

KAROON REVIEW

March 2012



Karoon Gas snapshot

- Approximately 221 million shares and 3.9 million options
- Market capitalization approximately A\$1.2 billion @A\$5.43
- Cash at bank US\$266 million
- Company in S&P/ASX 200 Index
- 5-8 well Browse exploration & appraisal drilling start 1st quarter 2012
- 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.

What's New/News flow

Corporate

- Total funds available comprise Cash in Bank @ December 2011 US\$266 million plus A\$46million paid as a refundable escrowed security deposit for Brazil block commitments.

Browse Basin

- 5-8 well rig contract signed with Transocean for the 'Legend', drilling March 2012.
- First three targets on the greater Poseidon field selected; Boreas, Zephyros and Proteus.

Brazil

- 3- well rig contract signed for the 'Blackford Dolphin' drilling second quarter 2012.
- Drilling targets shortlisted.
- Maruja oil field discovery being assessed for appraisal/development.
- Wide Azimuth PSDM 3D seismic data now delivered and being interpreted.
- Drilling team established in Rio de Janeiro for Karoon operated wells.
- Farmout process underway and currently negotiating with interested parties.

Peru

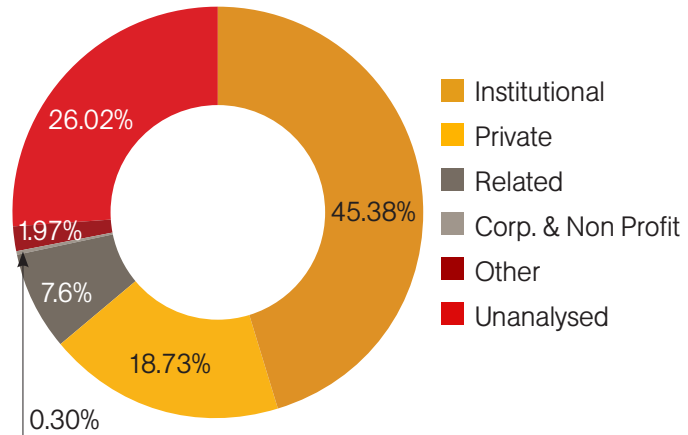
- Final seismic product received with 12 additional prospects and leads identified bringing total to 16.
- Drilling rig procurement progressing, currently negotiating with drilling companies.
- Farmout process progressing and currently negotiating with interested parties.

Independent evaluation

- New Prospective Resource and Contingent Resource assessment of Karoon South American assets in the 1st quarter 2012. Browse Basin, 2nd Quarter 2012.

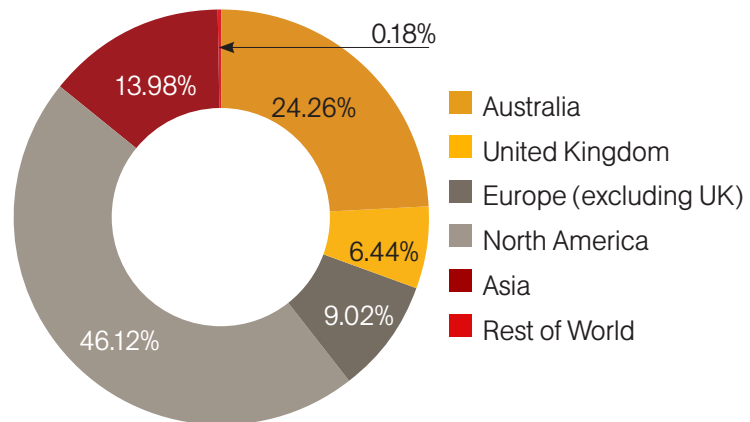
KAR Investor profile

Total Shareholder Composition

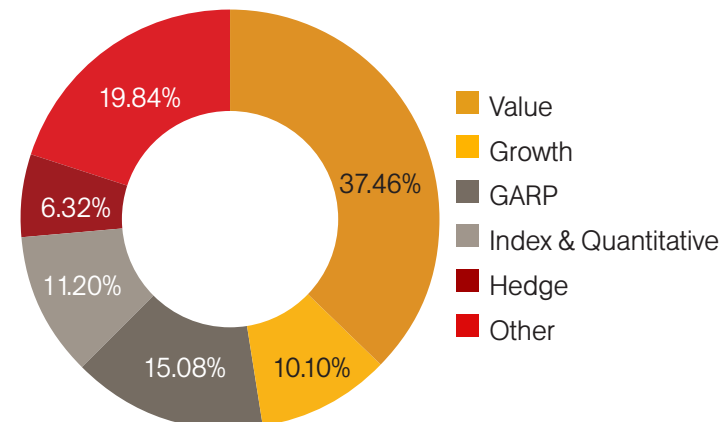


Top 3 Shareholders		
Rank	Name	% ISC
1	Wellington Management Company LLP	12.81%
2	Talbot Group	12.07%
3	Robert Hosking	5.66%

Institutional Shares by Geography



Institutional Shares by Investment Style



Karooon Gas Australia's key personnel

BOARD AND TOP MANAGEMENT

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 AND CFO

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

EDWARD MUNKS DIRECTOR OF KEI AND COO OF KGA

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

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 ADVISOR TO BOARD

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

KEY PEOPLE

DAVID WHITTAM EXPLORATION MANAGER AUSTRALIA

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

HYWEL THOMAS EXPLORATION MANAGER PERU (MELBOURNE)

34 years experience as a geophysicist with BP and BHP.

OSVALDO ANTONIO RODRIGUES DE SÁ SENIOR GEOPHYSICIST (BRAZIL)

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.

DENNIS HINING DRILLING MANAGER

40 years experience in the oil and gas industry. Former head of ExxonMobil Worldwide Ventures Group for Deepwater Exploration Drilling, drilling engineer for Shell Oil. Experienced in Brazilian deep pre-salt development projects.

TIMOTHY HOSKING GENERAL MANAGER - 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.

LINO BARRO ENGINEERING MANAGER

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

JEFF SUAVE PRINCIPAL GEOPHYSICIST

27 years experience with BP, Unocal and Chevron in North America and Europe.

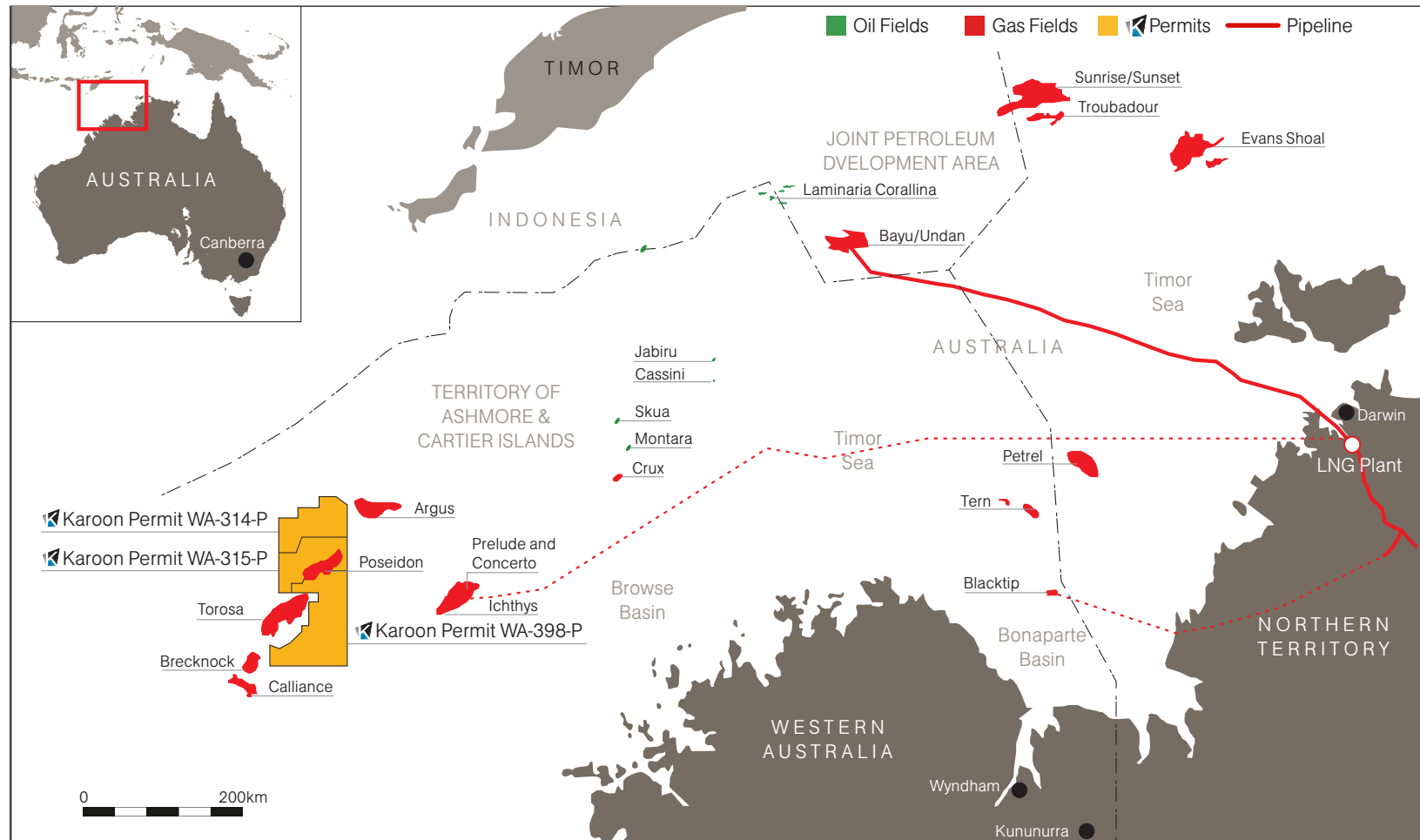
JORG BEIN PRINCIPAL GEOPHYSICIST

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

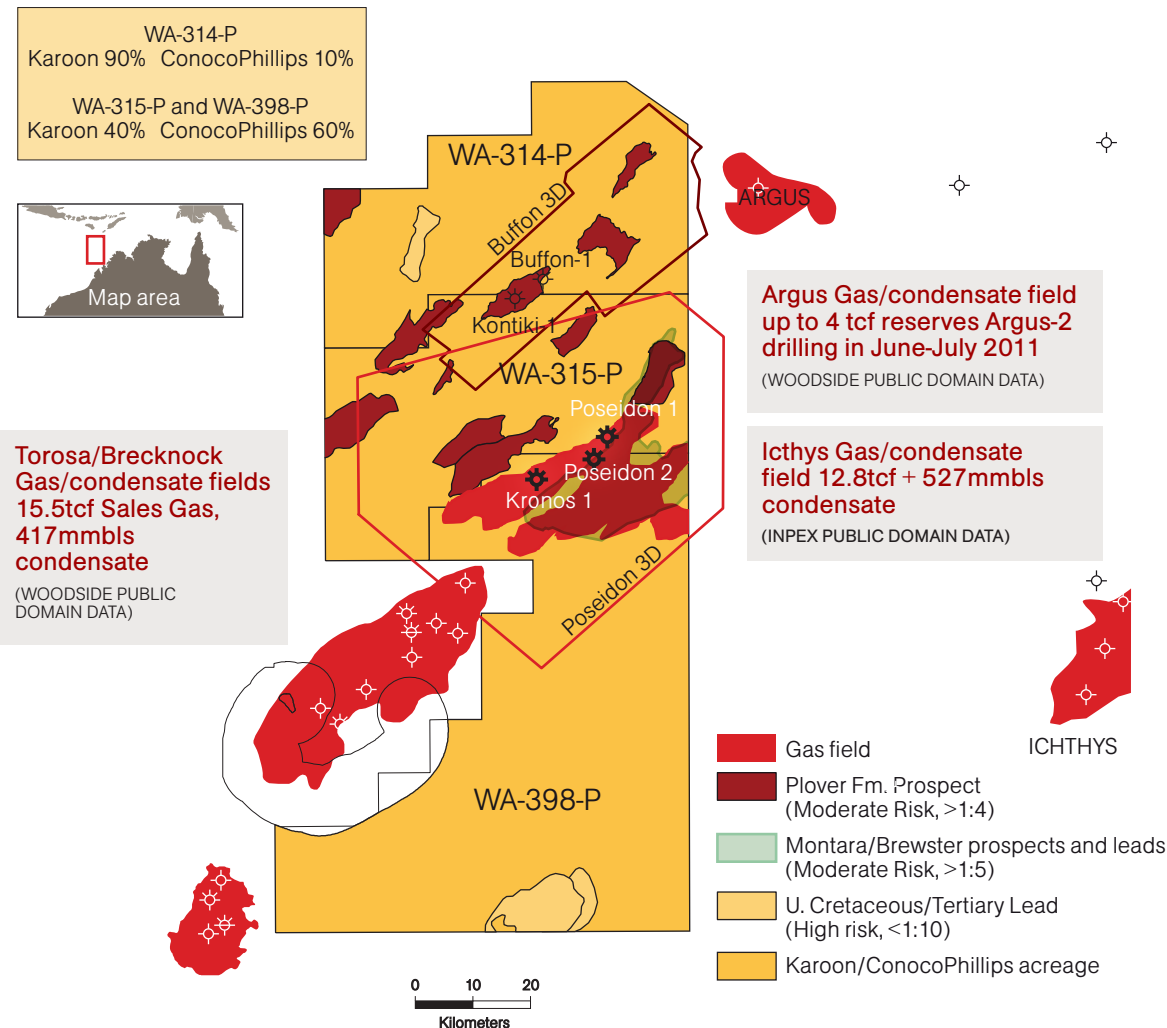
RALPH SPINKS DRILLING ADVISOR

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

Australian Assets



Australian Assets



- 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; Ichthys, 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:

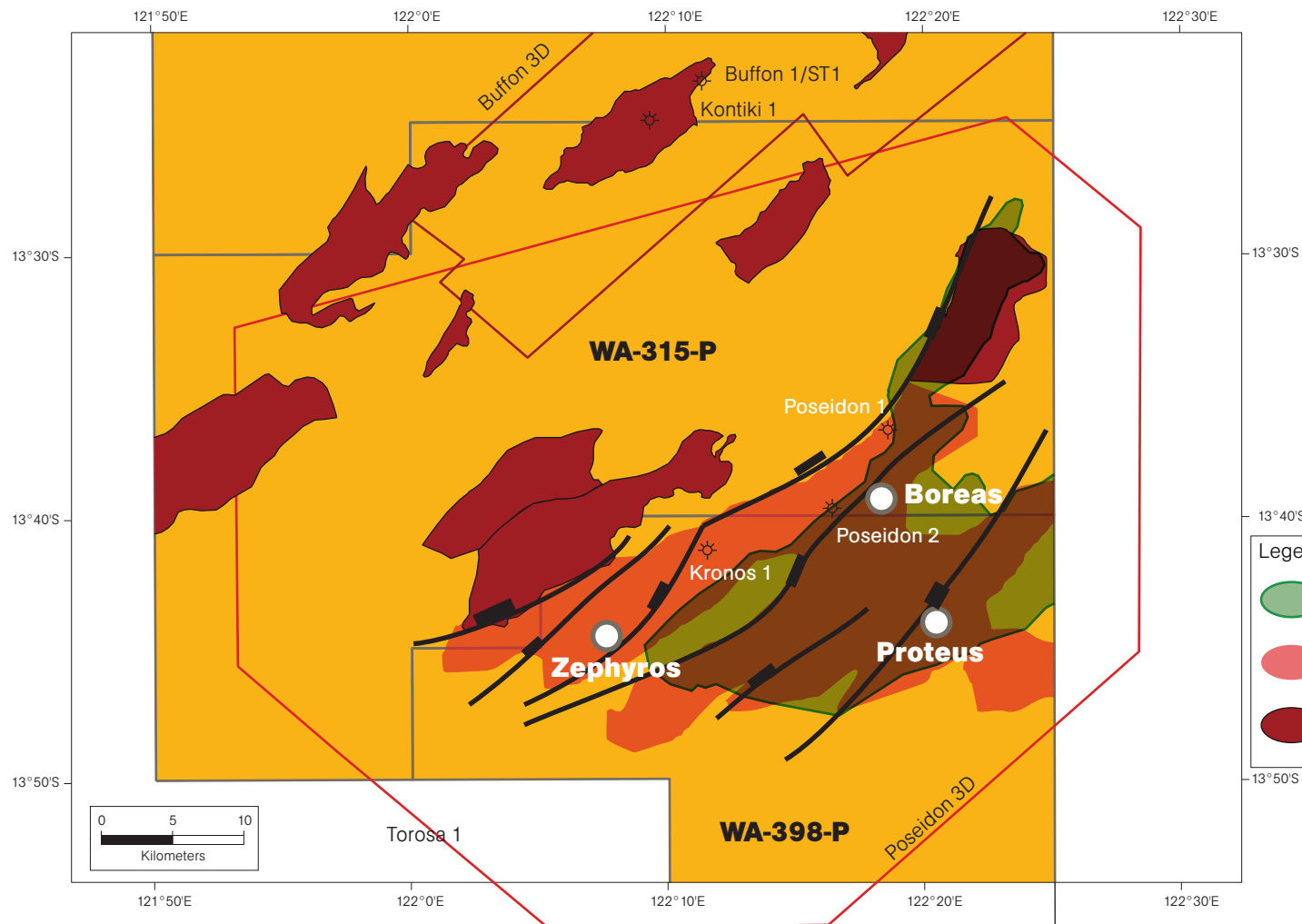
- 5 to 8 well exploration and appraisal wells to be drilled with Transocean Legend from March 2012. Program to last 18 to 24 months.
- Farmout some interest in WA-314-P

Objective:

- Define resource and progress to LNG development FEED stage.

Australian Assets

Greater Poseidon field detail map.

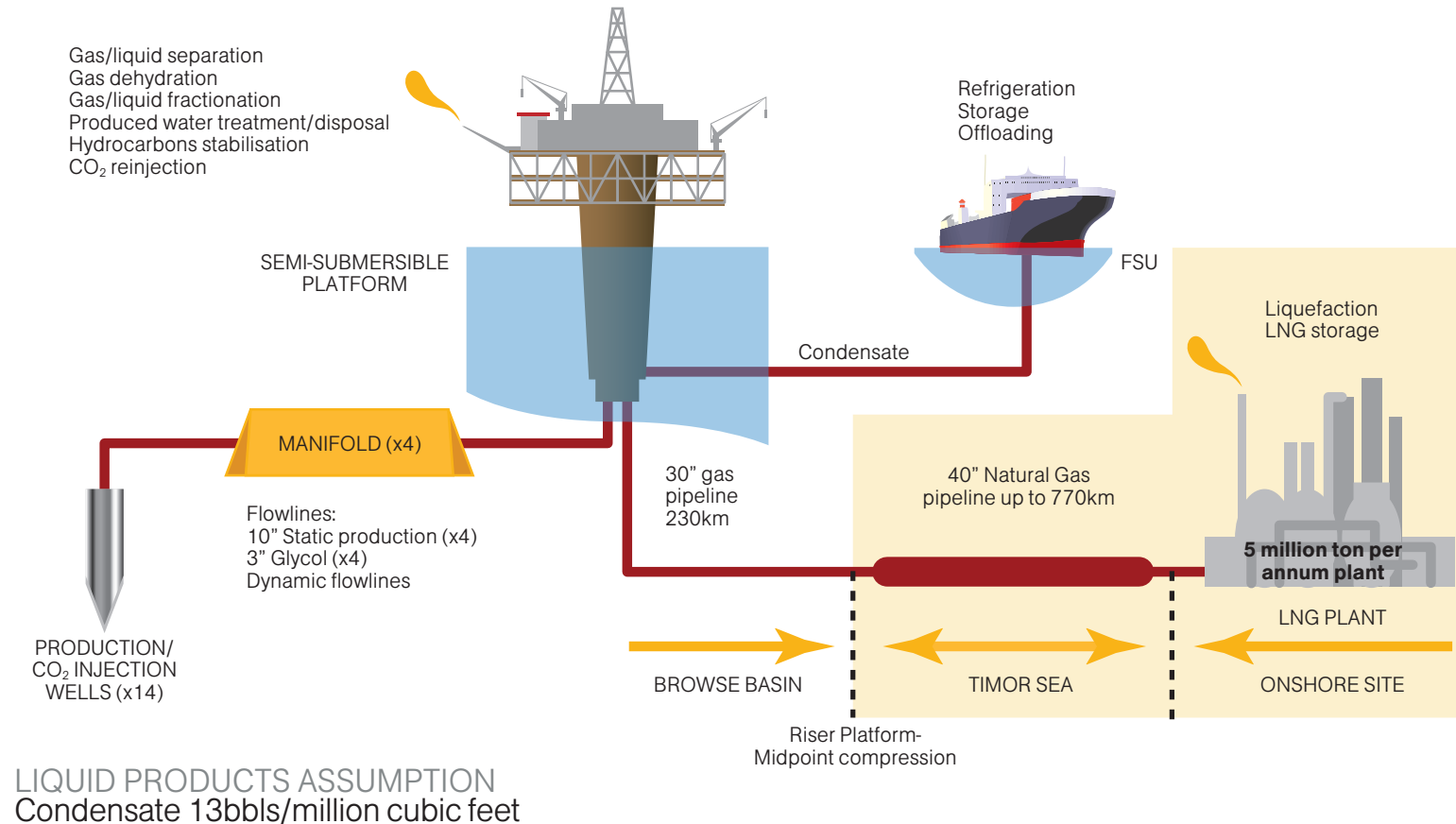


- The first three wells to be drilled will test 3 major fault blocks of the greater Poseidon structure at Boreas, Zephyros and Proteus.
- Information of the potential of the overlying Brewster and Montara formations will be gained from the Boreas and Proteus wells.

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).

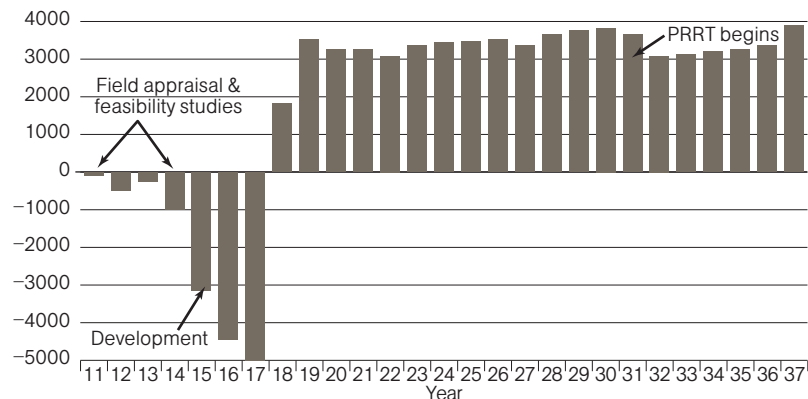


Karoon Browse indicative development model economics

Combined Net Cash Flow

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

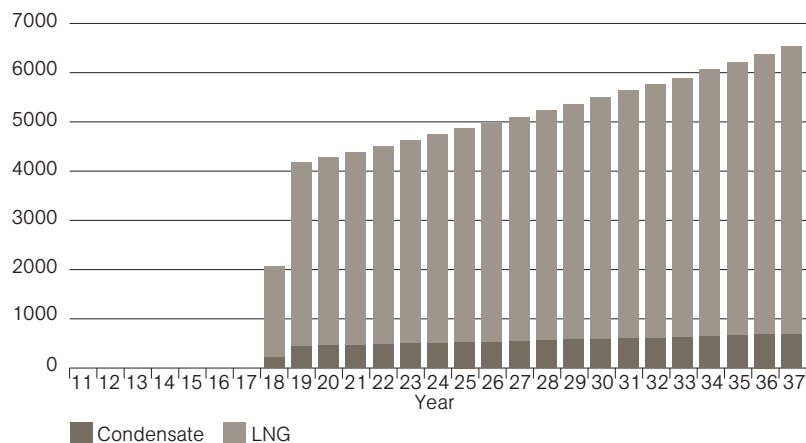
Net cash flow (US\$million)



Product revenues

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

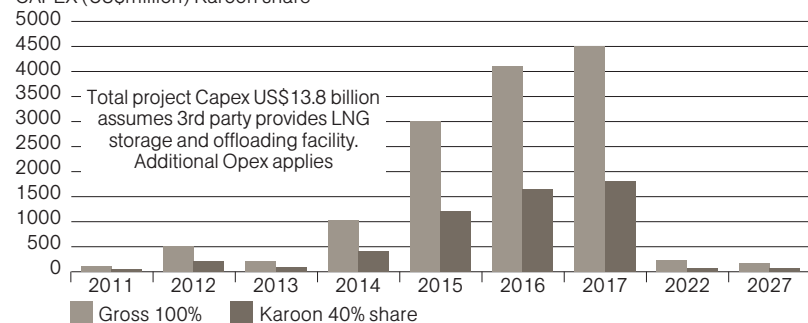
Product Revenues (US\$million)



Capex profile

– 2011 US dollars

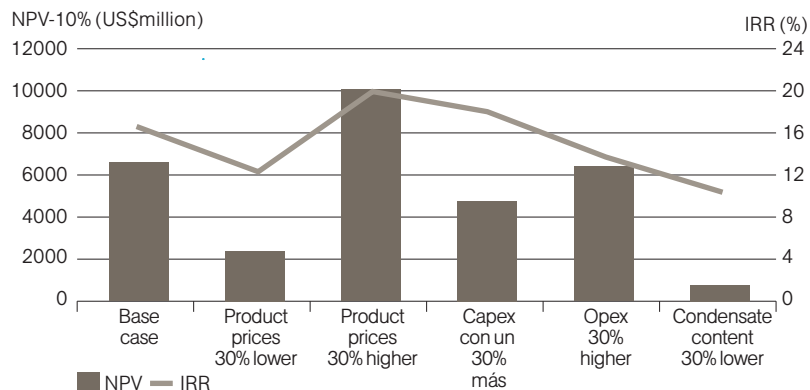
CAPEX (US\$million) Karoon share



Total Karoon Capex = US\$5.5 billion

Total Capex = US\$13.8 billion

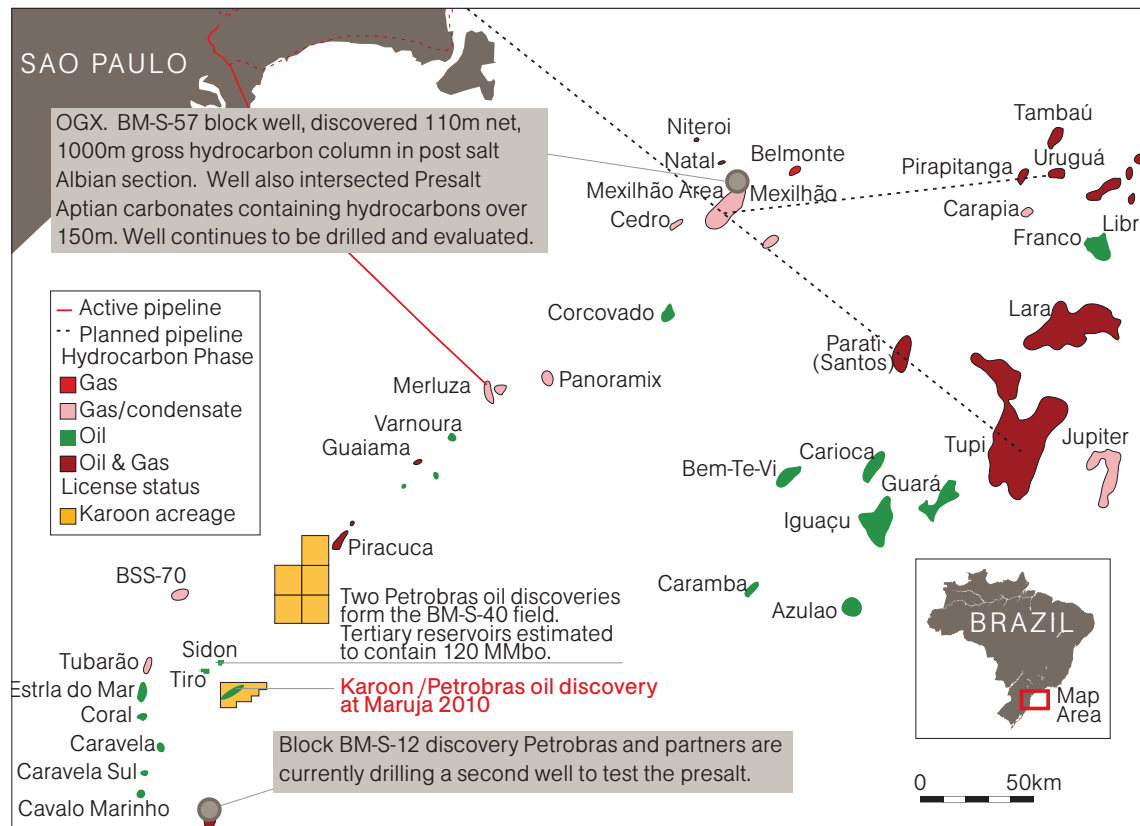
Economic sensitivity analysis



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)



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;

15 Prospects and leads firmed up including 2 in the Presalt section.

Current Karoon unrisks Mean Prospective Resources total approximately 1.5 billion barrels.

Presalt values subject to additional work.

Interest;

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

20% in S-M-1352

Forward plans;

Drill 3 wells starting 3rd quarter 2012 with Blackford Dolphin.

Program to last 6 to 9 months.

Farmout.

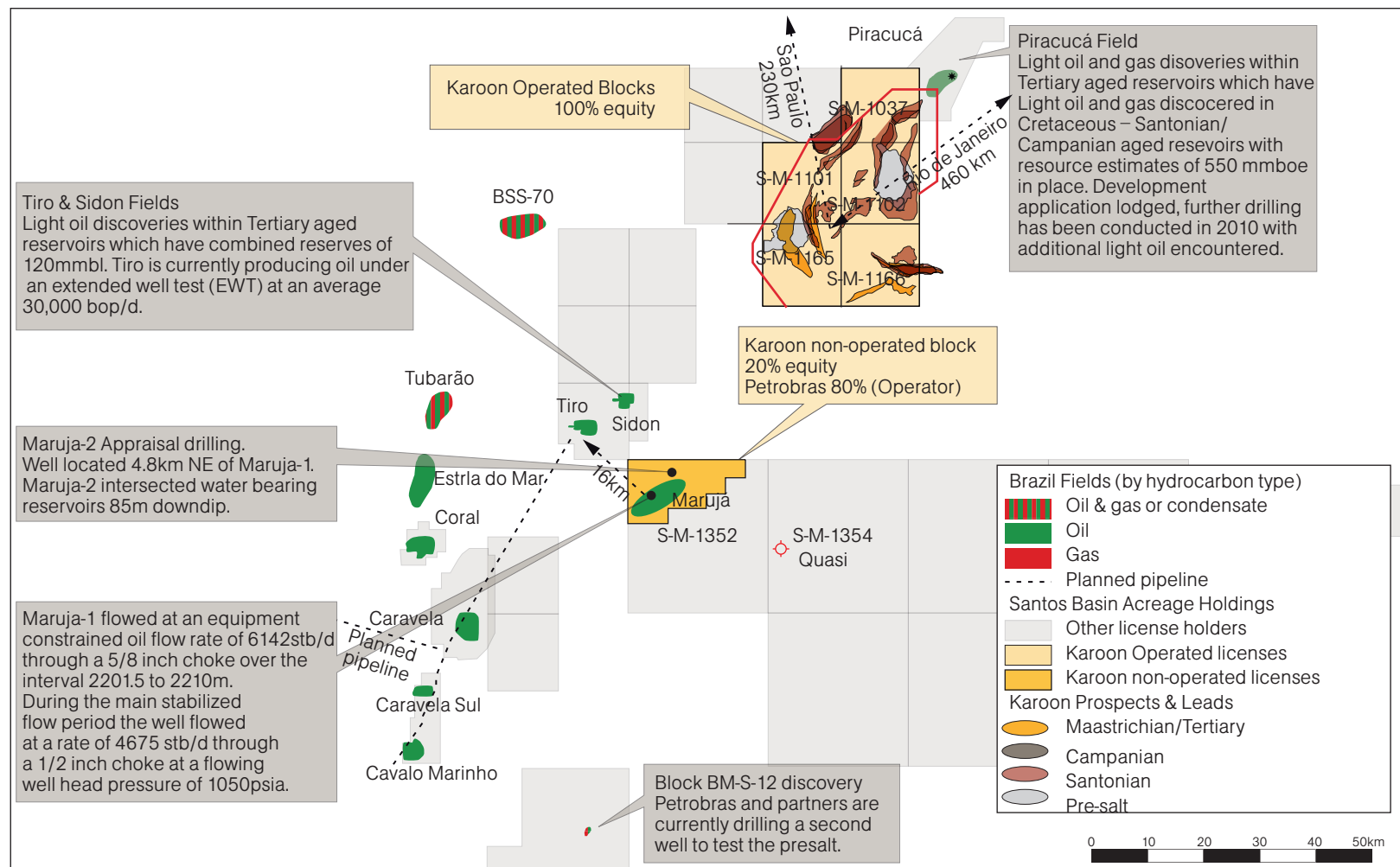
At Maruja field ; define appraisal/development program.

Objective;

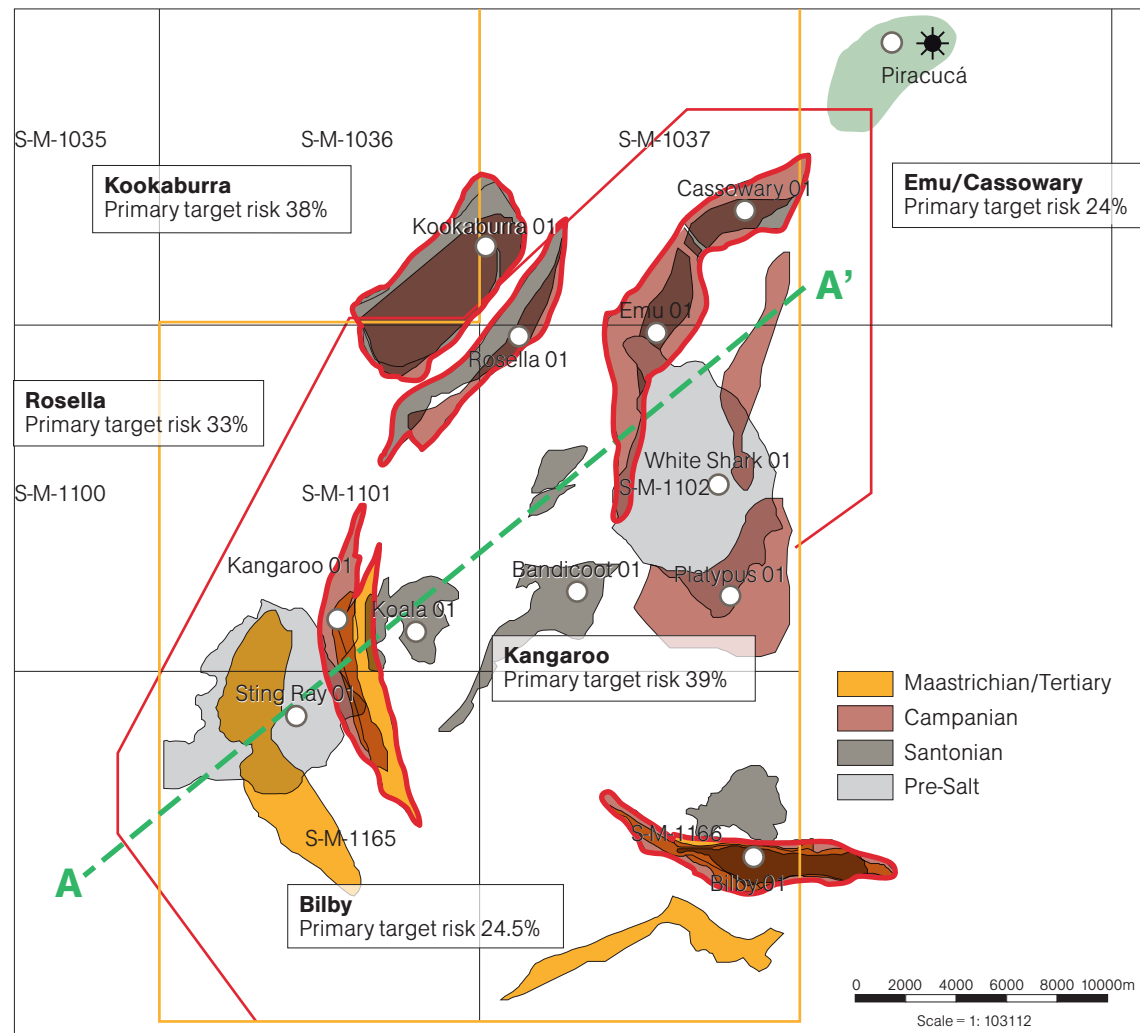
Define resource size & progress to appraisal/development in 2013.

■ 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.

Brazil Santos Basin – block locations



Brazil Santos Basin – Prospects



Drilling Prospect candidates

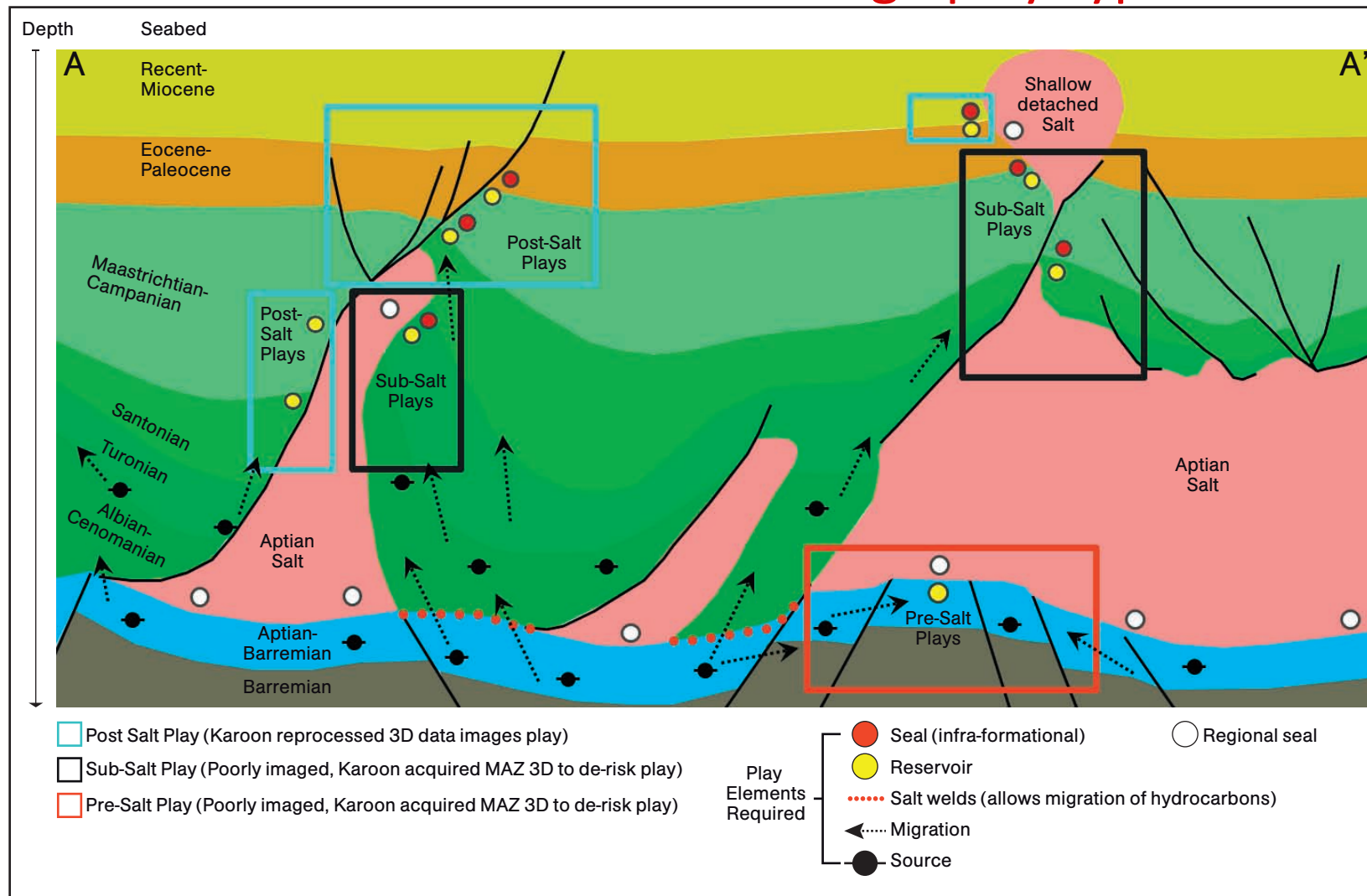
All prospects have multiple target levels.

Red highlighted prospects are drilling candidates for the mid 2012 drilling campaign and show Karoon estimates of risk.

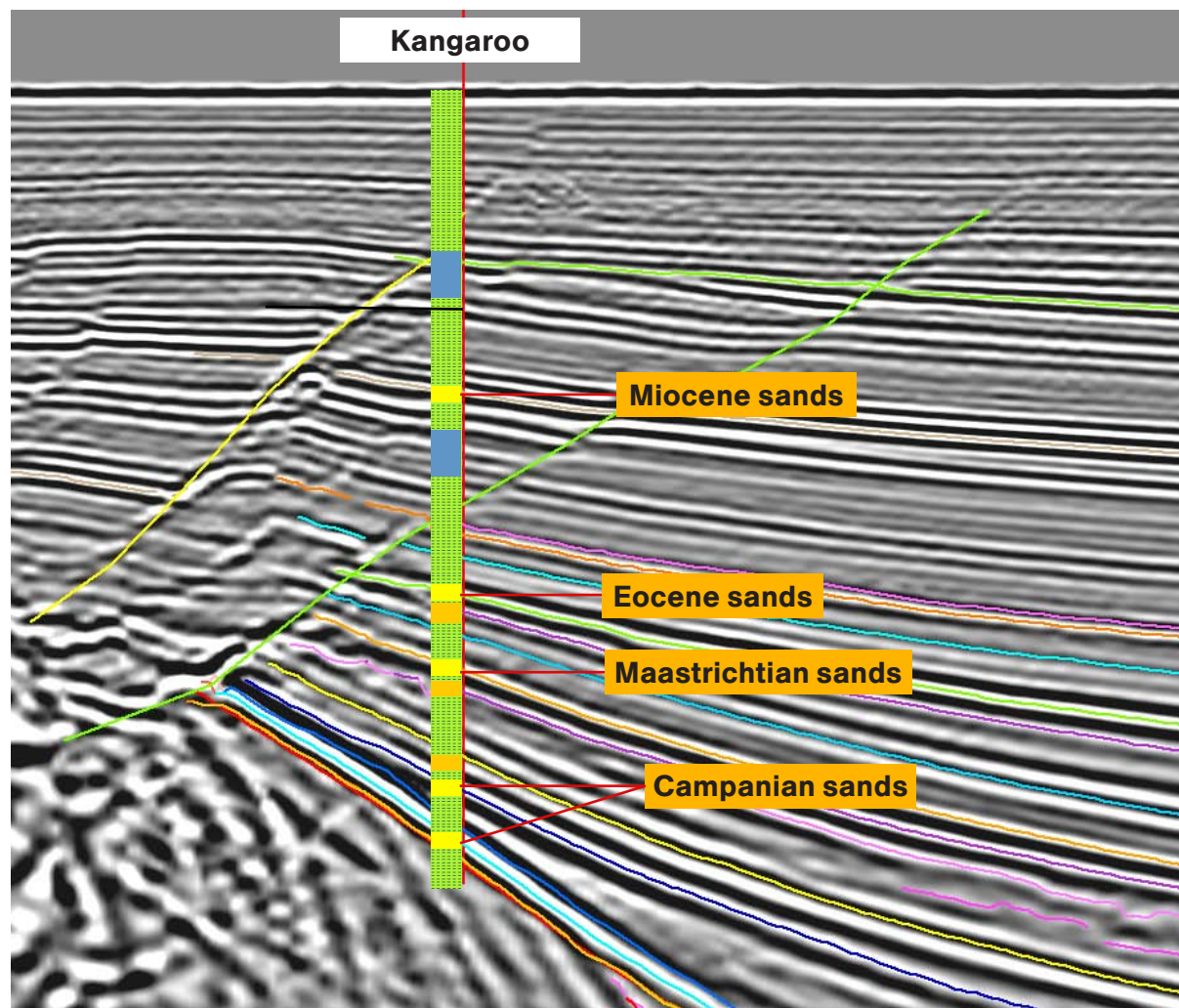
Proposed drilling order:

- 1 Kangaroo
- 2 Bilby
- 3 Dependant on well results

Brazil Santos Basin – Karoon acreage play types

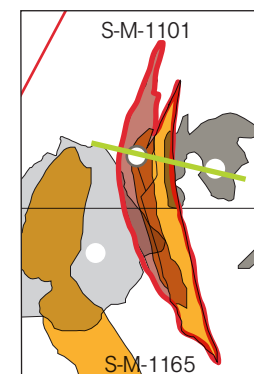


Brazil Santos Basin – Drilling candidates



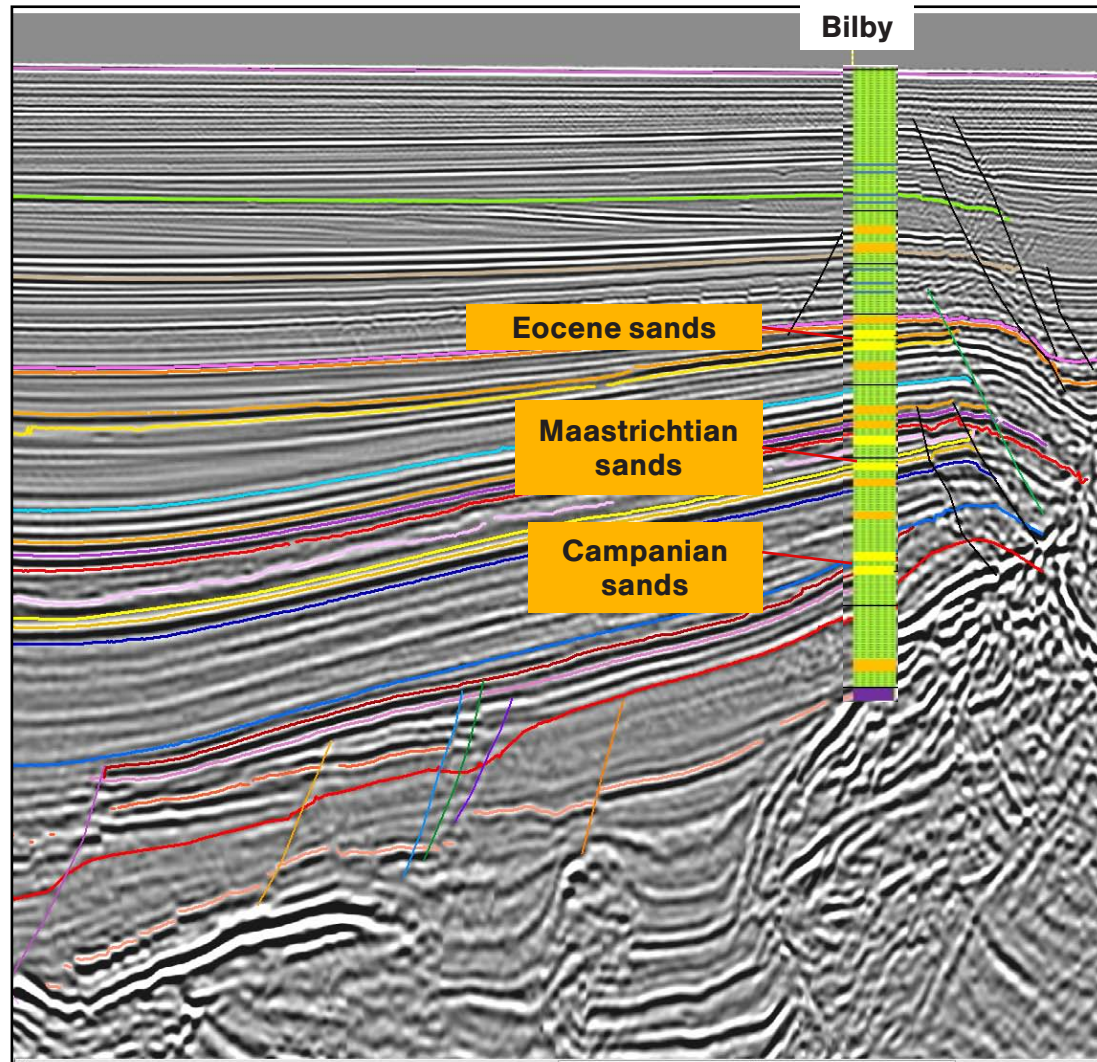
Kangaroo Prospect (formerly Pico do Jaragua E.)

Target sand intervals
indicated in yellow



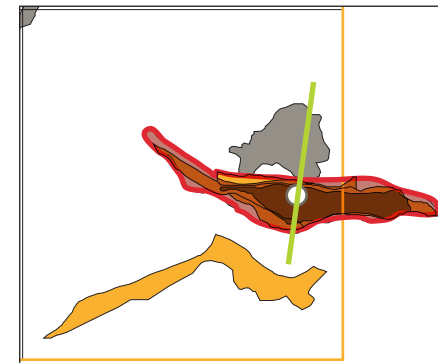
Primary target is the Campanian sand intervals which show a good seismic DHI (Direct Hydrocarbon indicator).

Brazil Santos Basin – Drilling candidates



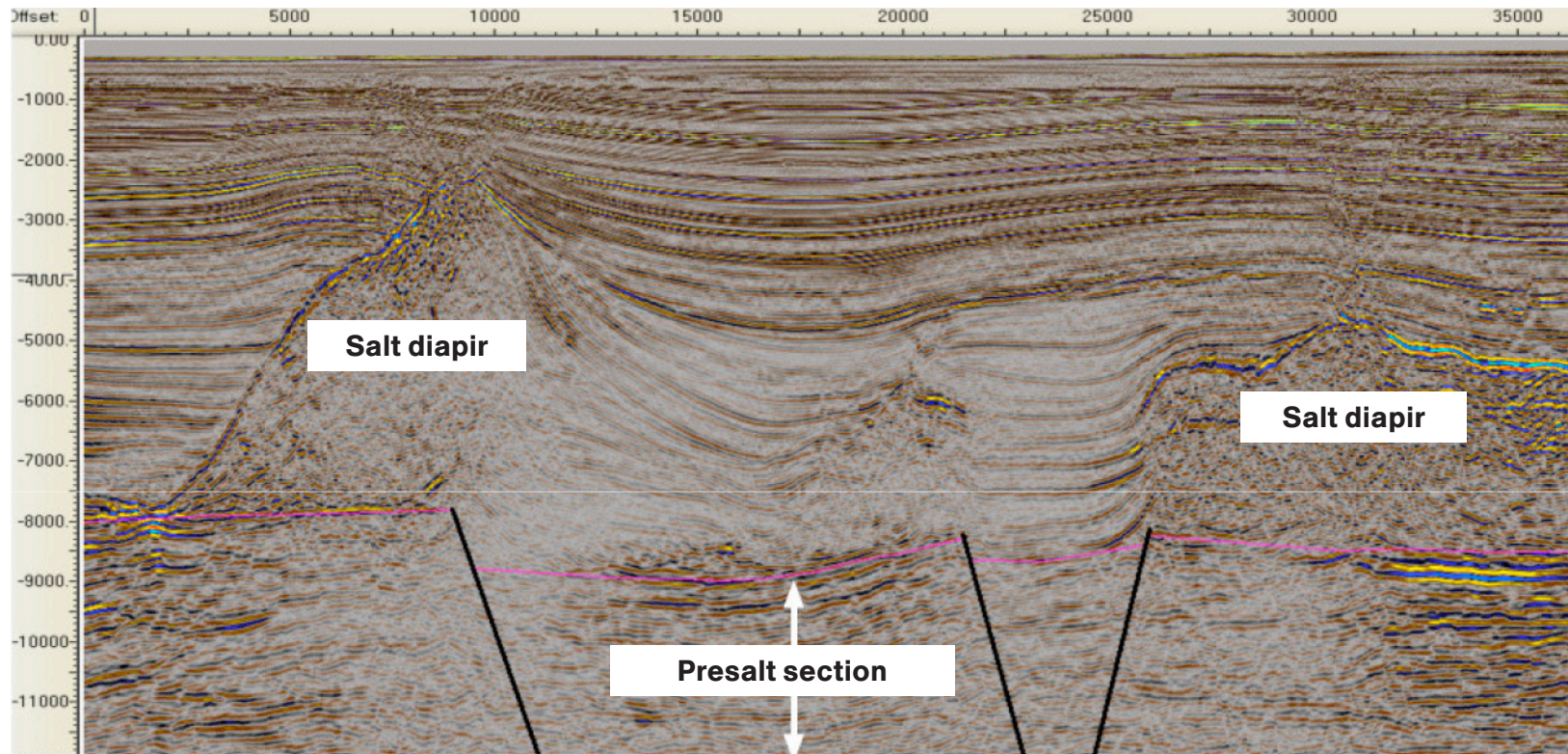
Bilby Prospect

Target sand intervals indicated in yellow



Primary target is the Campanian sand intervals which show a good seismic DHI (Direct Hydrocarbon indicator).

Brazil Santos Basin – Presalt imaging improvement

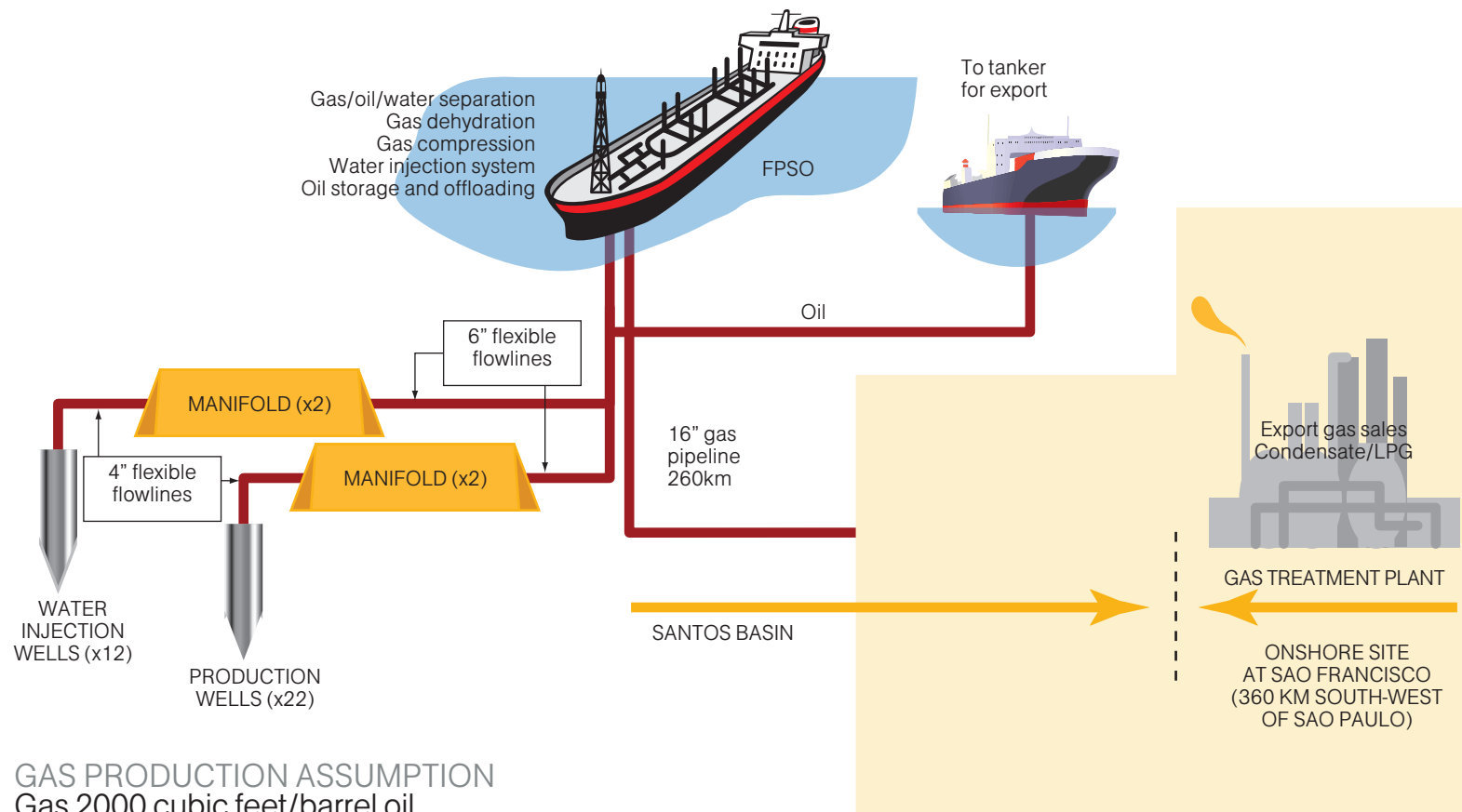


Dramatic improvement in Presalt imaging from new 3D seismic showing large prospective fault blocks.

Indicative Santos Basin project concept

Karoo 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).

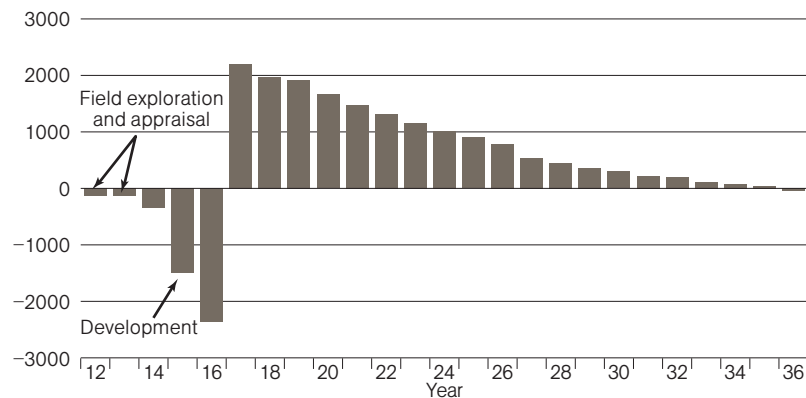


Karooon Santos indicative development model economics

Net cash flow

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

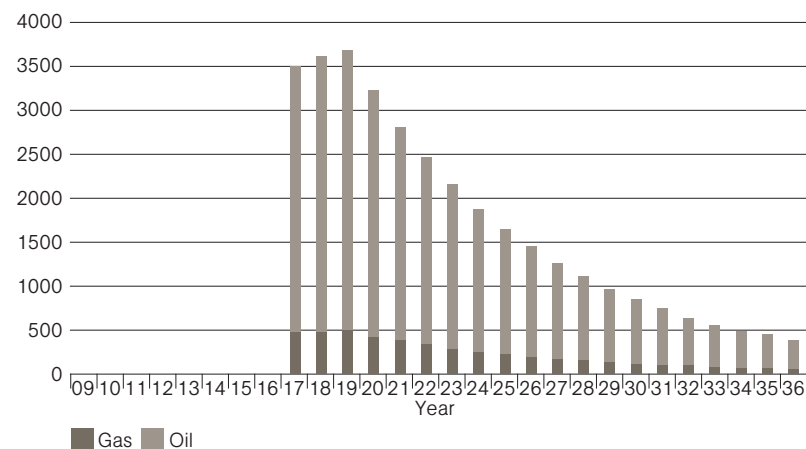
Net cash flow (US\$million)



Product revenues

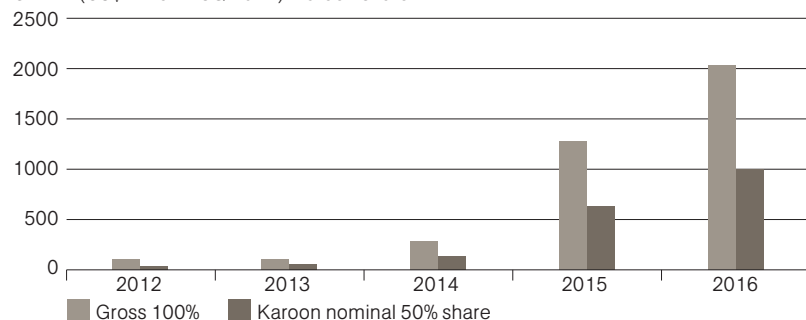
Oil and Gas Revenues- 100% share.

Oil and Gas Revenues (US\$million)



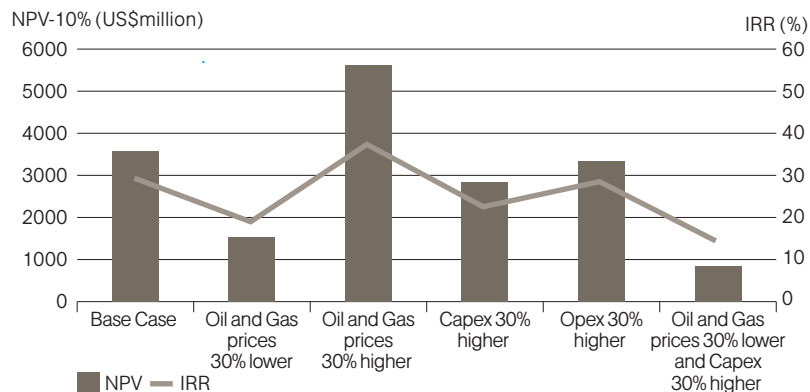
Capex profile

CAPEX (US\$million – 3Q 2011) Karoon share



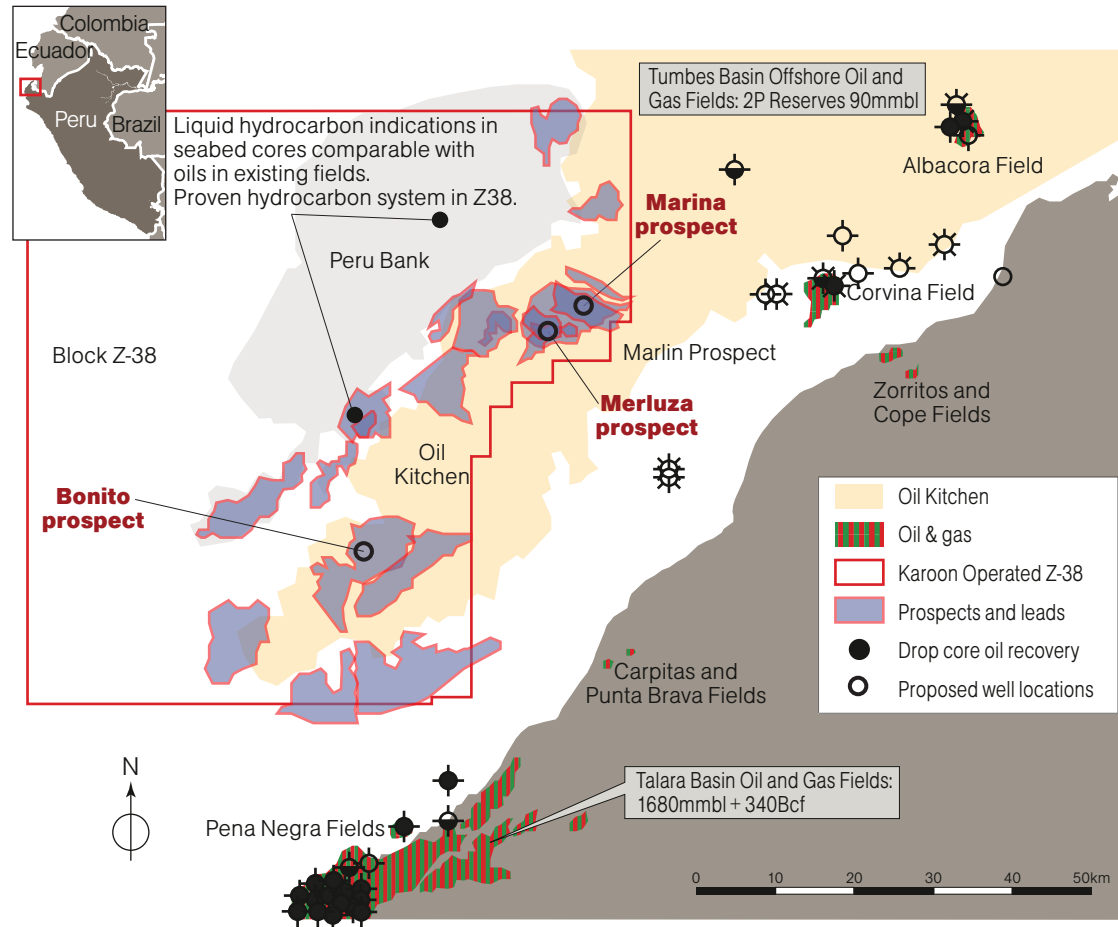
Total project Capex = US\$3.5 billion

Economic sensitivity analysis



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

Peru Tumbes Basin – Prospects and Leads



Location;

Tumbes Basin water depths 300 to 1000m. Close to fields that have produced over 16 billion bbls of oil and 340 bcf of gas.

Prospective resource range;

16 prospects and leads identified with Current Unrisked Mean Prospective Resources totalling 2.5 billion barrels.

Interest;

75% equity in Z38 subject on completion of farm-in terms with Varnex.

Forward plans;

Drill 3 wells expecting to start 1st quarter 2013. Rig being procured. Program to last 6 to 9 months.

Farmout.

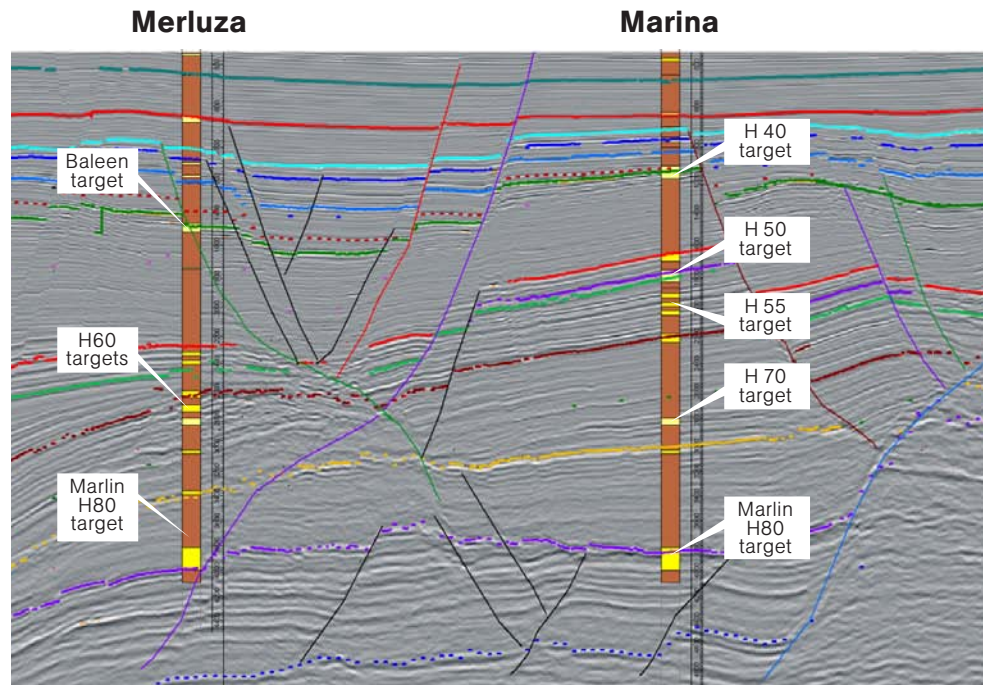
Objective;

Define resource size & progress to appraisal/development in 2014.

Very open, stable and favourable Government regime

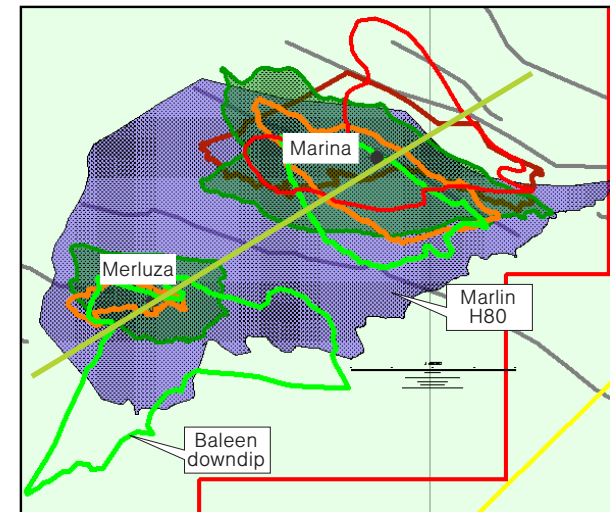
- Prospective resource estimates represent current interpretations by Karoon of available exploration data and are subject to material change and reinterpretation as exploration and appraisal proceeds.

Peru Tumbes Basin – Drilling candidates



Merluza, Marina and Marlin Prospects

Target sand intervals indicated in yellow



Merluza -1 will test three overlying prospects, Baleen, Merluza H60 and Zoritos H80.

NB. the Zoritos level Marlin prospect will also be penetrated in Marina-1

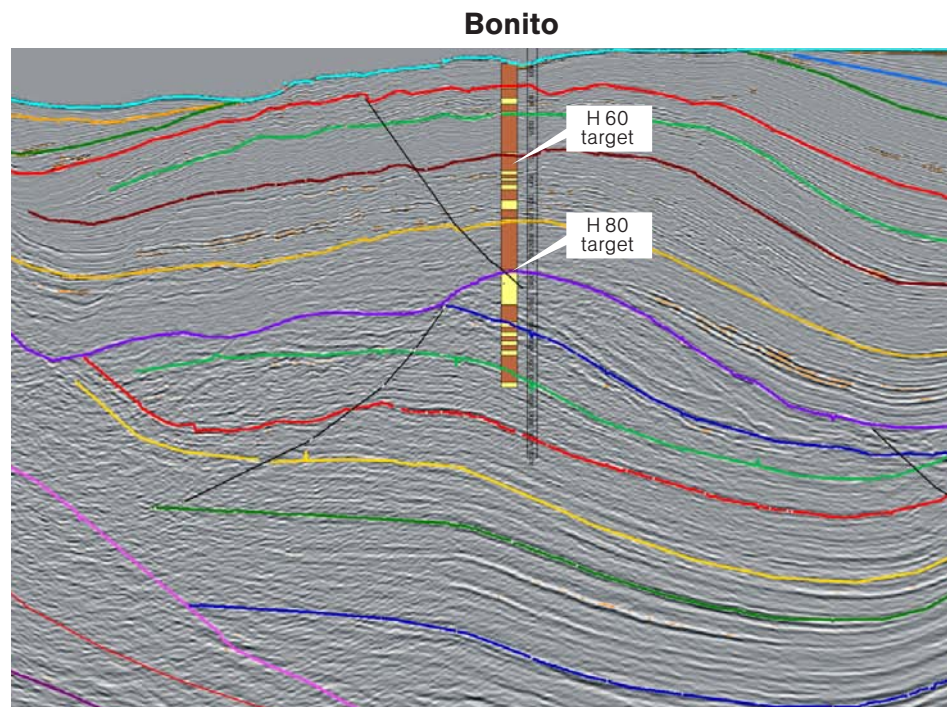
Marina -1 will test five overlying prospects, H40, H50, H55, H70 and Zoritos H80.

NB. the Zoritos level Marlin prospect will also be penetrated in Marina-1.

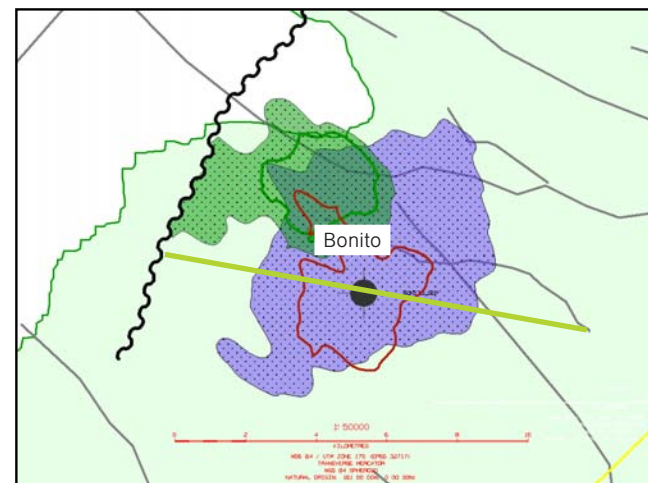
The **Marlin Prospect** will be potentially tested in Marina-1 and/or Merluza-1.

Zoritos H80 level sands are the target.

Peru Tumbes Basin – Drilling candidates

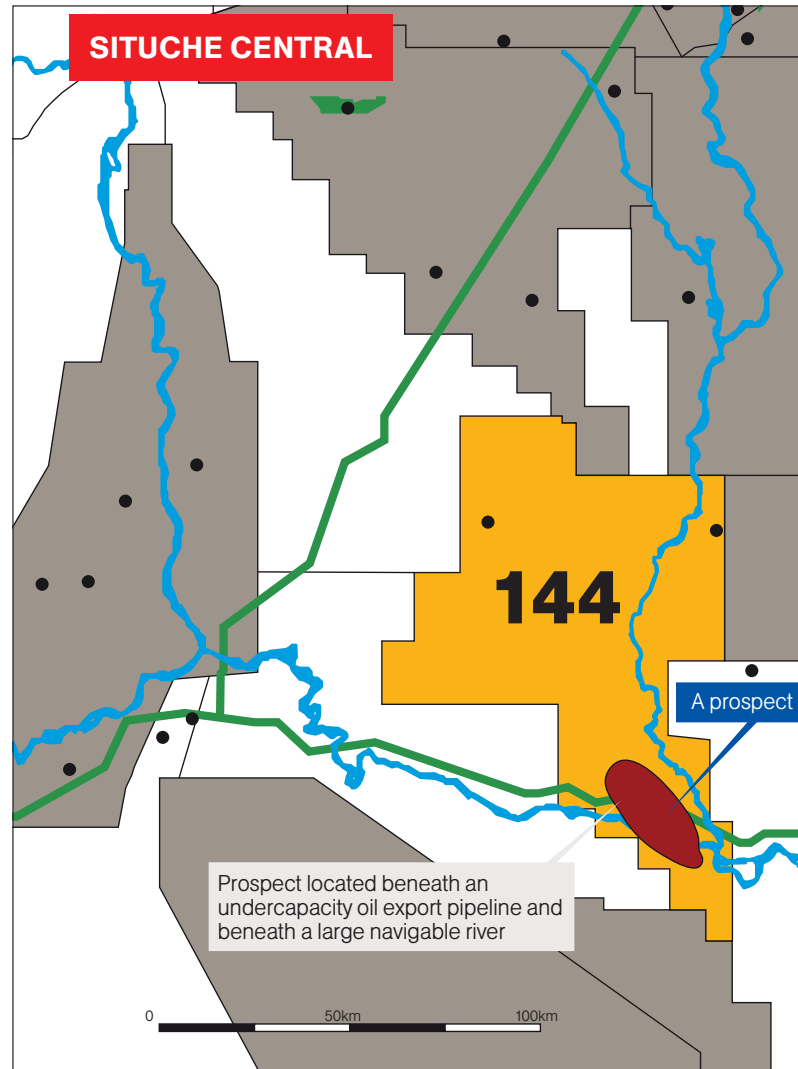


Bonito Prospect
Target sand intervals indicated in yellow



Bonito -1 will test two overlying prospects at the H60 and Zoritos H80 levels.

Peru Marañon Basin Block 144



Location;

Marañon 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 mmbbls potential

Interest;

100% equity

Forward plans;

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

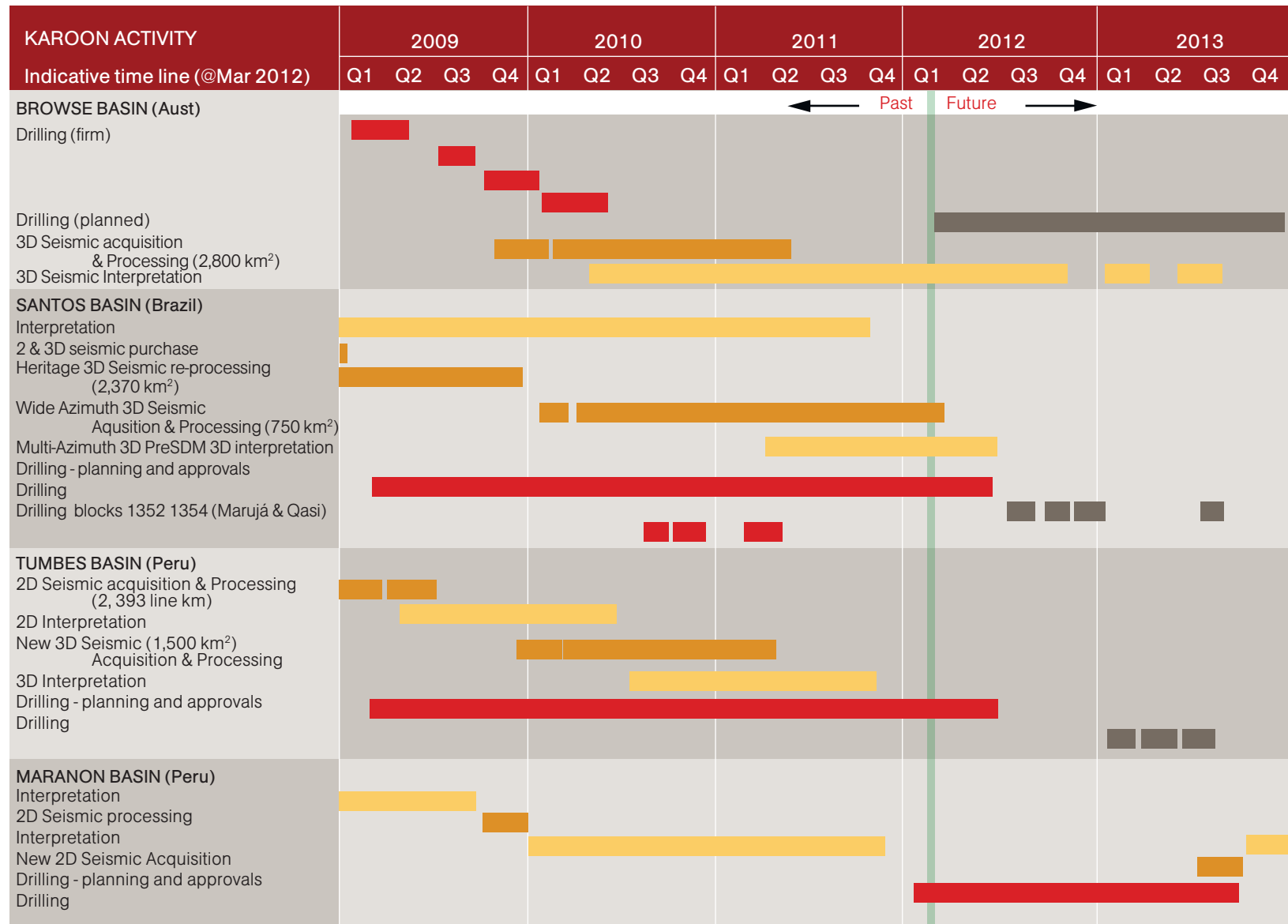
Farmout.

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	Riskied 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 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 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*	6
	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.