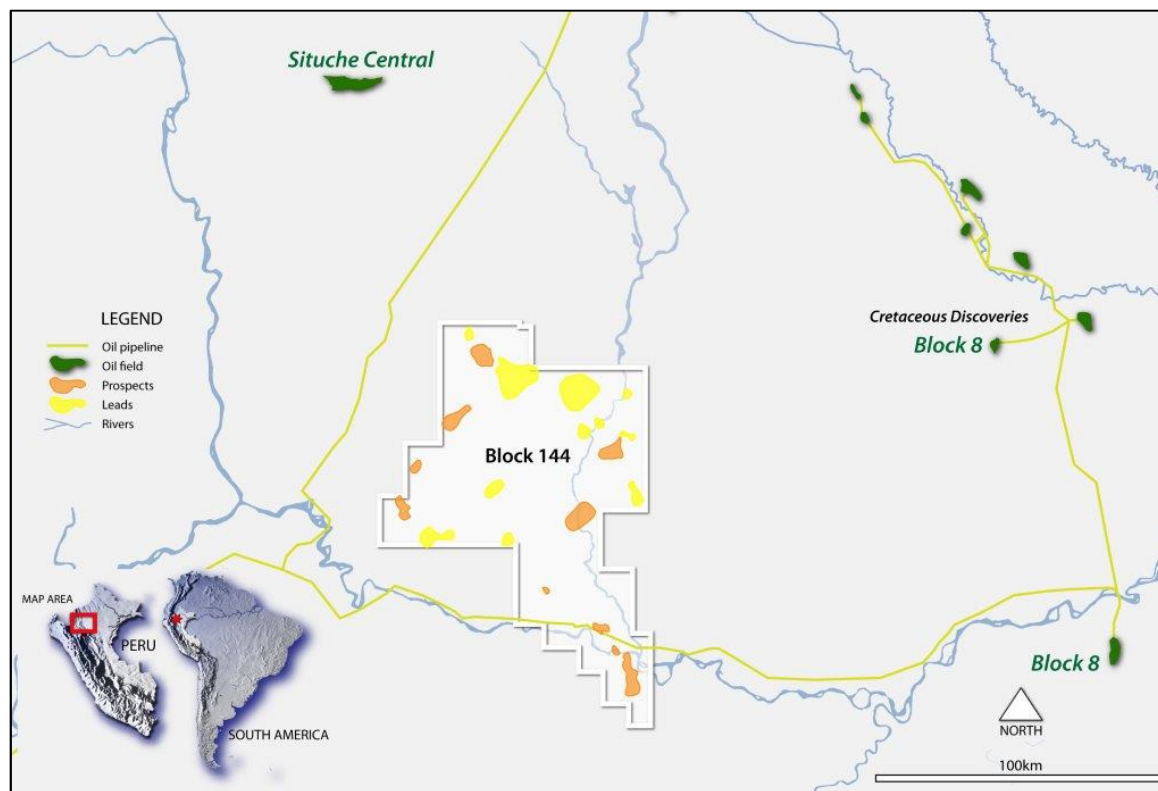
New 3D seismic and analysis provides dramatically improved resolution, and increases the confidence in the presence of reservoir, seal and hydrocarbon charge in the Elvie Prospect.

Peru: Marañón Basin



Marañón Basin, Peru - Block 144

Equity Interest: Karoon 100% (Operator)



Progress to Date:

- The Block is currently in force majeure
- A number of prospects and leads have been identified
- Farm-out process commenced

Thankyou