



KAROON GAS AUSTRALIA LTD

**May 2008
Review**

Disclaimer

This presentation contains statements that are subject to risk factors associated with oil and gas businesses.

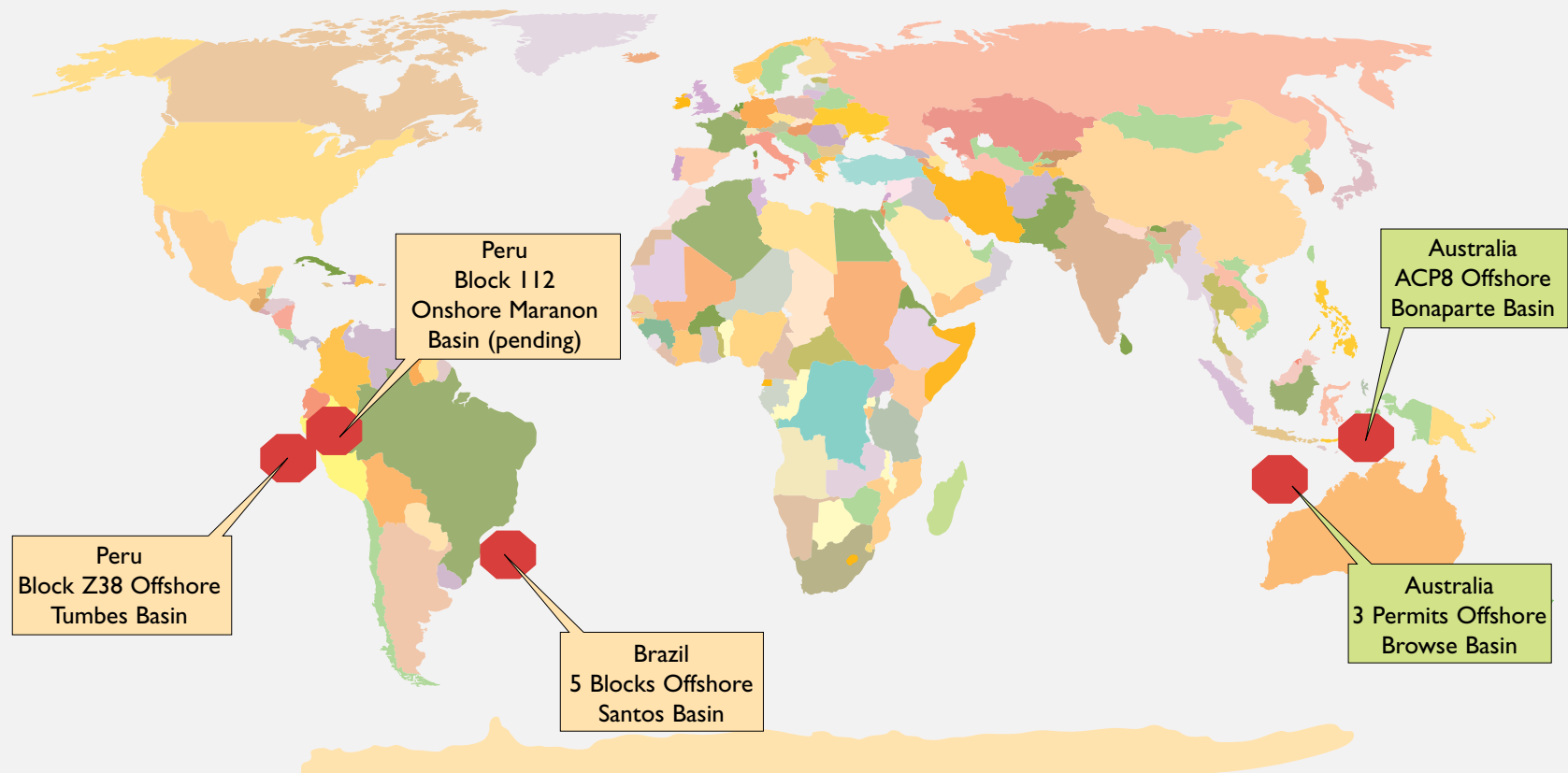
It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions that could cause actual results or trends to differ materially. These include but are not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

NB. With respect to Karoon's Browse Basin Joint Venture, the disclosures presented in this review do not necessarily reflect the views of ConocoPhillips.



Karoon Gas snapshot

- Approximately 132 million shares and 8 million options.
- Market capitalization approximately A\$450 million (@A\$3.40 share price).
- Cash in bank A\$72 million.



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

Karoon Gas Australia's key personnel

ROBERT HOSKING EXECUTIVE CHAIRMAN

Founding Director of Karoon Gas with 30 years of commercial experience. Involved in the oil and gas industry for 15 years. Founding director of Nexus Energy.

MARK SMITH EXECUTIVE DIRECTOR AND EXPLORATION MANAGER

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

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.

SCOTT HOSKING COMPANY SECRETARY

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

LINO BARRO ENGINEERING MANAGER

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

JORG BEIN GEOPHYSICS MANAGER

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

DAVID ORMEROD NEW VENTURES MANAGER

20 years' experience as a geophysicist and manager with Petrofina, BHPB, Woodside, Stirling and Tap Oil.

MICHELLE GROSSER GEOSCIENTIST AND IT MANAGER

10 years' experience with a range of resource companies worldwide including BHPB, Exxon Mobil and Shell.

JIM BOYD TECHNICAL OFFICER

23 years' experience in geoscience, data management and technical software support with a range of resource companies world wide including Shell, BP and BHPB.

Consultants

RALPH SPINKS DRILLING CONSULTANT

30 years in the industry with Phillips Petroleum worldwide.

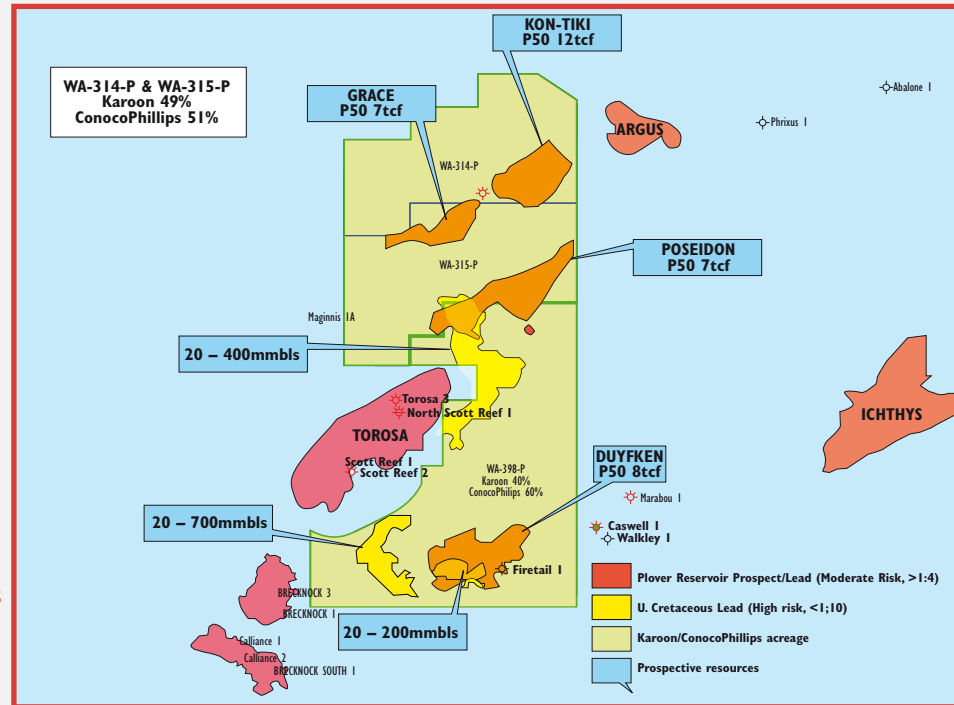
Karoon Gas has an extensive network of consultants in a range of disciplines, who are brought in as required.

The setting

Argus Gas/condensate field 2tcf ?

Woodside plans to spend US\$20 billion on LNG development

Torosa / Brecknock giant Gas/condensate fields 21tcf P50 reserves 300mmbls condensate



Inpex plans to spend US\$6 billion on LNG development

Ichthys Gas/condensate field 9.5tcf + 312mmbls condensate

Geological

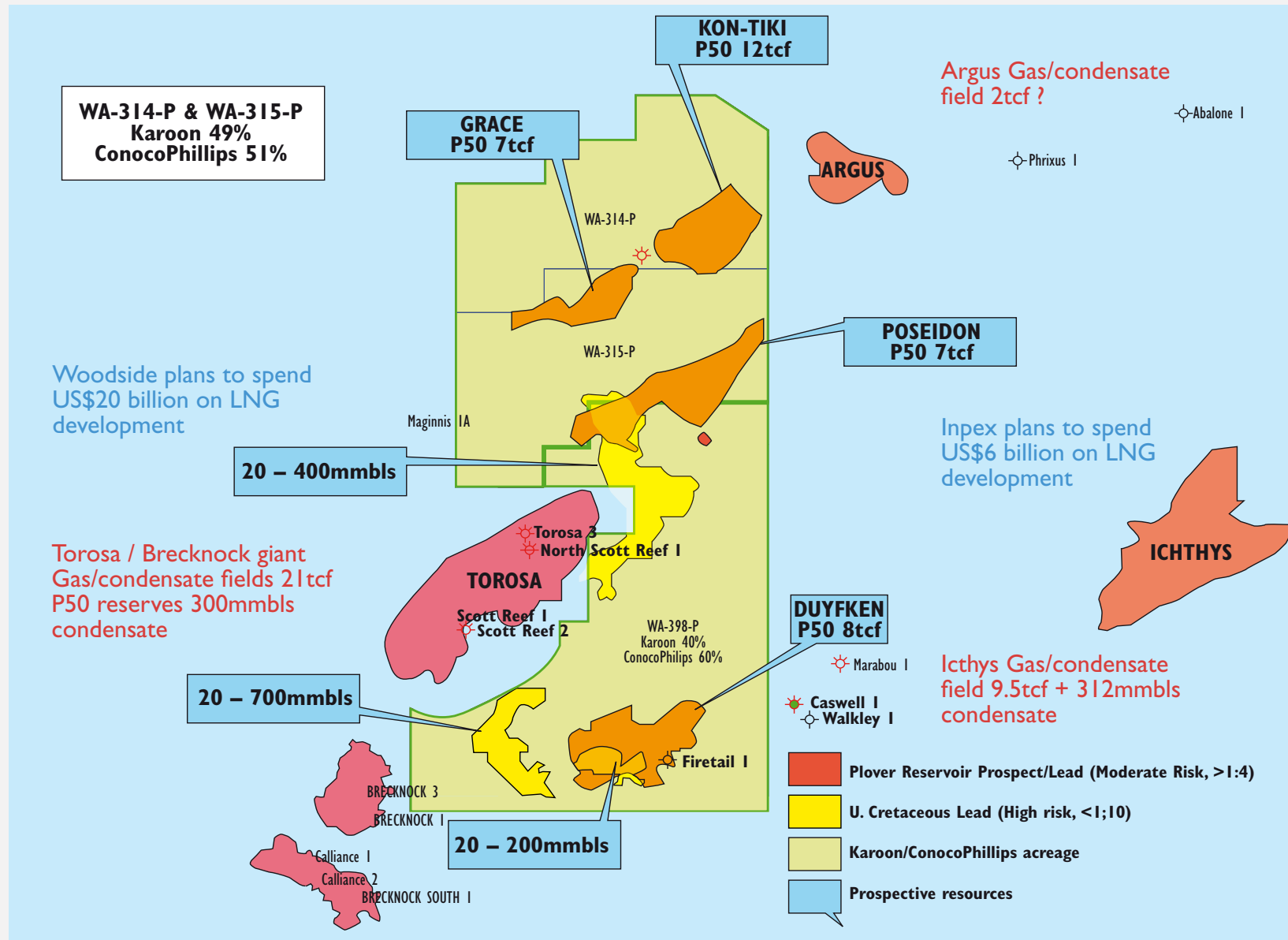
The acreage is immediately on trend with the giant Scott Reef/Brecknock gas fields discovered in the 1970s, which are currently being appraised and developed.

The same play type as Scott Reef/Brecknock with a number of large structures having been mapped in Karoon's permits immediately to the north and east of Scott Reef.

Political

Karoon's Australian Browse Basin permits are in a politically safe environment administered under a stable and tested legislative system. This equates to low commercial and sovereign risk, critical factors in large development projects.

KAROON GAS AUSTRALIA LIMITED

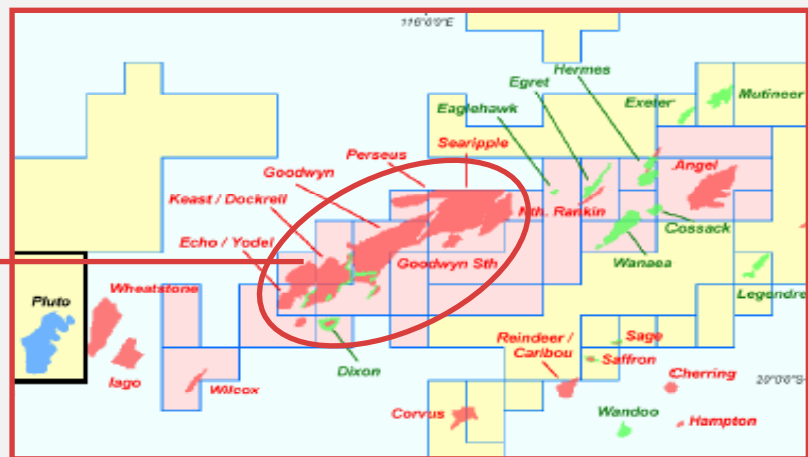


- Planned Karooon and ConocoPhillips JV expenditure in the Browse Basin for 2007-08 is approximately A\$250 million.

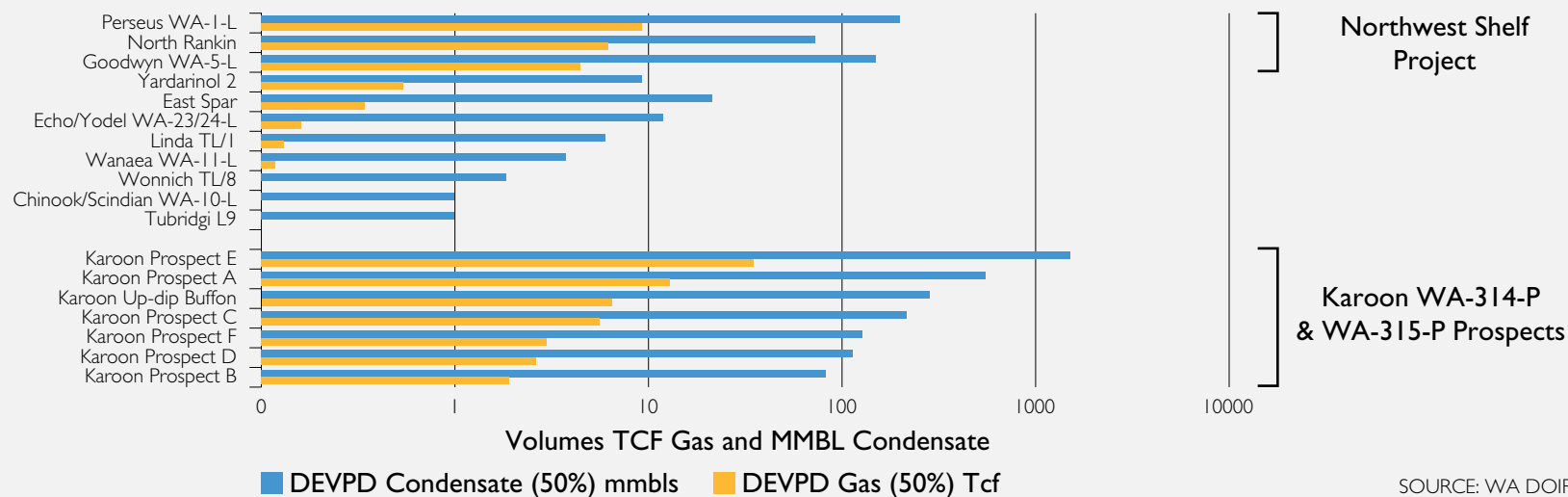
Comparisons

WA Fields Reserves v. Karoon's Exploration Prospects

WOODSIDE'S
NORTHWEST
SHELF
PROJECT



Allowing for some exploration failure, there is potential in the Karoon acreage for the discovery of reserves of similar magnitude to that of the NWS project.



SOURCE: WA DOIR

Farm-out

Karoon Gas Australia Ltd has entered into agreements to farm out up to a 60% interest in its Browse Basin permits, WA-314-P and WA-315-P, to the ConocoPhillips.

ACQUISITION OF 51% INTEREST

Pursuant to the agreements, the parties will enter into a joint operating agreement and separate farm-in agreement whereby ConocoPhillips will acquire a 51% interest in the permits by:

Seismic back costs US\$9.6 million

1 Paying Karoon US\$9.6 million in reimbursement of approximately 80% of the costs incurred in carrying out the second year work programme for the permits. This involved the acquisition, processing and interpretation of seismic surveys completed throughout 2006, comprising approximately 1200 sq kms of 3D Seismic and 800 kms of 2D seismic.

Fund 80% of two wells including testing

2 Funding 80% of the costs of the third year work programme for the permits, which will require the drilling of one exploration well in each permit, including testing. The cost of the third year work programme, which is subject to the 80% funding arrangement is estimated to be US\$60–80 million.

OPTION TO INCREASE INTEREST TO 60%

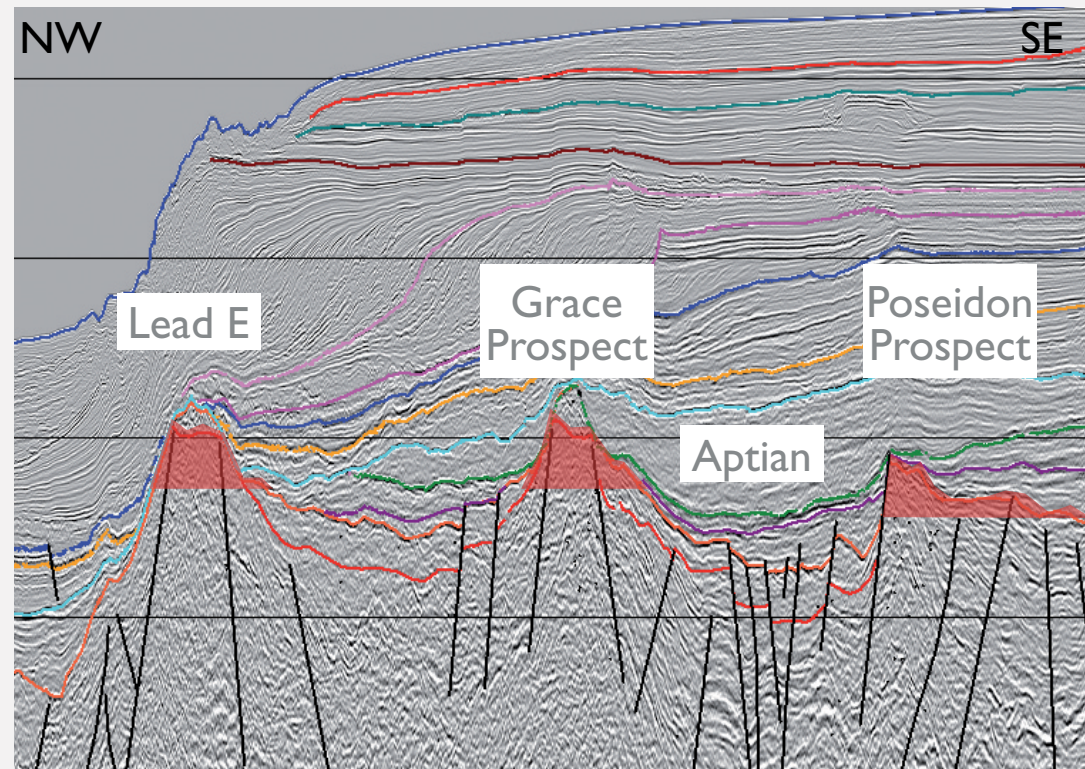
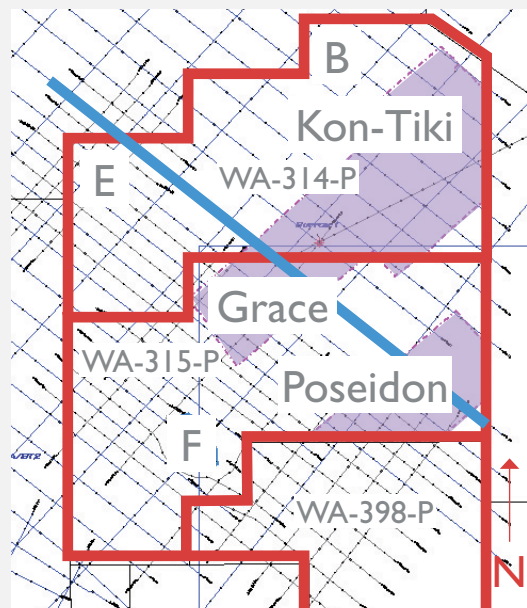
Fund 80% of next US\$125 million of expenditure

Pursuant to the agreements, ConocoPhillips has an option, upon completing its obligations relating to the acquisition of its 51% interest, to acquire a further 9% interest in the permits by paying 80% of the next US\$125 million of joint venture expenditure.

2D and 3D mapping results

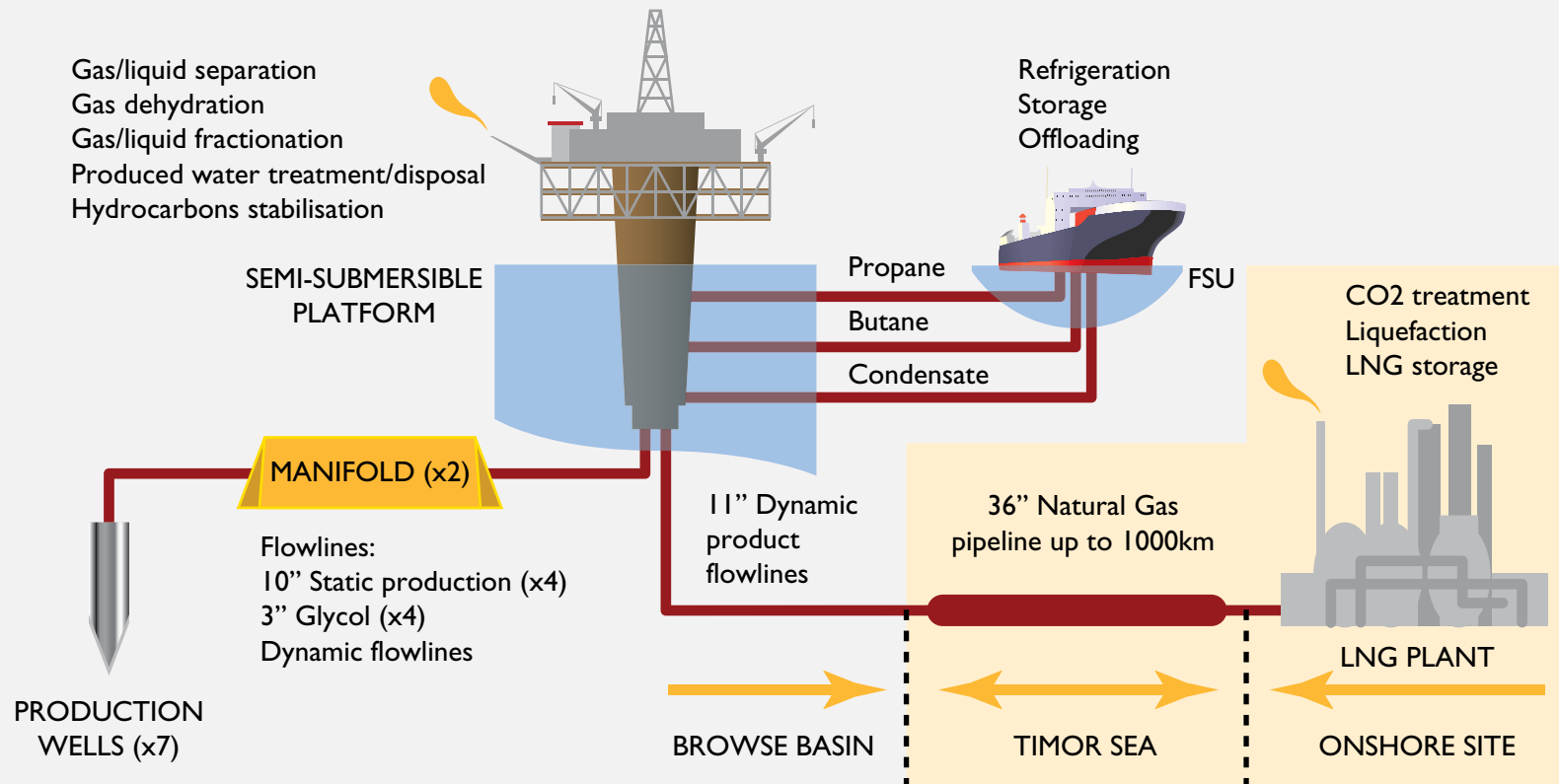
Seven large high-relief prospects with areas ranging from 60 to 350 square kilometres.

The same play type as Scott Reef immediately to the south.
Red polygons show indicative gas accumulations.



Schematic

KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS (7 TCF RESERVE CASES)
Field development, pipeline and LNG facilities schematic (onshore LNG option)



LIQUID PRODUCTS (BASED ON BUFFON-1 DATA)

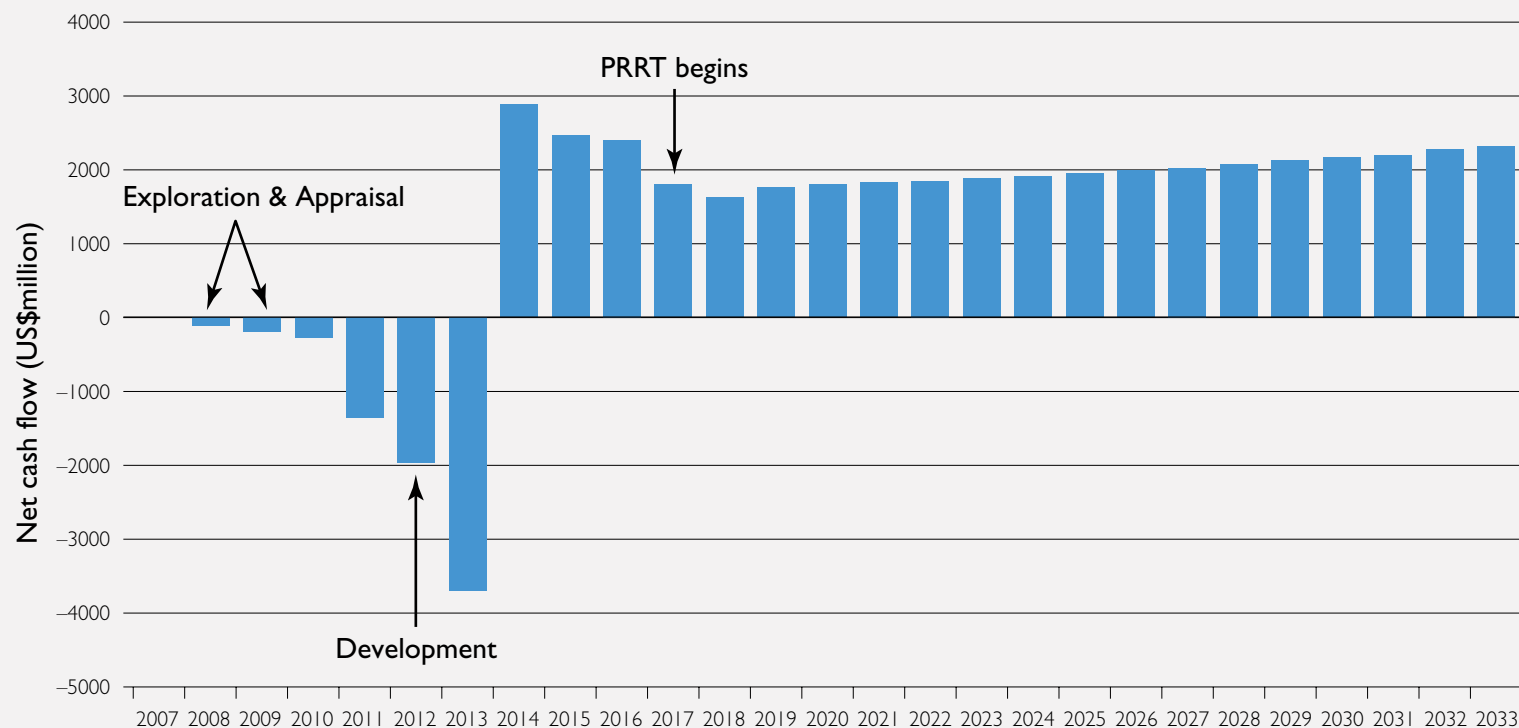
Condensate 33bbls/million cubic feet

Liquified petroleum gas (LPG) 68bbls/million cubic feet

Combined net cash flow

KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS

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



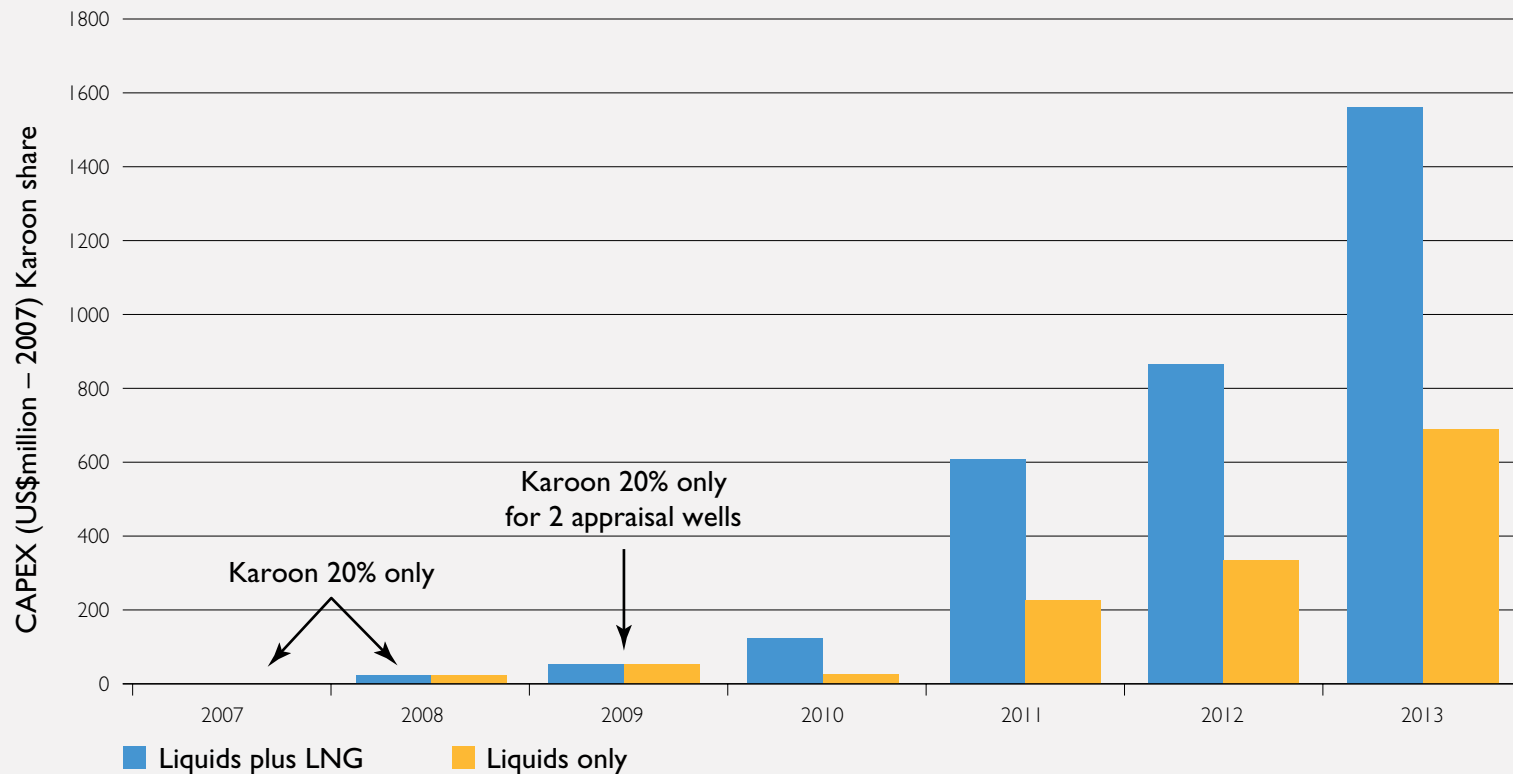
Project NPV US\$5.0 Billion, IRR 22%.

Assumptions: Condensate US\$50/bbl, LPG US\$40/bbl, LNG US\$5/MMbtu.

Capex profile

KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS

Karoon 40% share – 2007 US dollars



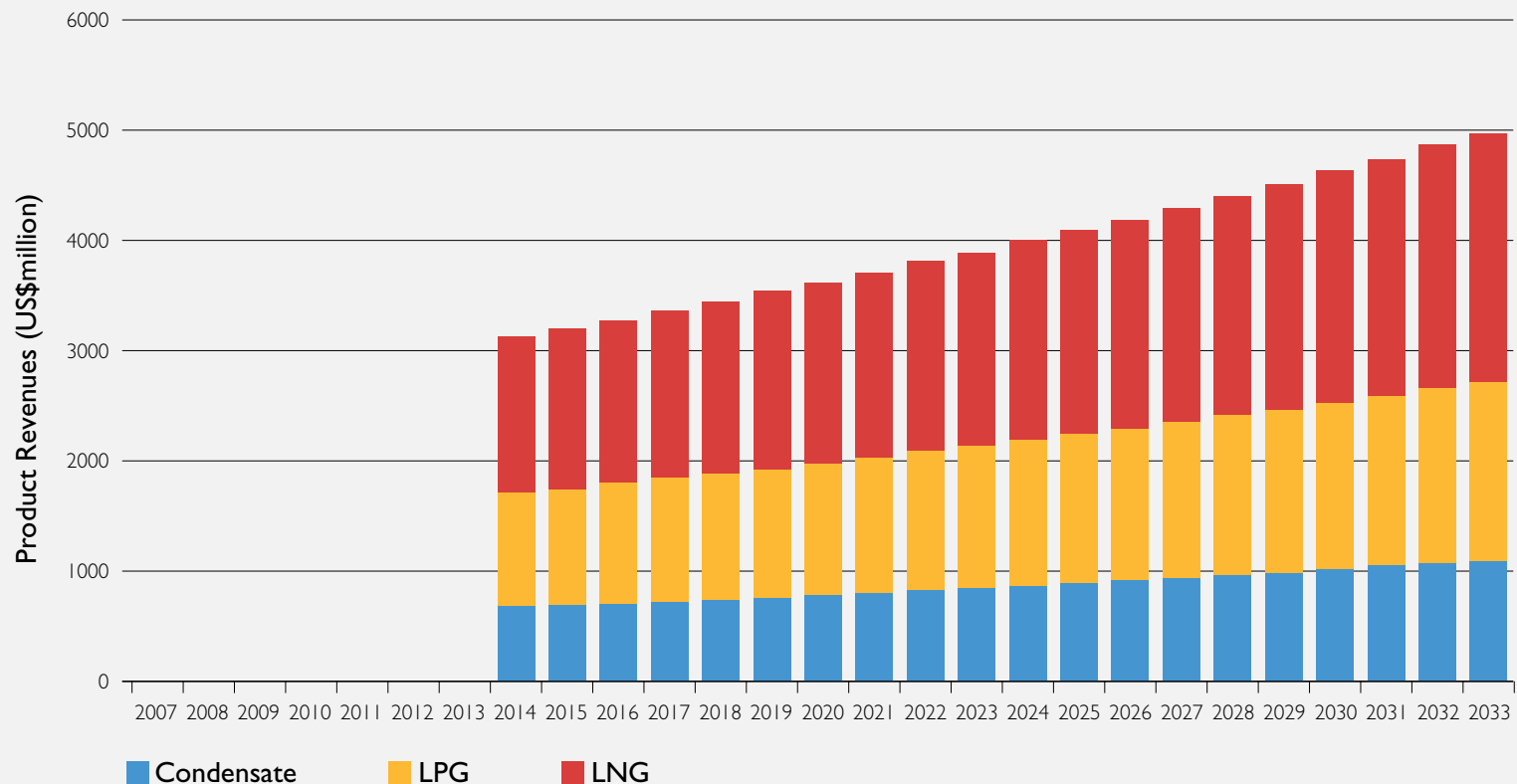
Total Capex liquids plus LNG = US\$3.2 billion

Total Capex liquids only = US\$1.4 billion

Product revenues

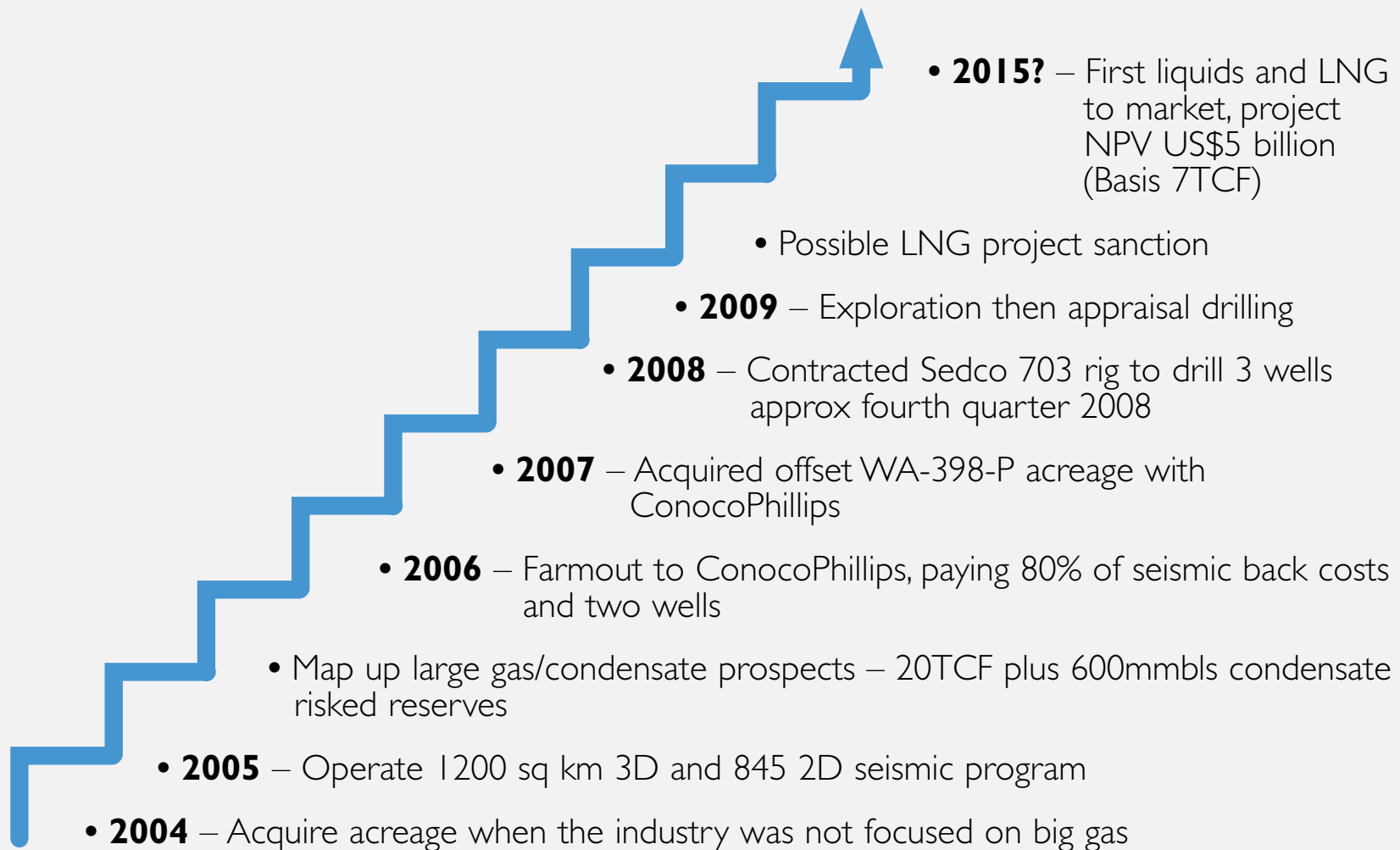
KAROON LNG/CONDENSATE/LPG DEVELOPMENT MODEL ECONOMICS

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

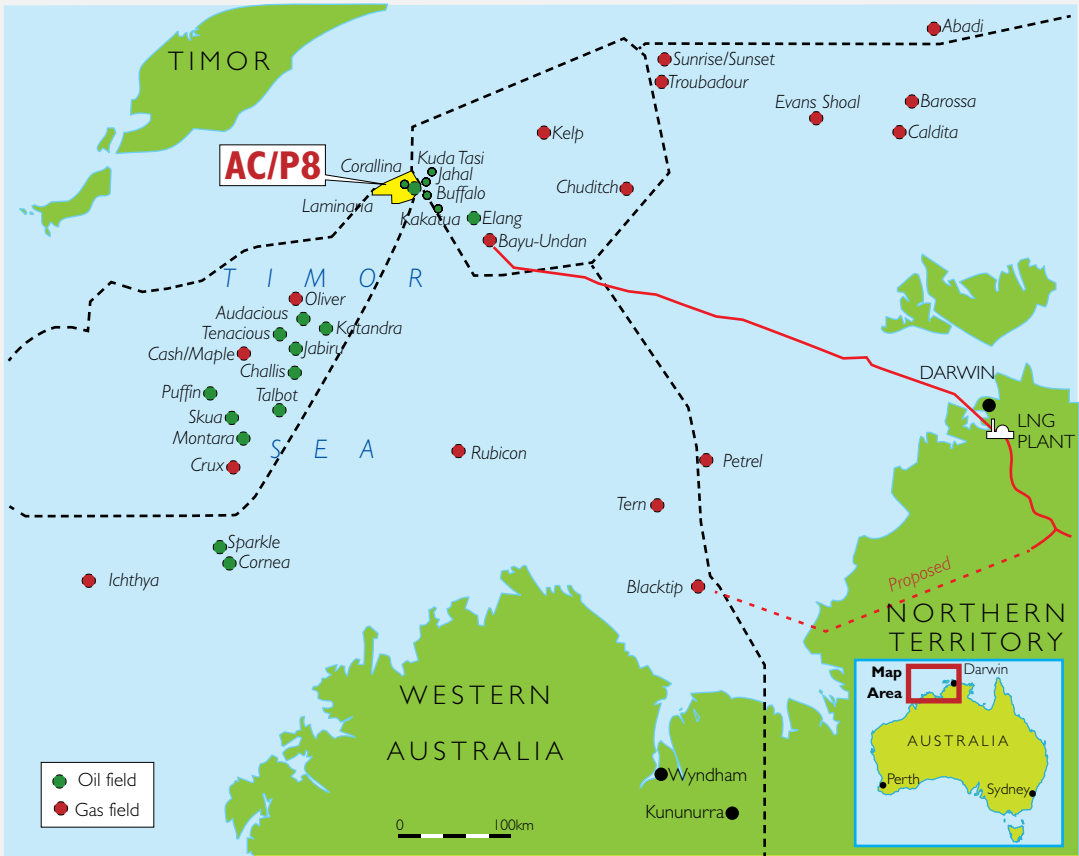


Liquids revenue similar to LNG

The journey – taking the steps



AC/P8



Location: Close to the Laminaria/ Corallina production facility with production tie in potential.

Potential: Main prospect 'Jania' with up to 20mmbl potential prospective resources (NPV A\$79 million).

5 additional leads with similar size potential.

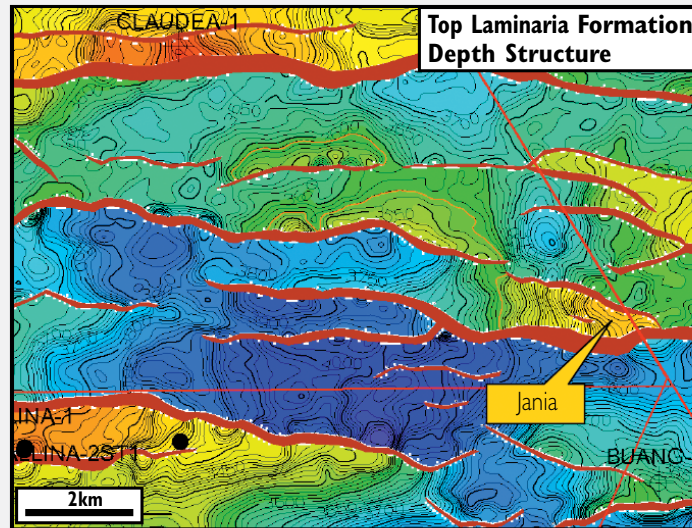
Interest: 66% equity purchased from Woodside Petroleum.

JV and work program: Negotiating with the government on the work program.

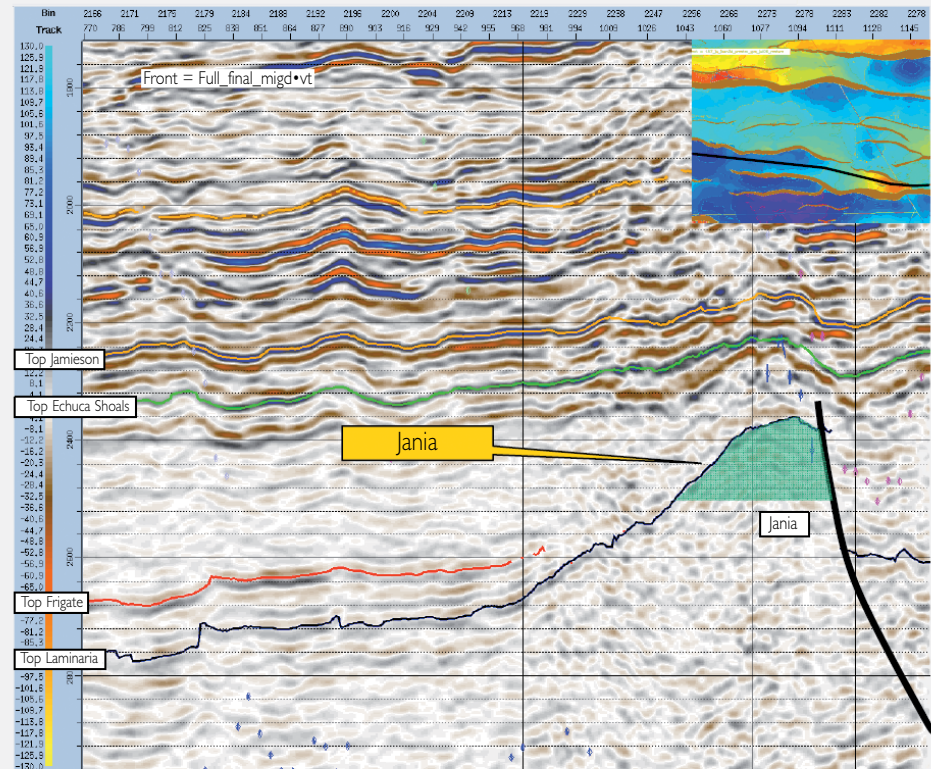
Talisman Energy 33%

Requires more geological and geophysical studies to identify high fill targets for drilling

AC/P8 Jania Prospect



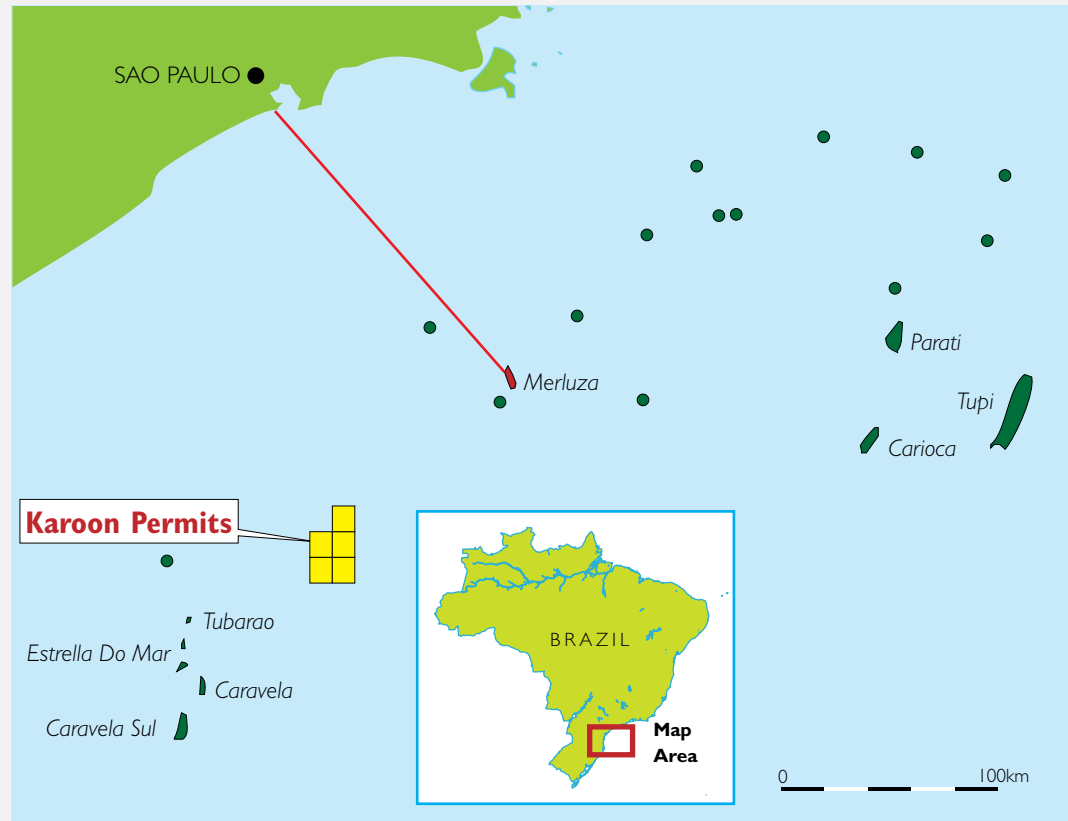
Laminaria and Plover Formation reservoir sealed by Frigate, Flamingo and Echuca Shoals Formations in horst block on trend with Jahal oil discovery. Potential prospective resource volumes: up to 20 mmbbl



South American Assets

- Karoon is securing high quality assets in South America in basins that by world standards are relatively under explored and have had limited exposure to the latest industry exploration technology.
- Increasing political stability has reduced sovereign and commercial risk in a number of South American nations.
- Technically and commercially this situation has created a favourable environment for Karoon to pursue high value exploration assets.
- At a minimum, assets being considered by Karoon are better than those currently available in Australia.

Brasil Santos Basin



Location: On trend with Caravella / Merluza fields.

Potential: 3 main leads with 100 to 200mmbbl oil and/or multi TCF of gas prospective resources.

Additional leads potential recognised but yet to be defined.

Interest: Karoon 100% equity from bid round

JV and work program:

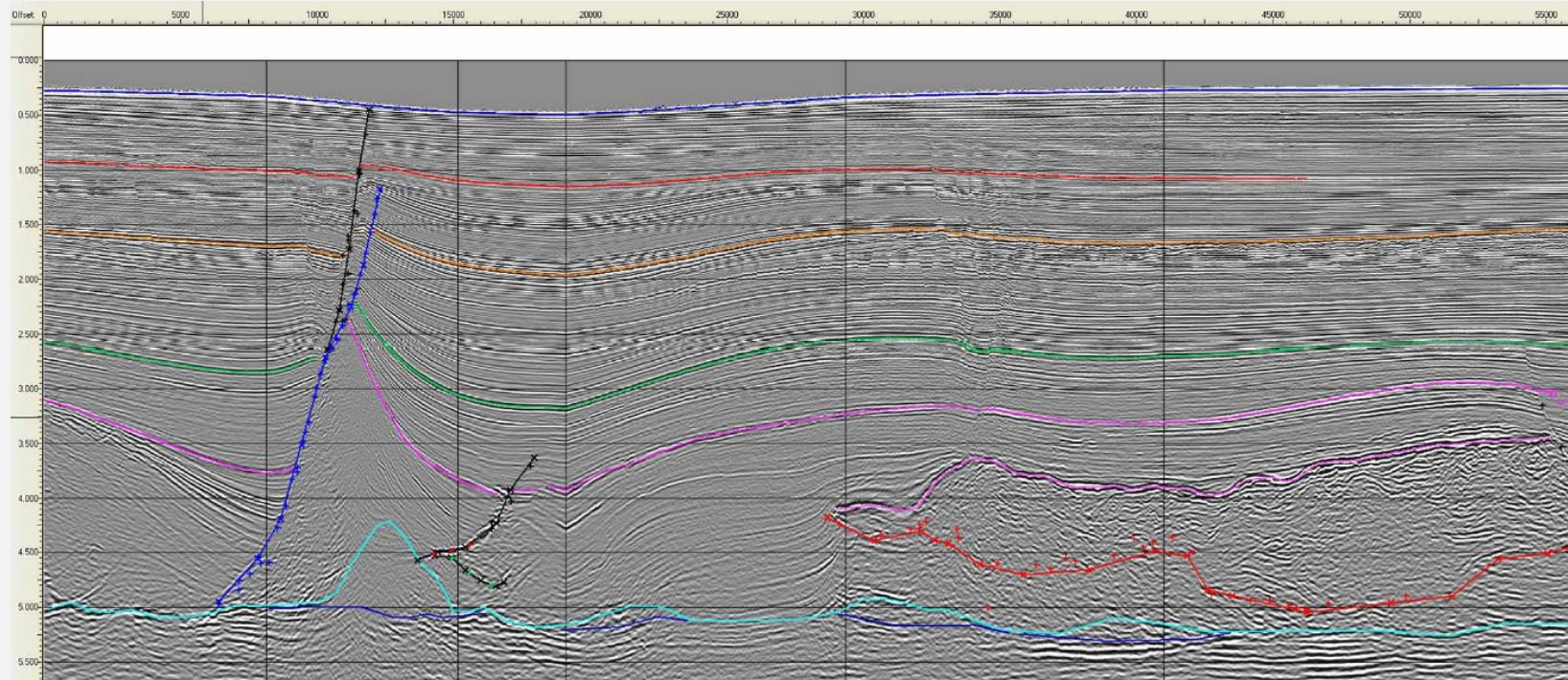
3 year Work Program

Purchased 3D seismic for PSDM

Acquire 510 sq. km. 3D over three blocks.

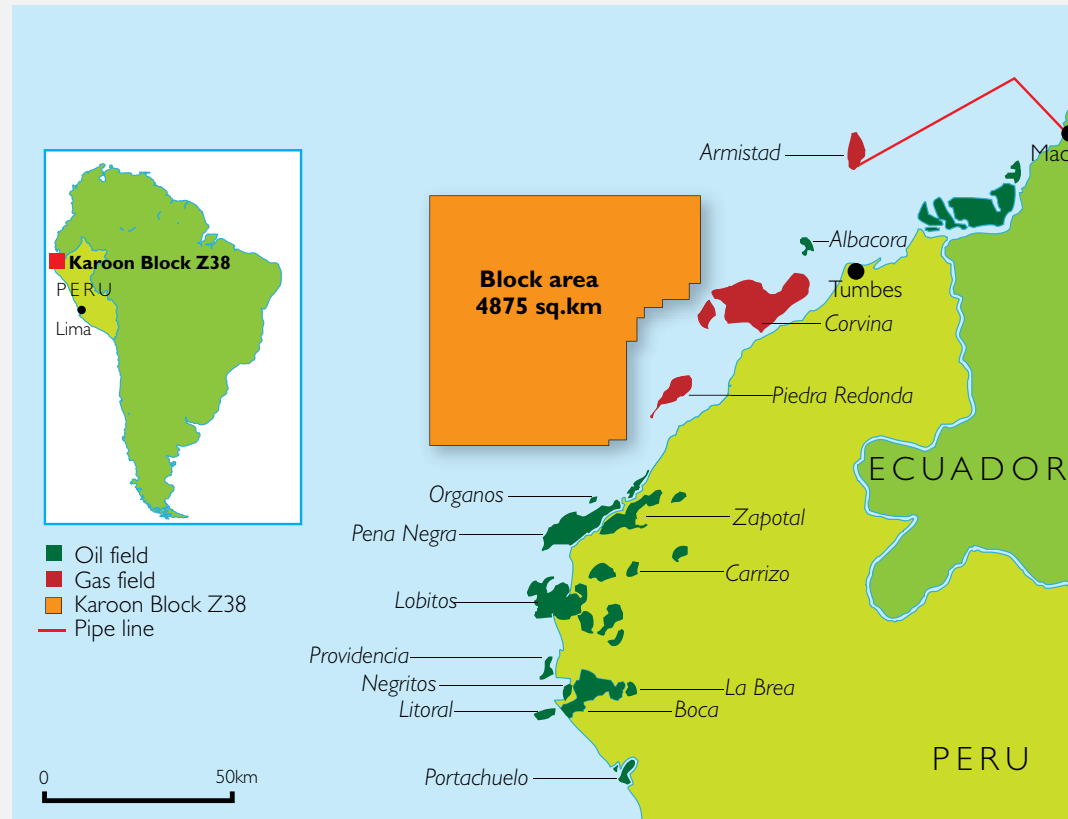
Brasil Santos Basin

SEISMIC LINE EXAMPLE.



Large structures and wide variety of potential play types.

Peru Tumbes Basin Z38



Location: Offshore Peru close to producing fields and discoveries.

Potential: 2 main leads with 100 to 200mmbbl oil or multi Tcf gas prospective resources potential

Additional leads potential recognised but yet to be defined.

Interest: Karoon earning up to 60% equity from funding of 2D and 3D seismic

JV and work program:

Vamex farm down to 40%

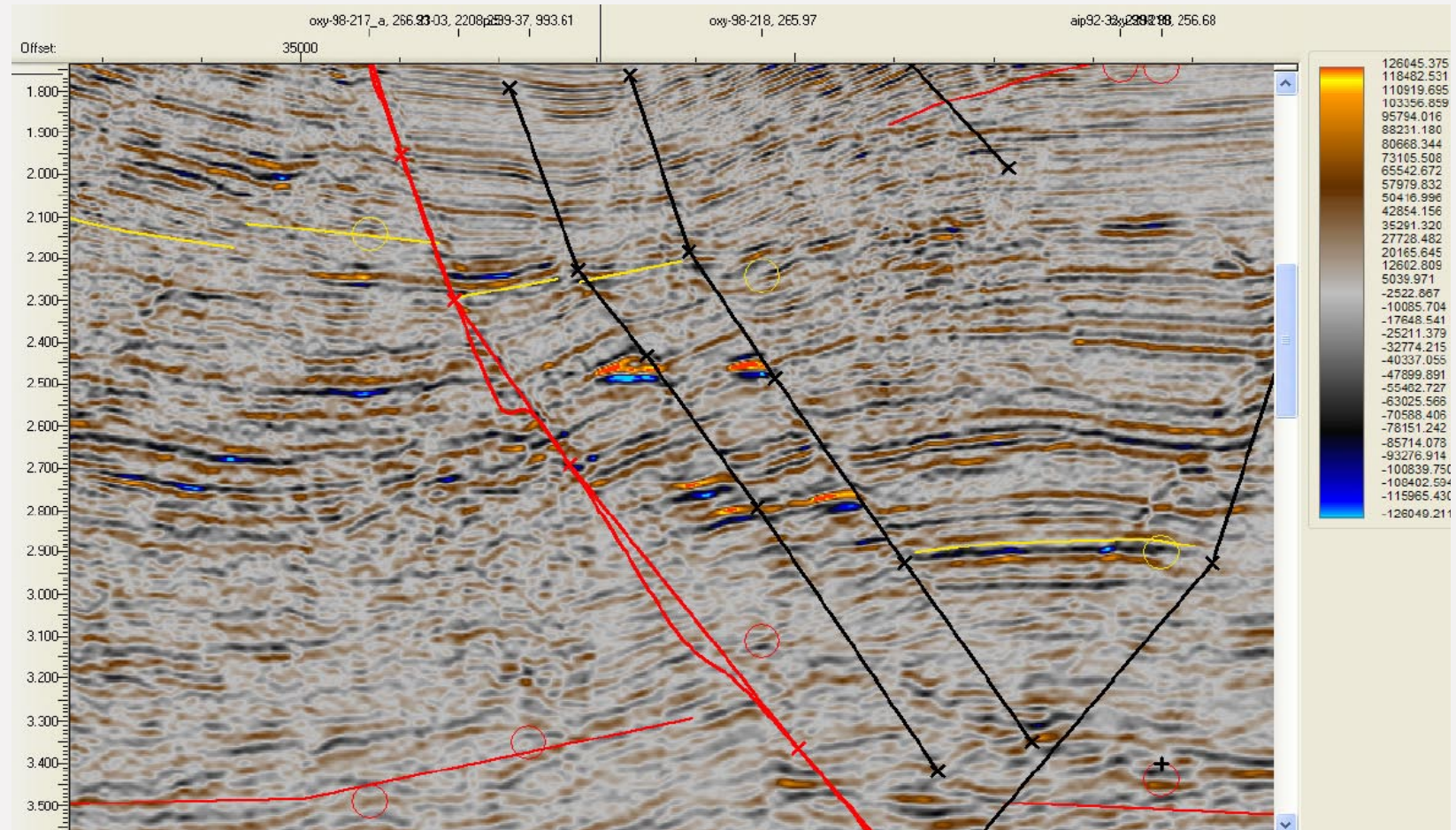
First phase (1.5 year) Work Program

Fund 2000km 2D seismic

Second Phase Acquire 600 sq. km. 3D

Peru Tumbes Basin Z38

SEISMIC LINE EXAMPLE.



Clear gas DHI's with flatspot and structural fit with amplitude ratio up dip to downdip of around 5 to 10 times.

Conclusions

Australia

- Karoon has grown rapidly in the last four years, evolving into a company with a world class acreage position in the Browse Basin with a world class LNG operator in ConocoPhillips, already established with LNG production facilities in Darwin.
- The Browse Basin JV has embarked on an aggressive A\$250 million exploration campaign of 3D seismic and the drilling of at least one well in each of the three Browse Basin permits from the fourth quarter 2008 in a 200-225 day drilling campaign.
- The prospects are large with Karoon estimates for each in the 7 to 15 TCF range and rich in condensate and LPG.

South America

Karoon's South American focus area work has resulted in Karoon acquiring good acreage in:

- Brazil's Santos Basin with leads in the 200 to 300mmbbl prospective resources range;
- Peru's Tumbes Basin with leads in the 100 to 200mmbbl prospective resources range.

These new assets will underpin Karoon's growth into the future providing a high value, diverse and risk balanced portfolio.