



Chairman's Address Annual General Meeting

Again I would like to welcome and thank shareholders for taking the time to attend today, especially interstate shareholders and visitors. As with previous years we have had an increase in the attendance this year, I am glad to see everyone.

During the period since the last AGM, Karoon has had an eventful year. In January the share price dipped to \$2.03 then, on the back of the Poseidon discovery, Karoon briefly touched a \$2 billion market capitalisation when the price reached \$12.10 in July. The current market cap has since dipped to \$1.33 billion as the market awaits a result and full data from the Poseidon-2 well which Mark will discuss in his presentation later this morning.

Karoon is very happy that it has been able to maintain a strong cash position through successful capital raisings with over \$186 million raised in the year to June 30, 2009. This will be used to continue exploring in the Browse Basin as well as conducting seismic operations in Brazil and Peru.

The Karoon board is pleased with its operational progress in the period since the last shareholders meeting. The discovery of what looks to be a significant gas discovery in the Browse Basin has set Karoon on a path to delivering on the potential that many of you as shareholders have been waiting for.

The Poseidon-1 exploration well intersected a gross gas column of over 317m which Karoon equates to a contingent resource in the range of 3 TCF at the P90 value and 15 TCF at the P10 value. Karoon believes the discovery has a mid-case or P50 value of 7 TCF of gas. More drilling is required to firm up this resource figure.

Karoon's Poseidon field is situated close to Woodside's Torosa gas discovery which has a proven resource of 14 TCF and 370mmbbl of condensate. Other large proven gas fields in the area include the Japanese Inpex Operated Joint Venture which has upgraded its reserves to a total resource of 12.8TCF and 527mmbbl of condensate. The Browse Basin has certainly proven to be rich in gas and condensate which augurs well for Karoon's current exploration programme.

Despite an apparent disparity in Gas, Oil and LNG cargo pricing, Karoon remains optimistic about the sales prospects for gas produced out of the Browse Basin. Recent gas sales agreements have highlighted the current market demand from Asia generally. The most recent LNG sale to receive publicity was the sale by Exxon-Mobil to Petro-China of 2.25 TCF over a 20 year term for USD50 billion. This implies a long term average price of around USD14 per mcf.

Given that current data on world LNG demand is forecast to double over the next 10 years from 120mtpa to 240mtpa and the amount of supply remains uncertain, Karoon believes that any LNG that it has to sell from the Browse will be met by ample demand. The emergence of China as a major buyer along with continued baseline support from Japan and Korea, has demonstrated the attractive nature of Australian LNG.

Australia has a politically stable and commercially sound contractual environment coupled with high standards of safety and cutting edge technical skill. This allows for a reliability of supply unparalleled anywhere else in the world. When big buyers want to book gas for long term delivery they can rely on Australia. This is why we believe demand for Australian LNG will remain strong and attract a good price.

Karoon also has exciting prospects in Brazil.

As Karoon progresses through early stage geological work, and begins to plan its future operations in Brazil, Petrobras and others continue to make discoveries in the Santos Basin. This, along with early Karoon geological work, indicates the presence of three different play types, two that were originally thought to be present and were originally targeted, and there is also a possibility that the deeper pre-salt play type extends into the south-western Santos Basin. There are pre-salt target wells planned for the area south of Karoons' Santos blocks.

Petrobras has made two discoveries on trend and in proximity to Karoon's Santos Basin blocks to go along with its Tupi and Carioca pre-salt fields discovered in 2008. The Piracuca field of a reported 550 million barrels of oil equivalent in place was discovered just five kilometres from Karoon's blocks. Other discoveries were made in shallow Eocene age fields including the Sidon and Tiro fields, 25kms to the south of Karoon's acreage. These discoveries are believed to be in the 150 million barrel range and, along with existing data, suggest that the Eocene play also lies within Karoon's permits. As you will see in Mark Smith's presentation, the Santos Basin continues to be a world class exploration address and Karoon is right in the middle of the action.

Karoon purchased approx USD\$7million of existing 3D material over the Karoon leases in the Santos Basin. This seismic was reprocessed using Pre Stack Depth Migration and interpretation which has resulted in the Karoon Santos Basin blocks showing high graded drilling prospects.

Karoon plans to complete a 3D seismic survey over the Santos Basin during 2009 in addition to the 3D seismic data it already has. The company will use this new seismic and its existing data to provide a better picture of the geology and further define prospective areas for delineation with seismic and planned drilling in late 2010 or early 2011.

In addition to Brazil, Karoon's Peruvian acreage is showing great potential.

The area around Karoon's Peruvian acreage has produced a number of new discoveries and Karoon is doing further development work on existing hydrocarbon fairways. The permit to the east has recently had a discovery flowing at 10,200 bopd.

A 2300 kilometre 2D seismic acquisition program was completed during February 2009 and the data is currently being interpreted. Preliminary results are encouraging and completion of this interpretation will aid in the planning and completion of the upcoming 3D seismic acquisition in the coming months. Offshore Peru remains something of a frontier area with good success on very little exploration work to date. Karoon estimates that potential prospective resources in its blocks in Peru could be in the multi-TCF and/or hundreds of millions of barrels of oil range.

Karoon had a good 2009 but hopes for an even more successful upcoming year, highlights are set to include;

- The continued exploration and appraisal drilling within the Browse Basin. Three wells remain in the contract with Transocean for the Transocean Legend Semi-Submersible drilling rig. The forward drilling program will include the completion of the Poseidon-2 well, the Lion-1 exploration well, a commitment well with little geological chance of success, Kronos-1 exploration well which is a exploration well with high probability of success, and at least one other exploration well, yet to be finalised, along with the current 3D seismic acquisition over the greater Poseidon field. This will allow accurate positioning of additional exploration and appraisal wells.

- 3D seismic acquisitions in the Tumbes Basin in Peru and Santos Basin, Brazil. The Tumbes Basin seismic acquisition is expected to start before the end of 2009 and the Santos Basin Seismic is expected to commence early in 2010.

- As detailed above, the planned new 3D seismic acquisition programmes in both Peru and Brazil are expected to develop leads to drillable prospect level. In both countries, preparations have begun for drilling late in 2010 or early in 2011.

- A Controlled Source Electro Magnetic survey is to be run in AC/P8. The Results of this will be integrated with geotechnical works in AC/P8.

Karoon is now ranked 7th, among the top ten largest oil and gas stocks listed on the ASX, and has before it a challenging and exciting exploration and appraisal program both within Australia and overseas.

Karoon would like to take this opportunity to thank the shareholders for their continued support. Karoon is pleased with its progress thus far and will be striving to continue its organic growth with more exciting developments being announced over the coming year.

Robert Hosking

Executive Chairman