



# KAROON REVIEW

May 2011



# Karoon Gas snapshot

- Approximately 221 million shares and 3.9 million options
- Market capitalization approximately A\$1.55 billion @ A\$7.00
- Cash in bank @ 31st March A\$279 million
- Company in S&P/ASX 200 Index

- 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 @ 31st March A\$279 million plus A\$46million paid as a refundable escrowed security deposit for Brazil block commitments.

## Browse Basin

- Three new exploration prospects identified around Poseidon with Prospective Resources up to 2 TCF each.
- Government environmental program decision expected in June 2011.
- Best estimate for initiation of 5 to 8 well drilling program is September 2011.

## Bonaparte Basin ACP8

- Decision to progress to drilling to be made in mid year.

## Brazil

- Rig Letter of Intent signed to secure 'Blackford Dolphin' semi-sub rig for minimum 3 well program.
- 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 planned by September 2011.

## Peru

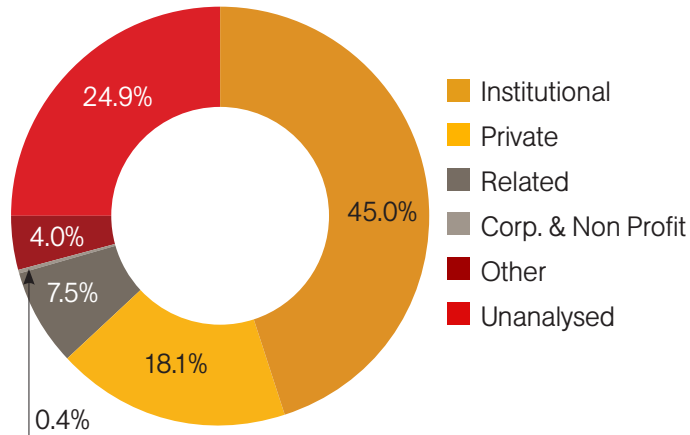
- Final seismic product received with 9 additional prospects and leads identified bringing total to 11.
- Drilling rig procurement process initiated for a multi well program.
- Farmout planned by October 2011.

## Independent evaluation

- New Prospective Resource and Contingent Resource assessment of all blocks in fourth quarter 2011.

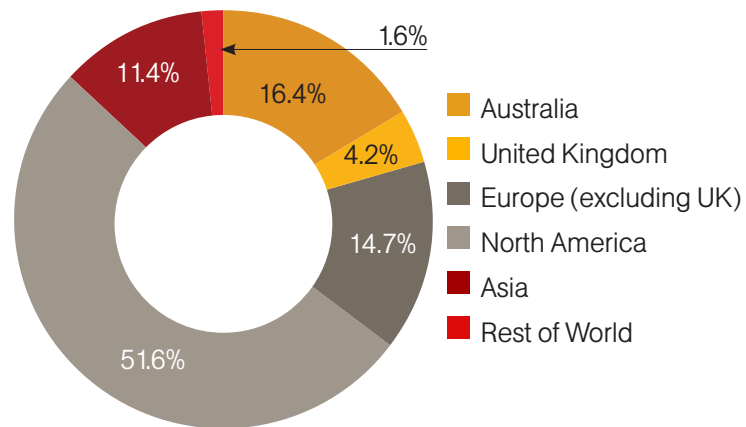
# KAR Investor profile

## Total Shareholder Composition

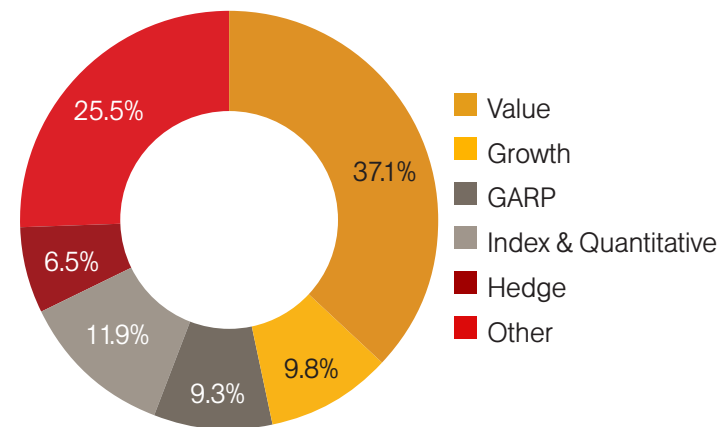


Top 4 Shareholders		
Rank	Name	% ISC
1	Wellington Management Company LLP	13.90%
2	Talbot Group	13.06%
3	Janus Capital Management LLC	6.30%
4	Robert Hosking	5.59%

## Institutional Shares by Geography



## Institutional Shares by Investment Style



# Karoon Gas Australia's key personnel

## BOARD

---

### **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**

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.

### **CLARKE 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**

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

## TECHNICAL

---

### **LINO BARRO Engineering Manager**

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

### **JORG BEIN Geophysics Manager**

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

### **DAVID WHITTAM Exploration Manager Australia**

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

### **ANDREW MORRISON Senior Geologist**

25 years experience as a geologist with BHPB and Hamilton.

### **HYWEL THOMAS Senior Geophysicist**

34 years experience as a geophysicist with BP and BHP

### **RALPH SPINKS Drilling Advisor**

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



## South American personnel

### **EDWARD MUNKS Director of KEI and COO of KGA**

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

### **JULIANO MACEDO Exploration Manager**

28 years experience as a geologist and exploration manager, 18 years with Petrobras which included presalt Santos Basin exploration projects .

### **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.

### **JOSE COUTINHO BARBOSA Chief Brazilian Advisor**

28 years experience as a geologist and exploration manager, 18 years with Petrobras rising to CEO.

### **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.

### **JULIO ALEXANDRE ALMEIDA DE CARVALHO Geophysicist**

9 years experience as a geophysicist with Companhia Vale do Rio Doce, Quontra Petroleo LTDA, and Odebrecht Oil & Gas, working the Potiguar, Sergipe-Alagoas and Congo basins.

### **TIMOTHY HOSKING General Manager for 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.

### **OSVALDO ANTONIO RODRIGUES DE SÁ Senior Geophysicist**

36 years experience with Petrobras as a geophysicist and explorationist,. exploring the Recôncavo Basin, Santos, Espirito Santos, Campos and Pernambuco basins.

### **MARCIA MARIA PINAHEIRO DA SILVA Geophysicist**

10 years experience with Petrobras in geophysics and environmental management.

### **KAREN ALBUQUERQUE Chief Financial Officer**

Over 18 years of accounting experience. Worked with PriceWaterhouseCoopers for 9 years and 8 years at El Paso Energia do Brasil Ltda.

### **GUSTAVO BORJA Peruvian Advisor**

Geologist 35 years with Petroperu rising to Exploration Manager.

### **GERMAN BARRIOS Lawyer**

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

# South American Drilling team

## **DENNIS HINING Drilling Manager**

40 years experience in the oil and gas industry. Worked as a Drilling Manager for Exxon/Mobil and Operations Supervisor for Esso Exploration and a Drilling Engineer for Shell Oil. Experienced in Brazilian deep presalt development projects.

## **CHRIS WAGNER Senior Drilling and Operations Engineer**

30 years with companies such as UNOCAL, AMOCO, Halliburton, BP among others.

Assigned to Ecopetrol in Bogota, Columbia to prepare drilling programs and source rigs for prospects in 600' to 3300' of water; also worked on two prospects in Brazil in 6500' of water.

## **ROBERTA MEGALE HSE Manager**

Chemical Engineer – Federal University of Rio de Janeiro (UFRJ)  
Shell Brasil Exploration & Production (SBEP) – From December 2001 until October 2010

Risk & Analysis Engineer.

- Expertise in HSE Management System implementation
- Knowledge of emergency response systems: ICS (Incident Command System), medical and oil spill response, including participation in drills

## **ROBERT L. WOOD Senior Drilling Engineer**

A highly skilled Petroleum Engineer with 30+ years of International and Domestic U.S. experience in Drilling Engineering Studies, Drilling Supervision and Implementation of complex Drilling Projects onshore and offshore. Worked for Chevron, Texaco, Kerr Mecgee, Santos, Mobil, Phillips

## **JEFFERY D. ESMONDE Materials and Logistics Supervisor**

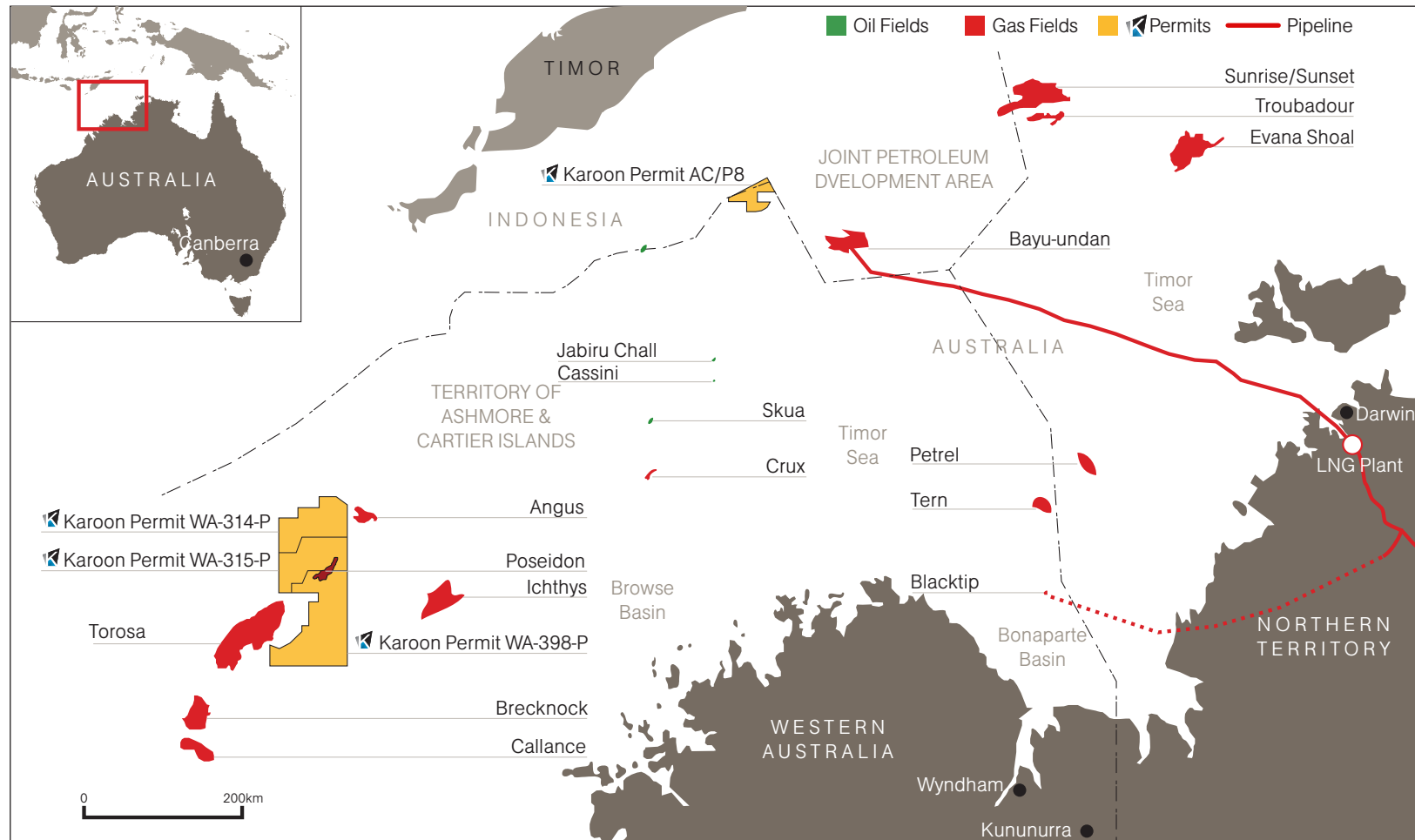
Materials and Logistics Supervisor on miscellaneous drilling projects in Bahrain, India, Ivory Coast, Equatorial Guinea, Gabon, Trinidad, Belize, Venezuela, Portugal, Myanmar and Colombia.

38 years' experience in the E&P industry

## **LEANDRO COSTA Marine Biologist**

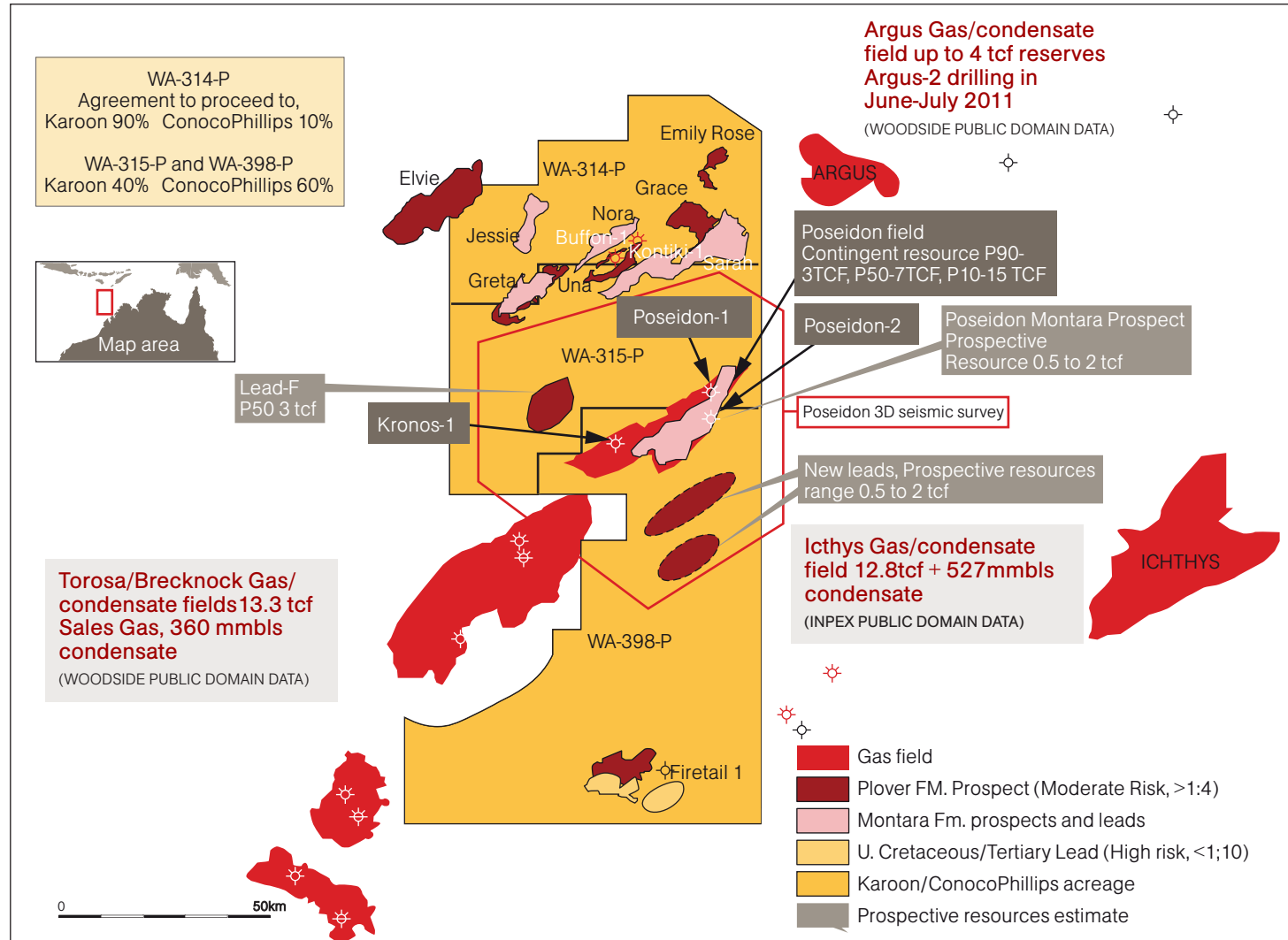
10 years' experience working on Environmental Licensing projects in the Brazilian E&P oil Industry

# Australian Assets



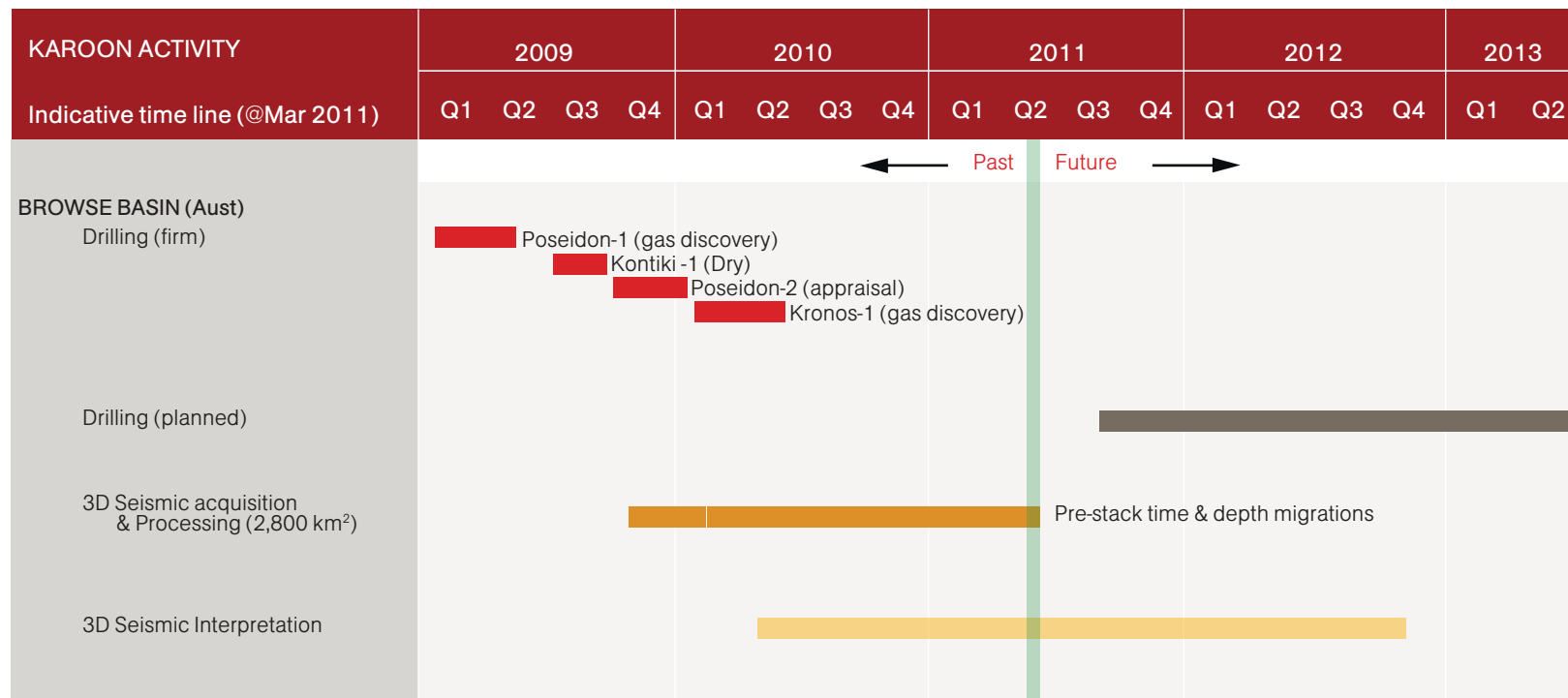


# Browse Basin



- 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.

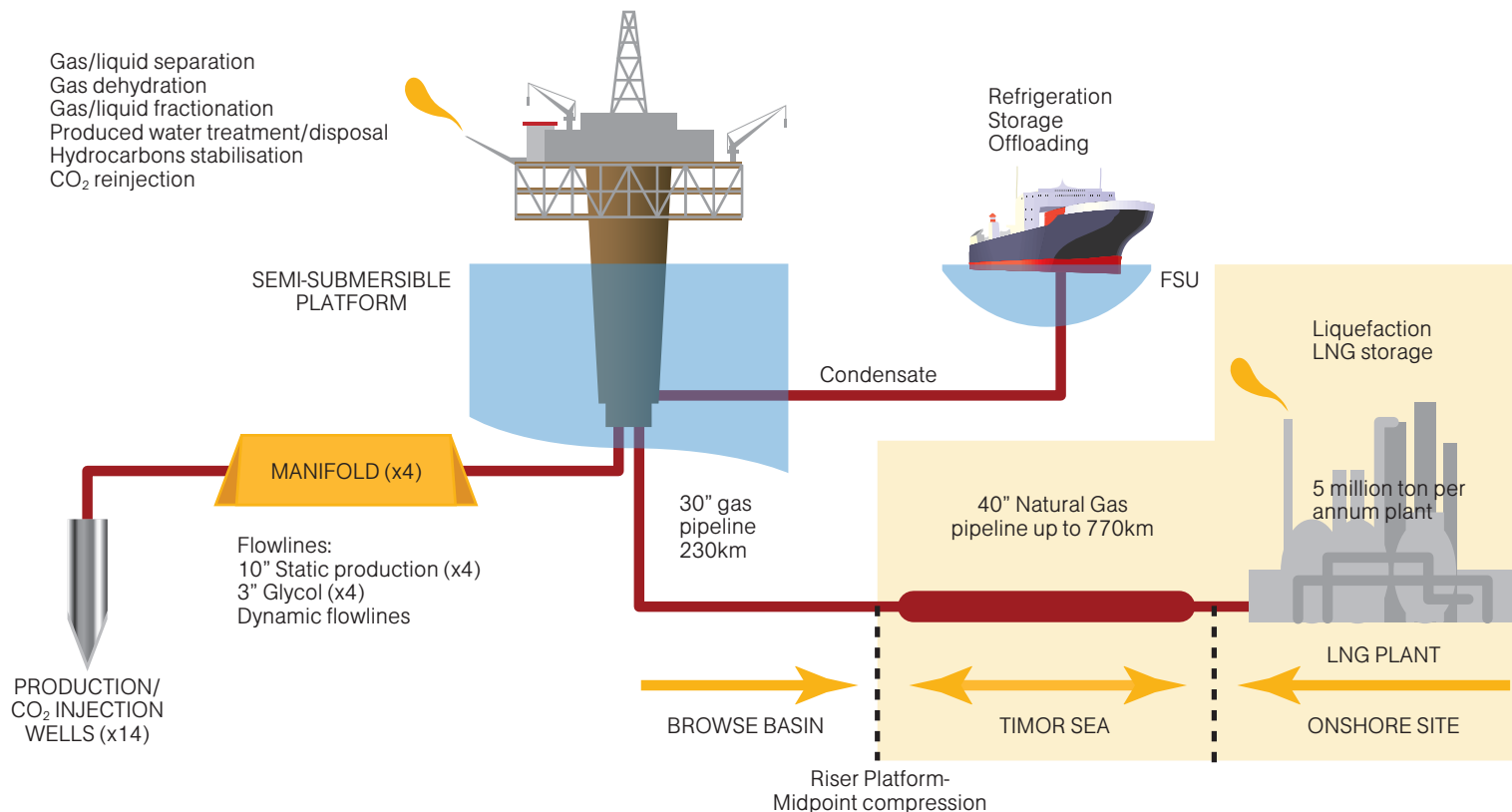
# Browse Basin – Indicative Time line



# Indicative project concept

Karoon LNG/condensate indicative development model economics  
 (assuming a discovery of 7 TCF and based on independent third party design concepts).

## FIELD DEVELOPMENT, PIPELINE AND LNG FACILITIES SCHEMATIC (ONSHORE LNG OPTION).

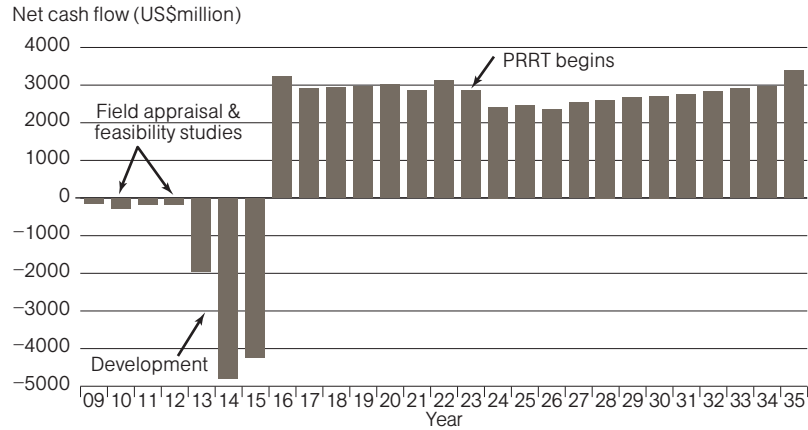


LIQUID PRODUCTS ASSUMPTION  
 Condensate 30bbbls/million cubic feet

# Karoon indicative development model economics

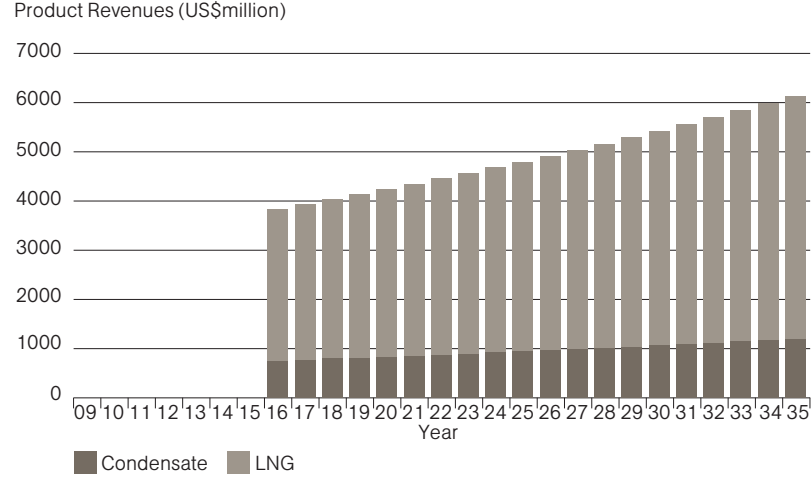
## Combined Net Cash Flow

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



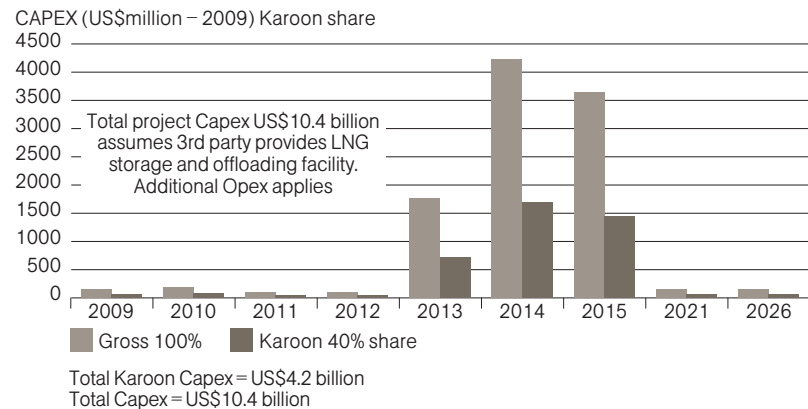
## Product revenues

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

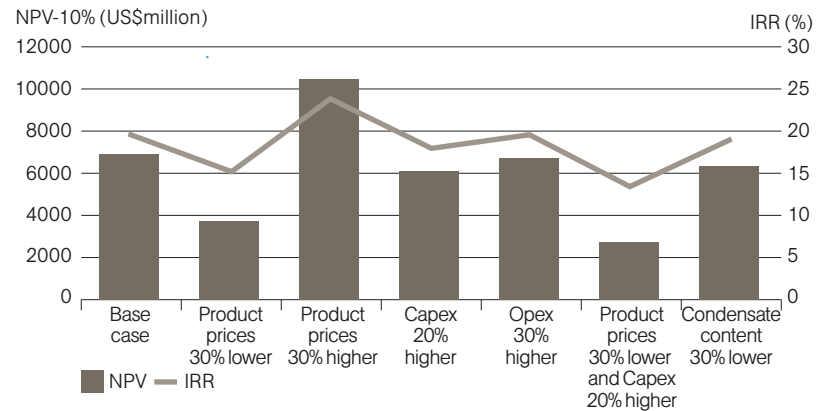


## Capex profile

– 2009 US dollars

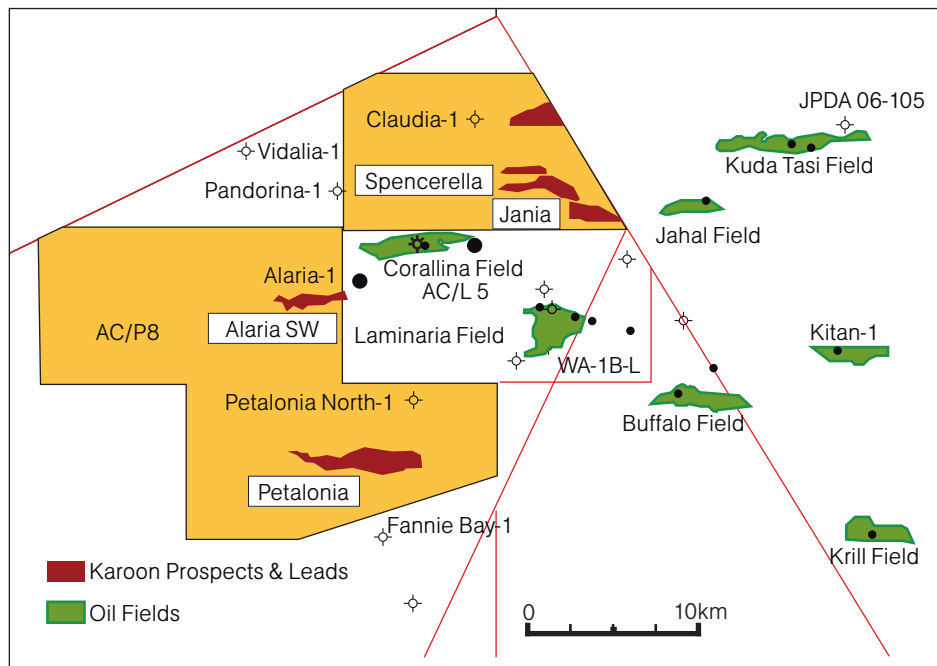


## Economic sensitivity analysis



**Project NPV US\$6.9 billion, IRR 20%**  
**Assumptions: Condensate US\$70/bbl, LNG US\$10/mmbtu**  
 Royalty: 1.5% ORR for first 5 years going to 2% thereafter (not included)

# AC/P8



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

**Potential:** Main prospect 'Jania' with up to 20mmbbl potential prospective resource.

5 additional leads with similar size potential.

**Interest:** 66.67% equity, Talisman Energy 33.33%.

**JV work program:**

Year-1 work program start date 3 October 2008.

Requires more geological and geophysical studies to identify targets for drilling.

**Forward plan:**

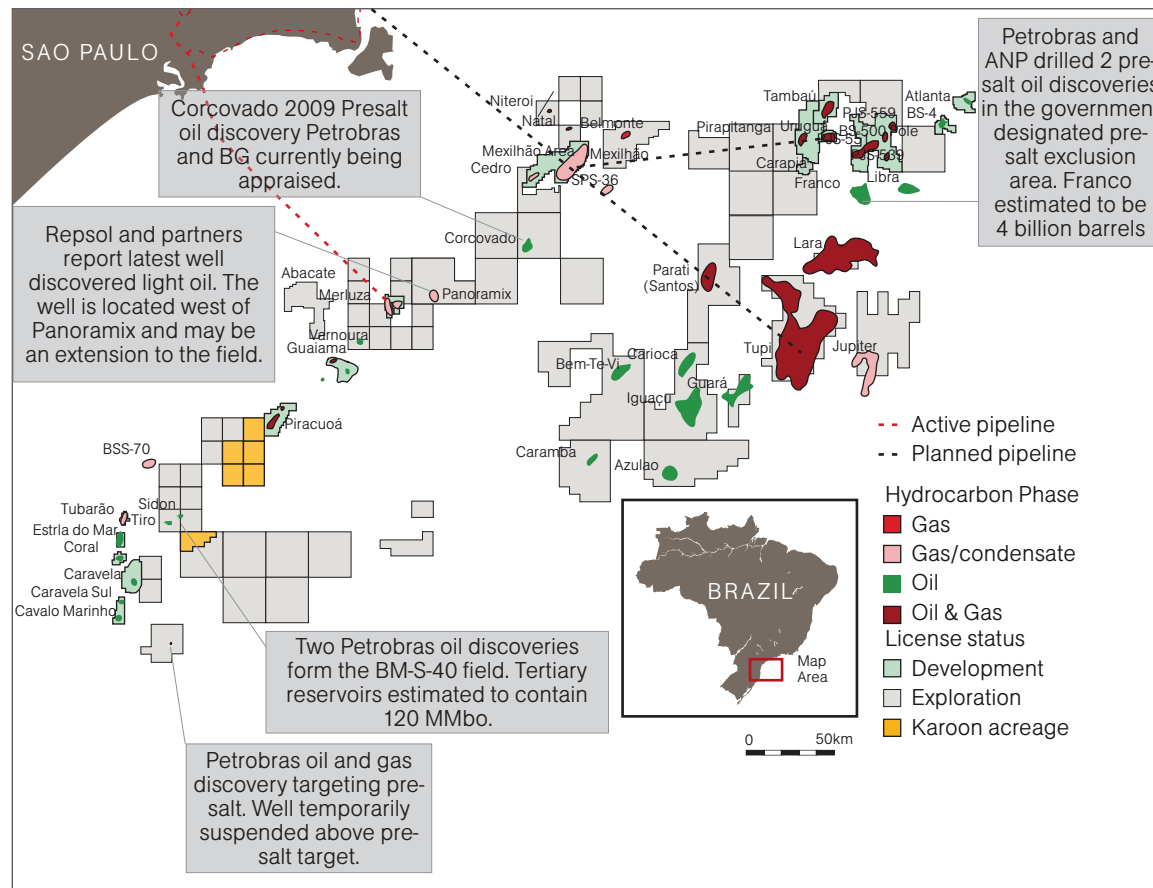
2010 CSEM (controlled source electro magnetic) survey – data being interpreted.

Drill option in 2012.

KAROON ACTIVITY	2009				2010				2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Indicative time line (@Mar 2011)																		
BONAPARTE BASIN (Aust)	← Past   Future →																	
Interpretation																		
CSEM survey acquisition & processing																		
Interpretation																		
Drilling (optional w/CSEM success)																		

# Brazil Santos Basin

55% drilling success rate in the southern Santos Basin (23/41 wells)



**Location:** Santos Basin shallow water 300-400m, on trend with Caravela, Piracuca, Newton and Merluza fields.

**Potential:** 10 prospects and leads with prospective resources in the range 50 to 400mmbbls with total gross mean recoverable over 2 billion bbls.

Additional leads potential recognised but yet to be defined.

**Interest:** Karoon 100% in S-M-1037, 1101, 1102, 1165 & 1166.

Karoon 20% interest in S-M-1352 subject to regulatory approval.

**Karoon work program:**

3 year Work Program.  
Awarded March 2008.  
Purchased 3D seismic for PSDM.  
Acquire 510 sq km. 3D over three blocks (completed).

**Forward plan:**

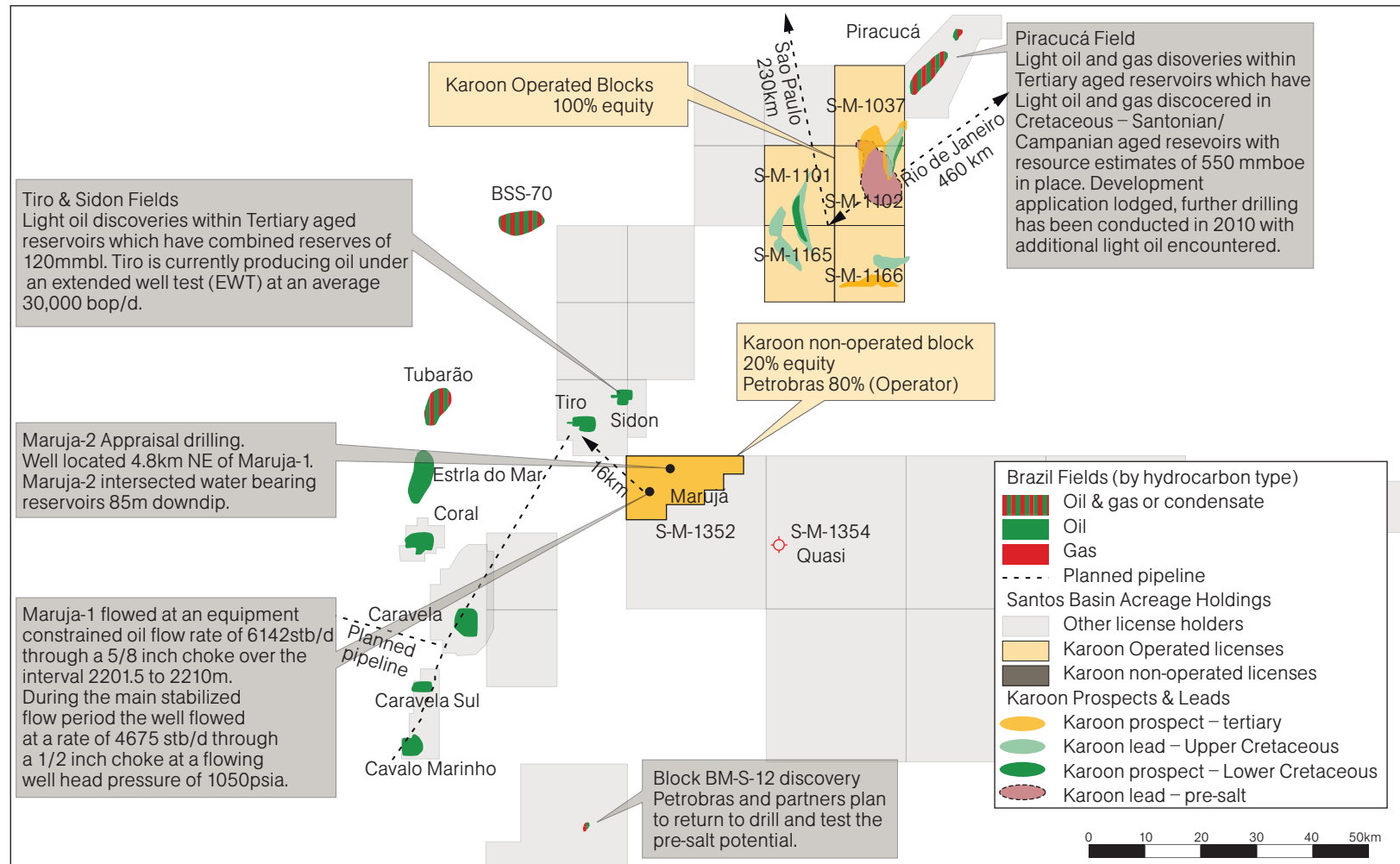
Interpret Wide Azimuth 3D seismic data (750 square km).

Drill in 2011.

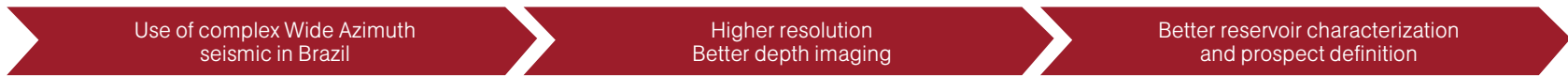
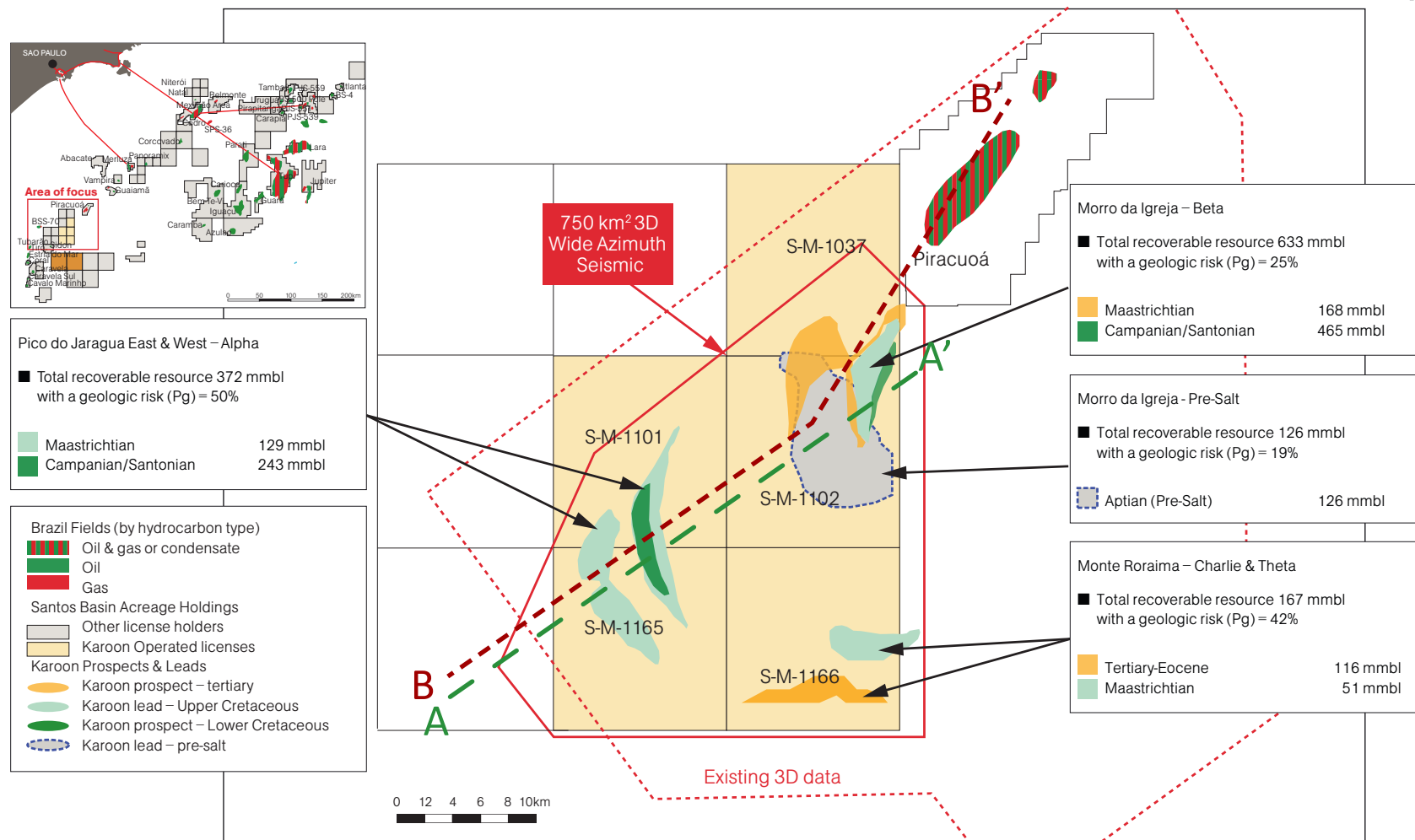
Evaluate Maruja oil field appraisal/development options



# Brazil Santos Basin – block locations

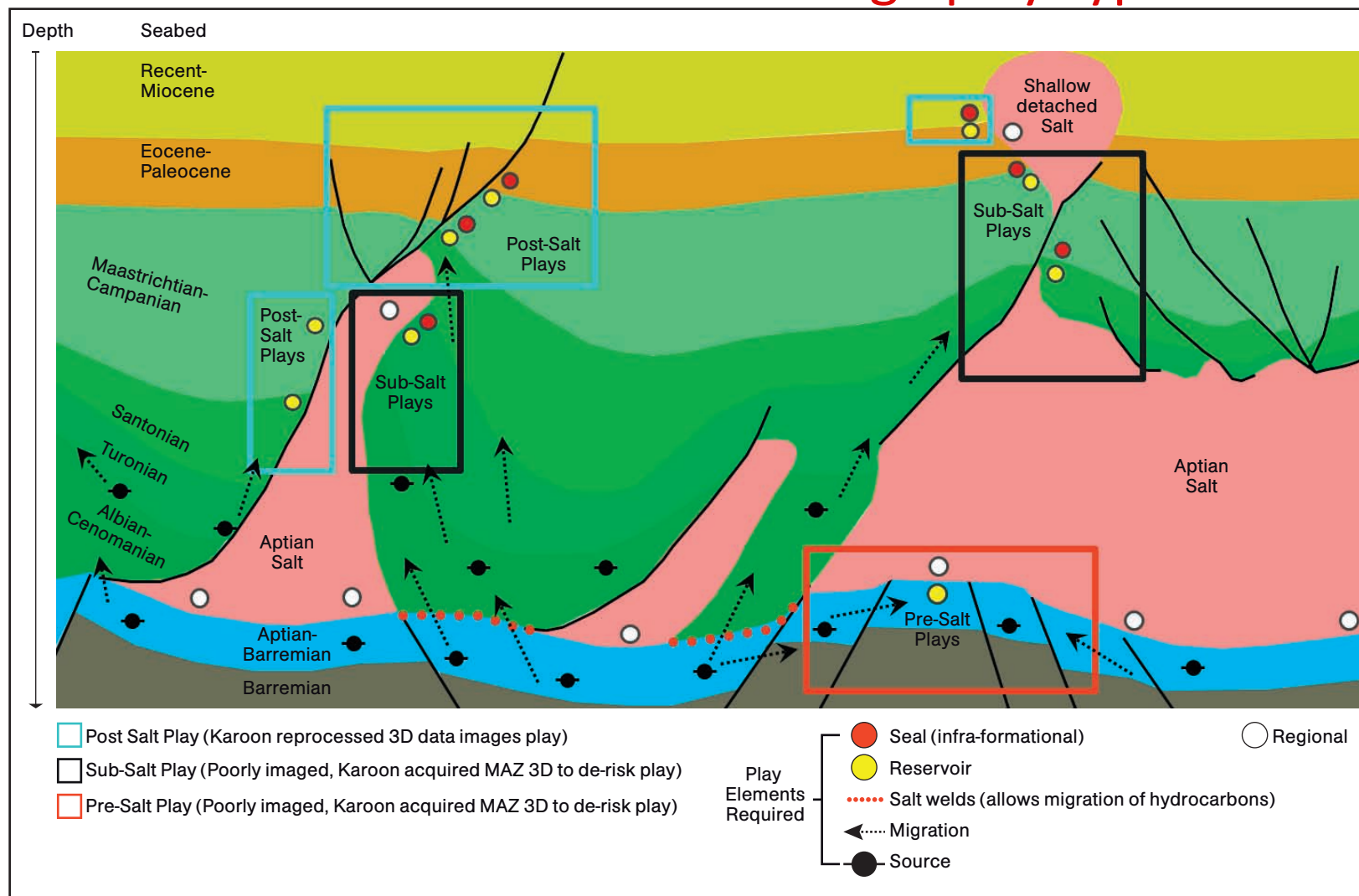


# Brazil Santos Basin – prospects

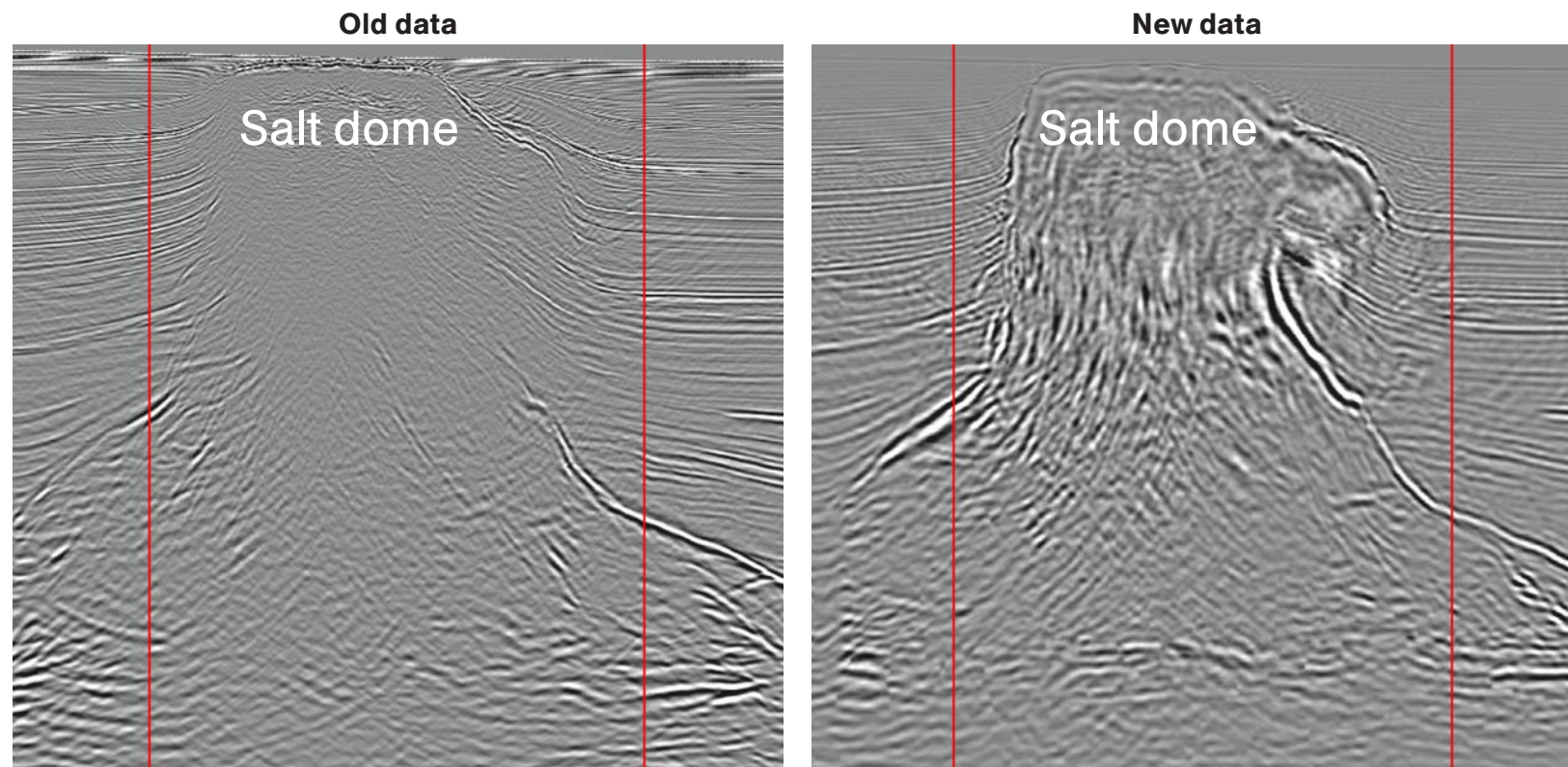


(Volumes DeGoyler McNaughton assessment 31st August 2010 are aggregated mean estimated resource in mmbls. Risks are probability of geologic success.)

# Brazil Santos Basin – Karoon acreage play types

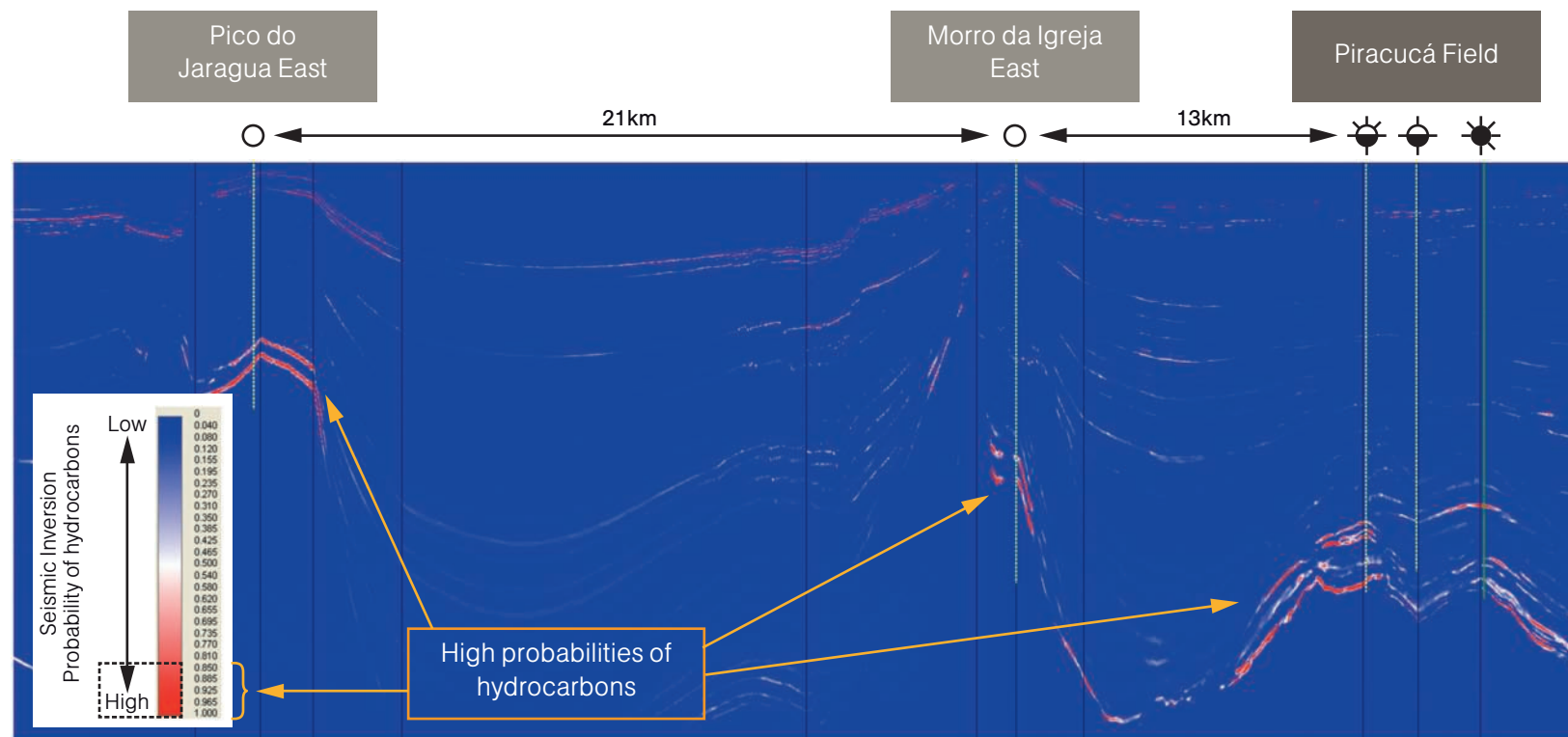


# Brazil Santos Basin – Improved Seismic imaging with WAZ & PSDM



**Better data - better Prospect definition – lower risk**

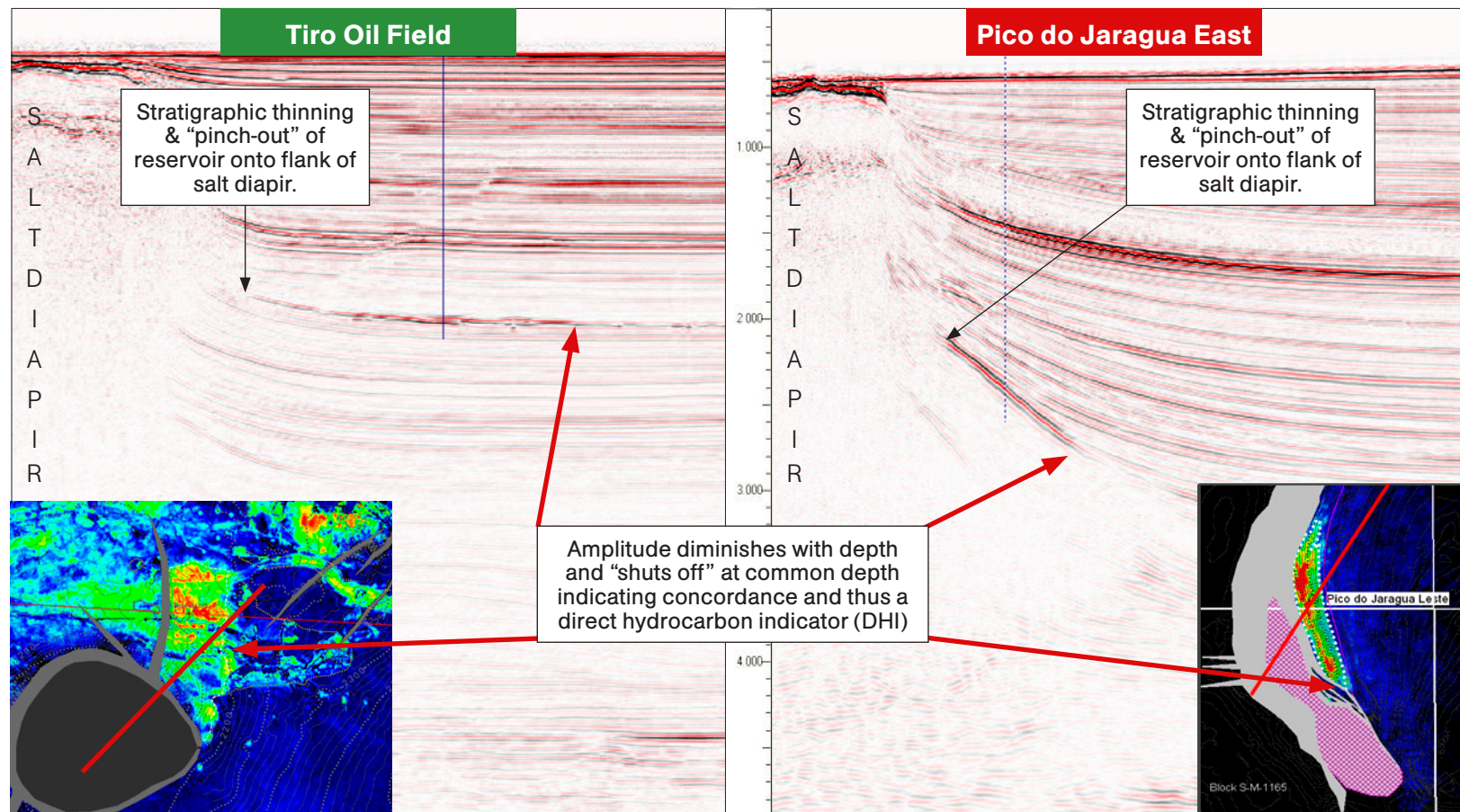
# Brazil Santos Basin – Seismic modelling



- Extensive and comprehensive geological and geophysical studies.
- A seismic inversion of the reprocessed 3D data has been carried out using the surrounding wells for calibration.
- The probability volumes show a good match with known water bearing and oil bearing sands in the Piracucá Field area (5km to the east of Karoon blocks).
- Striking similarities at Morro da Igreja East (13 km to the west) and Pico do Jaragua East (34 km to the west) of the discovery well.



# Brazil Santos Basin – Prospect analog

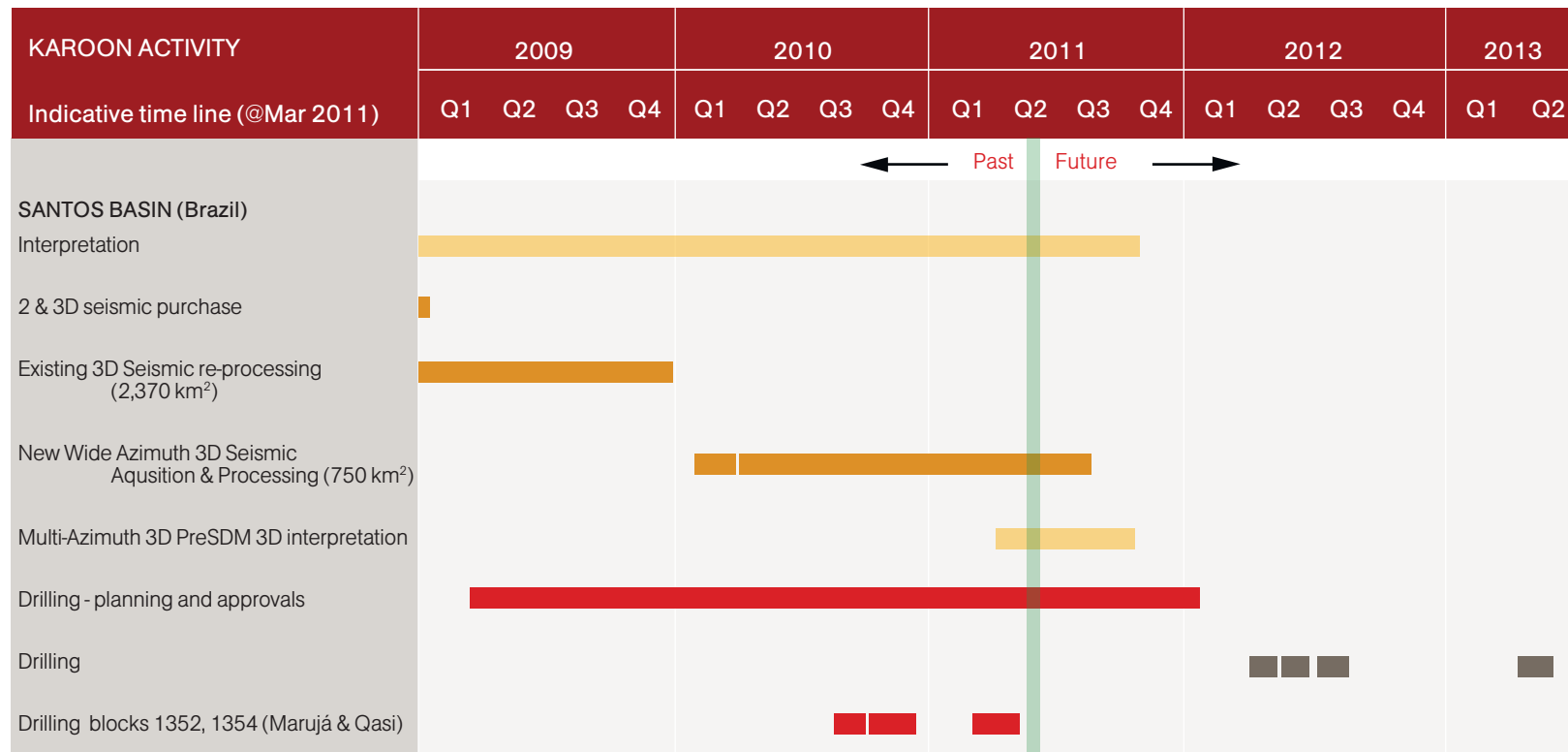


The Tiro Oil Field 25km to the SW of Karoon's acreage provides a good field analogue for Karoon's Pico do Jaragua East Prospect (apart from the different stratigraphic ages, Tertiary vs Late Cretaceous).

Petrobras is currently producing oil from Tiro in an extended well test.



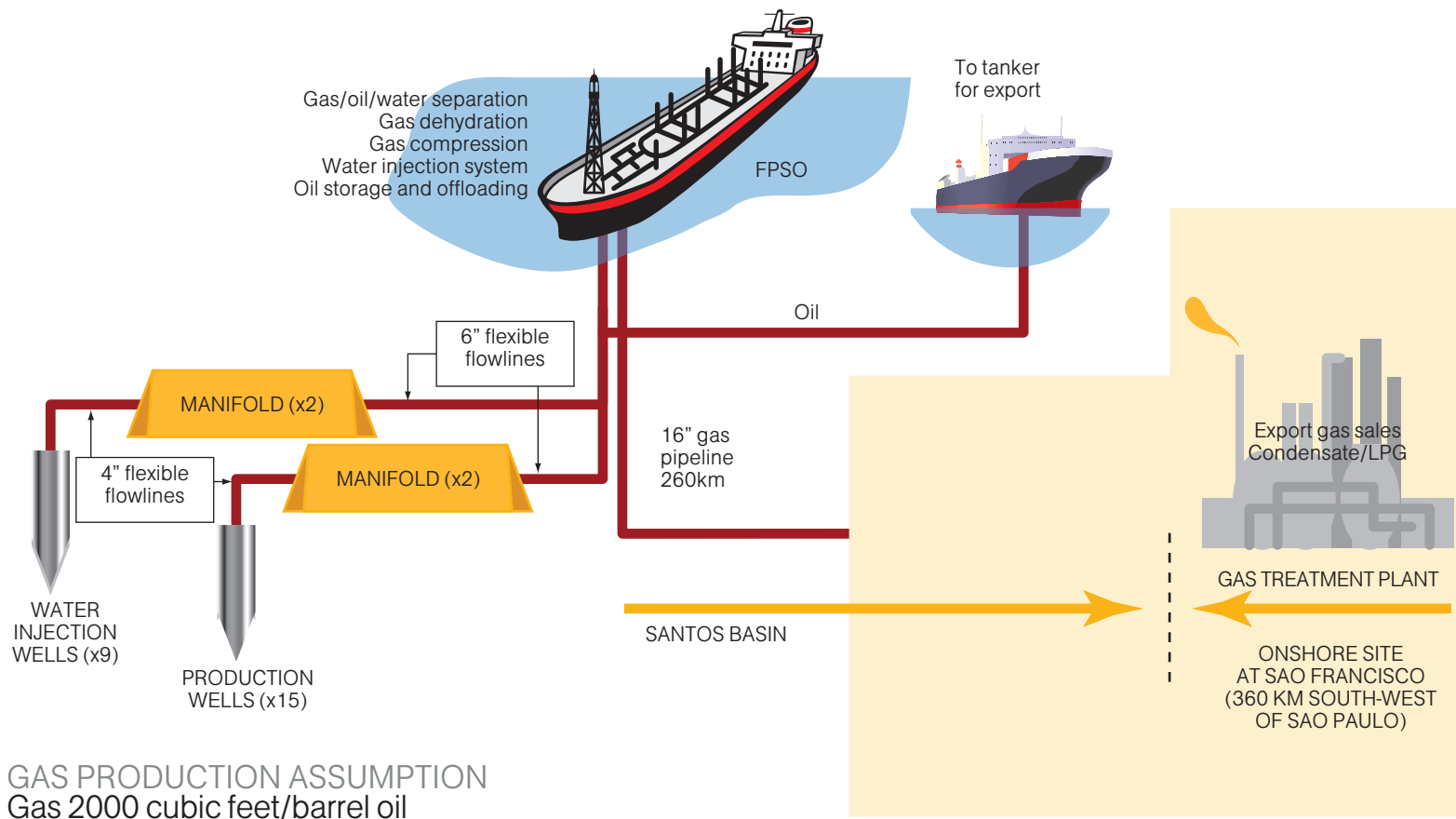
# Brazil Santos Basin – Indicative Timeline



# Indicative Santos Basin project concept

Karoon oil and gas indicative development model economics (assuming a discovery of 250 million barrels and based on independent third party design concepts).

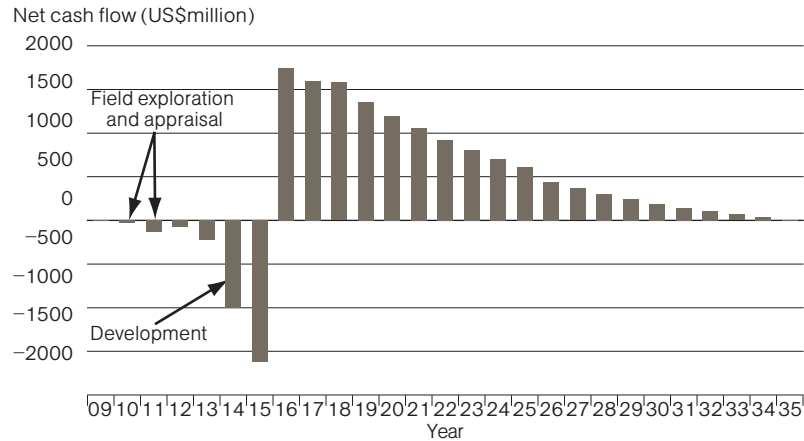
**Field development, pipeline and gas plant facilities schematic (80,000 b/d oil, 160 mil scf/d gas).**



# Karoon indicative development model economics

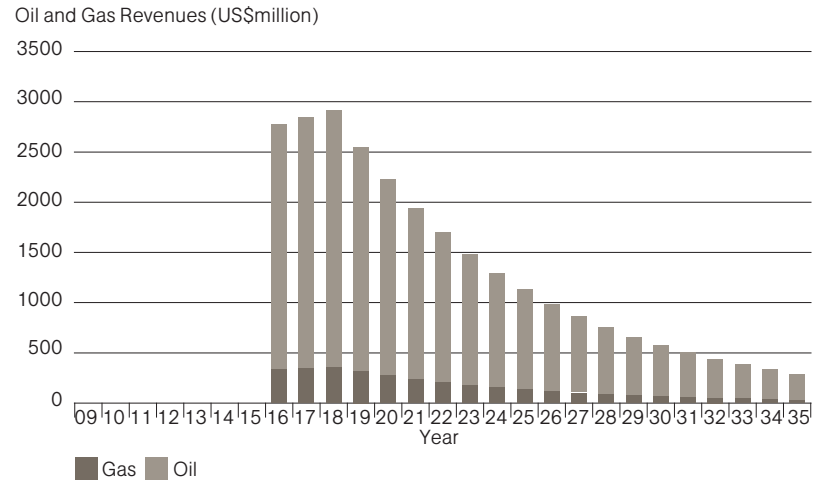
## Net cash flow

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

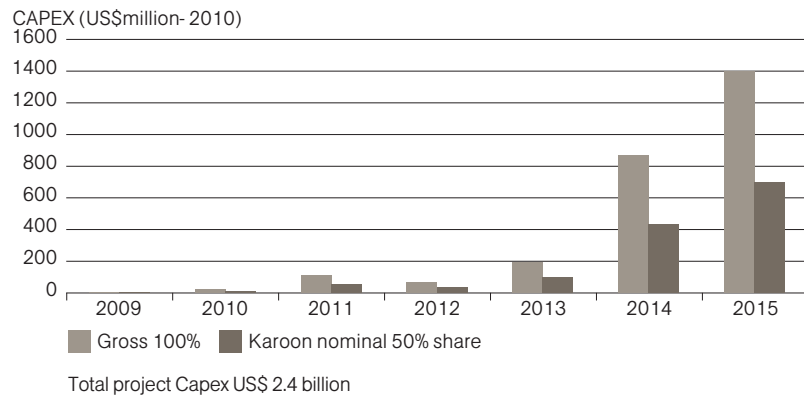


## Product revenues

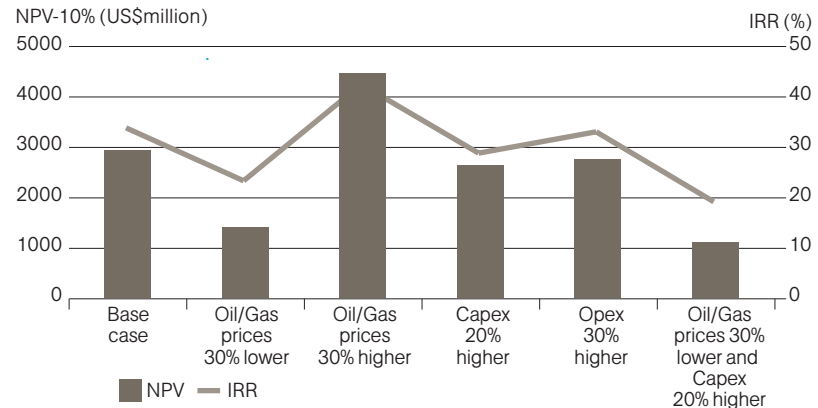
Oil and Gas Revenues- 100% share.



## Capex profile



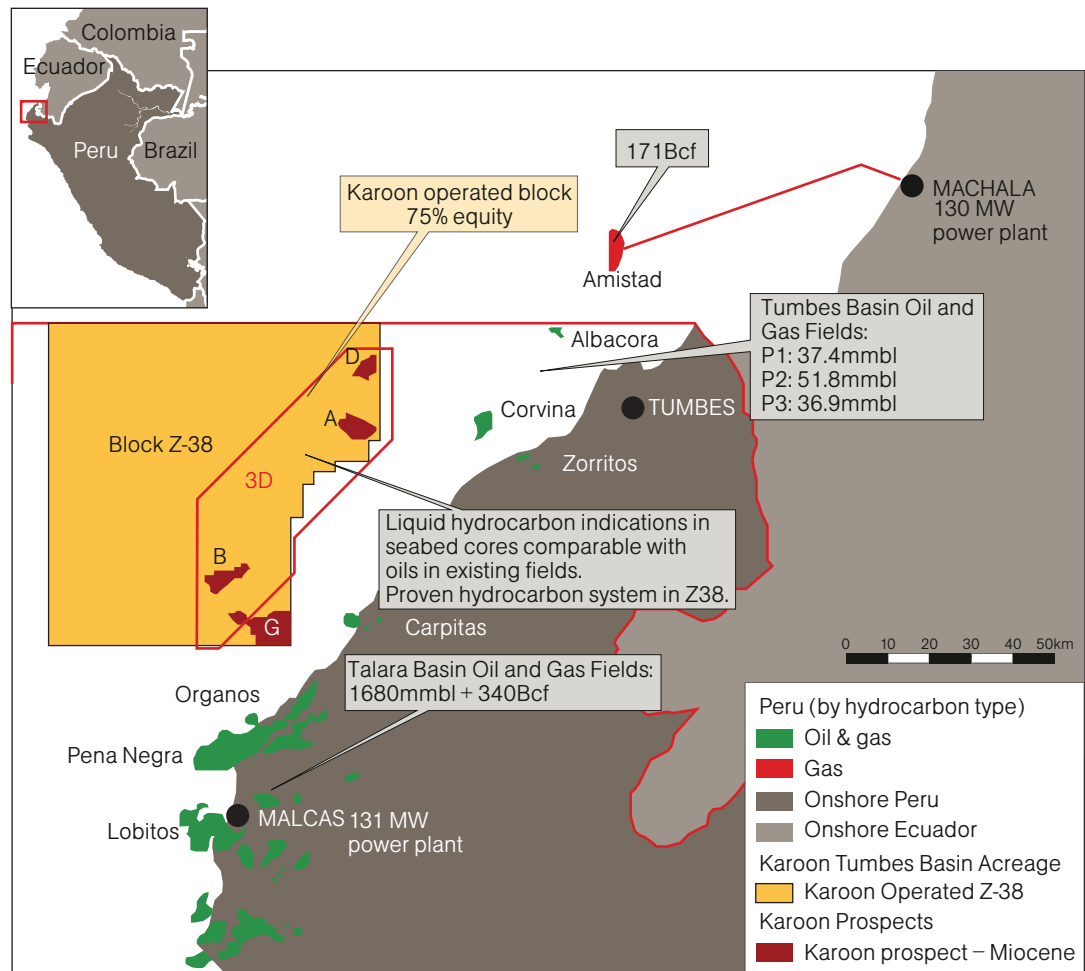
## Economic sensitivity analysis



**Project NPV US\$2.9 billion, IRR 34%**  
 Assumptions: Oil US\$70/bbl, Gas US\$5/mmbtu

# Peru Tumbes Basin Block Z38

Very open, stable and favourable Government regime



**Location:** Offshore Peru close to producing fields and discoveries.

**Potential:** 11 prospects and leads being worked up for drilling.

**Interest:** Karoon earning up to 75% from funding 2D & 3D seismic and drilling 2 wells.

Vamex farm down to 25%.

**JV work program:**

First phase & Second phase work program completed with acquisition of 2D and 3D seismic.

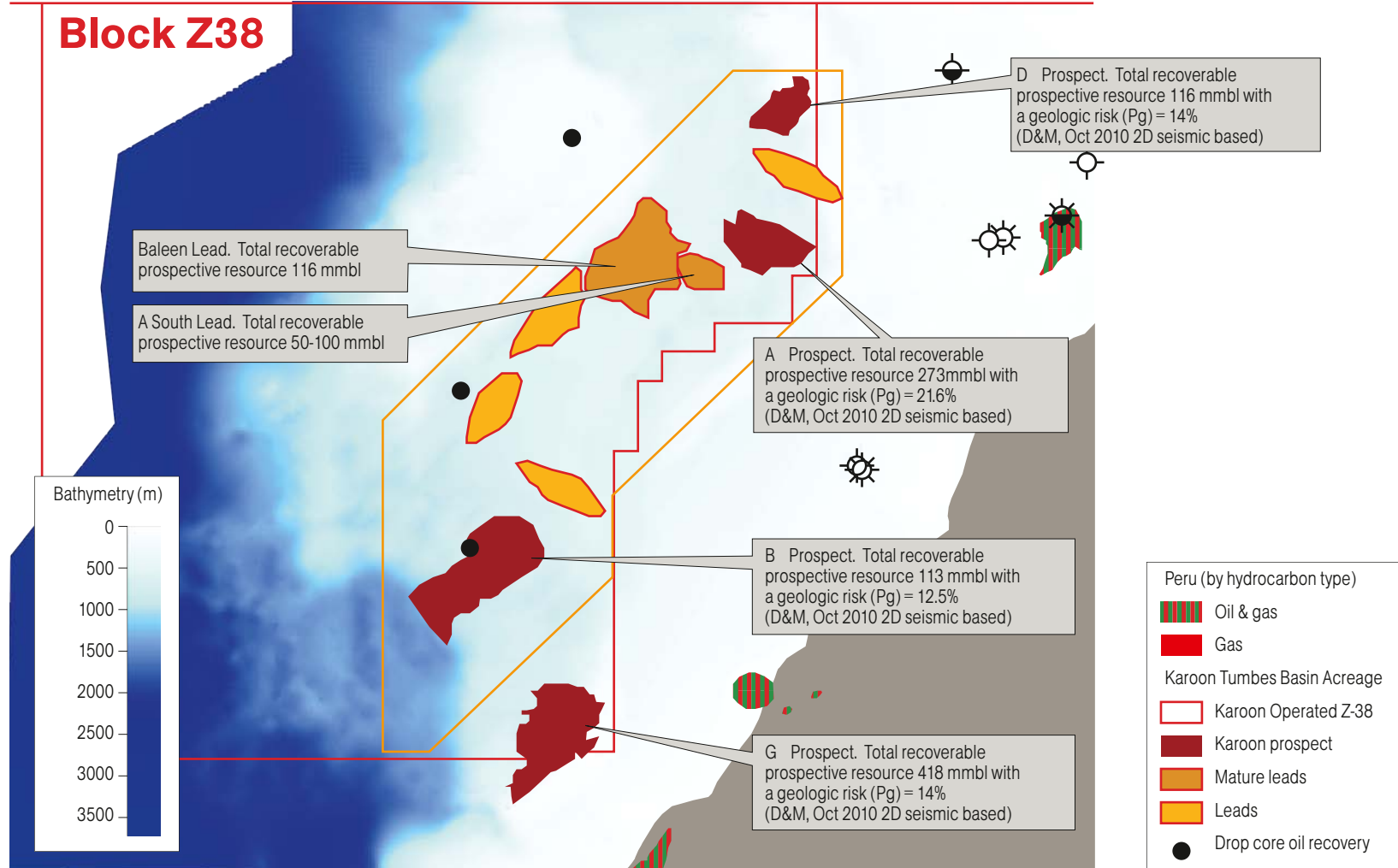
Third phase: drill one well and either second well or 3D seismic.

**Forward plan:**

Drill in early 2012.

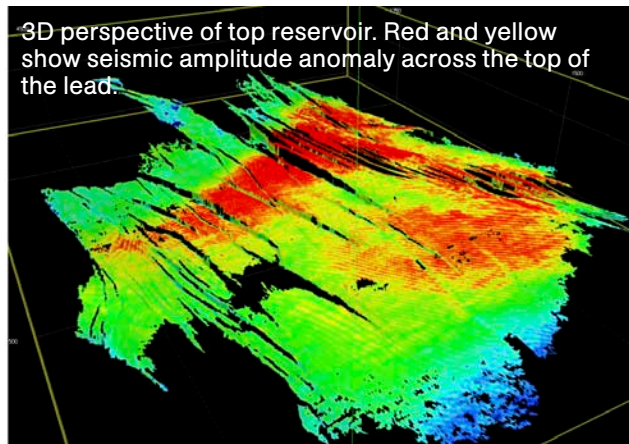
In February 2009 Ecopetrol and KNOG acquired (on a 50:50 basis) 100% of Offshore International Group Inc. Price paid was US\$992MM or US\$14.6/bbl (1P reserves of 67.8MMboe)

# Peru Tumbes Basin – Prospects and Leads



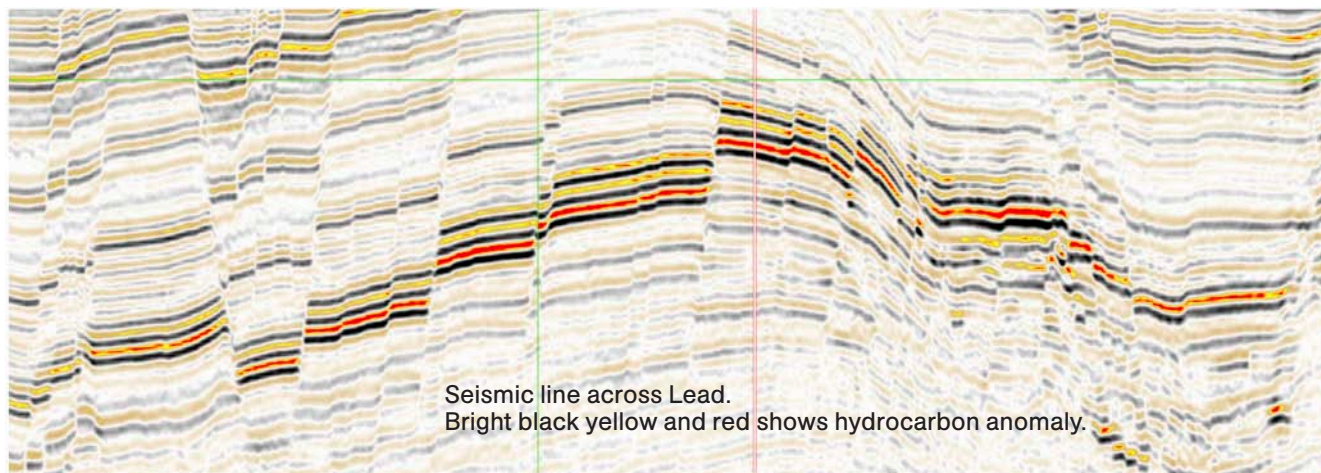
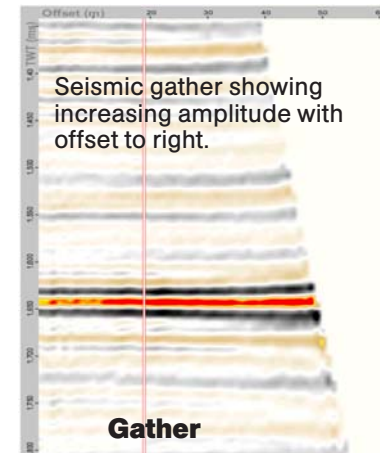
D&M values Karoon's Tumbes Basin assets at US\$657MM or US\$5.91/bbl (111MMbbls).  
 Relatively low Tumbes Basin POS of 16% based on 2D seismic analysis.  
 There is high potential for the POS (and risked MMbbls) to increase once interpretation of 3D seismic is completed.

# Peru Tumbes Basin – Prospects and Leads



## Baleen Lead

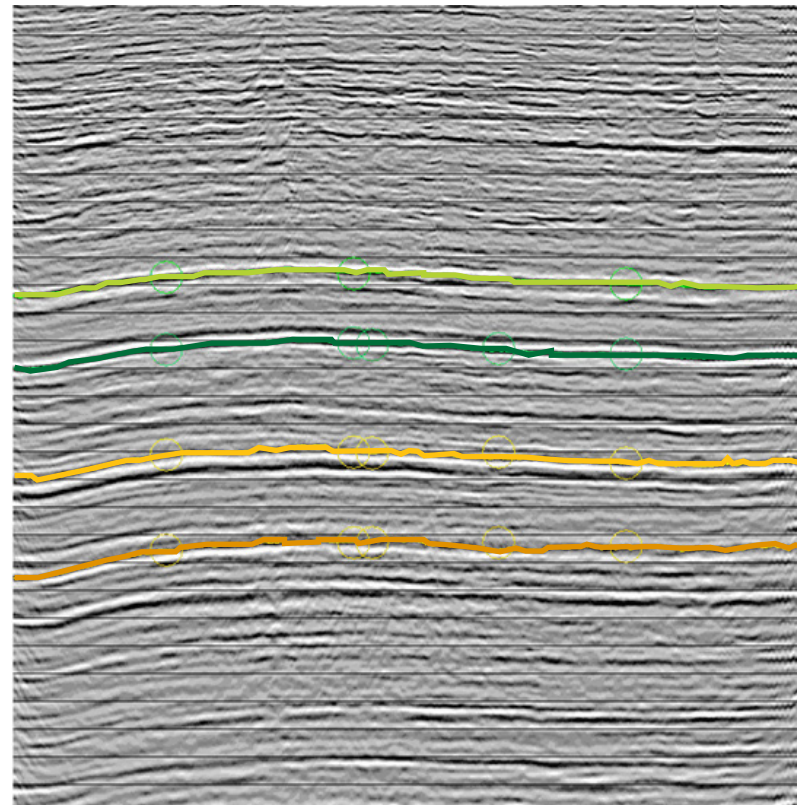
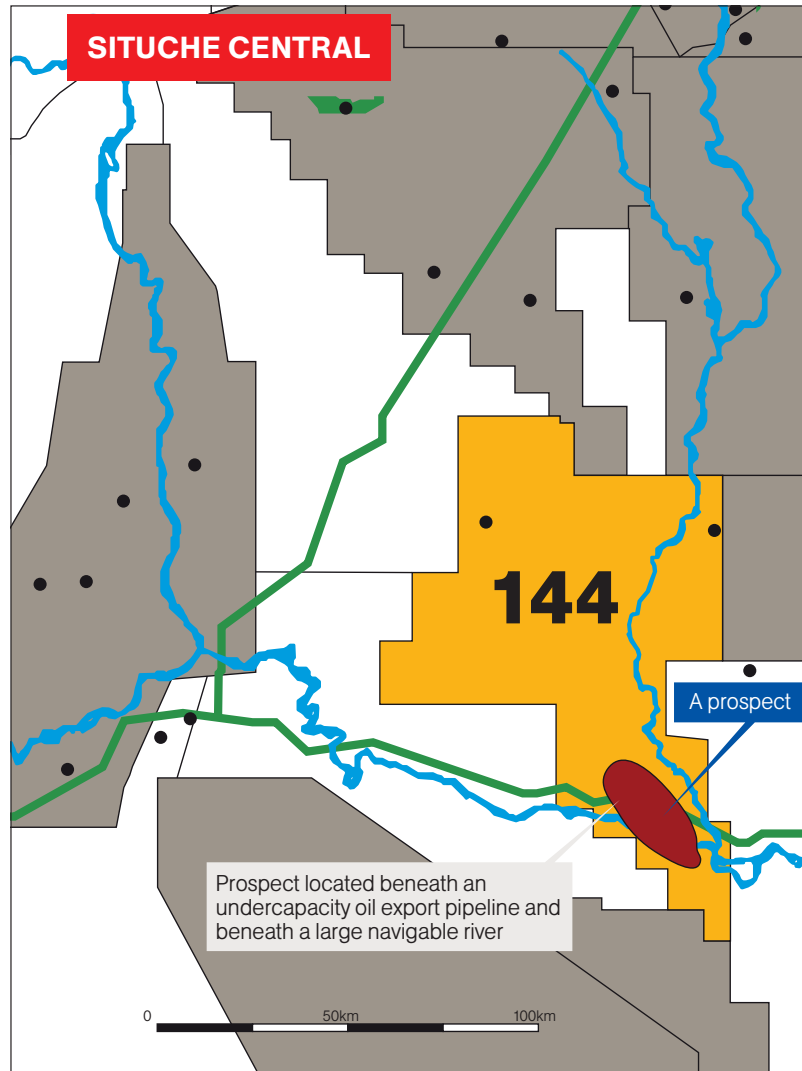
Good concordance of amplitude to structure.  
Supportive AVO anomaly.  
Prospective resource 123 mmbbls.



- Extensive and comprehensive geological and geophysical studies.
- Gathers show rising AVO type II anomaly- strongly suggestive of hydrocarbons.
- Probability volumes from a seismic inversion of 2D data using the surrounding wells for calibration suggest high probability for oil.
- This work will be refined with the new 3D seismic data.



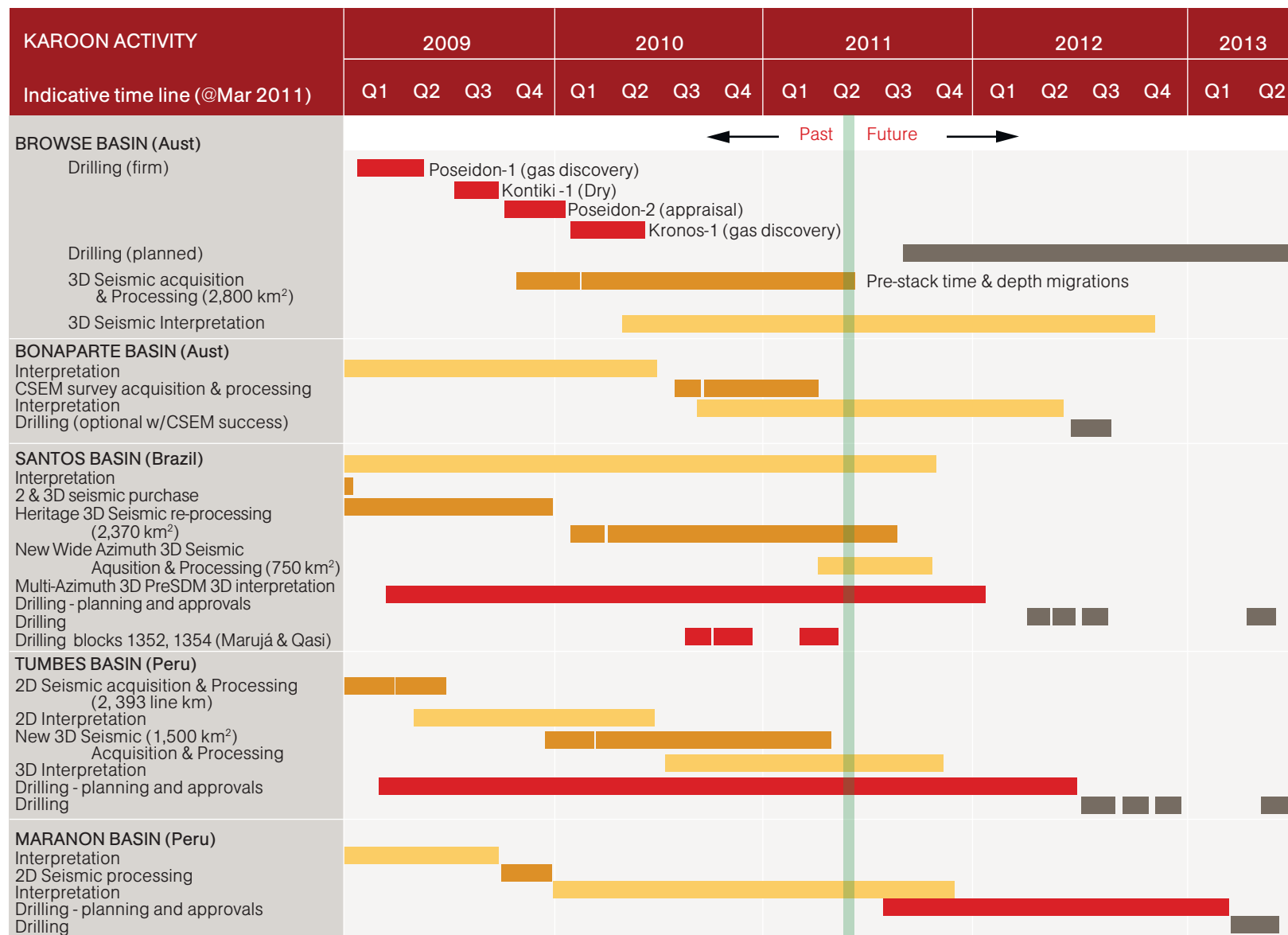
# Peru Marañon Basin Block 144



Prospect	Reservoir	Mean Rec Oil unrisked (mmbls)
A Prospect	Cretaceous sands	93.4

■ 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

<b>Summary of DeGolyer MacNorton assessments of Karoons Prospective and Contingent resource base as of 30th Sept 2009, 30th May 2010 and 1st Oct 2010</b>		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)
<b>GAS Net Contingent Gas Resource</b>								
Assessment date								
Sep 09	Poseidon Wet Gas (Tcf)			7.6			1	
Net Prospective Gas Resources								
Sep 09	Total Net Australia Browse Basin Wet Gas (Tcf)	1.80	4.50	11.20	5.80	1.60	7*	7
<b>OIL Net Contingent Oil Resource</b>								
	Marujá (Brazil)							1
Net Prospective Gas 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	7
Oct 10	Brazil, South America Oil (billion barrels)	0.62	1.20	2.29	1.36	0.45	7*	3
	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

# Disclaimer

This presentation has been prepared by Karoon Gas Australia Limited for professional and sophisticated investors. The information contained in this presentation is for information purposes only and does not constitute an offer to issue, or arrange to issue, securities or other financial products. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. The presentation has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Karoon Gas Australia Limited, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence, for any loss arising from the use of the information contained in this presentation. In particular, no representation or warranty, express or implied is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this presentation nor is any obligation assumed to update such information. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies.

Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an

investment is appropriate in light of your particular investment needs, objectives and financial circumstances. Past performance is no guarantee of future performance.

The distribution of this document in jurisdictions outside Australia may be restricted by law. Any recipient of this document outside Australia must seek advice on and observe any such restrictions.

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.