



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 seen another increase in the attendance and voting this year, over 50% of the shares in the company have been voted.

During the period since the last AGM, Karooon has been very busy, we have completed two 3D seismic acquisitions, one of which was new to the Santos Basin. Karooon also continued the drilling in Browse Basin with two additional successful wells and more recently had its first discovery in South America. Karooon is also proceeding with the listing of its South American assets with pricing of the share offer expected to be concluded after close of business today, Brazil time.

The real highlight of the financial year from an exploration viewpoint was undoubtedly the further confirmation of the Poseidon trend with an excellent flow test out of the Kronos-1 well. Added to this was the discovery announced this week by Petrobras in the Maruja prospect in Brazil.

I am very happy to have regained the market capitalisation attained in mid-2009, the current market capitalisation is trading in the 1.5- \$2 billion after reaching a low of just under a billion dollars.

Karooon has a very intensive 2011 planned and we are very happy that we will be entering this year with over \$300 million dollars in cash.

Whilst I am restricted somewhat in what I can say in relation to the Karooon Brazil IPO and its assets because of the stage which the offer has reached and the applicable regulatory requirements in Brazil and certain other countries, it is notable that the completion of the IPO will allow Karooon Australia to concentrate its existing cash resources on the phase 2 drilling campaign in the Browse Basin and on other opportunities which may arise.

The Karooon board is pleased with the flow test from the Kronos well in the Browse, this test has provided significant information about the capacity of the Poseidon Field to produce at levels required to support a development. The Kronos-1 exploration well intersected the same plover sands as mapped to be present above the gas water contact and achieved an equipment constrained flow rate of 26 mmscf/day through a 32/64 inch choke on production test. This discovery confirms Karooon's pre drill estimates of a contingent resource in the range of 3 TCF at the P90 value and 15 TCF at the P10 value. Karooon 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.

Karooon now anticipates a new drilling program to begin in 2011, this program will be designed to further assess the Poseidon trend with additional exploration wells planned in preparation for future decision making on potential development.

As a matter of background, 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.

Karoon remains optimistic about the sales prospects for gas produced out of the Browse Basin. We believe the completion of regasification terminals in China and Europe in 2012-2017 will cause a narrowing between supply and demand, and given that most LNG will already be sold into other facilities there will be opportunity for new projects to obtain good sales contracts.

Given that current data on world LNG demand is forecast to double over the next 10 years from 120mmtpa to 240mmtpa 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.

Upon completion of the current IPO, Karoon will continue to be exposed to its South American assets by way of a majority ownership position in its currently wholly owned subsidiary, Karoon Petroleo & Gás S.A. or, as we call it, Karoon Brazil.

In Brazil, Karoon is now involved in a light oil discovery in BM-S-41. The 20% interest in Santos Basin Block BM-S-41 was agreed to be acquired in September and its acquisition is still subject to regulatory approval and the completion of certain farm-in obligations.

As Petrobras reported yesterday, the Maruja well has discovered hydrocarbons confirmed to be light oils similar to those in the surrounding wells, the well is now drilling ahead with more results expected after the well has reached total depth and production testing is completed.

In relation to its remaining South American assets, whilst Karoon will continue to inform shareholders of any material information as it comes to hand, I do not propose to review the assets or prospects in detail given the current status of the IPO and the regulatory obligations of Karoon Brazil and the Karoon Group. Suffice to say that I believe my fellow workers at Karoon should be commended on the successful initiation and startup of our South American business.

Karoon had a very successful 2010, and hopes for an even more successful upcoming year.

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