



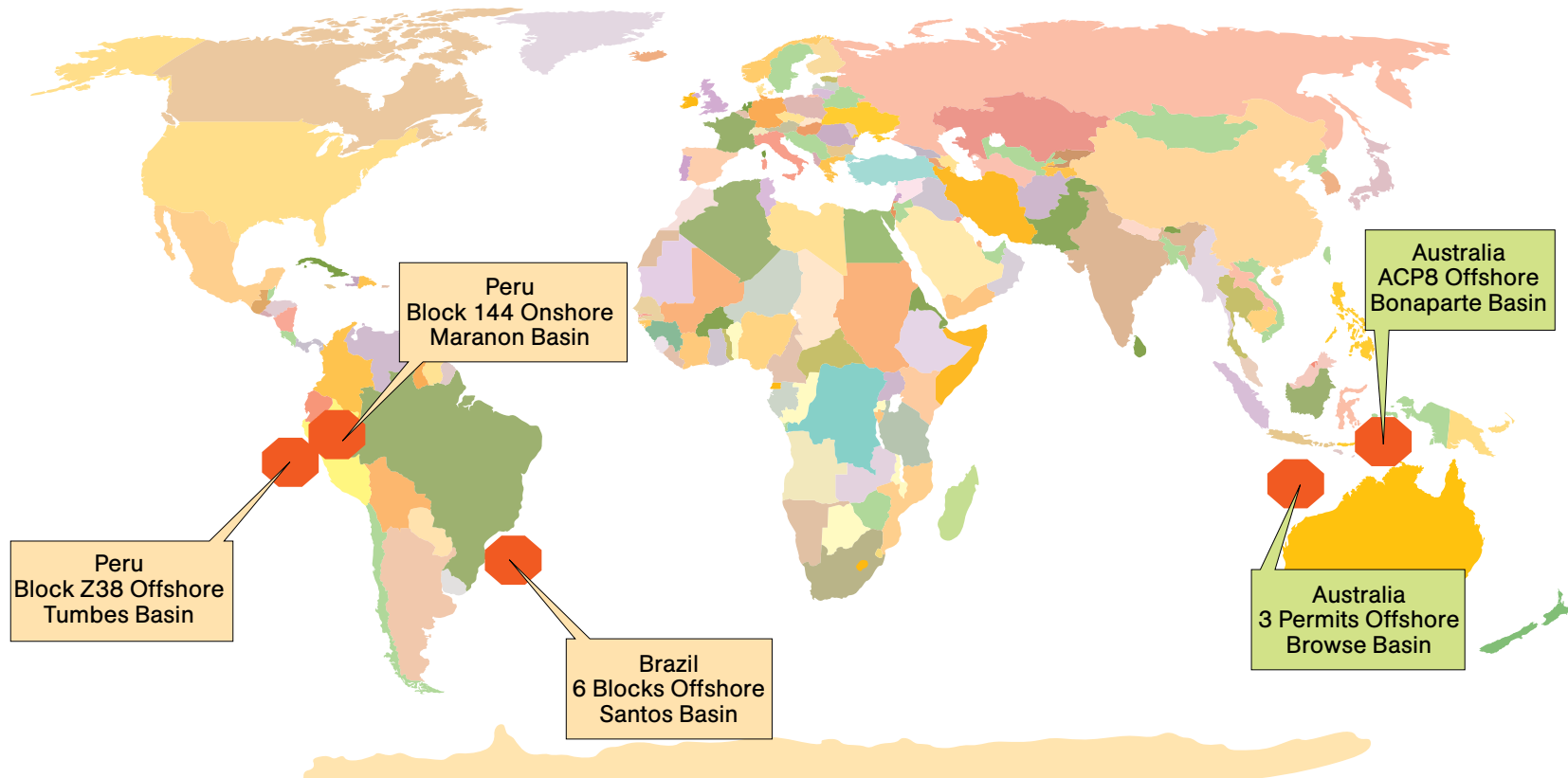
**KAROON REVIEW**  
**March 2011**



## Karoon Gas snapshot

- Approximately 220,750,769 shares and 8.4 million options
- Market capitalisation approximately A\$1.57 bill @\$7.10
- Cash in bank @31st December A\$319 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)
- High value oil prospects in Brazil being prepared for drilling
- Karoon farmin to Petrobras blocks
- Brazil oil discovery. Marujá-1 flows at 6142 stb/d (facility constrained)
- Marujá-2 appraisal drilling from February 2011



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

## 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 ORMEROD** New Ventures Exploration Manager

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

**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

**HIEP LAM** IT Manager

10 years experience in IT with Thomas Duryea.

**RALPH SPINKS** Drilling Consultant

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.

### **CARLOS URIEN** South American Geologist

40 years with Belco Oxy & Noble in Peru/Ecuador during the 1970's and 80's.

### **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, Quantra 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.

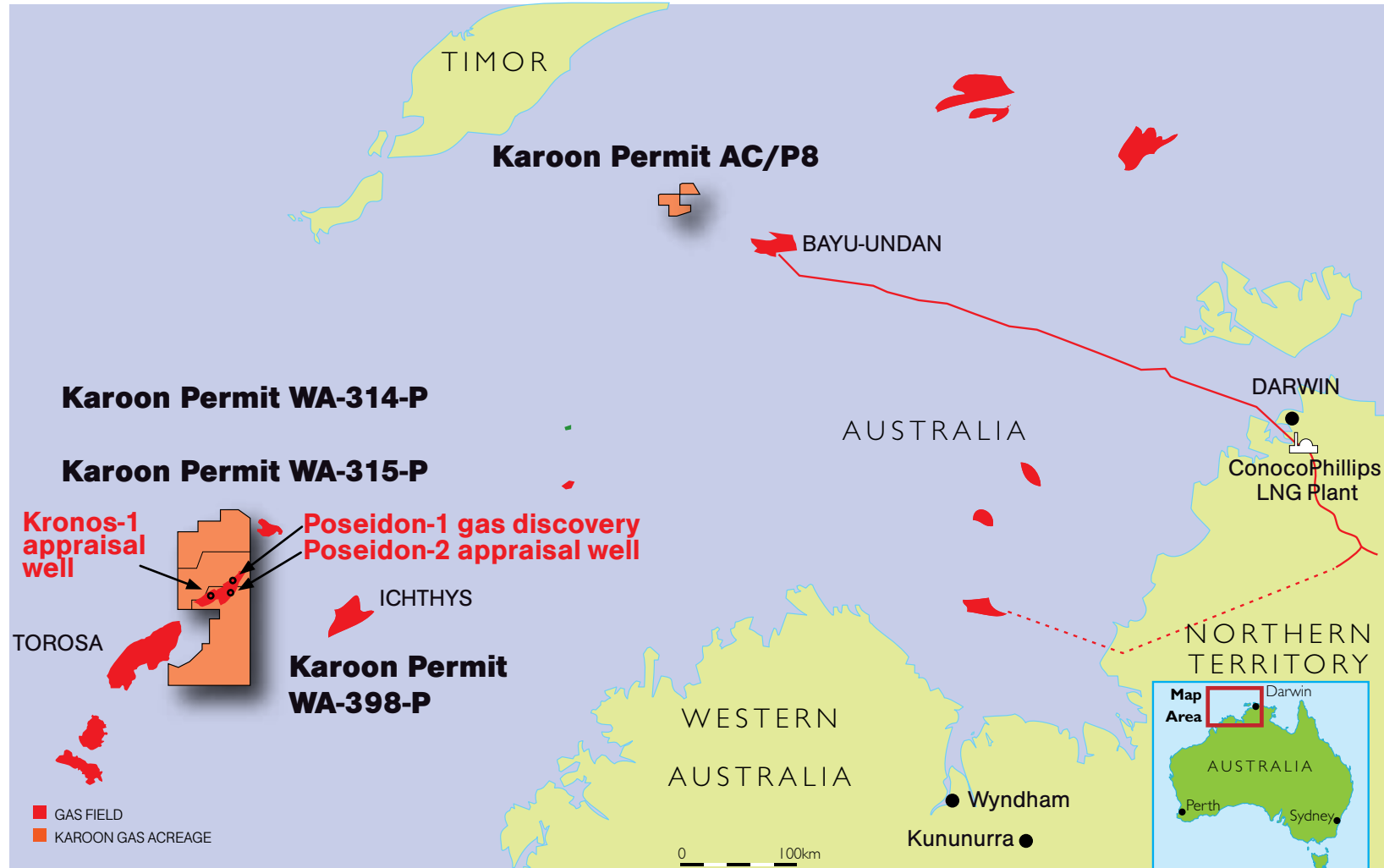
### **DENNIS HINING** Drilling Consultant

40 years drilling 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.

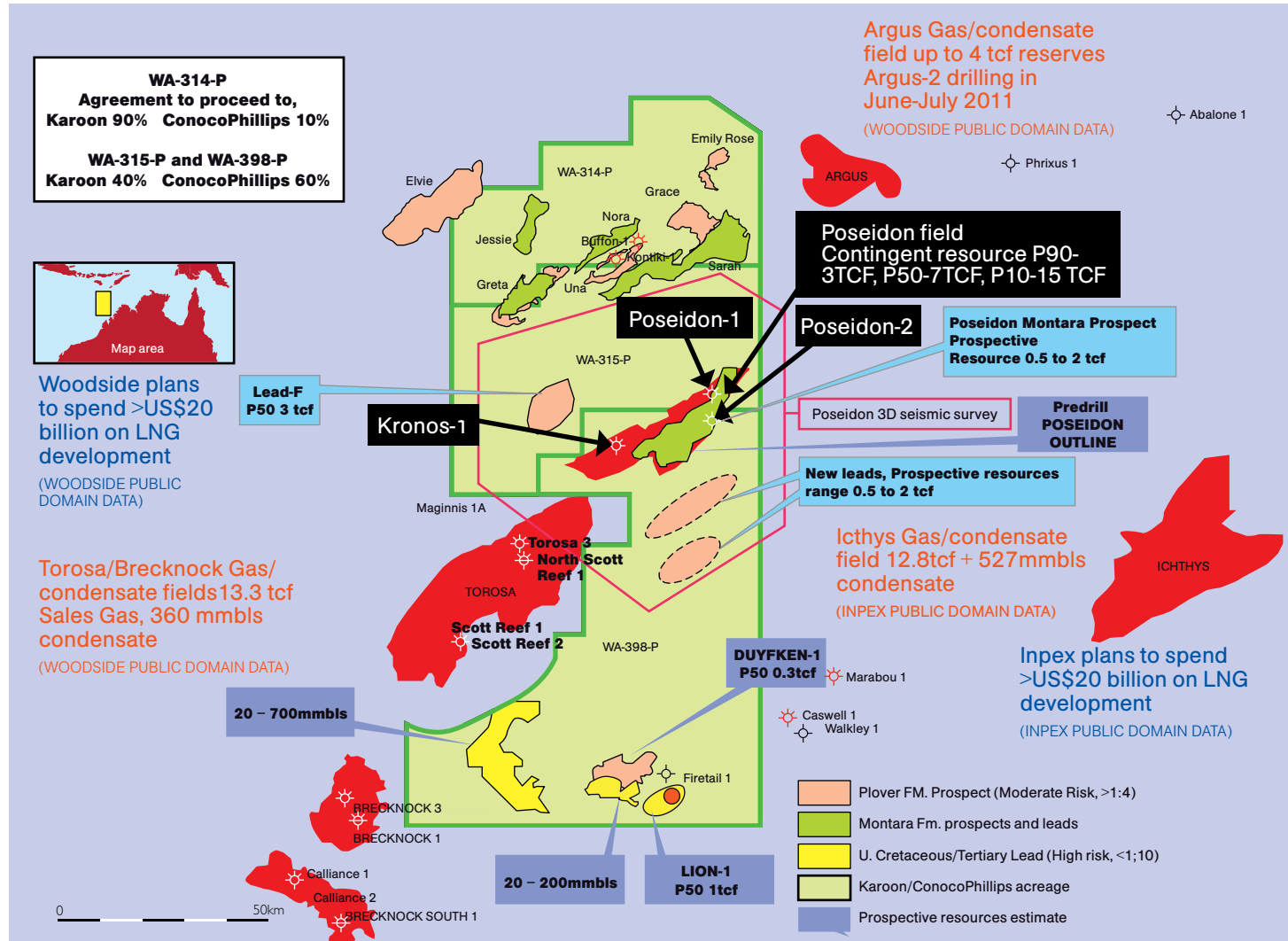
### **GERMAN BARRIOS** Lawyer

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

# Australian Assets

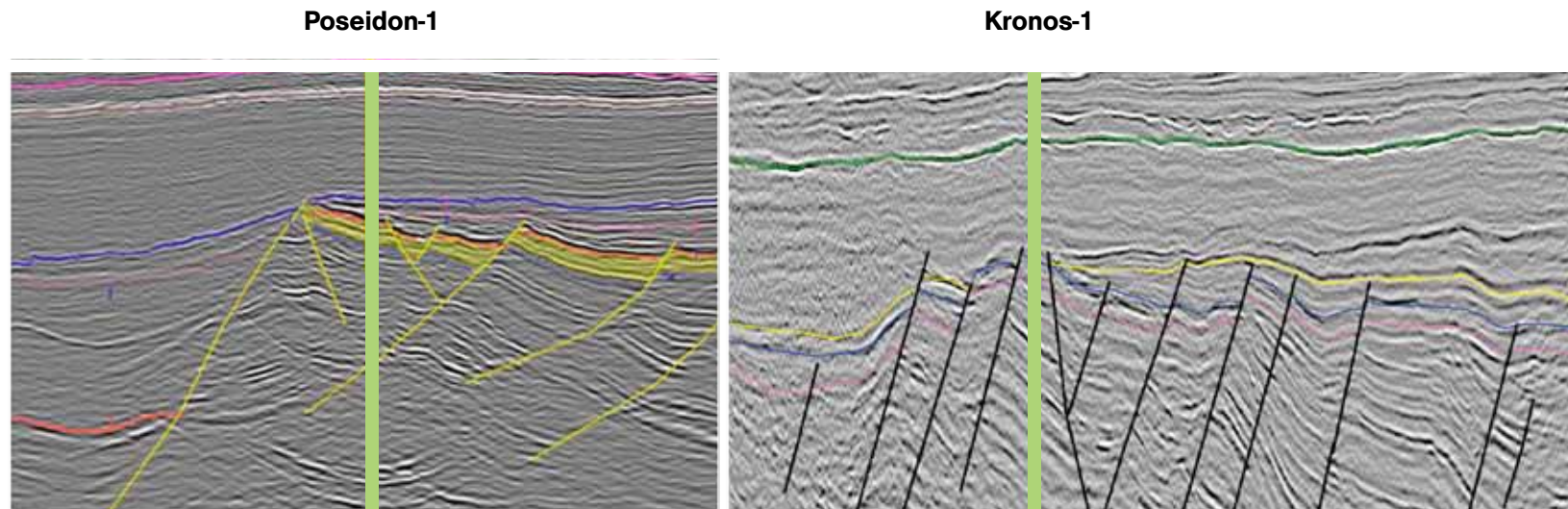


# Browse Basin



- 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.

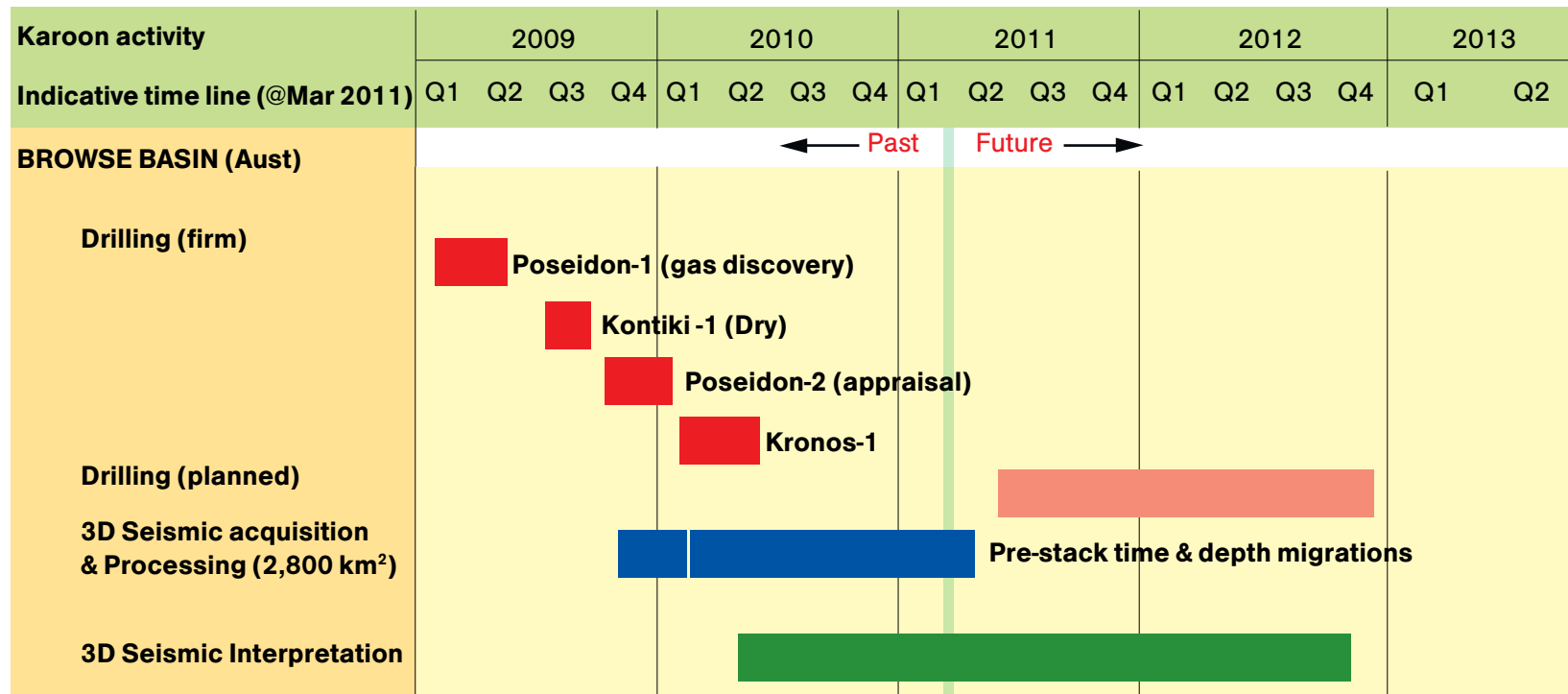
## Browse Basin – Poseidon Field



### Future Plans

- Well data from the three wells drilled on the greater Poseidon structure are being analysed, together with the new Poseidon 3D seismic data which is currently being processed.
- Further appraisal and exploration well locations will be identified for drilling in 2011.
- Karoon's assessment of the Contingent Resource and Prospective Resource potential will be independently assessed when a full analysis is completed in the coming months.
- Exploration and appraisal drilling is planned to recommence in the permits in the first half of 2011.

## Browse Basin – Indicative Time line

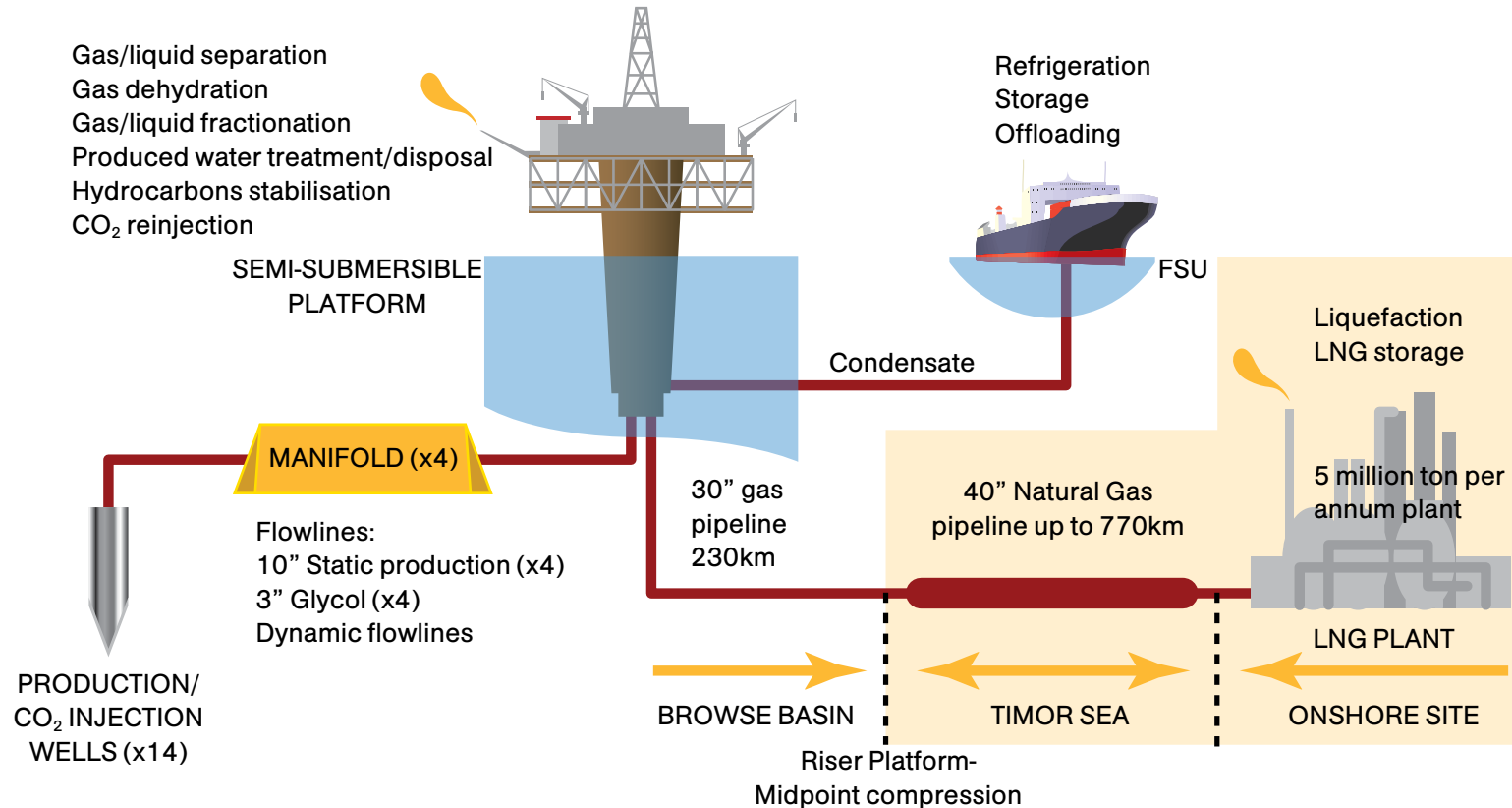




## Indicative project concept

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).



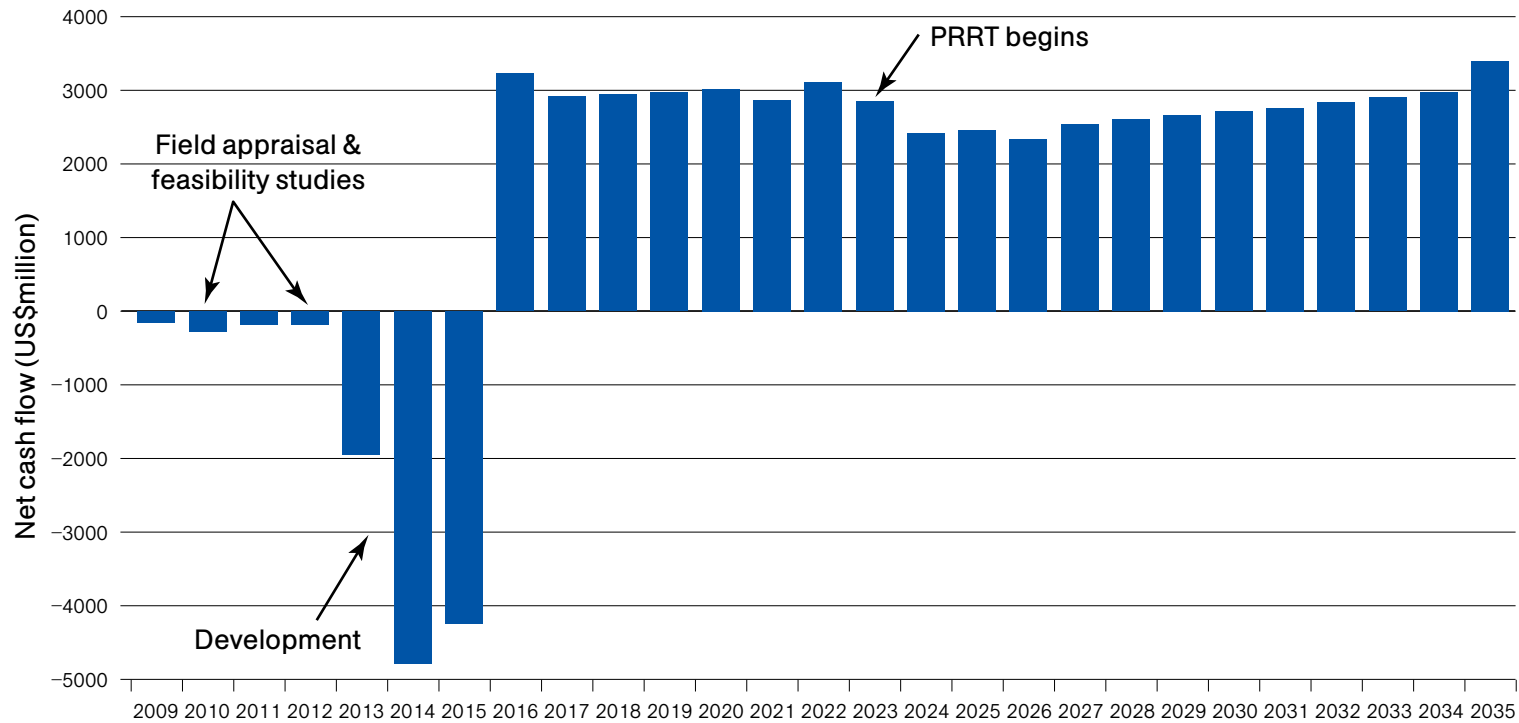
### LIQUID PRODUCTS ASSUMPTION

**Condensate 30bbls/million cubic feet**

## Combined net cash flow

Karoon LNG/condensate indicative development model economics.

NET CASH FLOW FOR COMBINED OFFSHORE LIQUIDS REMOVAL AND ONSHORE LNG – 100% SHARE.



**Project NPV US\$6.9 Billion, IRR 20%**

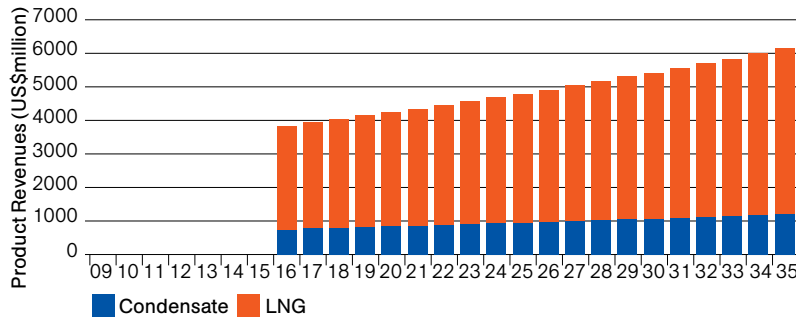
**Assumptions: Condensate US\$70/bbl, LNG US\$10/mmbtu**

Royalty: 1.5% ORR for first 5 years going to 2% thereafter (not included)

# Karoon indicative development model economics

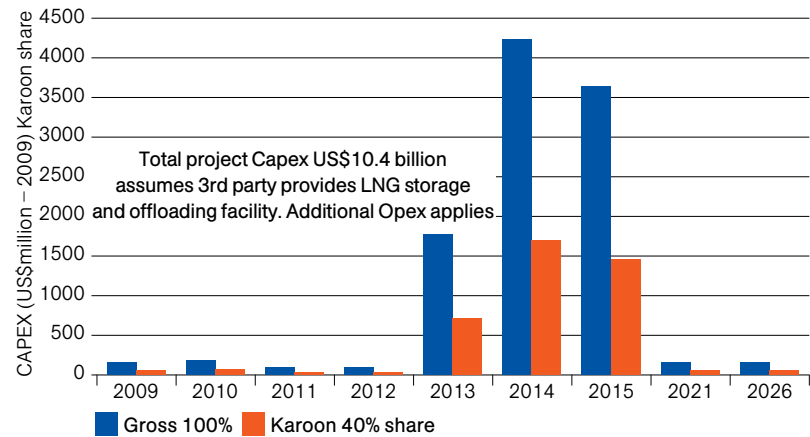
## Product revenues

PRODUCT REVENUES FOR COMBINED OFFSHORE LIQUIDS REMOVAL AND ONSHORE LNG – 100% SHARE.



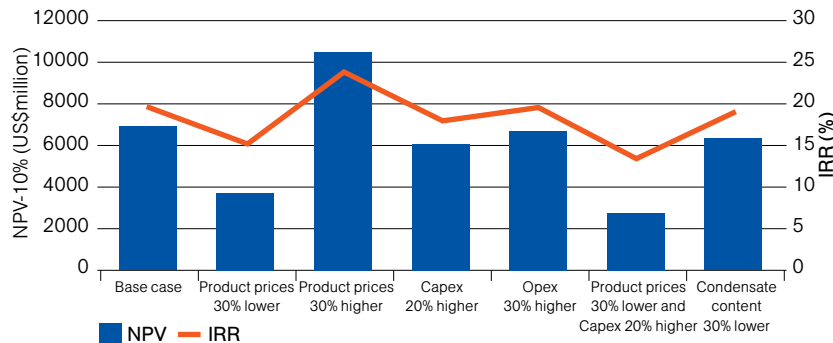
## Capex profile

– 2009 US DOLLARS

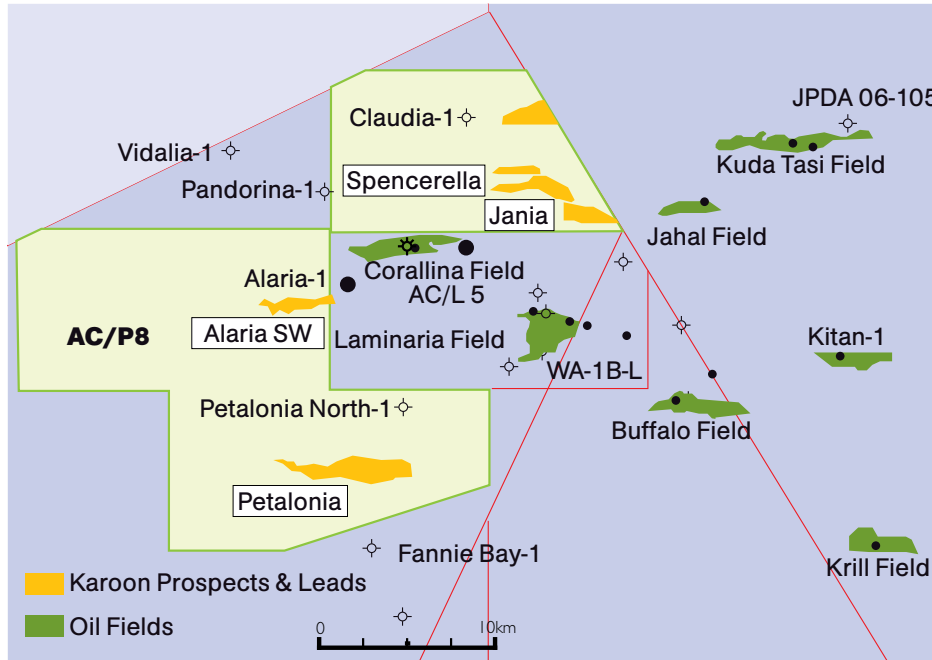


**Total Karoon Capex = US\$4.2 billion**  
**Total Capex = US\$10.4 billion**

## Economic sensitivity analysis



# 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 purchased from Woodside Petroleum.

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:**

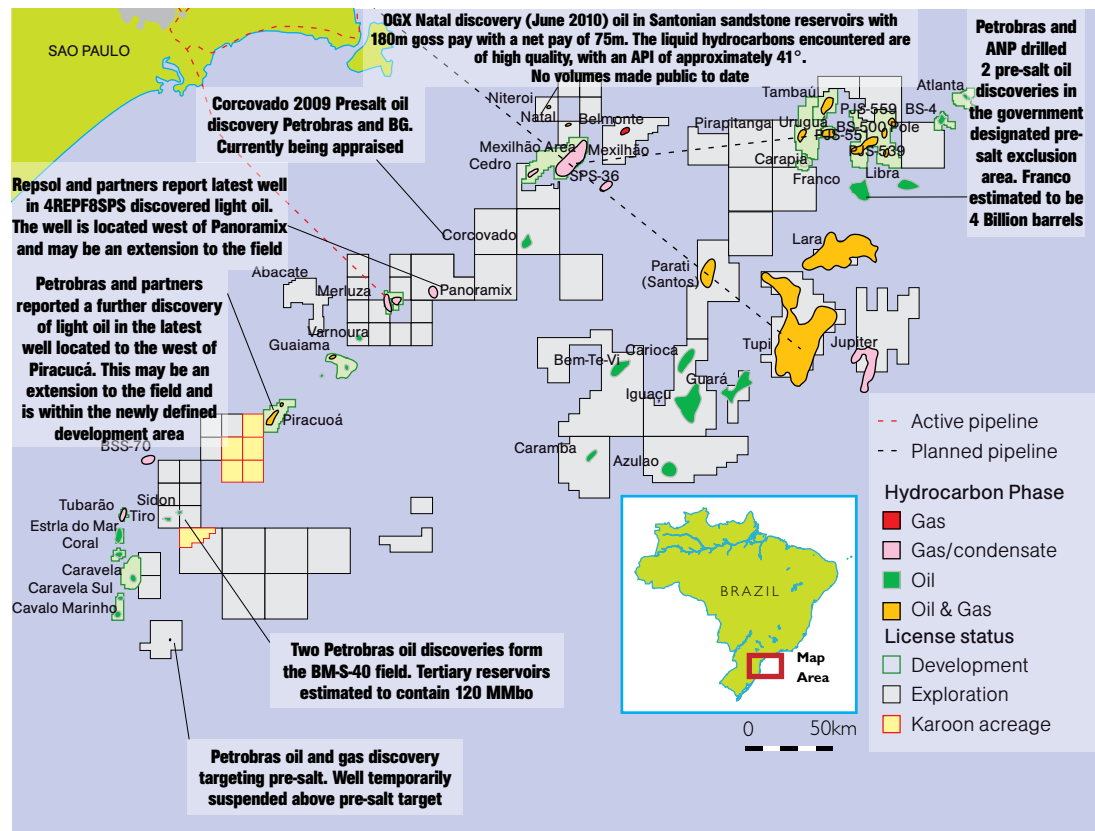
CSEM (controlled source electro magnetic) survey – data being processed.

Drill option in 2012.

Karooon activity	2009				2010				2011				2012				2013	
Indicative time line (@Mar 2011)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>BONAPARTE BASIN (Aust)</b>	← Past   Future →																	
Interpretation																		
CSEM survey acquisition and 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, Piracucá, Newton and Merluza fields.

**Potential:** 10 prospects and leads with prospective resources in the range 50 to 400mmbls 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 will earn interest in S-M-1352 subject to regulatory approval.

### Karoon work program:

3 year Work Program.

Awarded March 2008.

Purchased 3D seismic for PSDM.

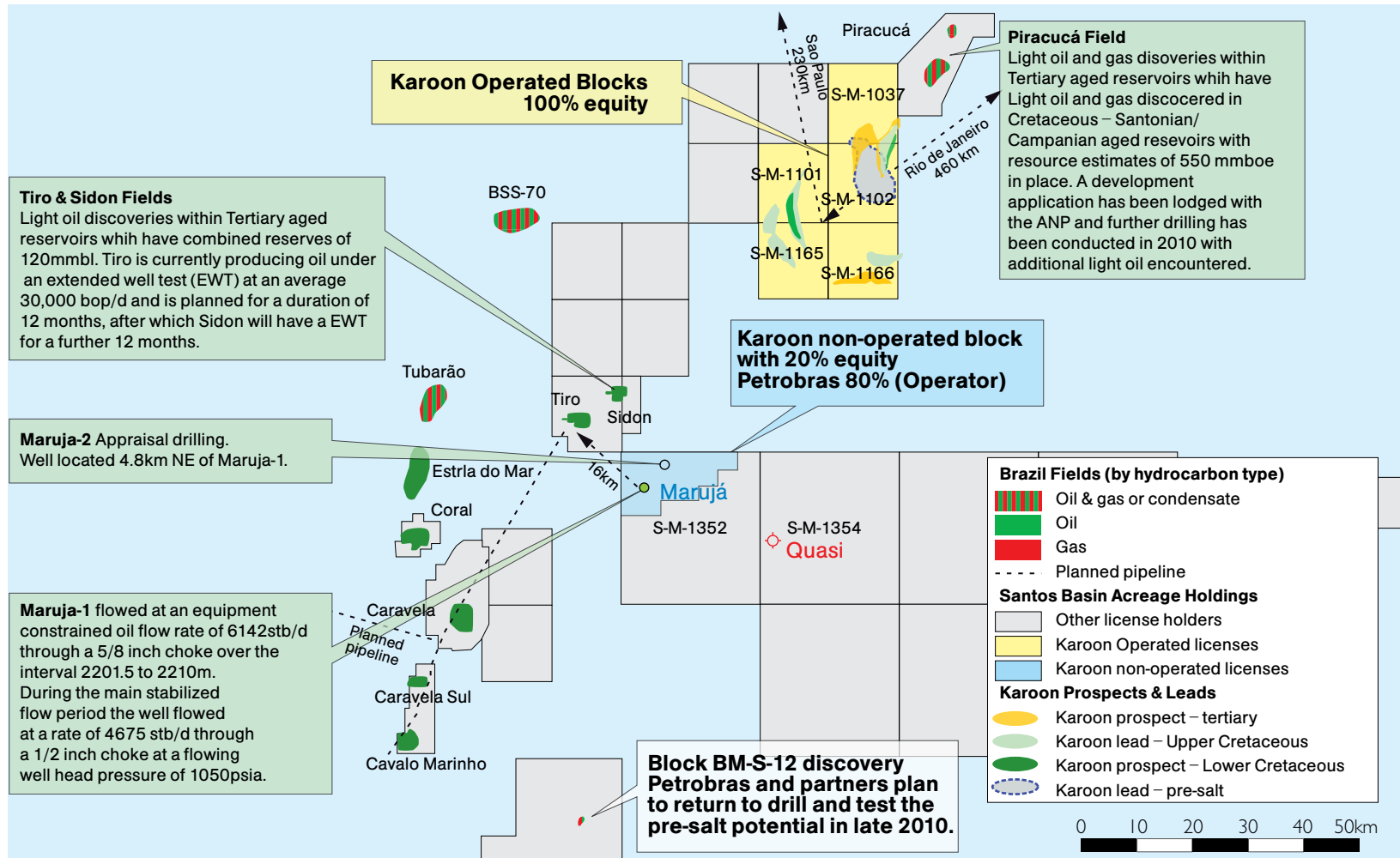
Acquire 510 sq km. 3D over three blocks (completed).

### Forward plan:

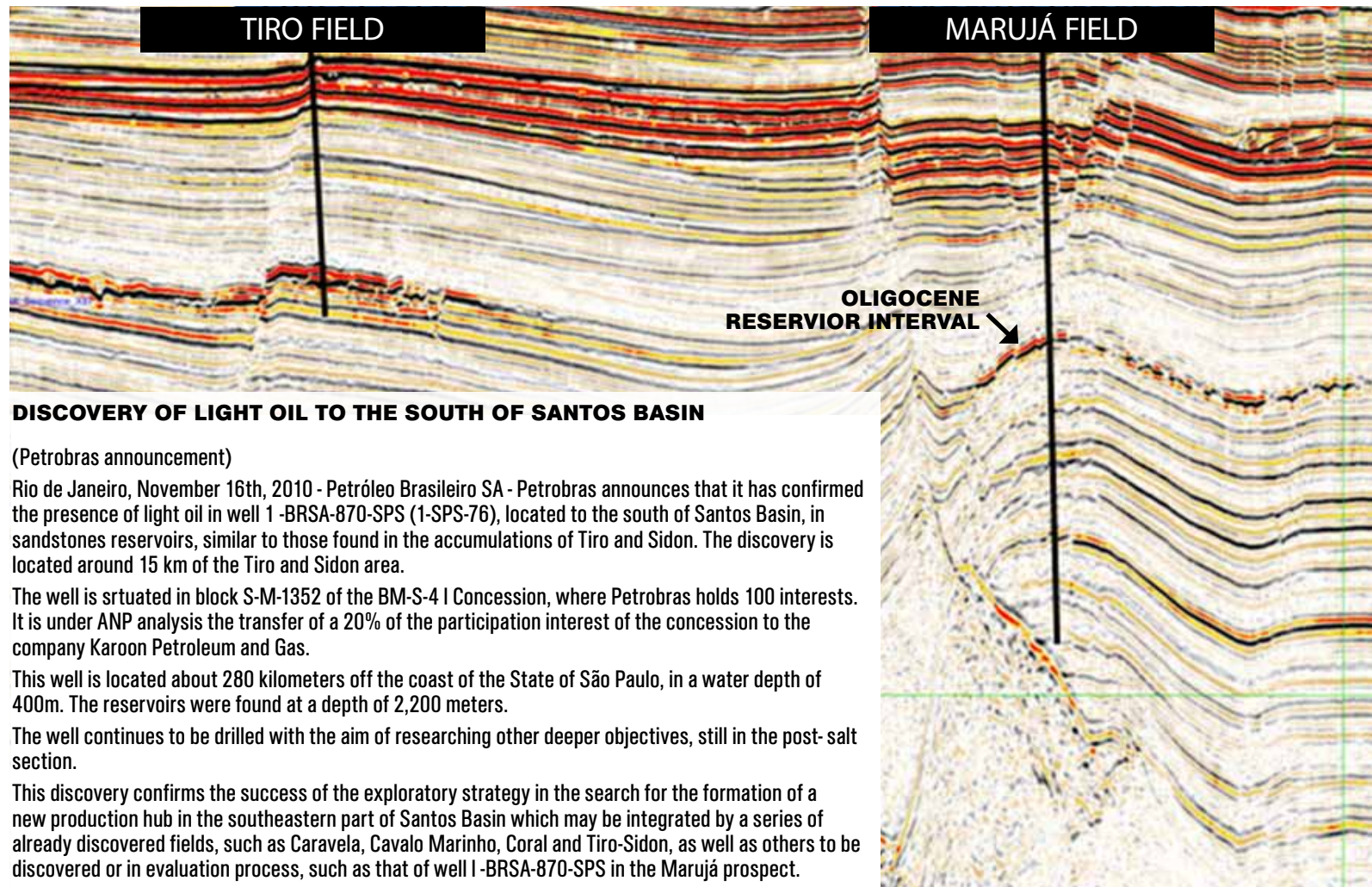
Process Wide Azimuth 3D seismic data (750 square km), Drill in 2011.

Drilling Marujá-2 appraisal well in S-M-1352

# Brazil Santos Basin – Marujá-Field location



## Brazil Santos Basin – Marujá oil field discovery



### DISCOVERY OF LIGHT OIL TO THE SOUTH OF SANTOS BASIN

(Petrobras announcement)

Rio de Janeiro, November 16th, 2010 - Petróleo Brasileiro SA - Petrobras announces that it has confirmed the presence of light oil in well 1 -BRSA-870-SPS (1-SPS-76), located to the south of Santos Basin, in sandstones reservoirs, similar to those found in the accumulations of Tiro and Sidon. The discovery is located around 15 km of the Tiro and Sidon area.

The well is situated in block S-M-1352 of the BM-S-4 I Concession, where Petrobras holds 100 interests. It is under ANP analysis the transfer of a 20% of the participation interest of the concession to the company Karoon Petroleum and Gas.

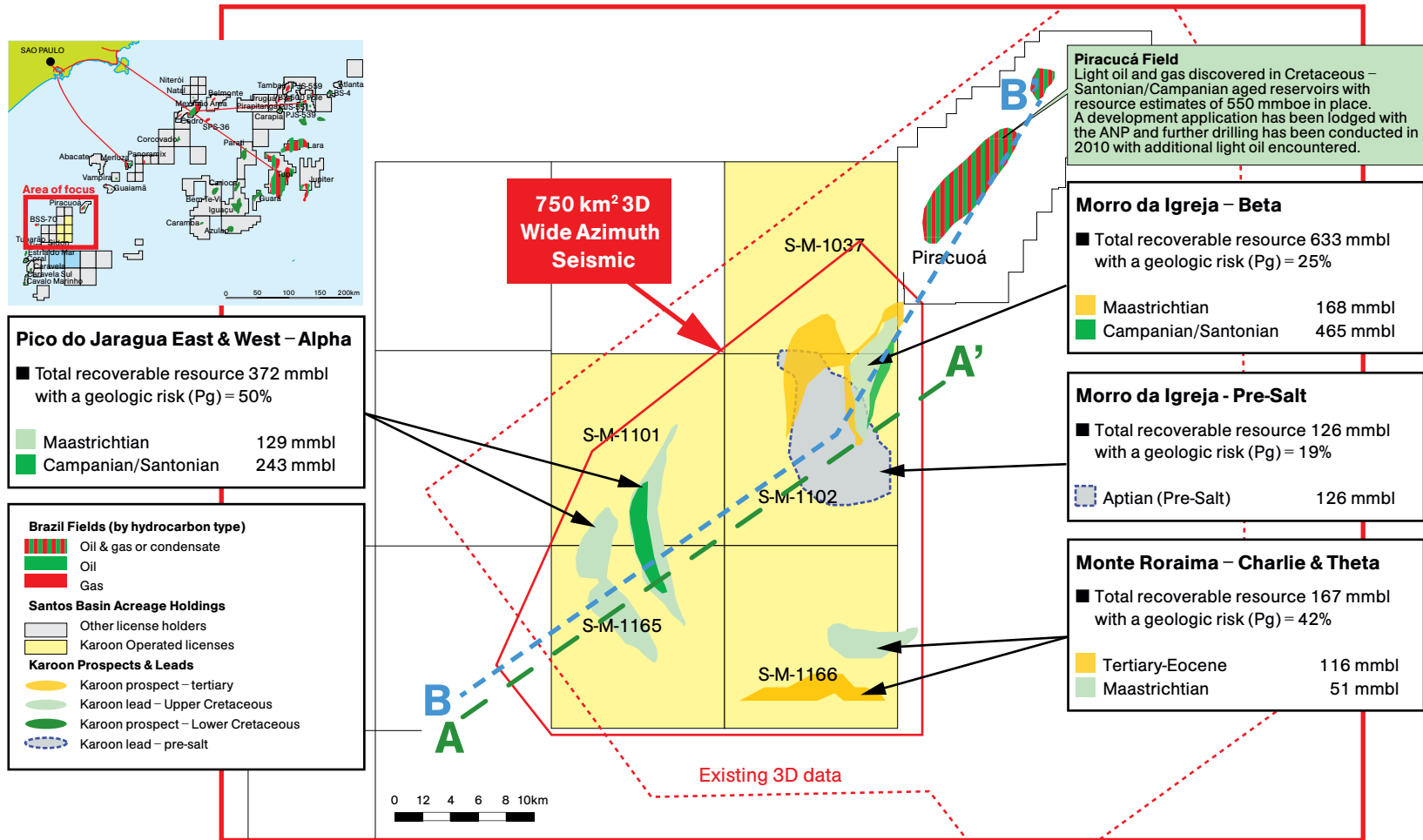
This well is located about 280 kilometers off the coast of the State of São Paulo, in a water depth of 400m. The reservoirs were found at a depth of 2,200 meters.

The well continues to be drilled with the aim of researching other deeper objectives, still in the post-salt section.

This discovery confirms the success of the exploratory strategy in the search for the formation of a new production hub in the southeastern part of Santos Basin which may be integrated by a series of already discovered fields, such as Caravela, Cavalo Marinho, Coral and Tiro-Sidon, as well as others to be discovered or in evaluation process, such as that of well 1 -BRSA-870-SPS in the Marujá prospect.

Marujá shows a good resemblance to seismic AVO anomalies at Sidon to Tiro

# Brazil Santos Basin

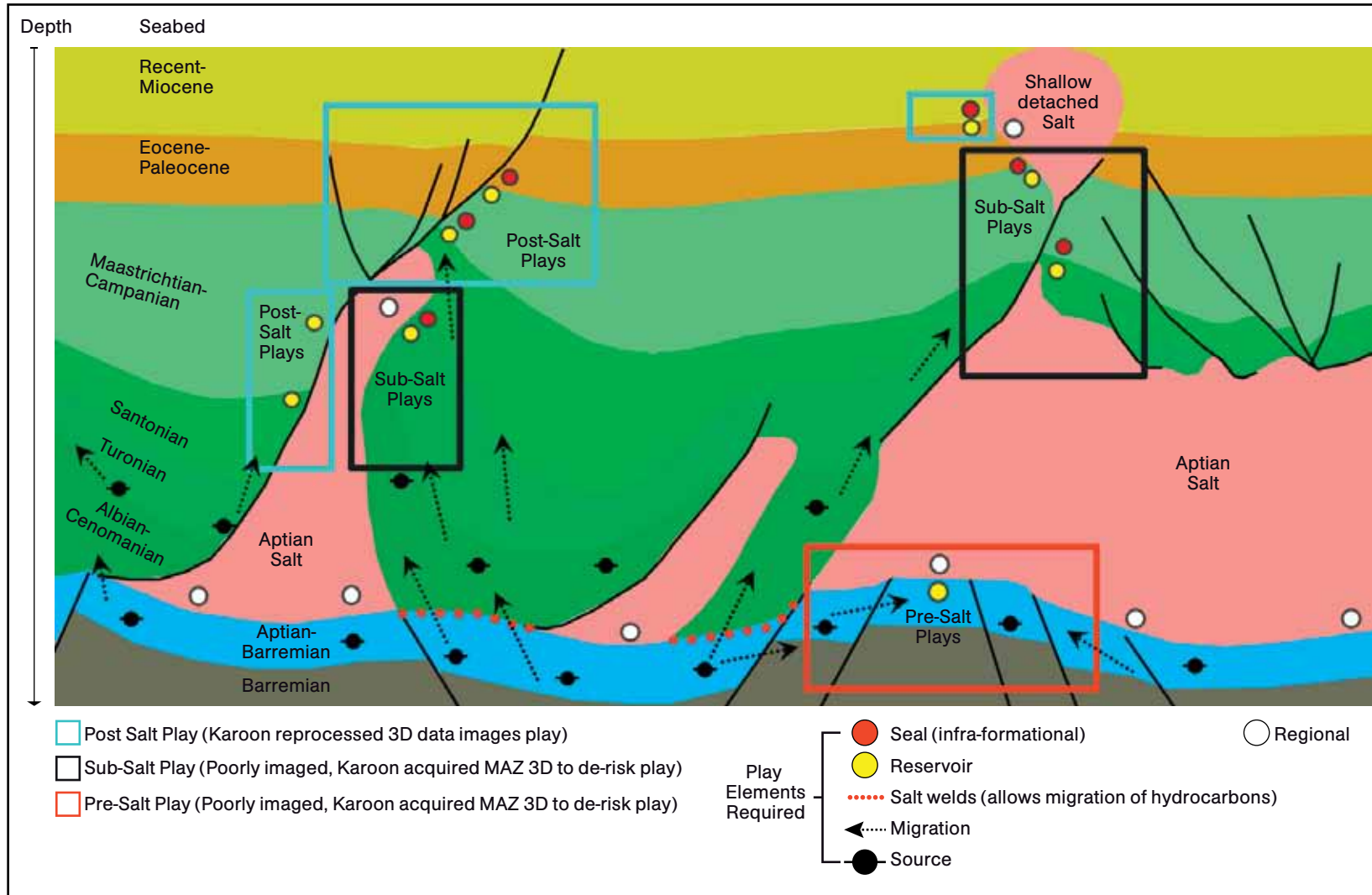


Use of complex Wide Azimuth seismic in Brazil → Higher resolution Better depth imaging → Better reservoir characterization and prospect definition

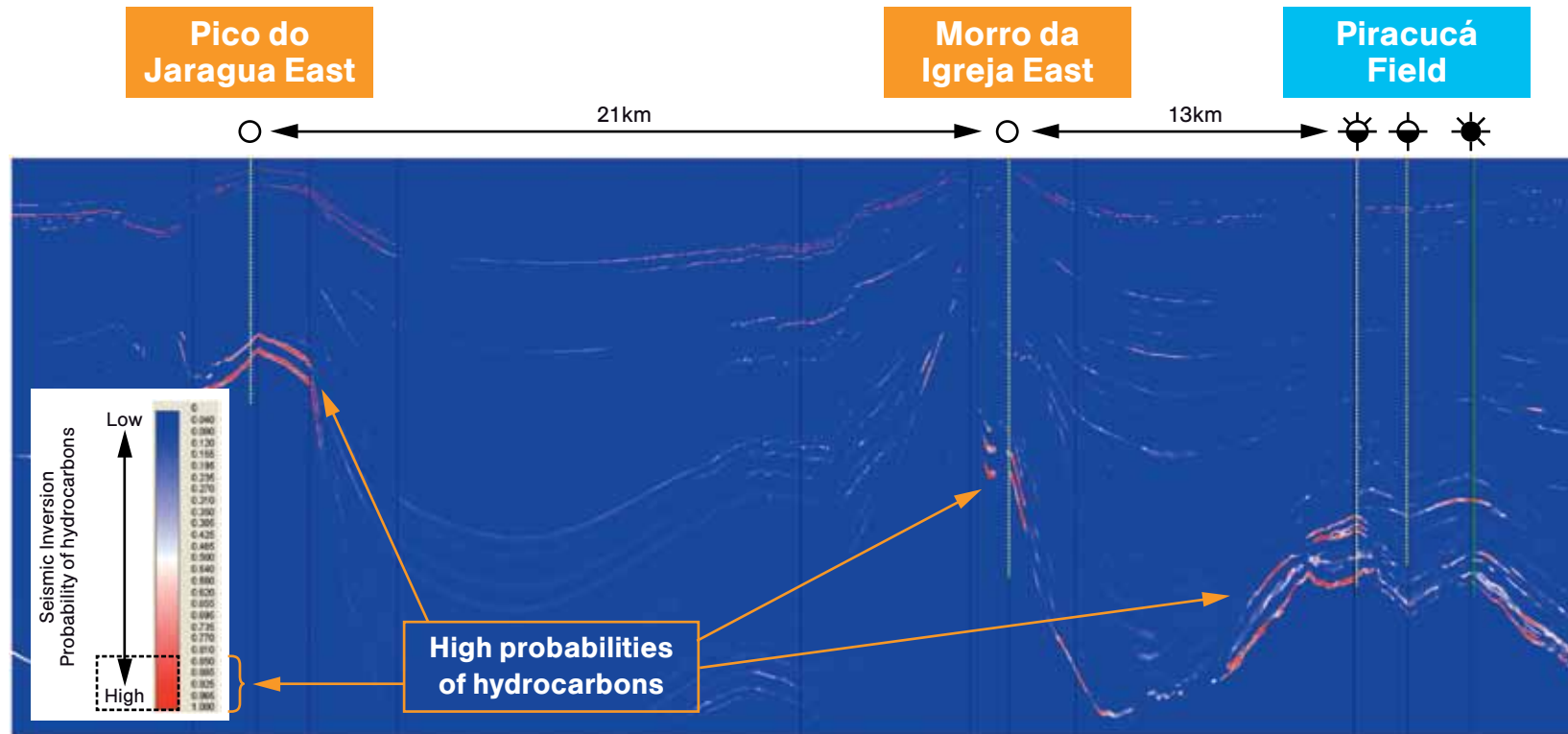
(Volumes DeGoyler McNaughton assessment 31st August 2010 are aggregated mean estimated resource in mmbbls. Risks are probability of geologic success.)



# Brazil Santos Basin – Karoon acreage play types

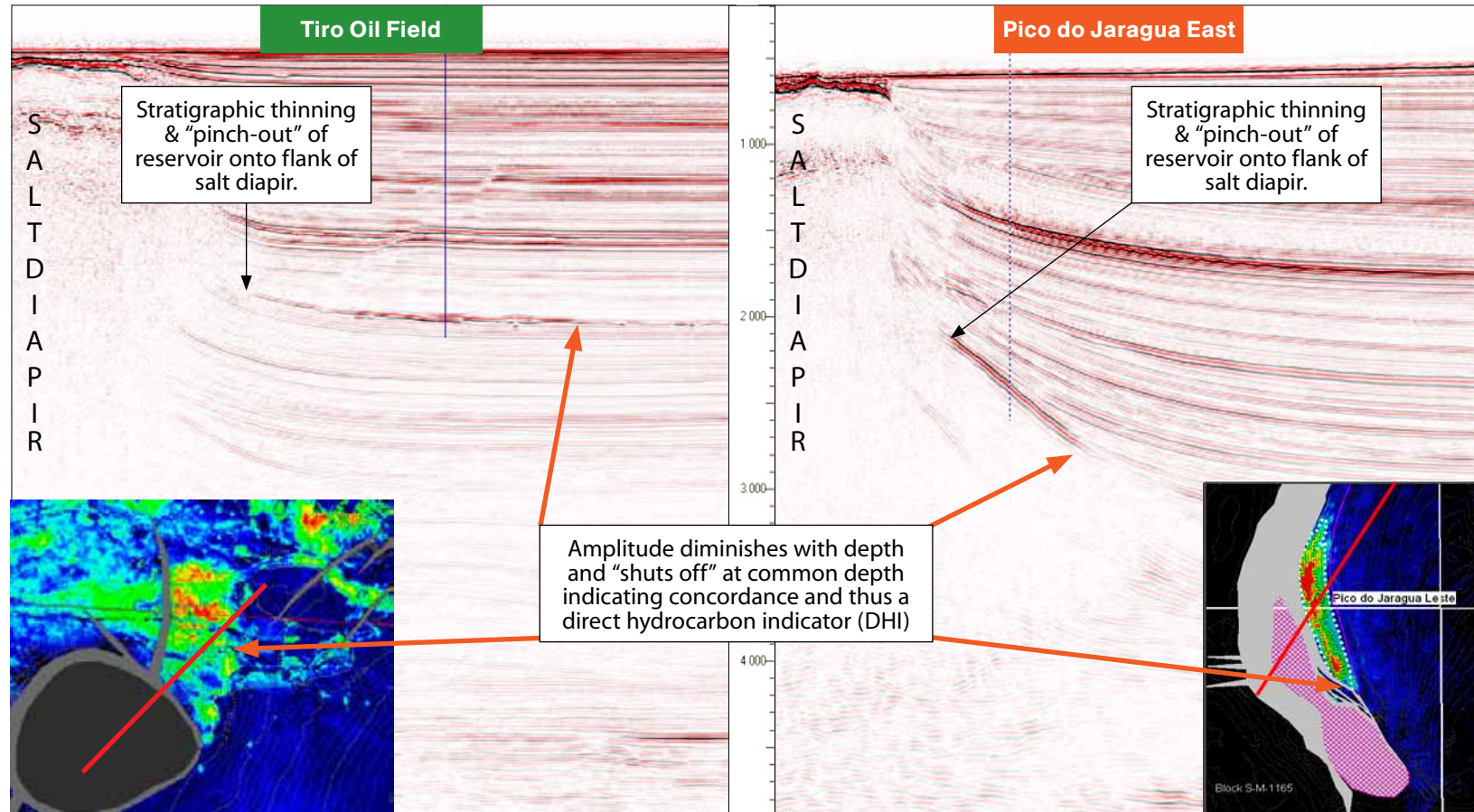


## Brazil Santos Basin – Seismic modelling



- 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.

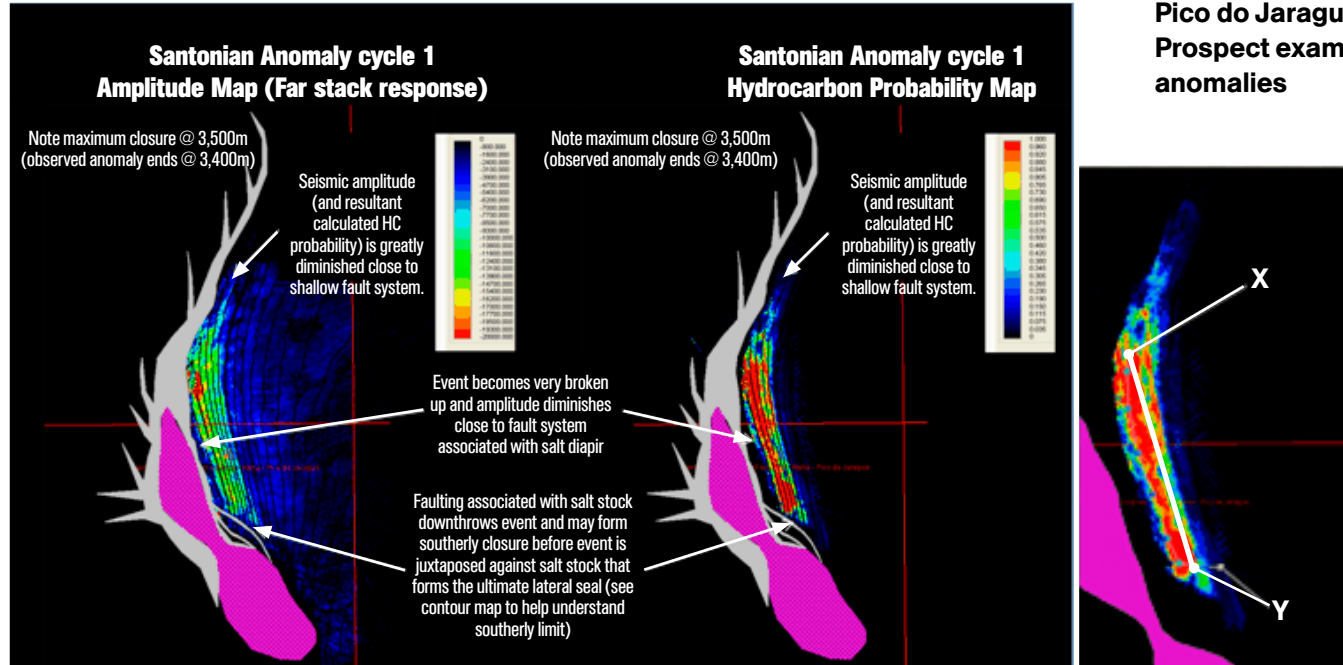
## Brazil Santos Basin – Prospect analog



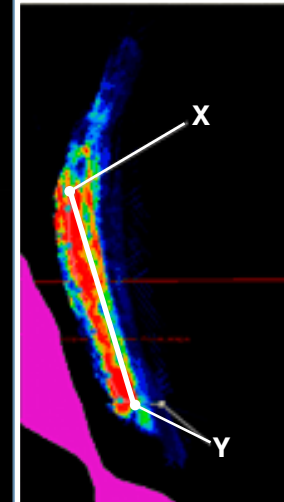
The Tiro Oil Field 25km to the SW of Karoon's acreage provides a good field analogue for Karoon's Pico do Jaragua East Prospect (apart from the different stratigraphic ages, Tertiary vs Late Cretaceous).

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

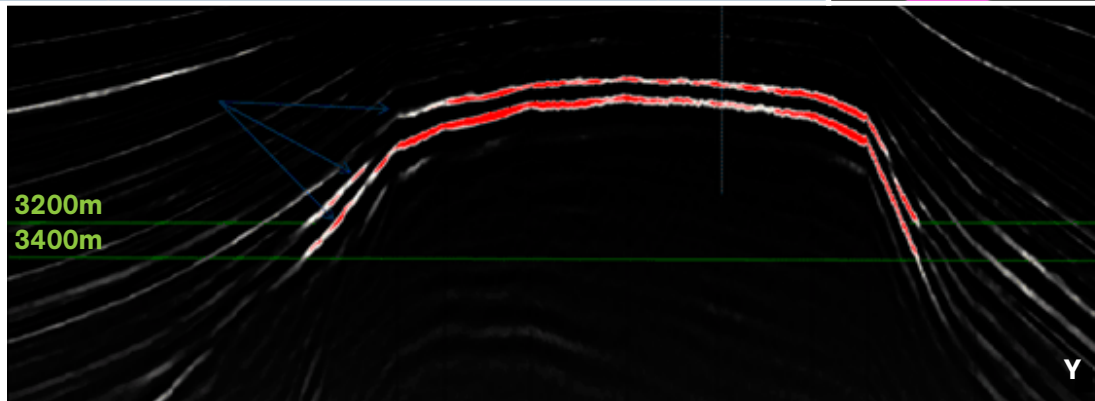
# Brazil Santos Basin – Prospect example



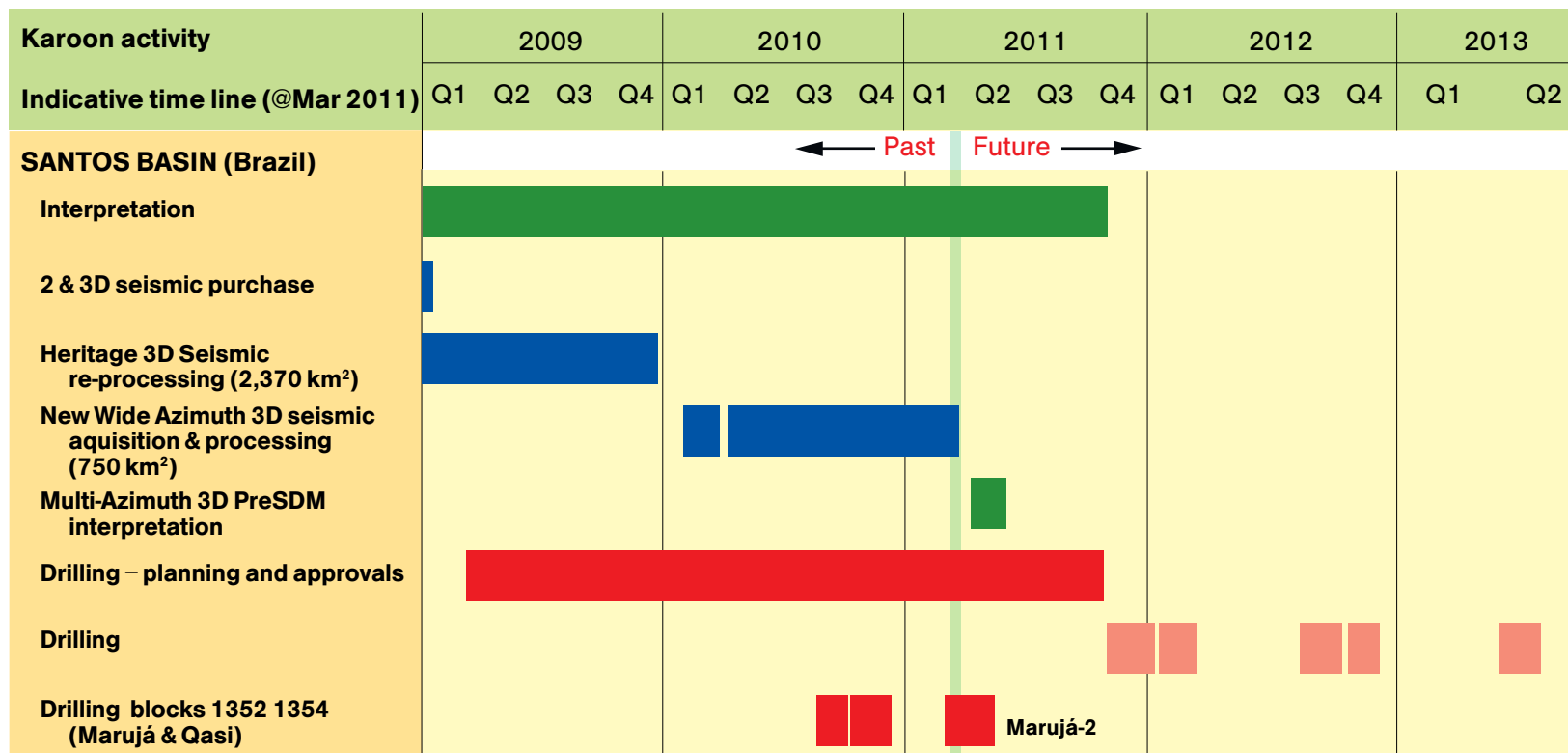
Pico do Jaragua East Santonian Prospect example- amplitude anomalies



- Seismic Inversion for Santonian Anomalies (cycles 1, 2 & 3) probability of hydrocarbons. Note conformance to depth.
- Excellent amplitude and depth concordance translates to low risk.



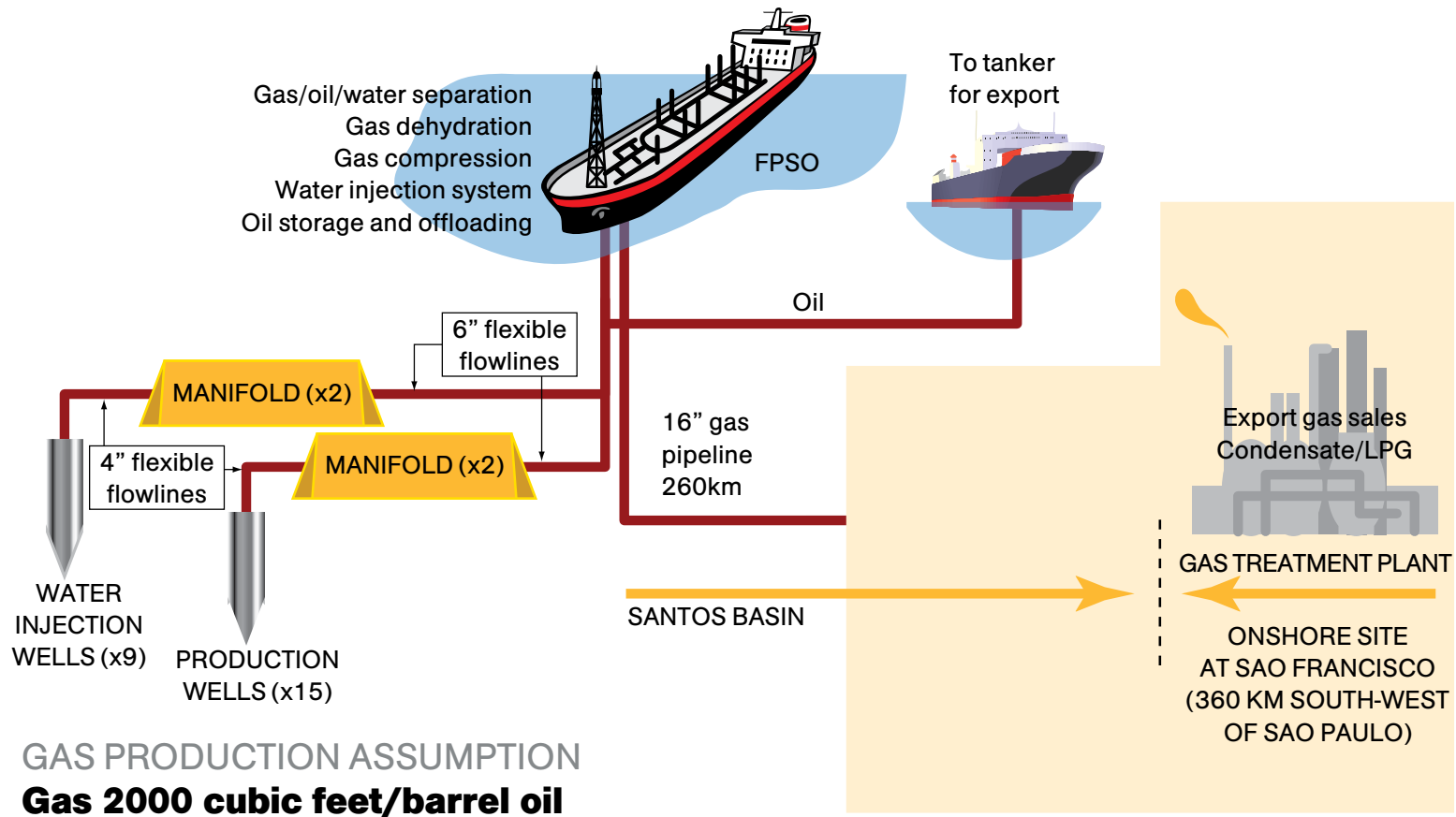
# Brazil Santos Basin – Indicative Timeline



## 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).

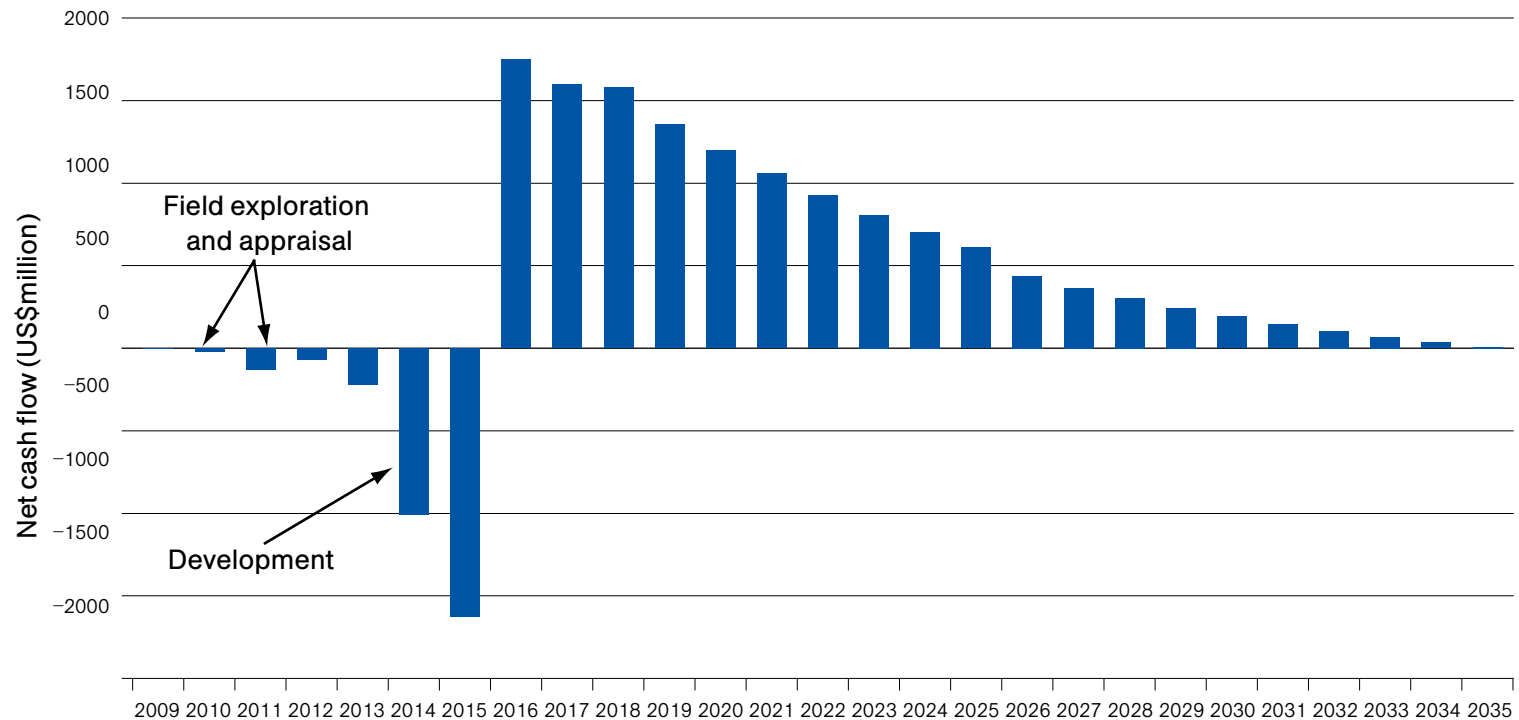
FIELD DEVELOPMENT, PIPELINE AND GAS PLANT FACILITIES SCHEMATIC (80,000 B/D OIL, 160 MIL SCF/D GAS).



## Net cash flow

Karoon oil and gas production indicative development model economics.

100% SHARE.

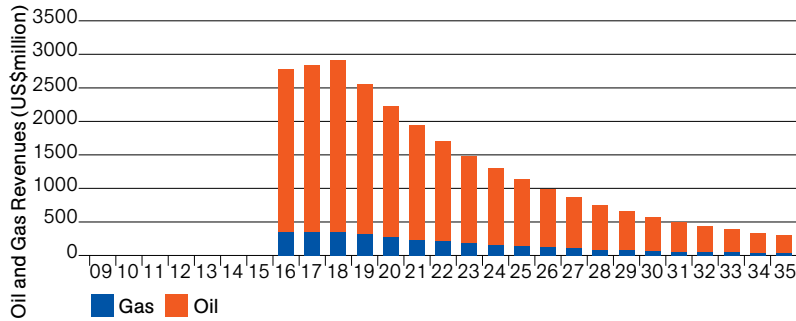


**Project NPV US\$2.9 Billion, IRR 34%**  
**Assumptions: Oil US\$70/bbl, Gas US\$5/mmbtu**

# Karoon indicative development model economics

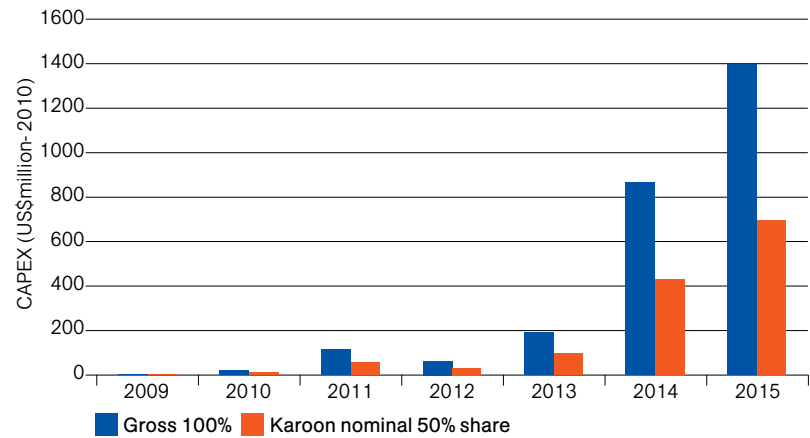
## Product revenues

OIL AND GAS REVENUES- 100% SHARE

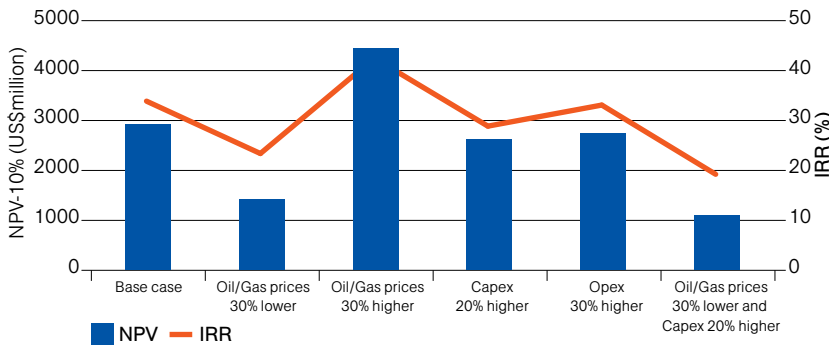


## Capex profile

-2010 US DOLLARS



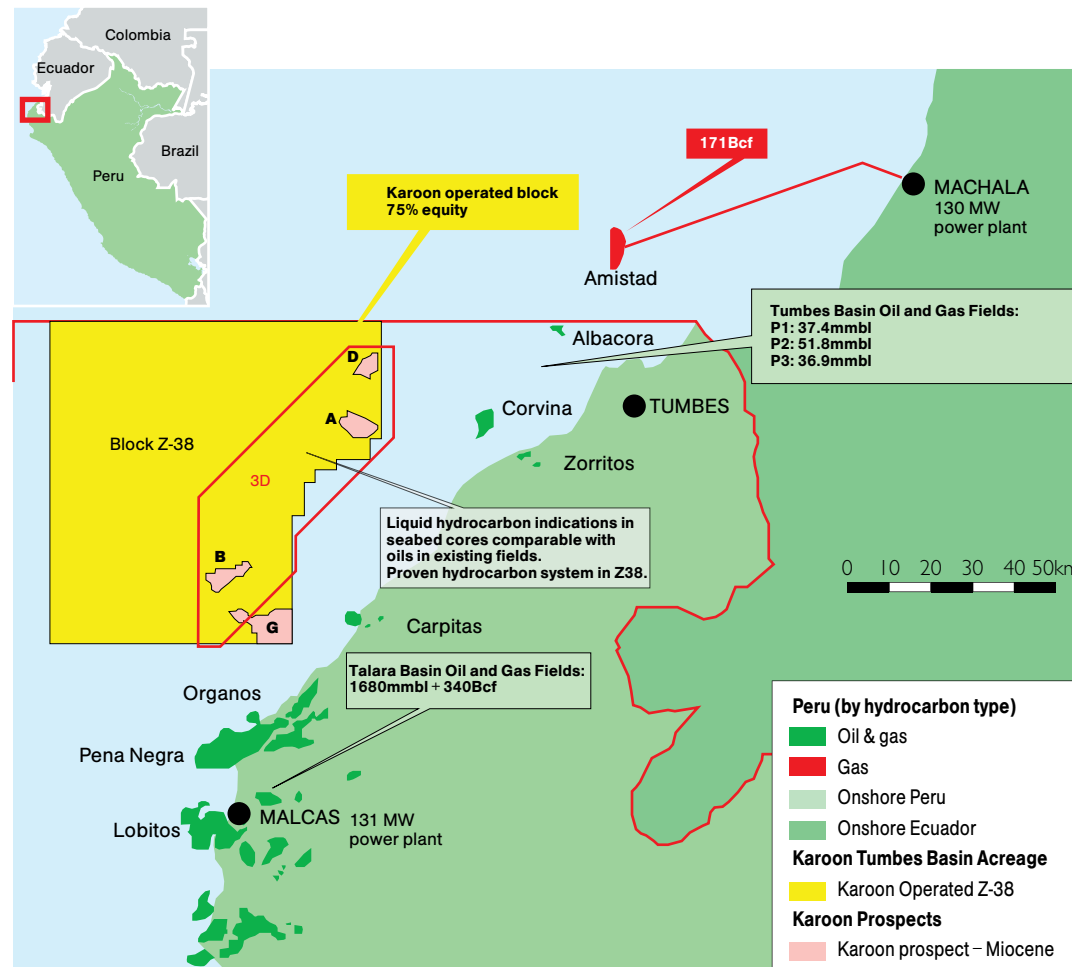
## Economic sensitivity analysis





## Peru Tumbes Basin Block Z38

- Very open, stable and favourable fiscal/royalty regime (40-50% government take)



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

**Potential:** 4 main prospects with net unrisks prospective resources totalling 691mmbl.

Additional leads recognised but yet to be defined.

**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.

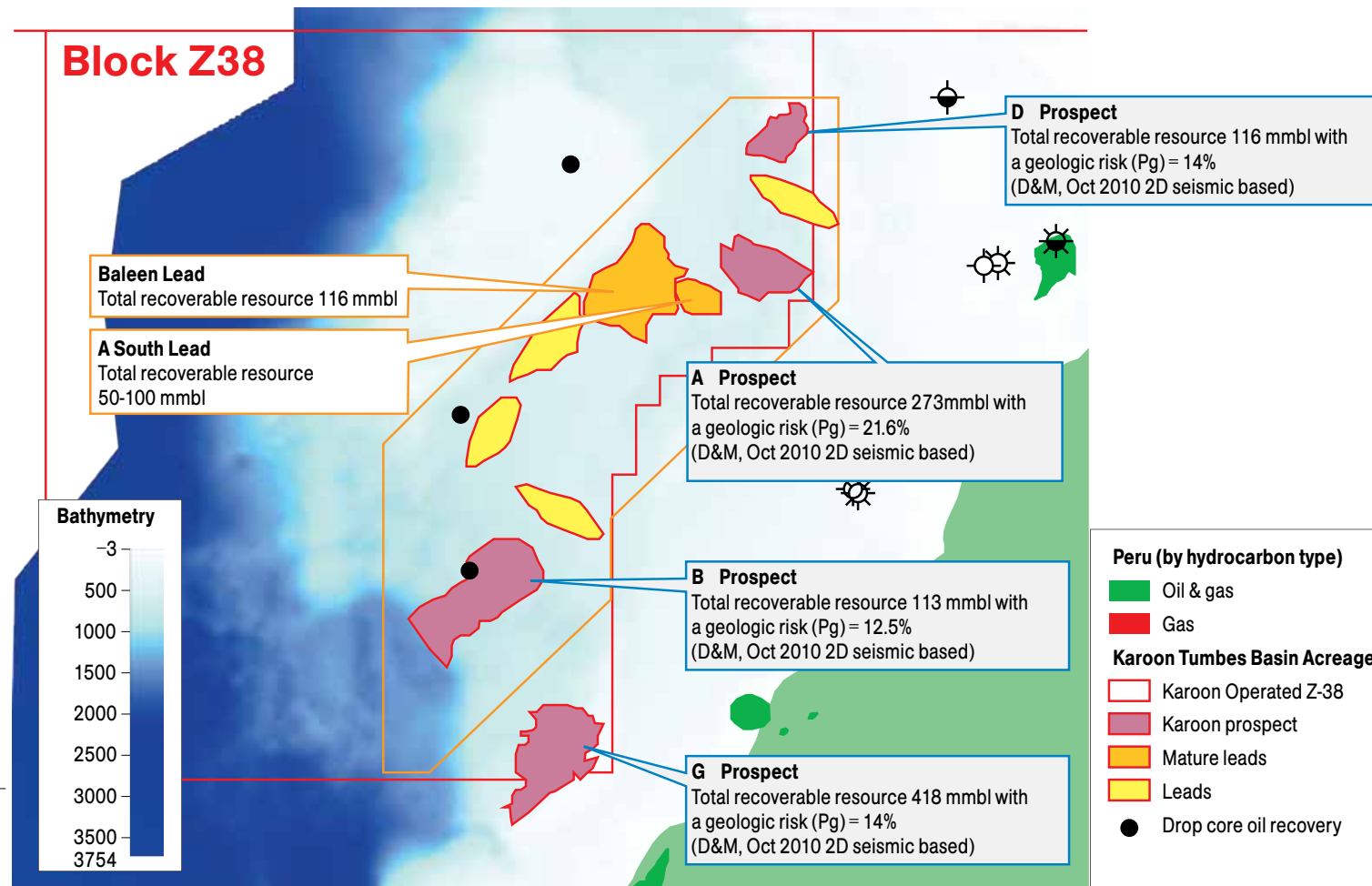
Third phase: drill one well and either second well or 3D seismic.

**Forward plan:**

Drill in early 2012.

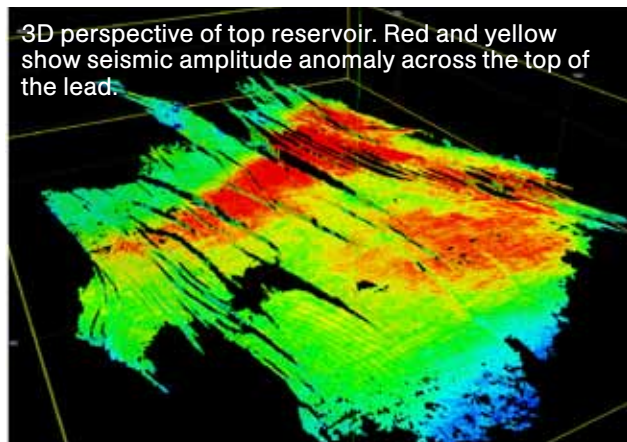
- In February 2009 Ecopetrol and KNOC acquired (on a 50:50 basis) 100% of Offshore International Group Inc. Price paid was US\$992MM or US\$14.6/bbl (1P reserves of 67.8MMboe)

## Peru Tumbes Basin – Prospects and Leads



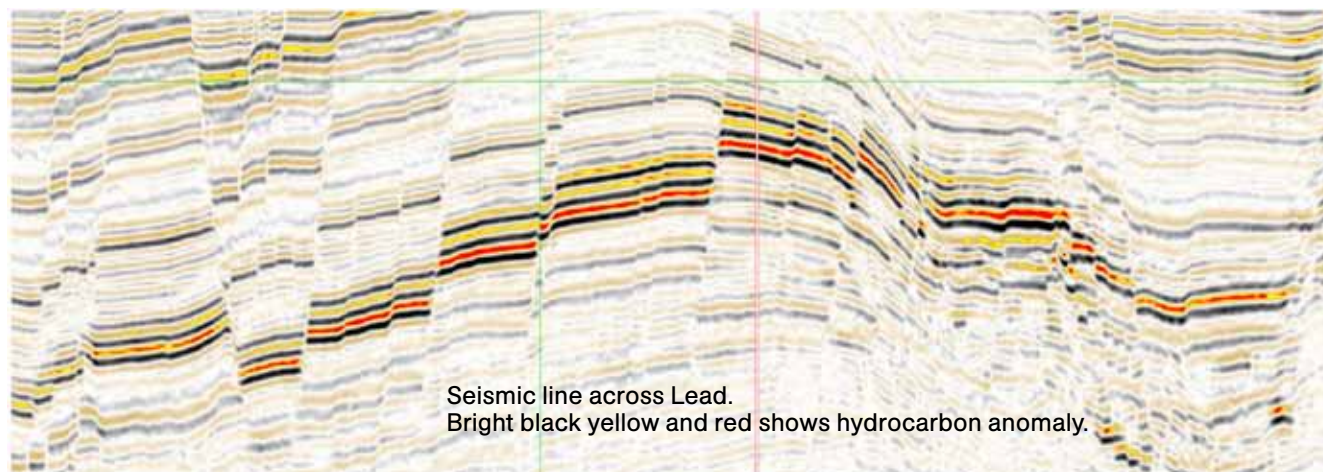
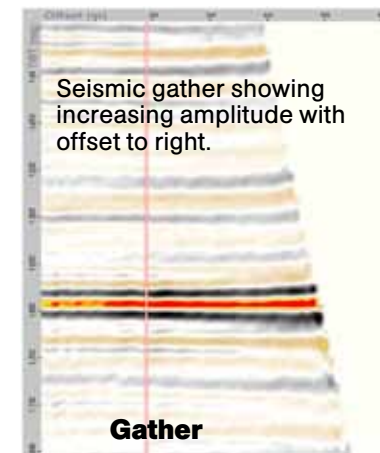
- D&M values Karoon's Tumbes Basin assets at US\$657MM or US\$5.91/bbl (111MMbbls). Relatively low Tumbes Basin POS of 16% in part caused by faulted structures, which do not allow trap size to be properly identified in 2D seismic analysis. There is high potential for the POS (and risked MMbbls) to increase once interpretation of 3D seismic is completed.

## Peru Tumbes Basin – Prospects and Leads



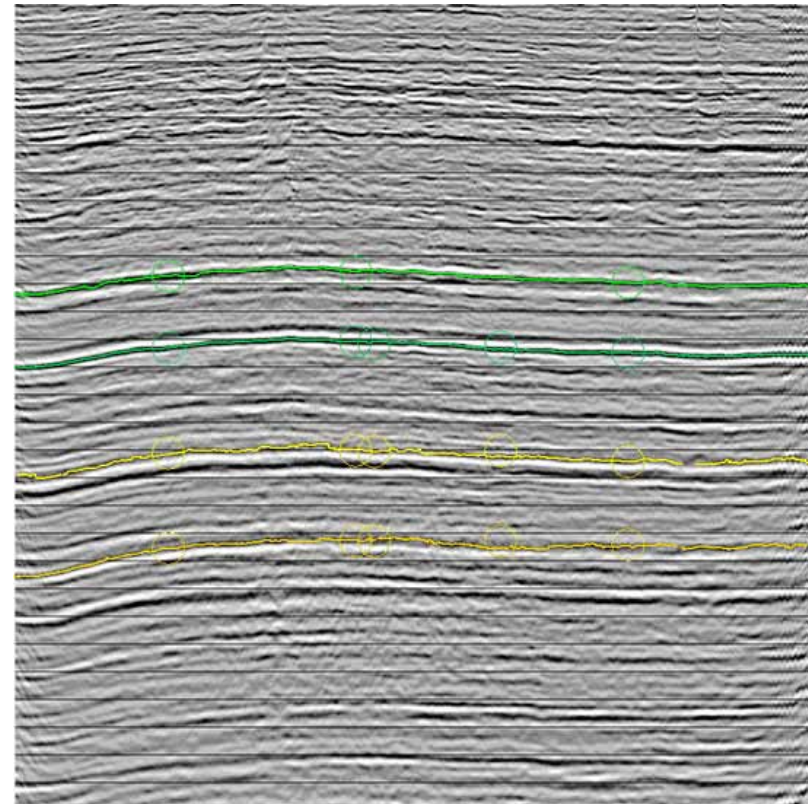
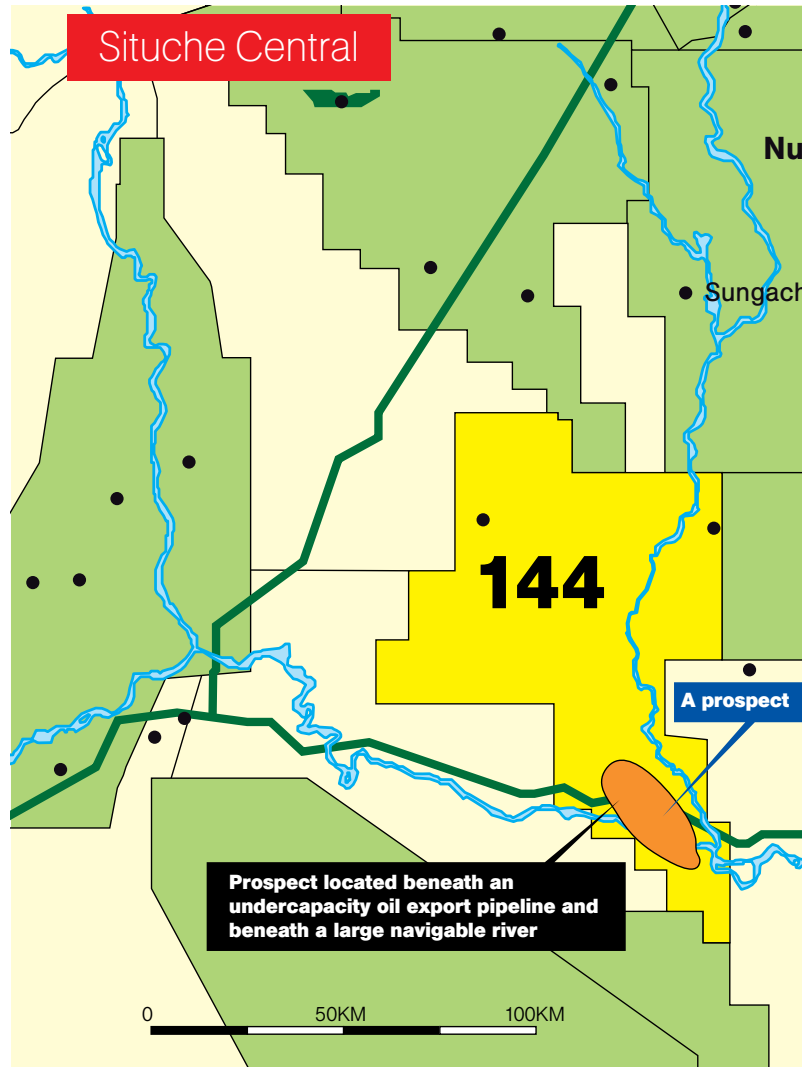
### Baleen Lead

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 3D.

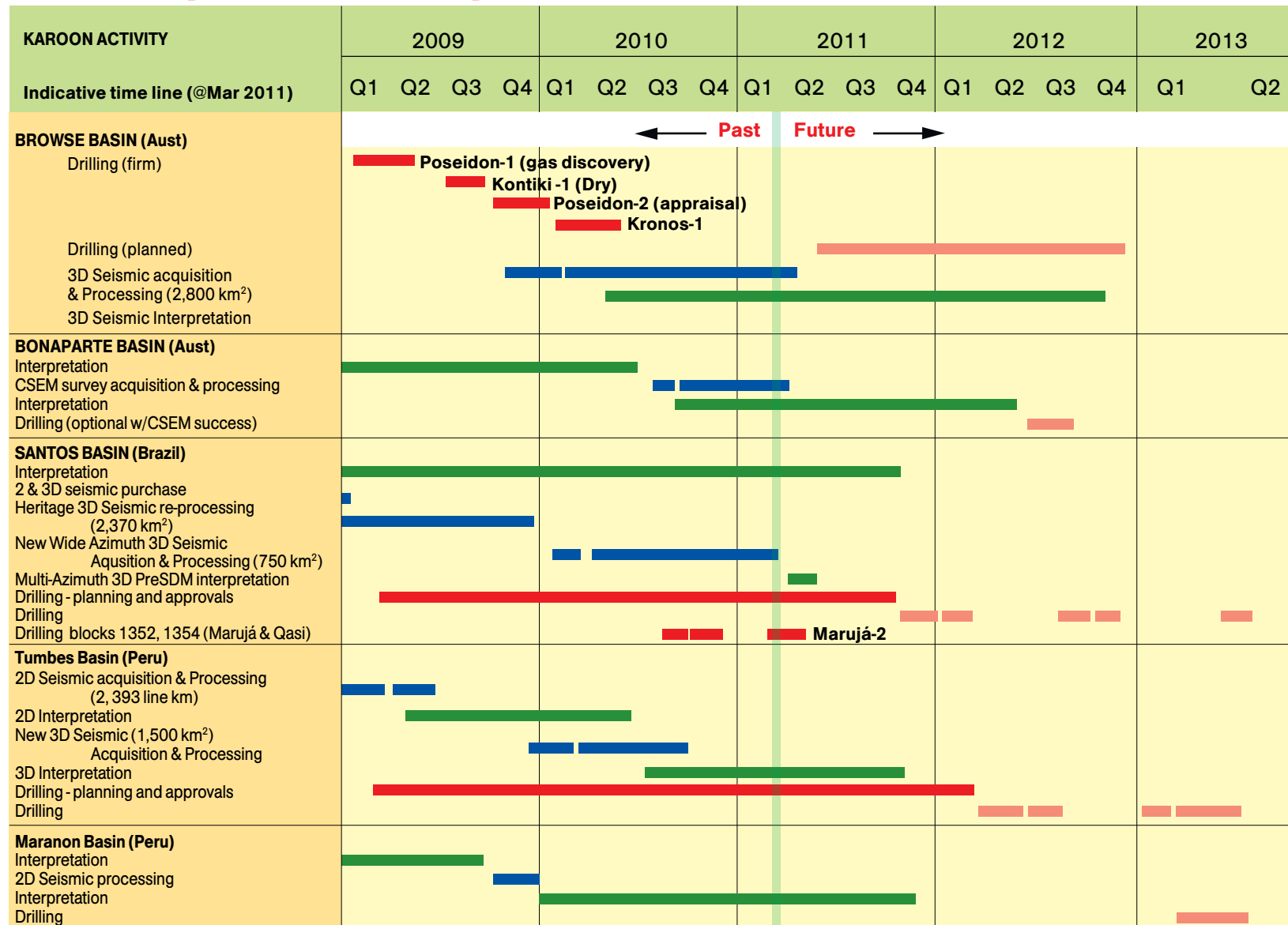
## Peru Marañon Basin Block 144



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



## Summary

- Karoon is well positioned having now started a two year exploration and appraisal drilling campaign across its diverse portfolio.
- Many prospects are large and independent , with success in even one exploration prospect offering enormous upside for Karoon shareholders.
- Success at Marujá proves the geotechnical concept for the Southern Santos Basin, providing encouragement for the 2012 drilling campaign.
- Additional prospects and leads in the Brazil, Peru and the Browse Basin will 'refill' the Prospective Resource portfolio.
- Additional New Ventures in the pipeline.

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