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Independent Prospective Resources Report by DeGolyer and McNaughton

Karooon recently engaged the services of international consulting company DeGolyer and McNaughton to provide an independent report on the prospective resources of the company's portfolio of exploration assets.

DeGolyer and MacNaughton have reported that Karooon has mean estimated risked prospective resources of 1.23 billion barrels of oil equivalent (BOE) in its 19 prospects in Australia and South America.

The prospective resource estimates presented in the report have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

The PRMS reporting system provides uniform guidelines for the evaluation and reporting of petroleum reserves and resources. Under PRMS, a "prospective resource", as reported by DeGolyer and McNaughton, are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated risk of discovery and a risk of development.

The prospective resources reported by DeGolyer and McNaughton have also been "risked" whereby each prospect has been subjected to a probabilistic analysis to reflect risks within the prospect associated with reservoir parameters, recovery efficiency and the like.

Karooon has its main interests in the following key assets;

- In Australia's Browse Basin, Karooon is in partnership with ConocoPhillips (the operator) in three exploration blocks WA-314-P, WA-315-P and 398-P and is about to embark on a 7 month drilling program expected to start in the fourth quarter 2008 or first quarter 2009. Drilling targets are large multi trillion cubic feet (TCF) gas prospects in the same play fairway as Woodside's Torosa field.
- In Brazil, Karooon holds 5 blocks (100%) in the Santos Basin, the same basin where the giant Tupi and Carioca discoveries (multi billion barrels of oil) were made recently by Petrobras.
- In Peru, Karooon is earning up to 60% equity in the 4875 square km Block Z-38 in the Tumbes Basin. The similar adjoining Block Z1, has large multi TCF gas and oil fields. Shell has recently announced a farmin deal with the Block Z1 owners involving a US\$300 million work program.

The prospective resources reported on by DeGolyer & McNaughton are based on the statistical aggregation method. There is no certainty that any portion of the prospective resources estimated herein will be discovered.

DeGolyer and McNaughton is an international petroleum consulting firm with offices in Canada, Russia and the United States of America, who specialise in evaluation of reserves, prospects and leads for major oil and gas companies, governments, financial institutions and the investment industry. DeGolyer and McNaughton have conducted assessments of and for the largest petroleum and financial companies in the world.

