KAROON AGM OPERATIONAL REVIEW

October 26, 2011

Karoon
Gas Australia Ltd

Karoon Gas snapshot

- Approximately 221 million shares and 3.9 million options
- Market capitalization approximately A$830 million @ A$3.75
- Cash in bank @October A$260 million
- Company in S&P/ASX 200 Index
- 5-8 well Browse exploration & appraisal drilling start 4th quarter 2011
- 5-8 well South American exploration drilling to start 2nd quarter 2012
- Poseidon-1 gas discovery Contingent Resource estimate (P90–3TCF, P50–7TCF, P10–15TCF)
- Poseidon field, Kronos-1 well flows at 26 million scf per day (facility constrained)
- Brazil oil discovery. Marujá-1 flows at 6142 stb/d (facility constrained)

- Karoon has a diverse portfolio of high value exploration and appraisal acreage in its Australian and South American focus areas.

Karoon Gas Australia's key personnel

BOARD

ROBERT HOSKING Executive Chairman

Founding Director and shareholder of Karoon Gas with 35 years of commercial experience. Involved in the oil and gas industry for 18 years. Founding director and shareholder of Nexus Energy.

MARK SMITH Executive Director and Exploration Manager

30 years' experience as a geologist and exploration manager in petroleum exploration and development, mainly with BHPB in Australia, Southeast Asia and North America.

JOSE COUTINHO BARBOSA Director

38 years at Petrobras including roles as Managing Director of Exploration and Production and CEO of Petrobras and Petrobras International.

GEOFF ATKINS Director

35 years' experience as a marine engineer with involvement with design and construction of LNG facilities.

STEPHEN POWER Director

25 years as a commercial lawyer providing advice to participants in the resources industry in Australia and overseas.

CLARK DAVEY Director

30 years oil and gas accounting experience with PWC and private consulting. Energy and Resources tax specialist including experience with structuring and PRRT.

SCOTT HOSKING Company Secretary

International financial and commercial management background with expertise in equity capital raising.

TECHNICAL

DAVID WHITTAM Exploration Manager Australia

30 years experience with BHPP and Woodside In Australia , USA, Europe and Asia.

LINO BARRO Engineering Manager

28 years' experience in reservoir and development engineering with Delhi, BHPB & Kufpec.

ANDREW MORRISON Exploration Manager Brazil (Melb)

25 years experience as a geologist with BHPB and Hamilton.

HYWEL THOMAS Exploration Manager Peru (Melb)

34 years experience as a geophysicist with BP and BHP

JORG BEIN Principal Geophysicist

41 years' experience as a geophysicist and manager with Exxon and BHPB.

RALPH SPINKS Drilling Advisor

40 years in the industry including 13 years with Phillips Petroleum.

South American personnel

EDWARD MUNKS Director of KEI and COO of KGA

Over 29 years experience working for Brambles, Nexus Energy, Anzoil, Arrow Group, Barrick Group, Discovery Petroleum, Baker Atlas Group and Home Energy. Instrumental in the acquisition of the South American assets.

KAREN ALBUQUERQUE Chief Financial Officer

Over 18 years of accounting experience. Worked with PriceWaterhouseCoopers for 9 years and 8 years at El Paso Energia do Brasil Ltda.

JORGE CAMARGO Advisor to Board

34 years of experience in the oil and gas industry. Former President of Statoil and ASA in Brazil. Worked for Petrobras for 27 years.

GERMAN BARRIOS Lawyer

25 years of experience. Partner of Barrios Fuentes law firm in Peru, oil and gas law specialists.

GUSTAVO BORJA Peruvian Advisor

Geologist 35 years with Petroperu rising to Exploration Manager.

TIMOTHY HOSKING General Manager for South America

Over 10 years experience. Instrumental in the acquisition and consolidation of the South American assets including responsibility for the government and private oil and gas company relationships which have resulted in Karoon's current South American portfolio. Coordinated all field operations in Peru and Brazil.

OSVALDO ANTONIO RODRIGUES DE SÁ Senior Geophysicist

36 years experience with Petrobras as a geophysicist and explorationist, exploring the Recôncavo Basin, Santos, Espirito Santos, Campos and Pernambuco basins.

LUIZ ANTONIO PIERANTONI GAMBOA Senior Geophysicist

41 years experience as a geologist and explorationist working at Gulf Oil (USA) and Petrobras Brasil concentrating on the study of deep water areas in the Santos Basin during 1990 – 2010.

JULIO ALEXANDRE ALMEIDA DE CARVALHO Geophysicist

9 years experience as a geophysicist with Companhia Vale do Rio Doce, Quantra Petroleo LTDA, and Odebrecht Oil & Gas, working the Potiguar, Sergipe-Alagoas and Congo basins.

MARCIA MARIA PINAHEIRO DA SILVA Geophysicist

10 years experience with Petrobras in geophysics and environmental management.

South American Drilling team

DENNIS HINING Drilling Manager

40 years experience in the oil and gas industry. Former head of ExxonMobil Worldwide Ventures for Deepwater Exploration Drilling, Drilling Engineer for Shell Oil. Experienced in Brazilian deep presalt development projects.

ANDREW GALLICK Drilling Operations Engineer

30 years international and U.S. experience with Exxon/Mobil. He has worked in Algeria, Australia, Azerbaijan, Kuwait, Russia, West Africa and Venezuela. Experienced in drilling and subsurface Engineering, oil and gas drill well planning, design engineering and workover operations in land, deep water, jack-up and HPHT operations

CHRIS WAGNER Senior Drilling and Operations Engineer

30 years with companies such as UNOCAL, AMOCO, Halliburton, BP among others.

Assigned to Ecopetrol in Bogota, Columbia to prepare drilling programs and source rigs for prospects in 600' to 3300' of water; also worked on two prospects in Brazil in 6500' of water.

ROBERTA MEGALE HSE Manager

Chemical Engineer – Federal University of Rio de Janeiro (UFRJ

Shell Brasil Exploration & Production (SBEP) – From December 2001 until October 2010. Risk & Analysis Engineer with

expertise in HSE Management System implementation and knowledge of emergency response systems.

BRAD PATE Drilling Operations Engineer

Petroleum Engineer and Business Administrator with 28 years Operational Experience. 13 years for Mobil's International Drilling Team as a Completions & Well Testing Engineer, and another 11 years for Chevron Russia, Kerr McGee, Exxon/Mobil, Ocean Energy Nigeria and Peregrine Oil & Gas

ROBERT L. WOOD Senior Drilling Engineer

A highly skilled Petroleum Engineer with 30+ years of International and Domestic U.S. experience in Drilling Engineering Studies, Drilling Supervision and Implementation of complex Drilling Projects onshore and offshore. Worked for Chevron, Texaco, Kerr Mecgee, Santos, Mobil, Phillips

JEFFERY D. ESMONDE Materials and Logistics Supervisor

Materials and Logistics Supervisor on miscellaneous drilling projects in Bahrain, India, Ivory Coast, Equatorial Guinea, Gabon, Trinidad, Belize, Venezuela, Portugal, Myanmar and Colombia.

38 years' experience in the E&P industry

ANDREIA CORONEL Materials and Logistics Supervisor

An Industrial Engineer specialized in Oil and Gas Contracts with more than 7 years' experience with Repsol-YPF in Bolivia and Argentina.

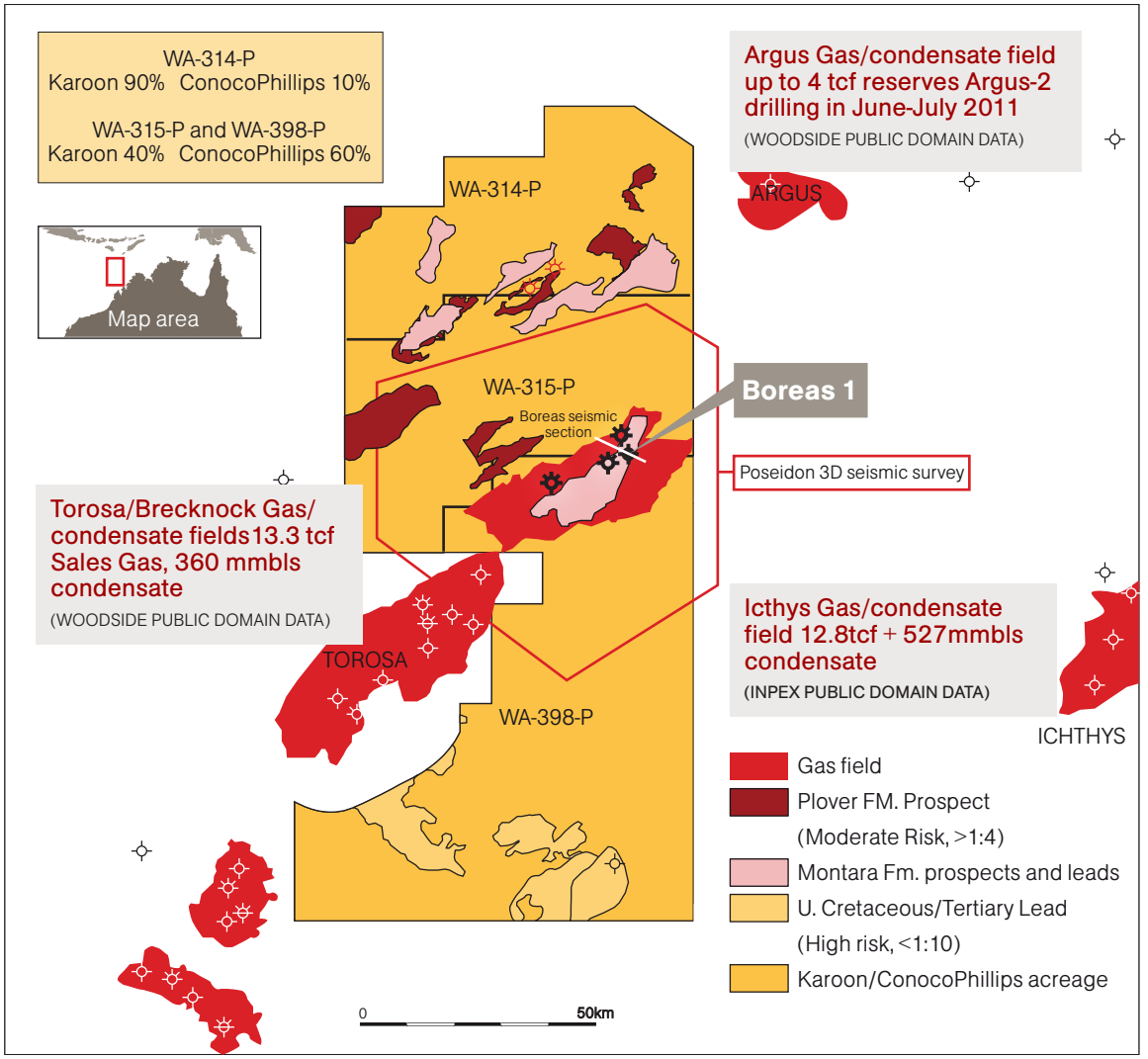
For the last 3 years she was Repsol Argentina Contracts and Procurement Lead responsible for offshore projects for the Exploration and Business Development Division.

Speaks five languages fluently.

LEANDRO COSTA Marine Biologist

10 years' experience working on Environmental Licensing projects in the Brazilian E&P oil Industry

Browse Basin



- With respect to Karoon's Browse Basin Joint Venture, the disclosures presented in this review do not necessarily reflect the views of ConocoPhillips.
- Prospective resource estimates represent current interpretations by Karoon of available exploration data and are subject to material change and reinterpretation as exploration and appraisal proceeds.

Location:

- Browse Basin, Australia. 450-600m water depth. On Trend with Torosa, Brecknock and Calliance gas condensate fields. Other fields; Icthys, Argus, Prelude and Burnside.

Karoon discovered resource:

- Poseidon/Kronos Contingent Resource Range; P90 - 3 tcf, P50 -7tcf, P10 15 tcf.

Prospective resource:

- Outside greater Poseidon trend

12 Prospects identified with total Mean Unrisked Prospective Resource of 8 tcf.

Interest:

- 40% in WA-315-P and WA-398-P. 90% in WA-314 P.

Forward plans:

- 5 to 8 well exploration and appraisal wells to be drilled with Transocean Legend from October/November 2011. Program to last 18 to 24 months.
- Farmout some interest in WA-314-P

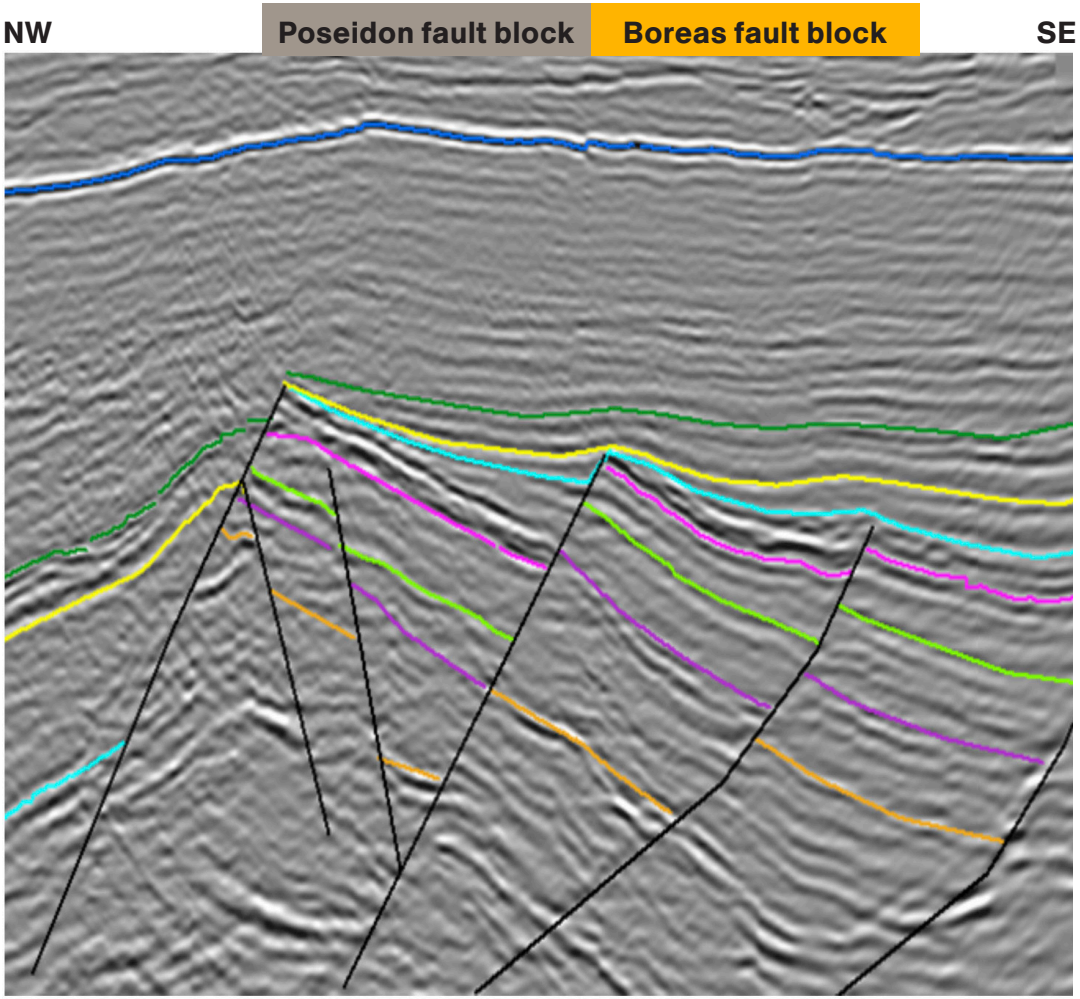
Objective:

- Define resource and progress to LNG development FEED stage.

Browse Basin

First well Boreas-1

- A high crestal test of the fault block immediately east of the Poseidon fault block.
- Located 4.2 km SE from Poseidon-1



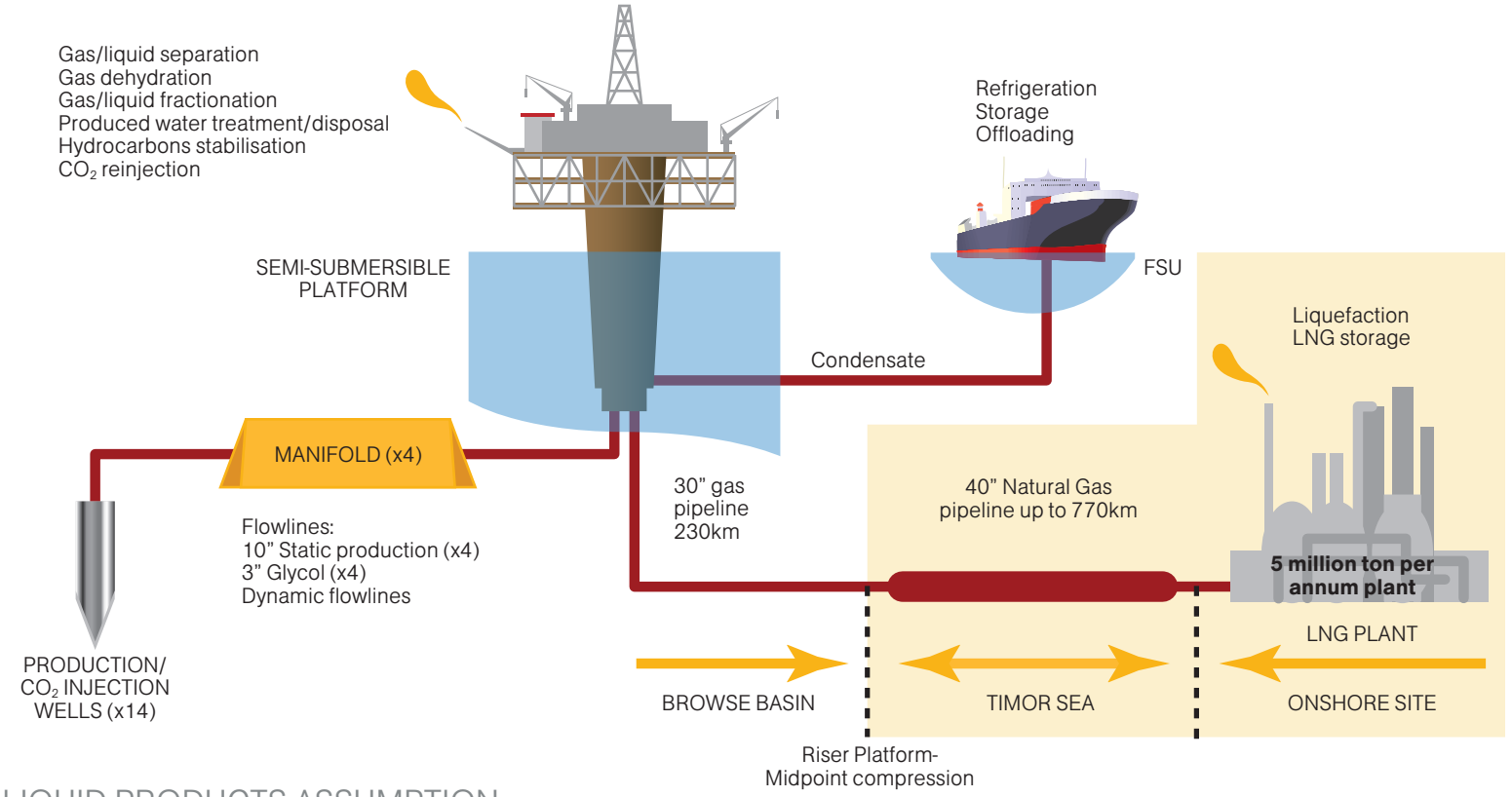
Appraisal/Exploration objectives (general comments)

- In appraisal programs, wells are positioned in a range of different settings, both up dip and down dip.
- Not all exploration or appraisal wells are flow tested.
- Specific objectives ranging from flow testing reservoirs high on structures to down dip tests designed to define reservoir quality, continuity, gas water contacts, water pressures and water zone reservoir properties. As an example, the Scott Reef-2 well was a planned down dip well to intersect the gas water contact and determine down dip reservoir properties.
- In an appraisal program all wells are equally important to define the resource.
- It is only after a number of appraisal wells are completed that a better understanding of the range of hydrocarbon resources will emerge.
- Individual well results as such are not necessarily indicative of what the final appraisal program result will be.

Indicative Browse Basin project concept

Karoon LNG/condensate indicative development model economics
(assuming a discovery of 7 TCF and based on a leading independent third party design concepts).

FIELD DEVELOPMENT, PIPELINE AND LNG FACILITIES SCHEMATIC (ONSHORE LNG OPTION).

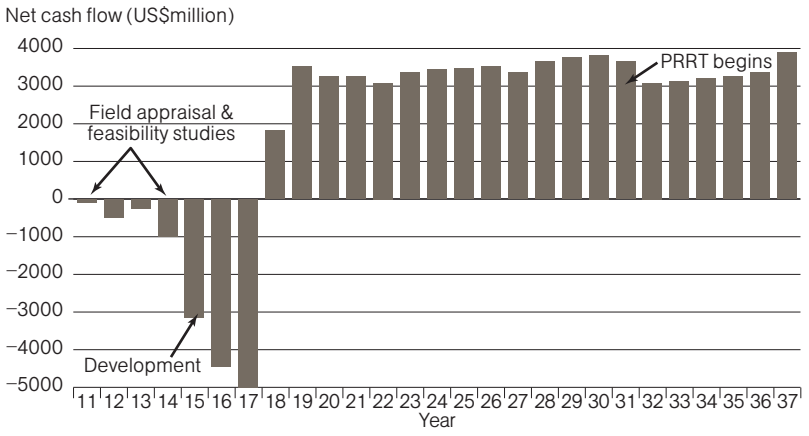


LIQUID PRODUCTS ASSUMPTION
Condensate 13bbls/million cubic feet

Karoon Browse indicative development model economics

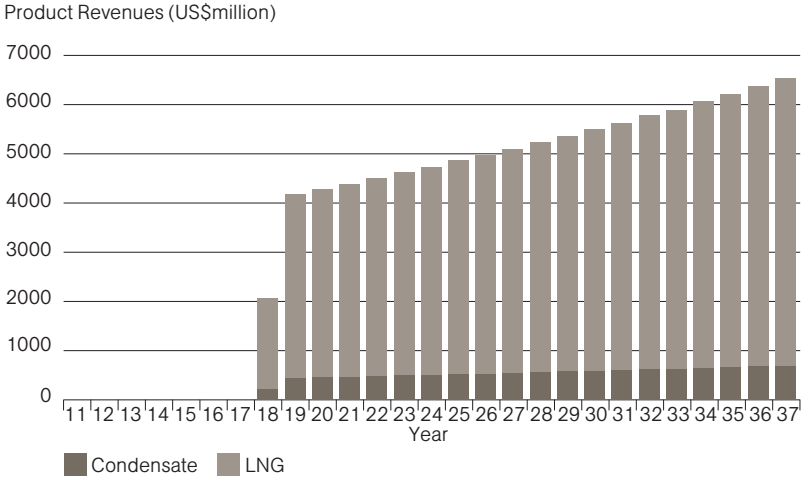
Combined Net Cash Flow

Net cash-flow for combined offshore liquids removal and onshore LNG – 100% share



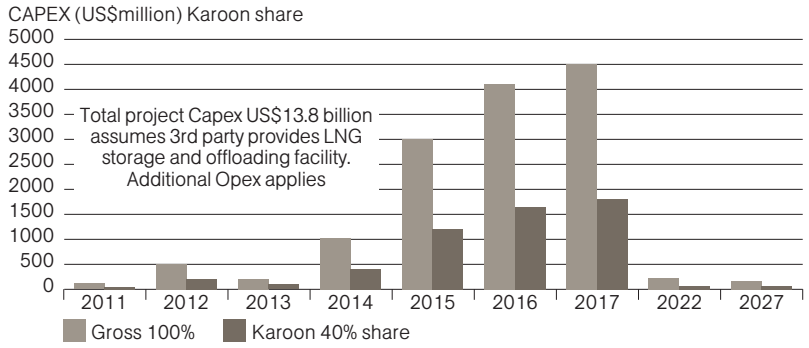
Product revenues

Product revenues for combined offshore liquids removal and onshore LNG – 100% Share.



Capex profile

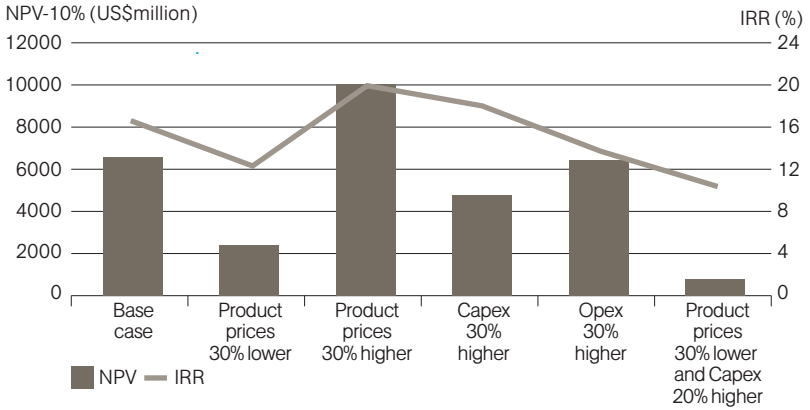
– 2011 US dollars



Total Karoon Capex = US$5.5 billion

Total Capex = US$13.8 billion

Economic sensitivity analysis



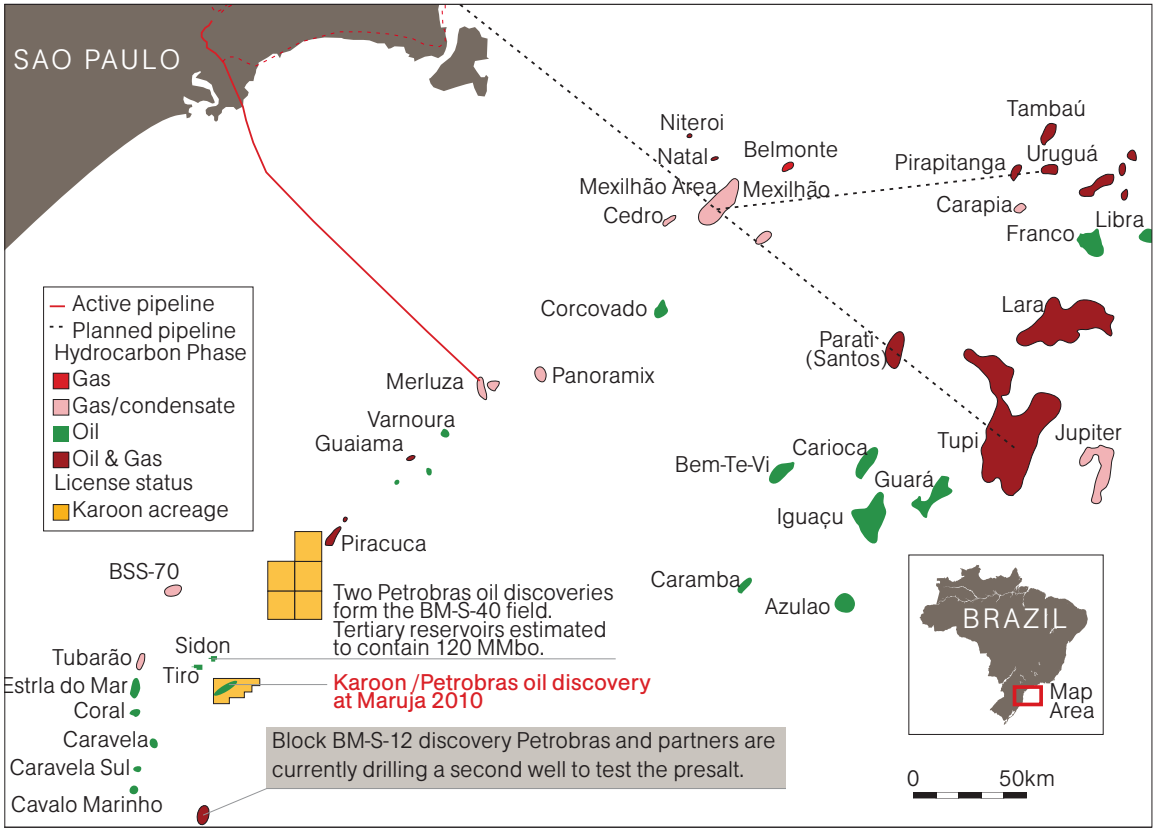
Project NPV US$6.5 billion, IRR 17%

Assumptions: Condensate US$80/bbl, LNG US$12/mmbtu

Royalty: 1.5% ORR for first 5 years going to 2% thereafter (not included)

Brazil Santos Basin

55% drilling success rate in the southern Santos Basin (23/41 wells)



- Prospective resource estimates represent current interpretations by Karoon of available exploration data and are subject to material change and reinterpretation as exploration and appraisal proceeds.
- DeGolyer and MacNaughton will be reviewing the new 3D seismic data and providing a new Prospective Resource assessment to be released later in 2011.

Location;
Santos Basin 300-400m water depth. On trend with Piracuca, Newton, Muluza, Maruja, Tiro and Sidon fields.

Karoon discovered resource;
Maruja oil field appraisal planning in progress.

Prospective resource;
13 prospects and leads identified to date with work continuing. There are currently, 11 prospects and leads in the Post-Salt and 2 prospects in the Pre-Salt.

Current Unrisked Prospective Resource Range P90-2, P50-3.6, P10-5.6 billion barrels, with the majority of the prospective resource in the Pre-Salt structures.

Interest;
100% in S-M-1037, 1101, 1102, 1165, 1166

20% in S-M-1352

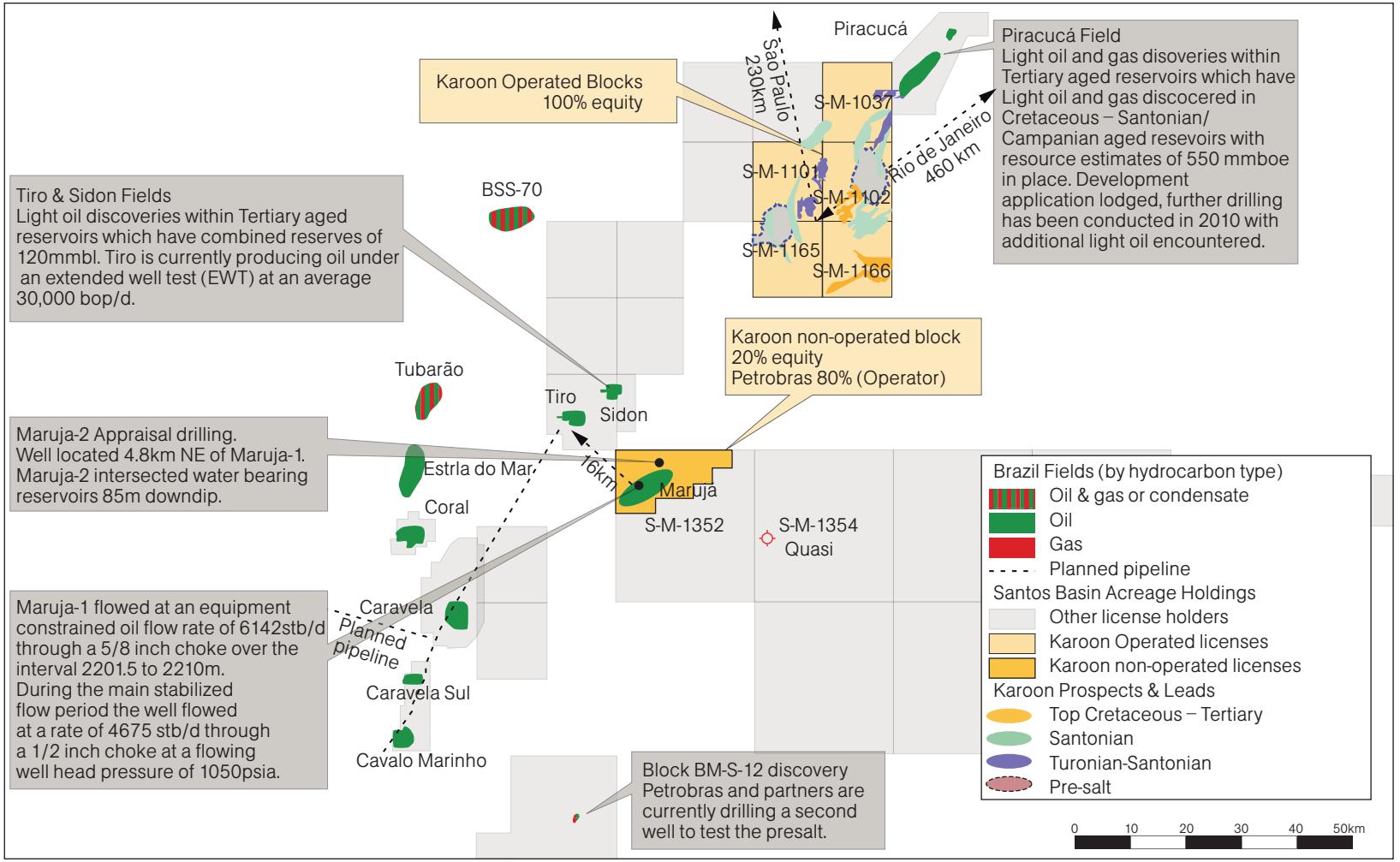
Forward plans;
Drill 3 wells starting 2nd quarter 2012 with Blackford Dolphin. Program to last 6 to 9 months.

Farmout.

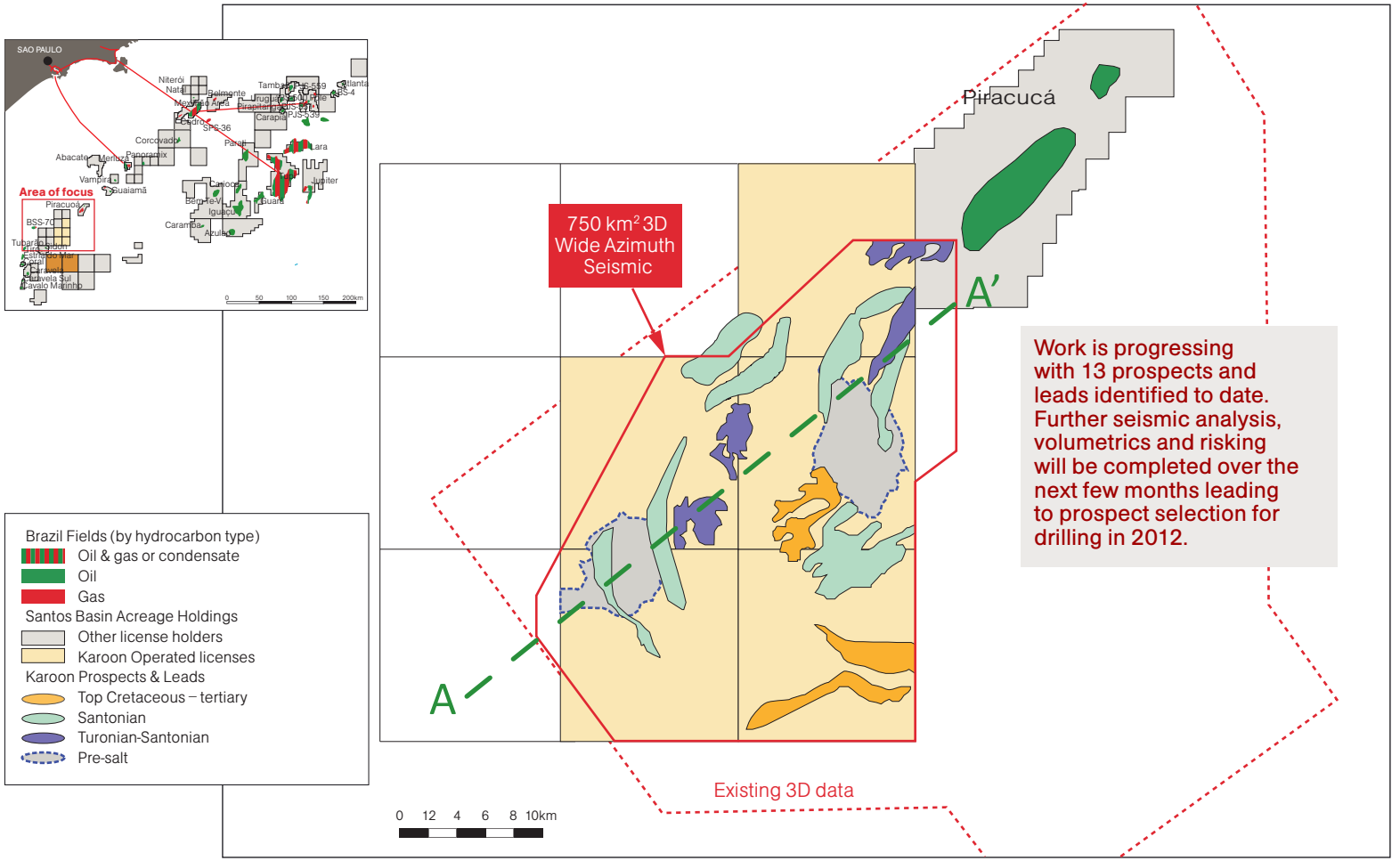
At Maruja field ; define appraisal/development program.

Objective;
Define resource size & progress to appraisal/ development in 2013.

Brazil Santos Basin – block locations



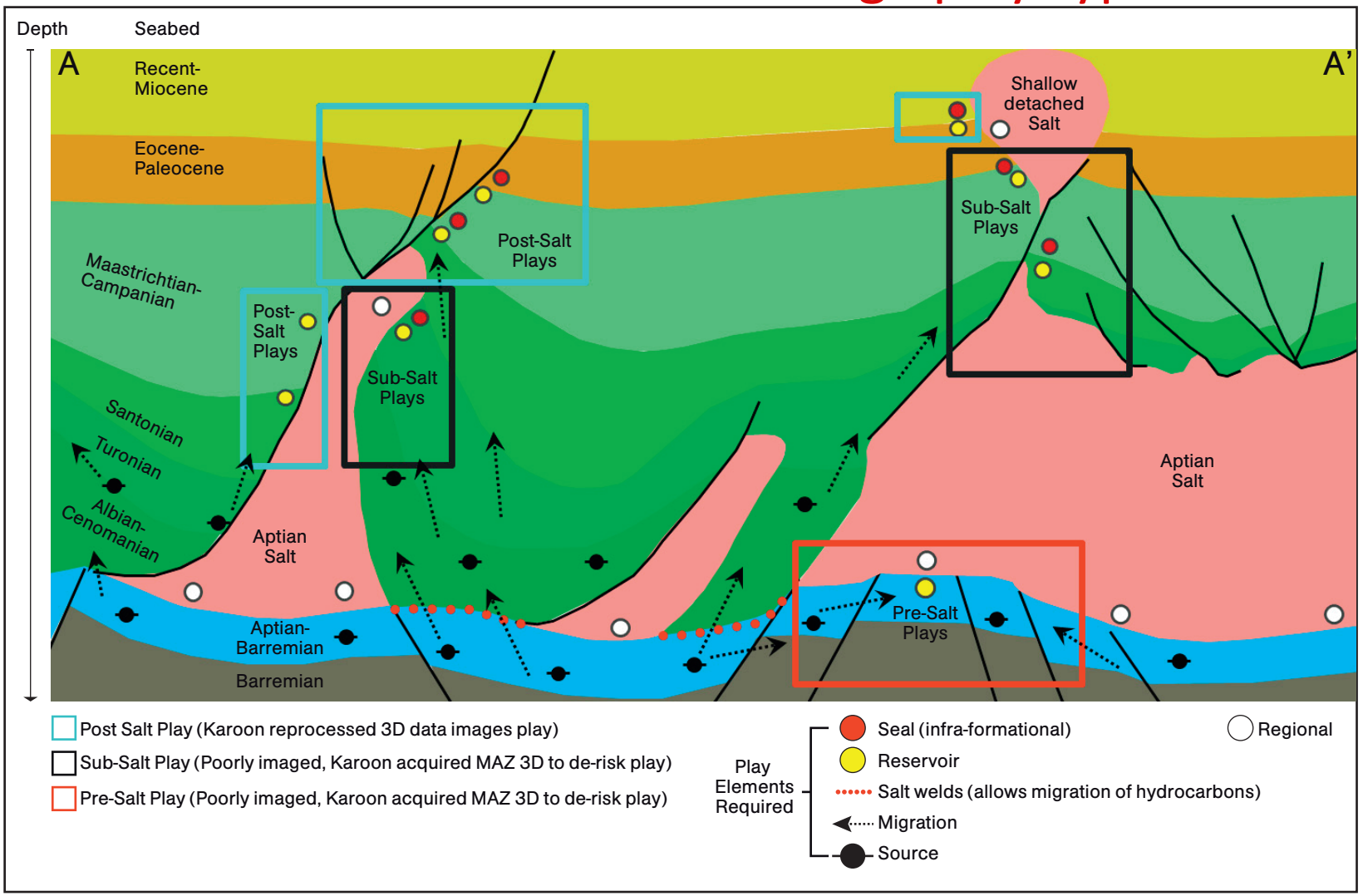
Brazil Santos Basin – prospects



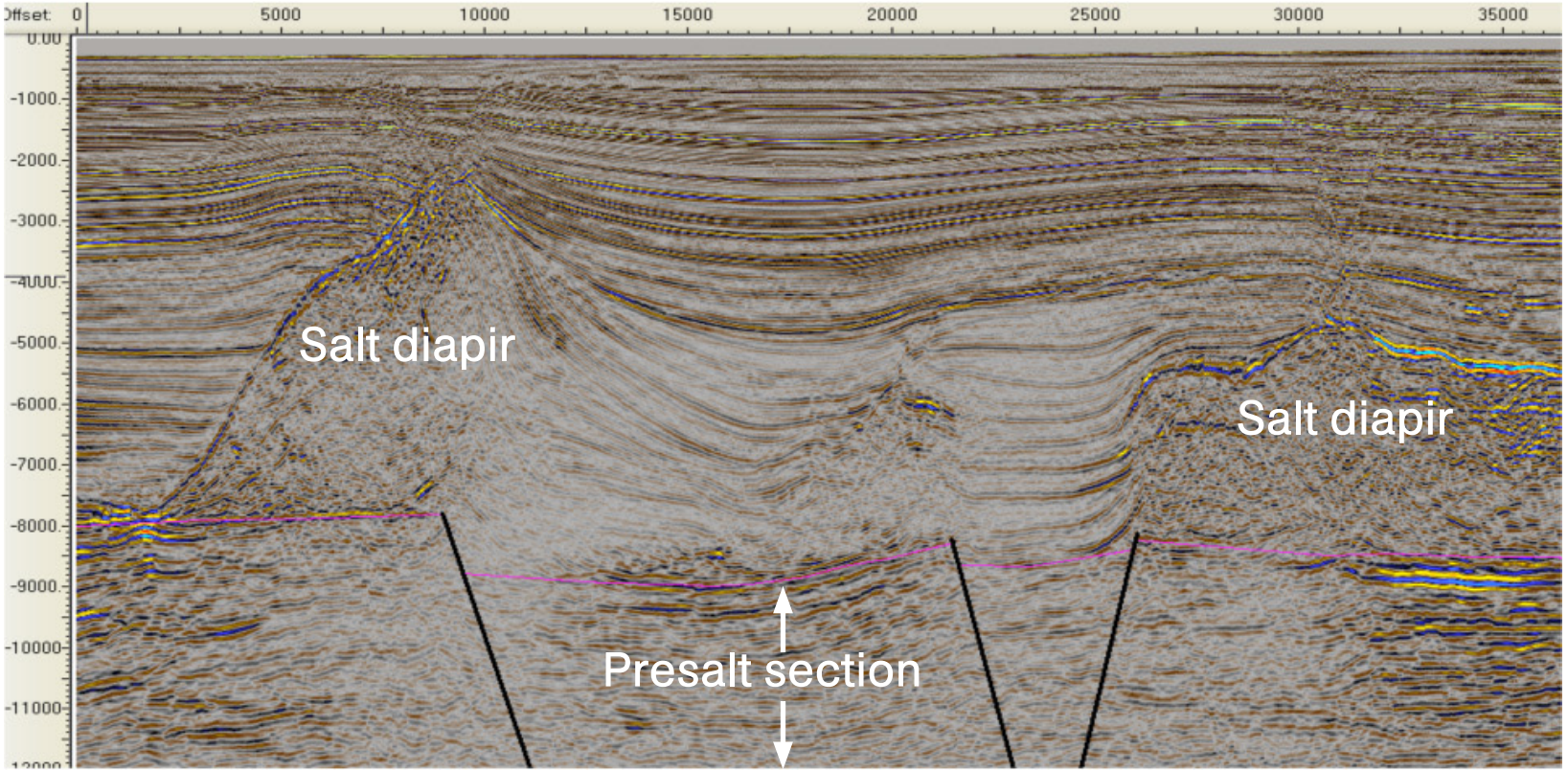
Work is progressing with 13 prospects and leads identified to date. Further seismic analysis, volumetrics and risking will be completed over the next few months leading to prospect selection for drilling in 2012.

Use of complex Wide Azimuth seismic in Brazil → Higher resolution Better depth imaging → Better reservoir characterization and prospect definition

Brazil Santos Basin – Karoon acreage play types

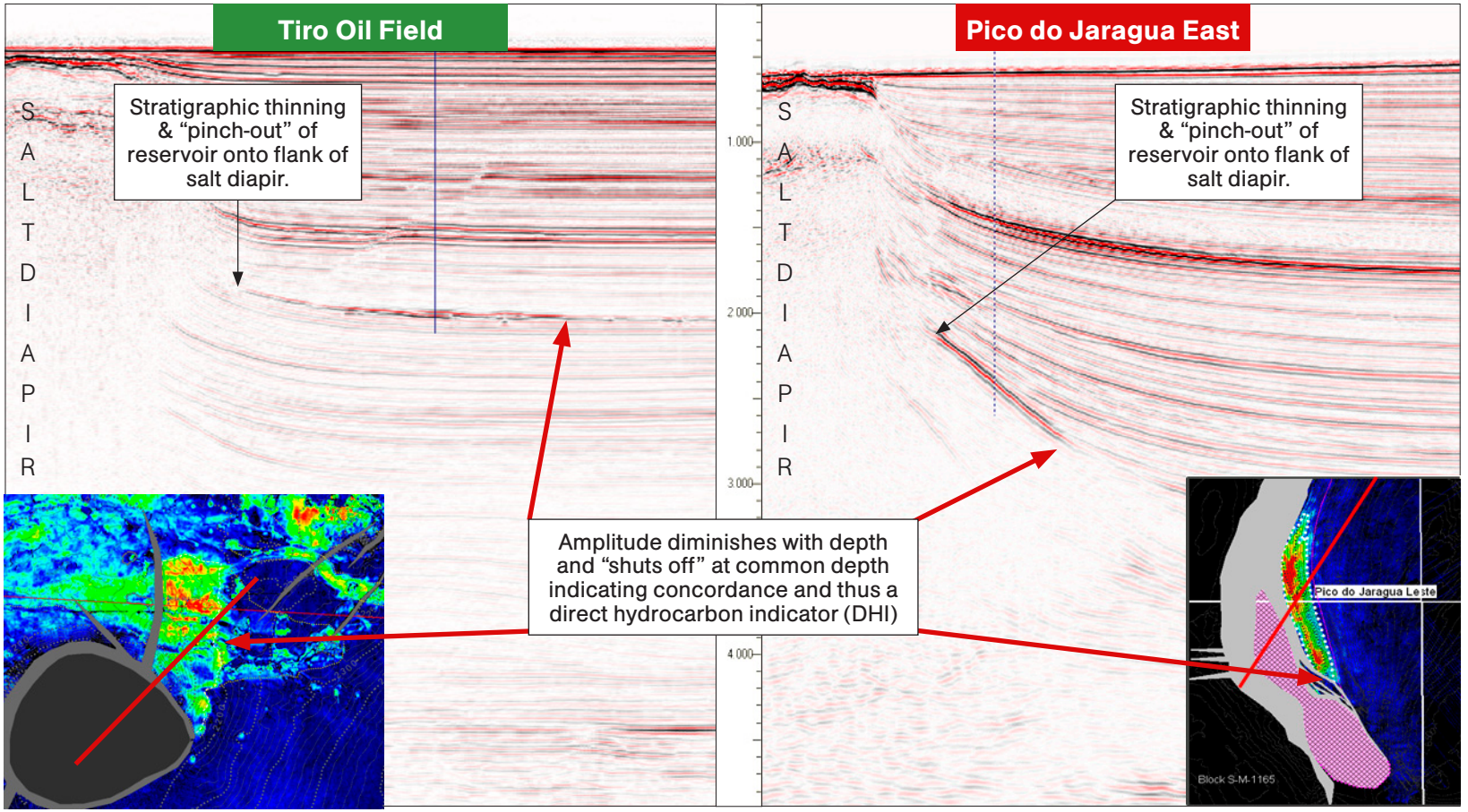


Brazil Santos Basin – Presalt imaging improvement



Dramatic improvement in Presalt imaging from new 3D seismic showing large prospective fault blocks

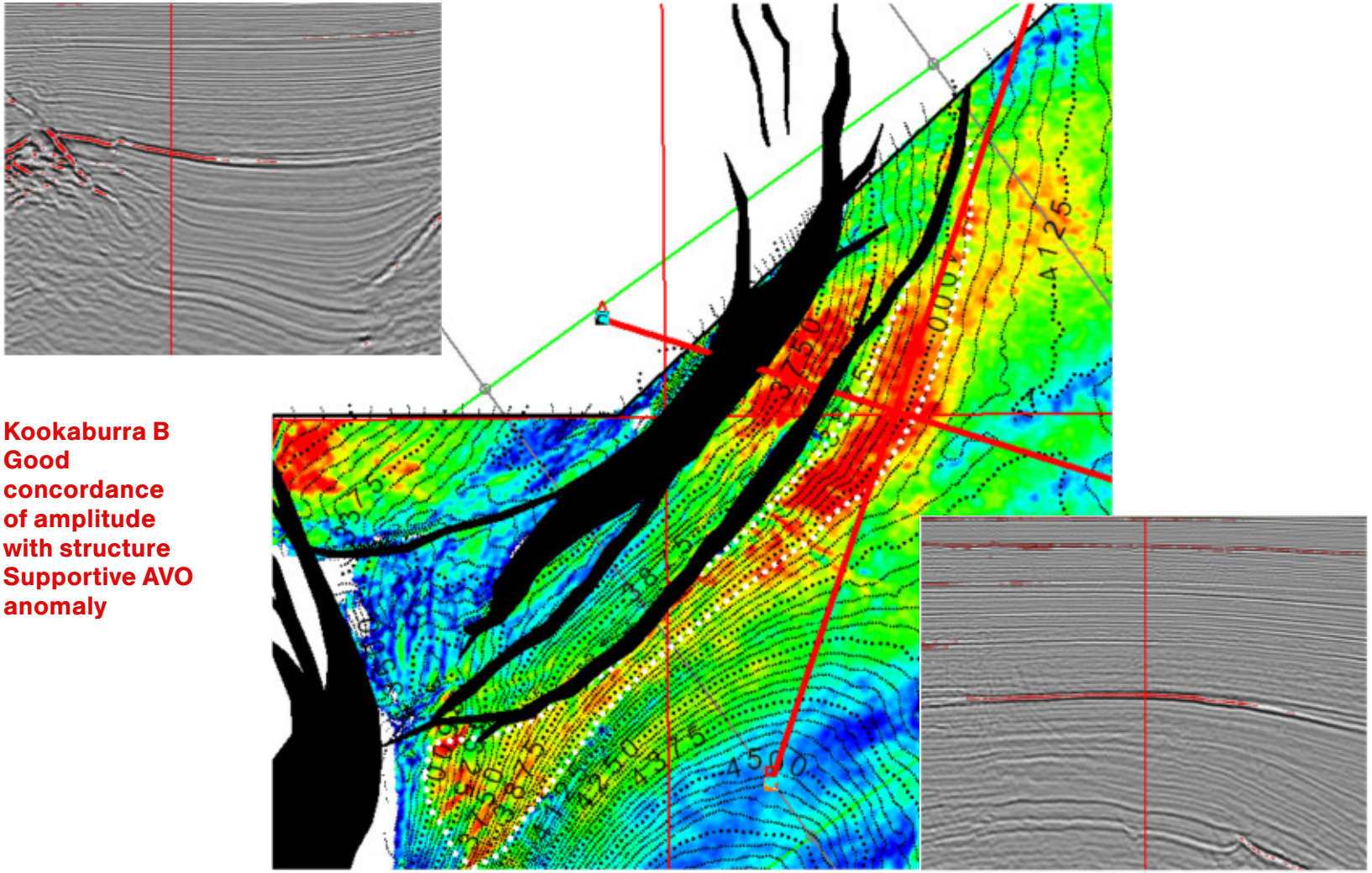
Brazil Santos Basin – Prospect analog



The Tiro Oil Field 25km to the SW of Karoon's acreage provides a good field analogue for Karoon's Pico do Jaragua East Prospect (apart from the different stratigraphic ages, Tertiary vs Late Cretaceous).

Petrobras is currently producing oil from Tiro in an extended well test.

Brazil Santos Basin – Prospect example

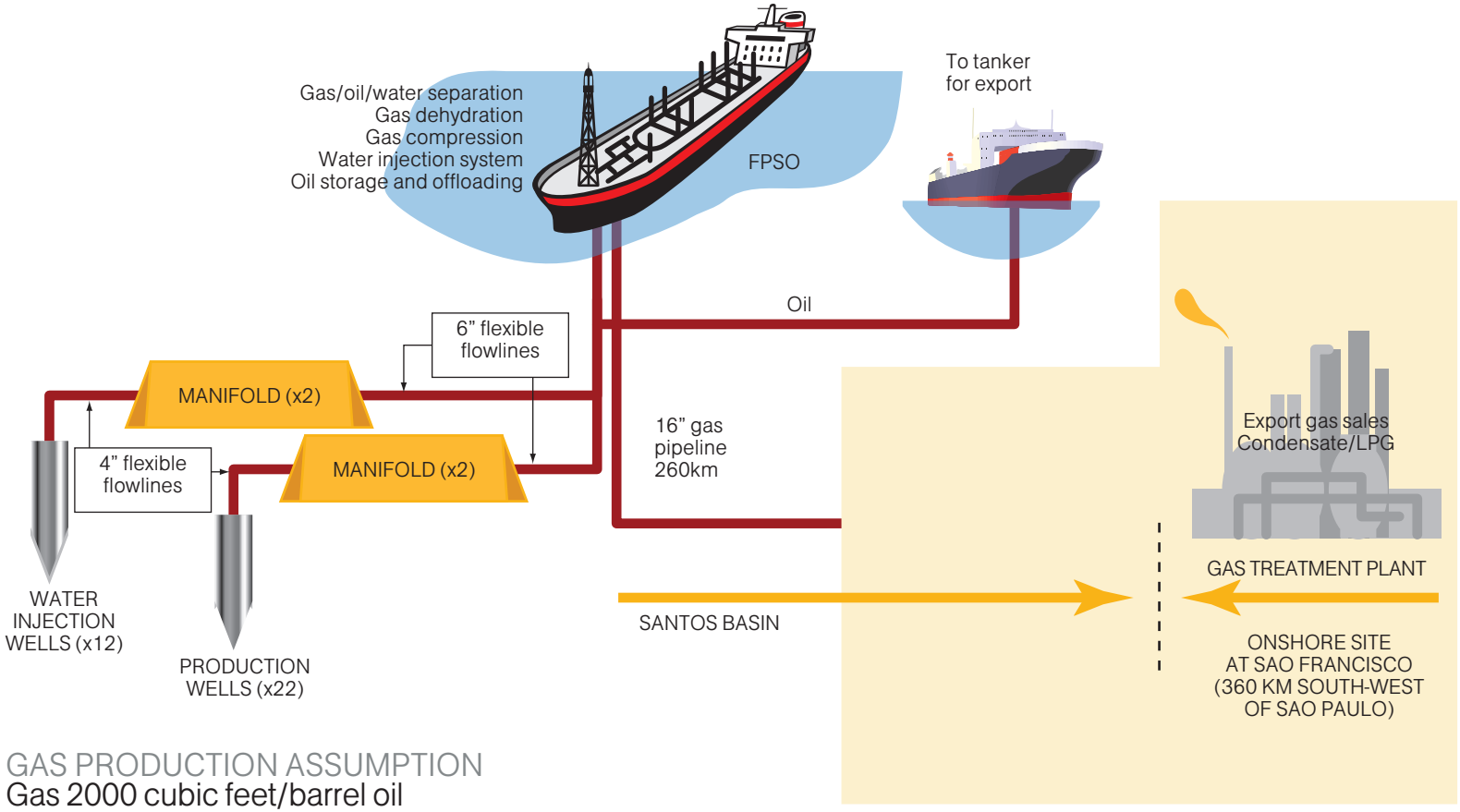


Kookaburra B Good concordance of amplitude with structure Supportive AVO anomaly

Indicative Santos Basin project concept

Karoon oil and gas indicative development model economics (assuming a discovery of 250 million barrels and based on independent third party design concepts).

Field development, pipeline and gas plant facilities schematic (80,000 b/d oil, 160 mil scf/d gas).

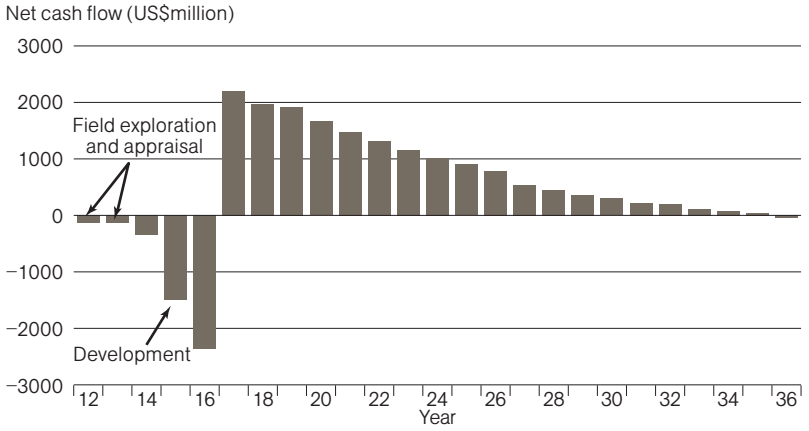


GAS PRODUCTION ASSUMPTION
Gas 2000 cubic feet/barrel oil

Karoon Santos indicative development model economics

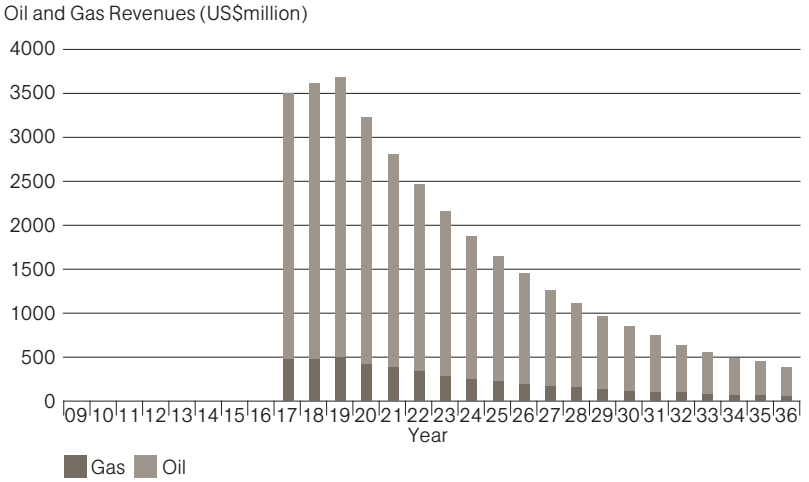
Net cash flow

Karoon oil and gas production indicative development model economics. 100% share.

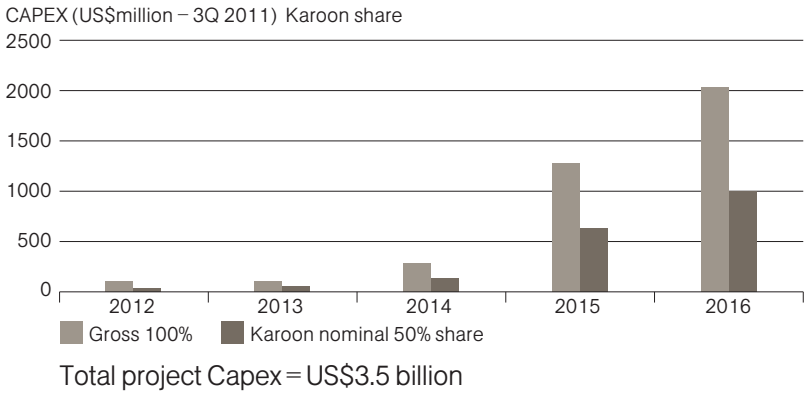


Product revenues

Oil and Gas Revenues- 100% share.

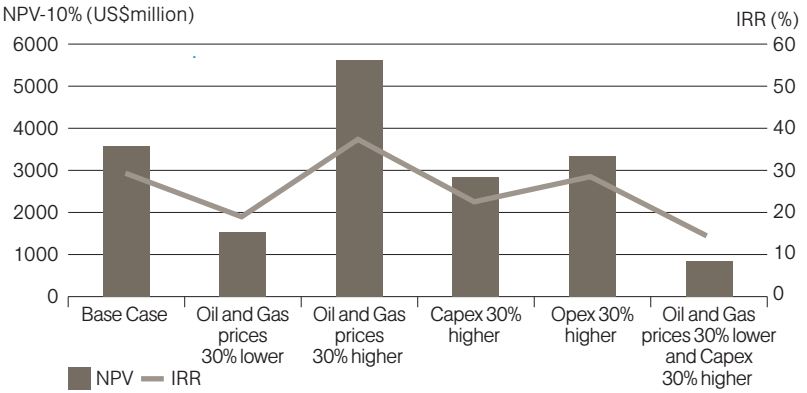


Capex profile



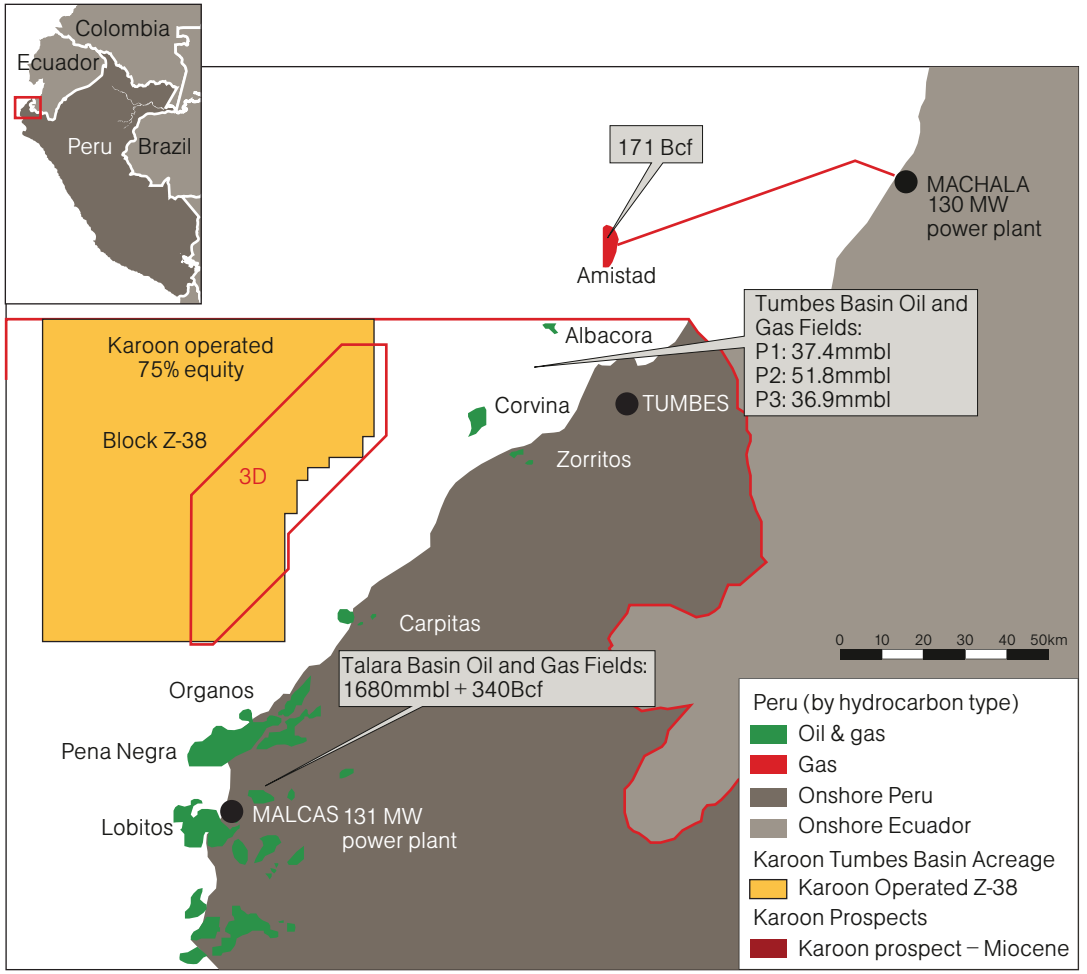
Total project Capex = US$3.5 billion

Economic sensitivity analysis



Project NPV US$3.6 billion, IRR 29%
Assumptions: Oil US$90/bbl, Gas US$7/mmbtu

Peru Tumbes Basin Block Z38



Location;
Tumbes Basin water depths 300 to 1000m. Close to fields that have produced over 1.6 billion bbls of oil and 340 bcf of gas.

Prospective resource range;
16 prospects and leads identified with work continuing: Unrisked Prospective Resource P90-0.7, P50-2.2, P10-4.2 billion barrels.

Interest;
75% equity in Z38 subject on completion of farmin terms with Vamex.

Forward plans;
Drill 3 wells expecting to start 2nd half 2012. Rig being procured. Program to last 6 to 9 months.

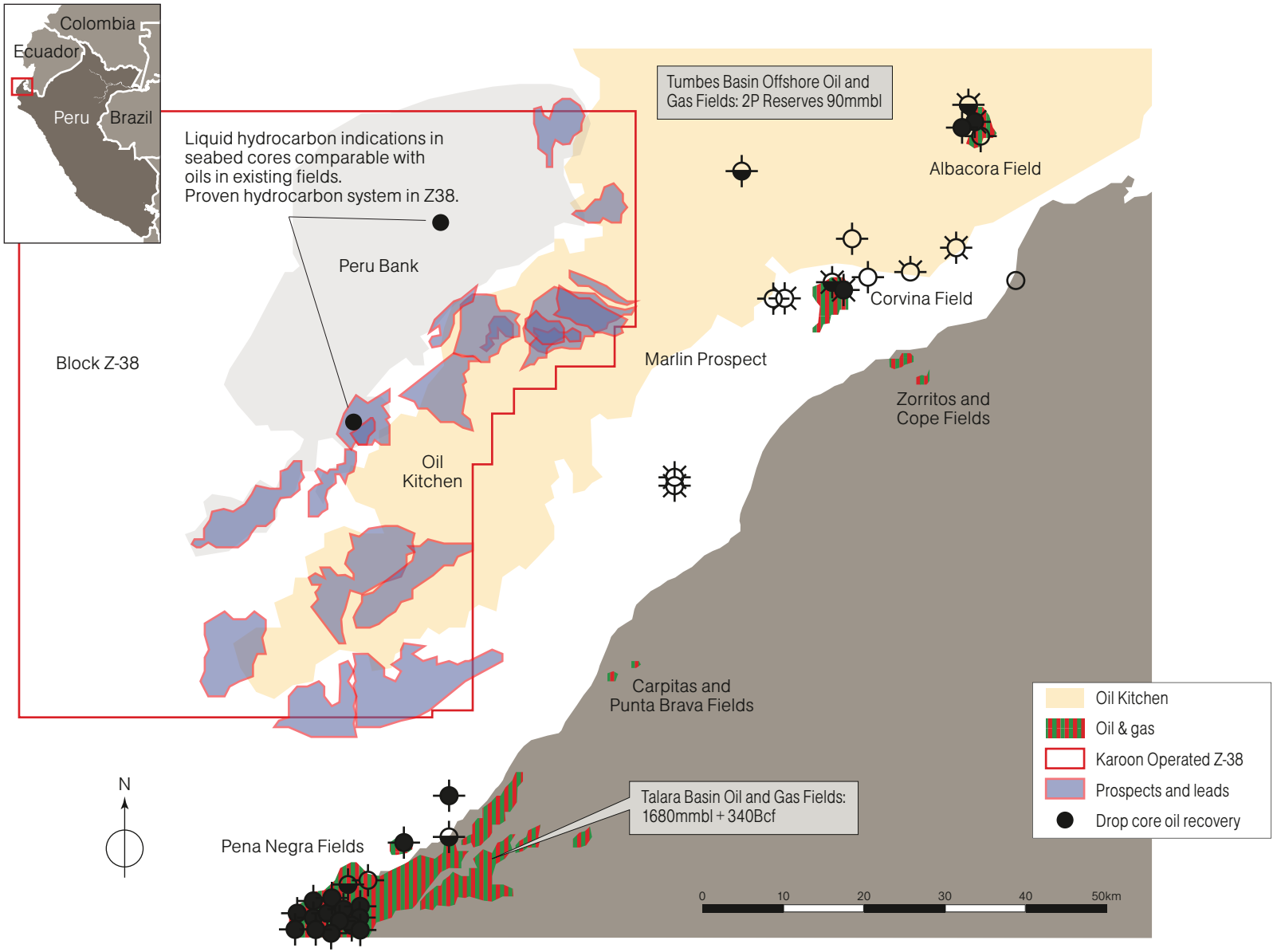
Farmout.

Objective;
Define resource size & progress to appraisal/development in 2013.

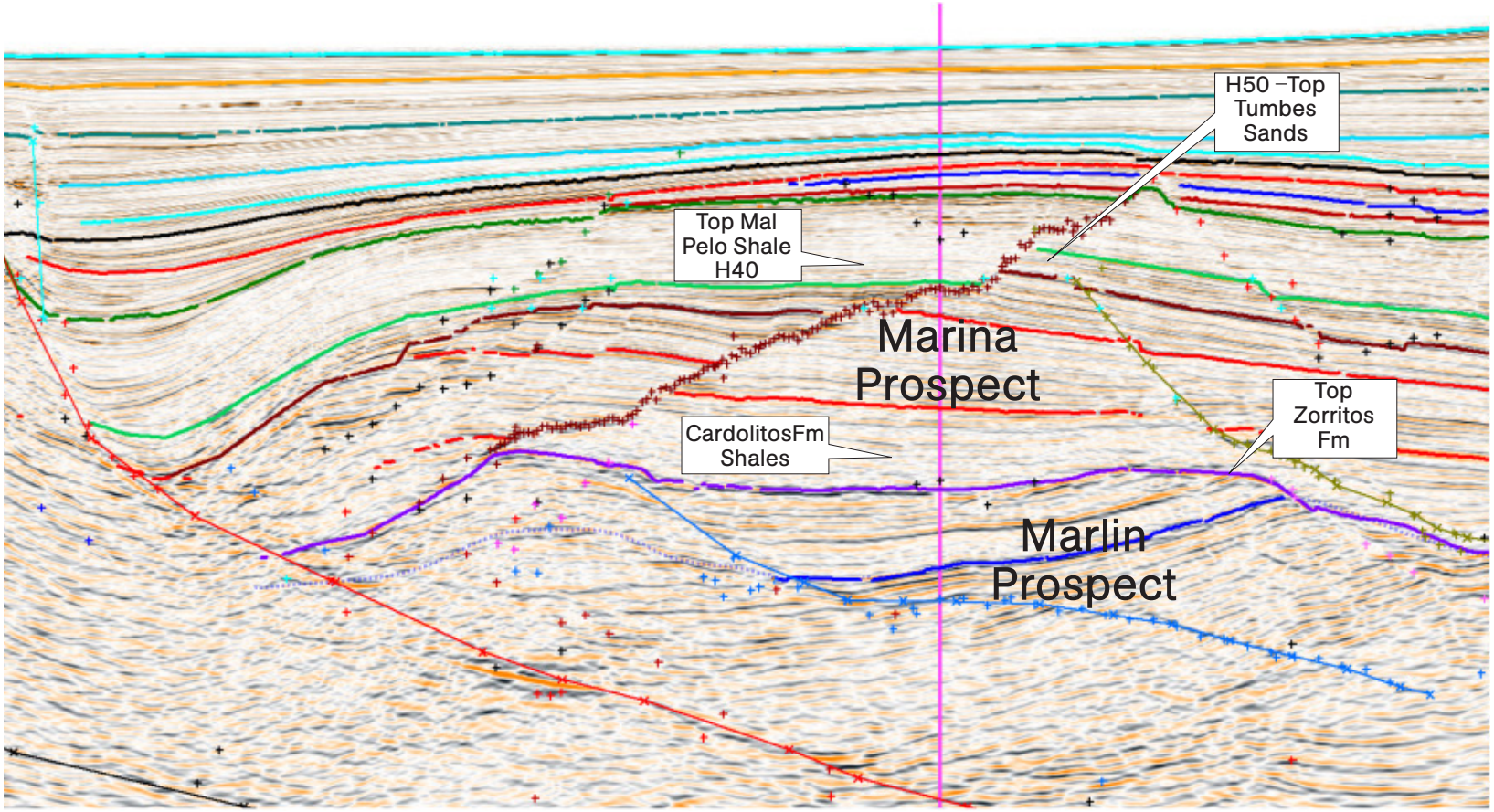
Very open, stable and favourable Government regime

- Prospective resource estimates represent current interpretations by Karoon of available exploration data and are subject to material change and reinterpretation as exploration and appraisal proceeds.
- DeGolyer and MacNaughton will be reviewing the new 3D seismic data and providing a new Prospective Resource assessment to be released later in 2011.

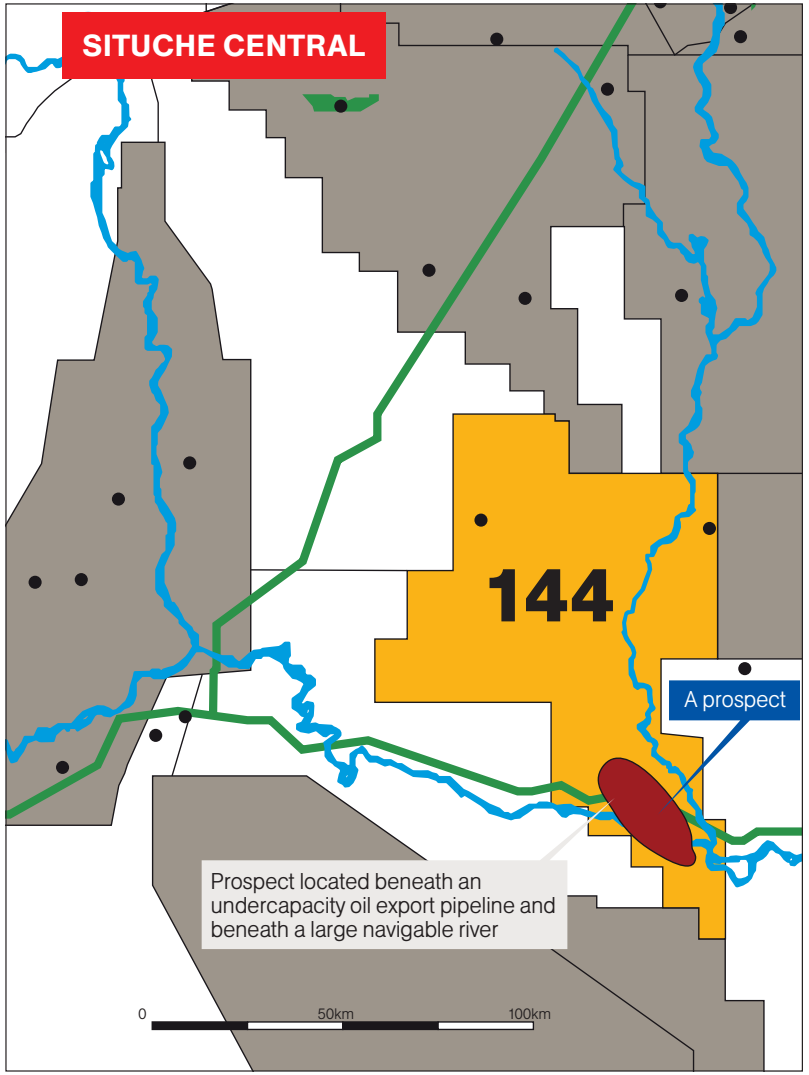
Peru Tumbes Basin – Prospects and Leads



Peru Tumbes Basin – Prospects and Leads



Peru Maranon Basin Block 144



Location;
Maranon Basin, Peru. On Trend with Situche central oil field. Close to under-capacity oil export pipeline and major navigable rivers.

Prospective resource;
One prospect approximately 90 mmbls potential

Interest;
100% equity

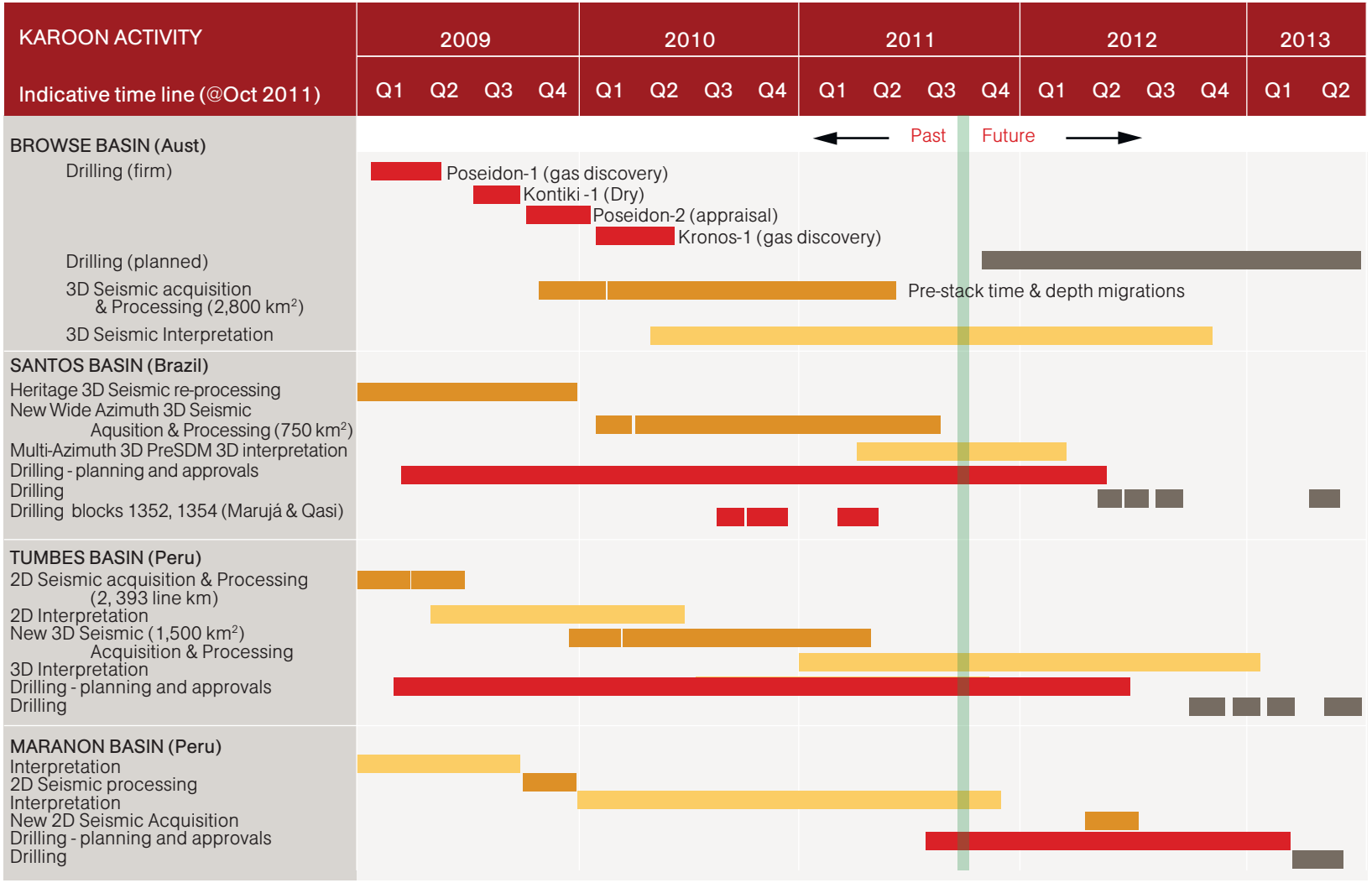
Forward plans;
Acquire 2D seismic in the south to better define structure.

Farmout.

Objective;
Define prospective resource size prior to drilling.

- **Prospective resource estimates represent current interpretations by Karoon of available exploration data and are subject to material change and reinterpretation as exploration and appraisal proceeds.**

Activity Summary



DeGolyer & MacNaughton Assessment

Independent report on Prospective and Contingent resources for the company's total assets completed by DeGolyer MacNorton at various dates

	Summary of DeGolyer MacNorton assessments of Karoons Prospective and Contingent resource base as of 30th Sept 2009, 30th May 2010 and 1st Oct 2010		Low Estimate	Best Estimate	High Estimate	Mean Estimate	Risked Mean Estimate	Number of Prospects and/or Fields evaluated	Estimate of number of additional new Prospects/ Leads/ Fields (to be independantly evaluated
GAS	Net Contingent Gas Resource								
	Assessment date								
	Sep 09	Poseidon Wet Gas (Tcf)			7.6			1	
	Net Prospective Oil and Gas Resources								
	Sep 09	**Total Net Australia Browse Basin Wet Gas (Tcf)**	**1.80**	**4.50**	**11.20**	**5.80**	**1.60**	7*	7
OIL	Net Contingent Oil Resource								
		Marujá (Brazil)							1
	Net Prospective Oil and Gas Resources								
	Sep 09	Australian Browse and Bonaparte Basins oil (billion barrels)	0.26	0.63	1.91	0.95	0.05	5	0
	Oct 10	Peru South America Oil (billion barrels)	0.19	0.57	1.64	0.78	0.13	5	11
	Oct 10	Brazil, South America Oil (billion barrels)	0.62	1.20	2.29	1.36	0.45	8*	5
		Total Net Prospective Oil resource (billion barrels)	**1.07**	**2.40**	**5.84**	**3.09**	**0.65**		

*Kontiki prospect drilled – Dry well

*Two prospects drilled with 1 discovery at Marujá

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Petroleum exploration relies on the interpretation of complex and uncertain data and information which cannot be relied upon to lead to a successful outcome in any particular case. Petroleum exploration is inherently uncertain and involves significant risk of failure. All information regarding Prospective resource estimates and other information in relation to Karoon's assets is given in the light of this caution.