

KAROON GAS AUSTRALIA LTD

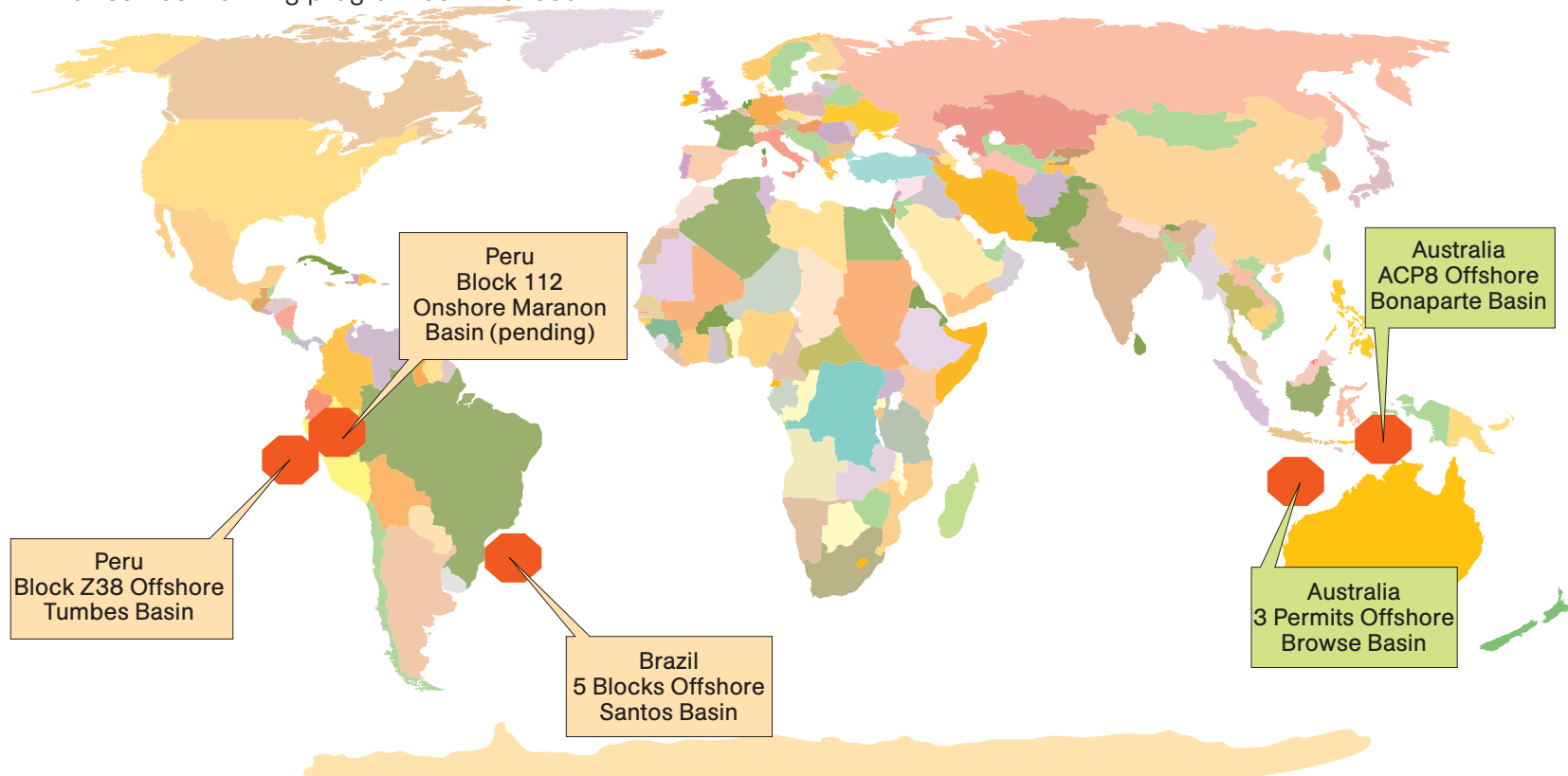
FEBRUARY 2009 REVIEW



KAROON
Gas Australia Ltd

Karoon Gas snapshot

- Approximately 149 million shares and 6 million options.
- Market capitalisation approximately A\$340 million @A\$2.30.
- Cash in bank A\$140 million.
- Karoon Inclusion in S&P\ASX 200 Index
- Browse Basin drilling program commenced



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

Karoon Gas Australia's key personnel

Board

ROBERT HOSKING Executive Chairman

Founding Director of Karoon Gas with 30 years of commercial experience. Involved in the oil and gas industry for 15 years. Founding director 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.

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

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

DAVID ORMEROD Exploration Manager South America

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.

HIEP LAM IT Manager

10 years experience in IT most recently with Thomas Duryea.

Consultants

RALPH SPINKS Drilling Consultant

30 years in the industry with Phillips Petroleum.

JOSE COUTINHO BARBOSA Brazilian advisor

Geologist 38 years with Petrobras rising to CEO.

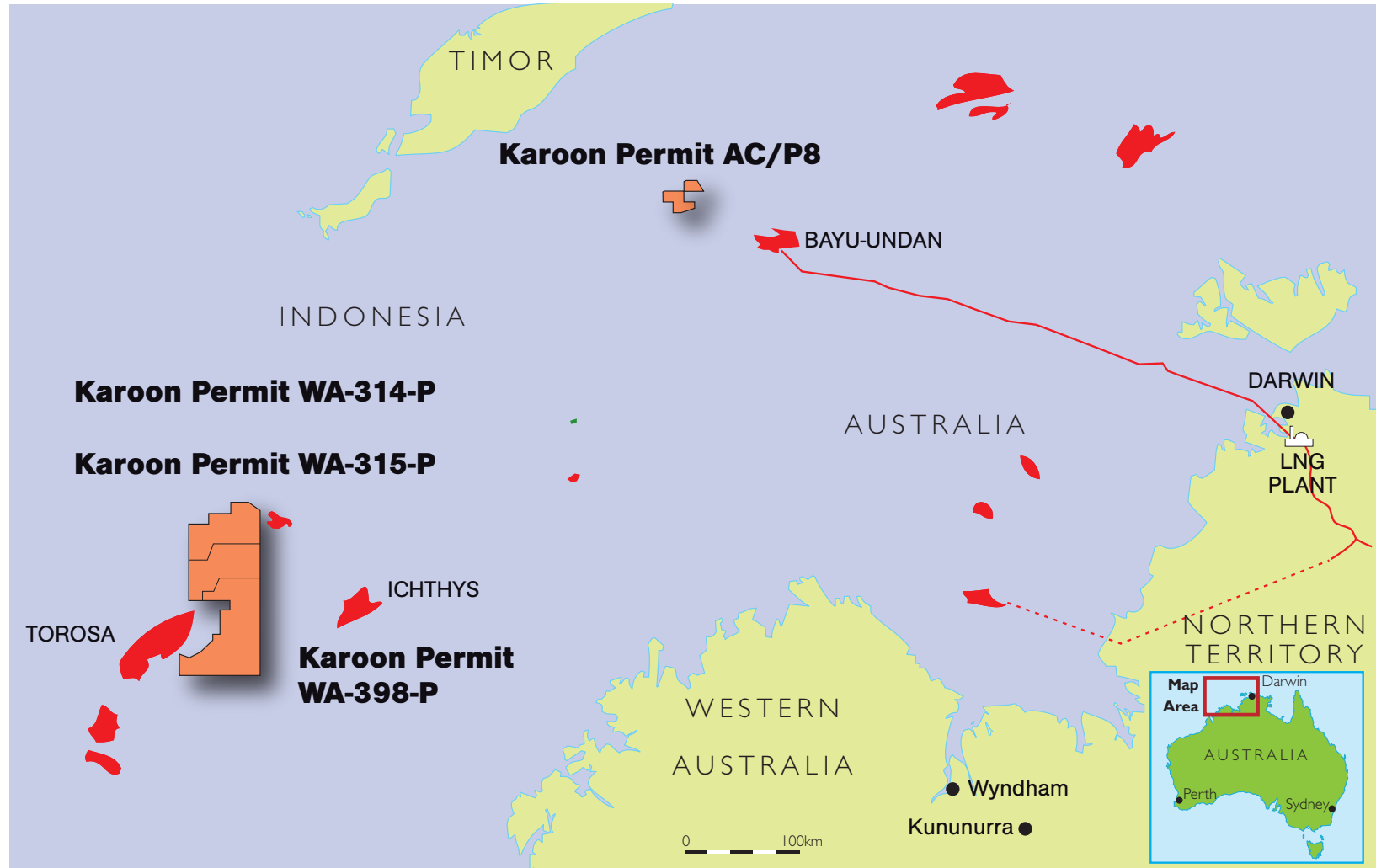
CARLOS URIEN South American Geologist

40 years with Belco Oxy & Noble.

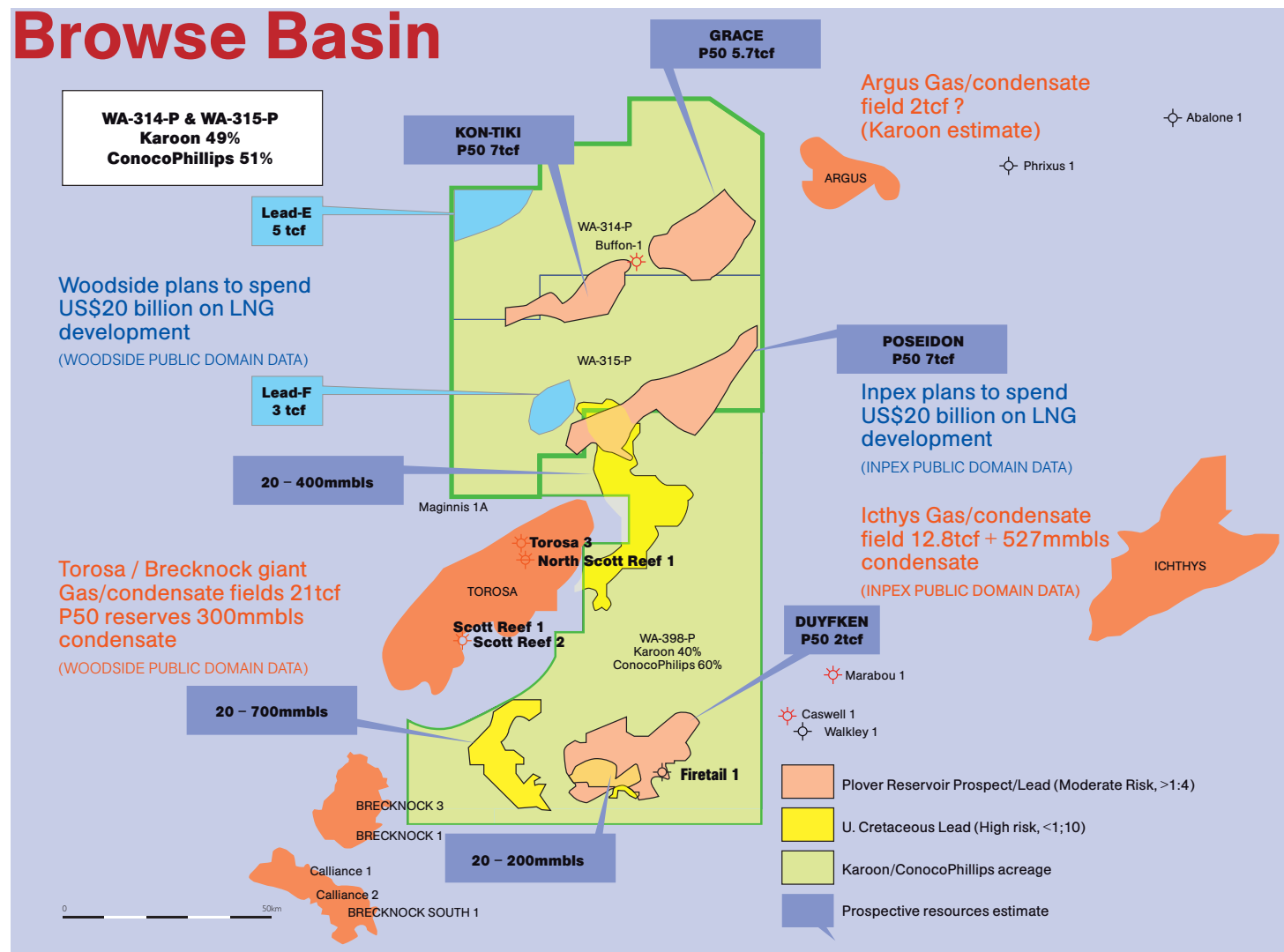
GUSTAVO BORJA Peruvian advisor

Geologist 35 years with Petroperu.

Australian Assets



Browse Basin

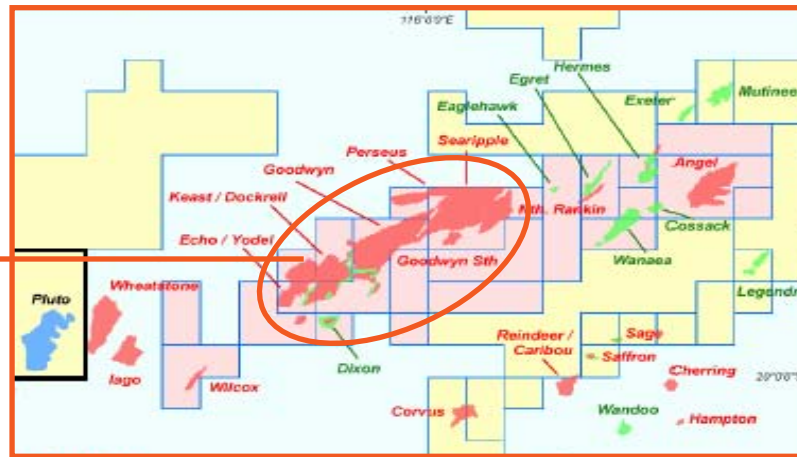


- A 200 day multi well drilling program commenced on the 26th January with the spudding of the Poseidon-1 well.
- Total cost estimate US\$ 270 million. Karoo share US\$ 72 million.
- NB. With respect Karoo's Browse Basin Joint Venture, the disclosures presented in this review do not necessarily reflect the views of ConocoPhillips.
- Karoo will amend prospective reserve estimates as work on the prospects is completed.

Comparisons

WA Fields Reserves v. Karoon's Exploration Prospects.

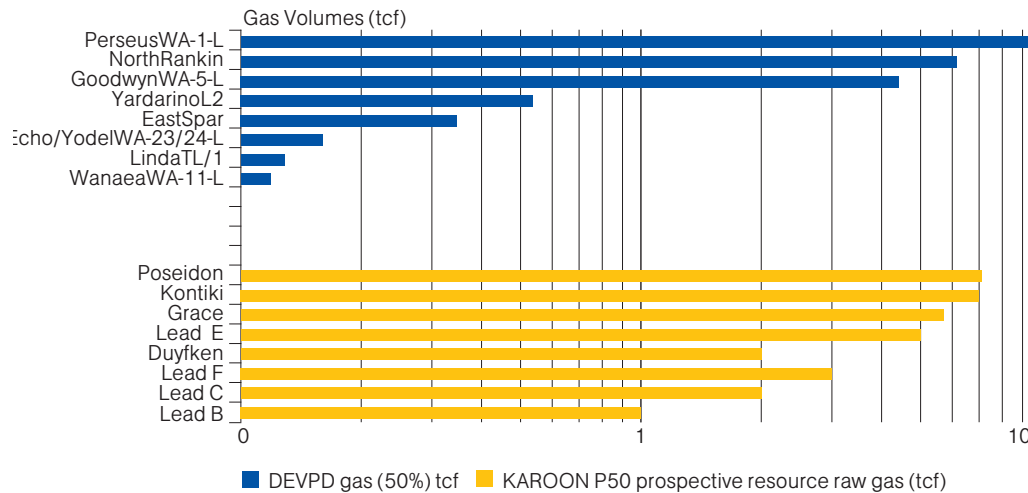
WOODSIDE'S
NORTHWEST
SHELF
PROJECT



WA PRODUCING FIELD RESERVES & KAROON PROSPECTIVE RESOURCE ESTIMATES



■ Allowing for some exploration success, there is potential in the Karoon acreage for the discovery of reserves of similar magnitude to that of the North West Shelf project.



SOURCE: WA DO

Farm-out

Karoon Gas Australia Ltd has entered into agreements to farm out up to a 60% interest in its Browse Basin permits, WA-314-P and WA-315-P to ConocoPhillips.

Acquisition of 51% Interest

ConocoPhillips will acquire a 51% interest in the permits by:

Seismic back costs US\$9.6 million

1 Paying Karoon US\$9.6 million in reimbursement of approximately 80% of the costs incurred in carrying out the second year work programme for the permits. This involved the acquisition, processing and interpretation of seismic surveys completed throughout 2006, comprising approximately 1200 sq kms of 3D Seismic and 800 kms of 2D seismic.

Fund 80% of two wells including testing

2 Funding 80% of the costs of the third year work programme for the permits, which will require the drilling of one exploration well in each permit, including testing. The total cost of the third year work programme, which is subject to the 80% funding arrangement is estimated to be US\$120-160 million.

Option to Increase Interest to 60%

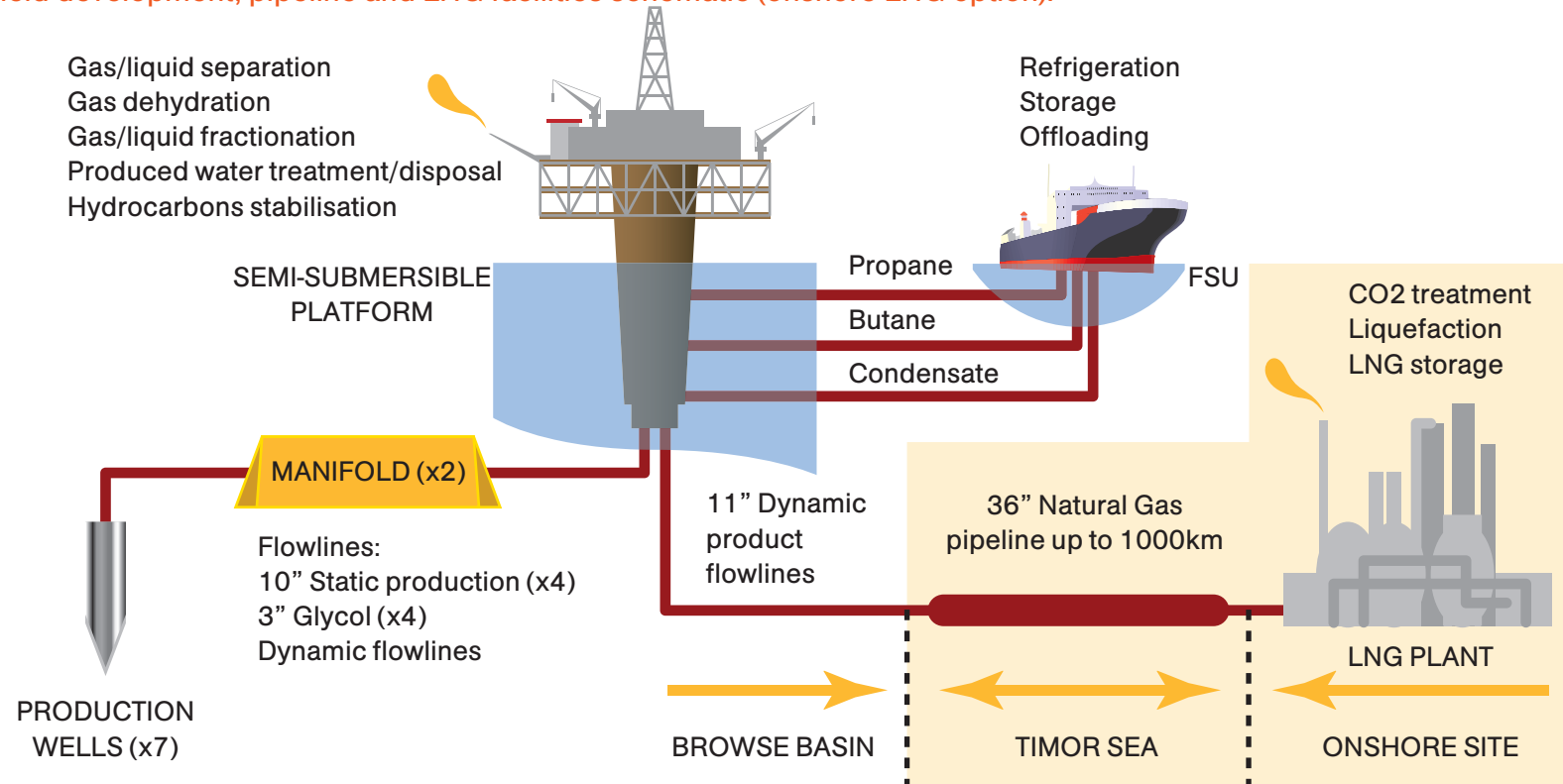
Fund 80% of next US\$125 million of expenditure

Pursuant to the agreements, ConocoPhillips has an option, upon completing its obligations relating to the acquisition of its 51% interest, to acquire a further 9% interest in the permits by paying 80% of the next US\$125 million of joint venture expenditure.

Schematic

Karoon LNG/condensate/LPG indicative development model economics (assuming a discovery of 7 TCF).

Field development, pipeline and LNG facilities schematic (onshore LNG option).



LIQUID PRODUCTS (BASED ON BUFFON-1 DATA)

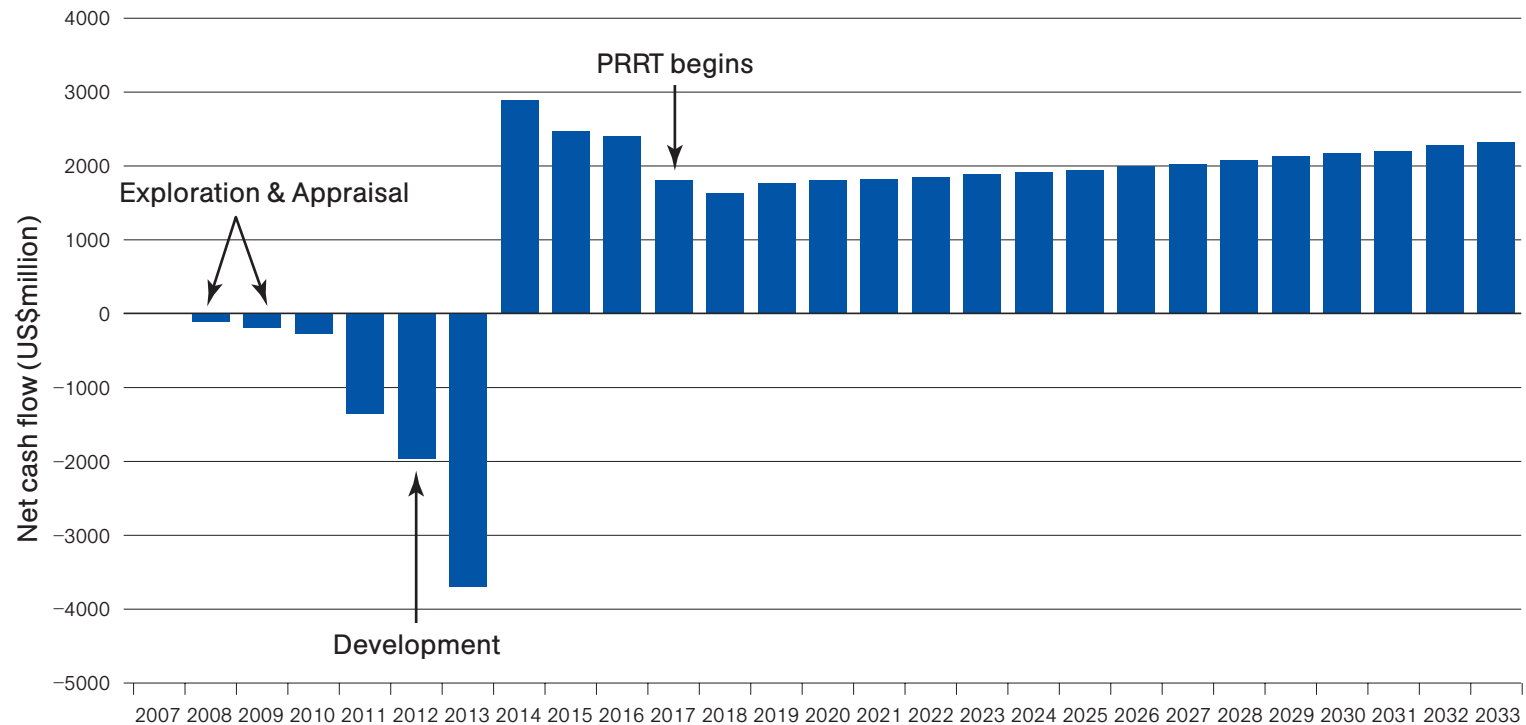
Condensate 33bbbls/million cubic feet

Liquified petroleum gas (LPG) 68bbbls/million cubic feet

Combined net cash flow

Karoon LNG/condensate/LPG indicative development model economics.

Net cash flow for combined offshore liquids removal and onshore LNG – 100% Share.



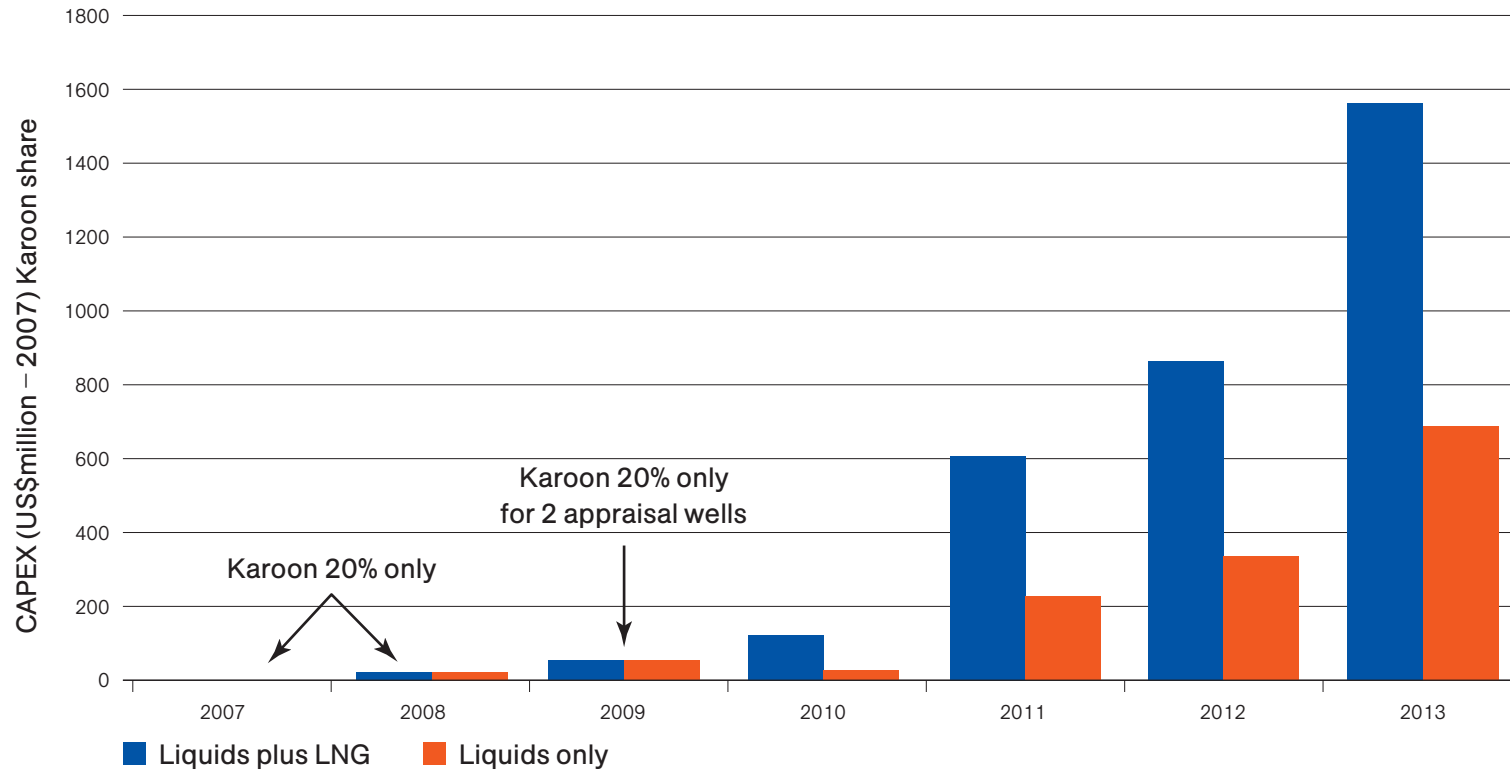
Project NPV US\$5.0 Billion, IRR 22%

Assumptions: Condensate US\$50/bbl, LPG US\$40/bbl, LNG US\$5/MMbtu

Capex profile

Karooon LNG/condensate/LPG indicative development model economics.

Karooon 40% share – 2007 US dollars

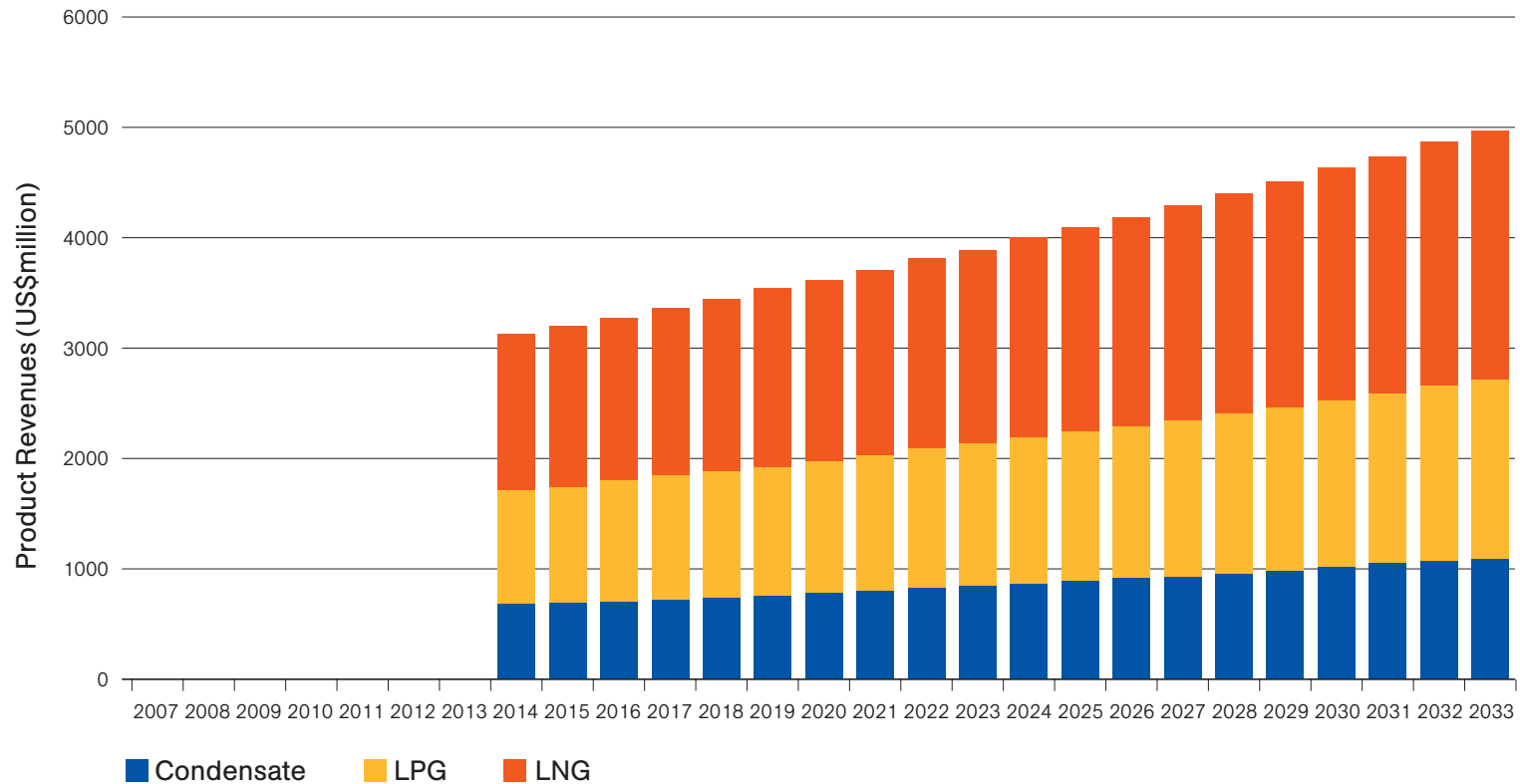


Total Capex liquids plus LNG = US\$3.2 billion
Total Capex liquids only = US\$1.4 billion

Product revenues

Karoon LNG/condensate/LPG indicative development model economics.

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



Liquids revenue similar to LNG

Market Update

LNG SALES AGREEMENTS

2007, Woodside signed a Key Sales Terms Agreements with the Chinese for approximately 2TCF at a price of approximately A\$9-10 billion per TCF for delivery over the next 20 years ex. Browse Basin.

LNG SPOT SALES AGREEMENTS

Oct 2008, Chinese buy Algerian LNG Cargo at record price to boost supplies. US\$20.43 per million btu (*Source; Bloomberg, Oct 2008*) (US\$20.43 billion per TCF).

IRON ORE PRICES

Since July 2008 Chinese domestic and imported iron ore prices have dropped from around \$US 175/ton to around \$US 75/ton. (*Source: AFR, 12/11/08*)

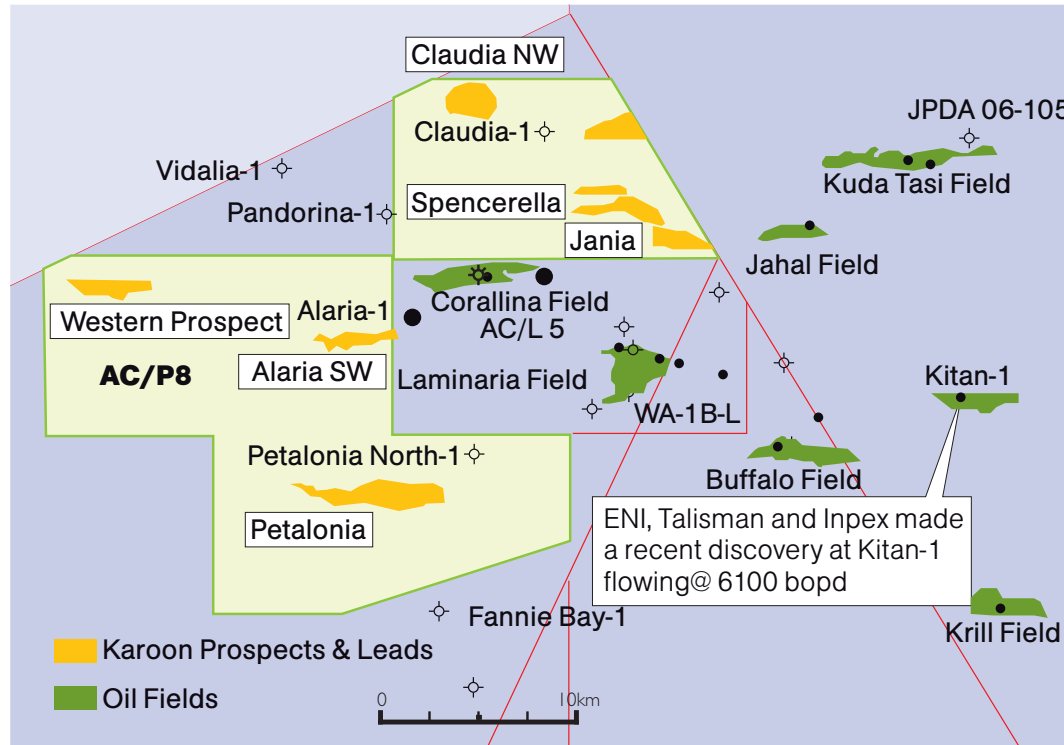
STEEL PRICES

Since July 2008 Japanese domestic Rebar Steel prices have dropped from around \$US 1050/Ton to less than \$US 600/ton. Chinese domestic prices have dropped from around \$US 800/Ton to around \$US 500/ton. (*Source: AFR, 12/11/08*)

Commercial considerations

- TCF - trillion standard cubic feet (1,000,000,000,000 cubic feet).
- 1 TCF equals approx 20 million tonnes of LNG.
- Australia domestic consumption is approx 1 TCF per annum.
- USA consumes 23 TCF per annum.
- International gas/LNG prices are approximately two to three times higher than the Australian gas price, ie. A\$4 billion per TCF versus A\$8-10 billion per TCF for long term contracts.
- International spot prices are usually a lot higher.

AC/P8



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

Potential: Main prospect 'Jania' with up to 20mmbl potential prospective resource. 5 additional leads with similar size potential.

Interest: 66% equity purchased from Woodside Petroleum.

JV and work program:

Year-1 work program start date 3rd October 2008.

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

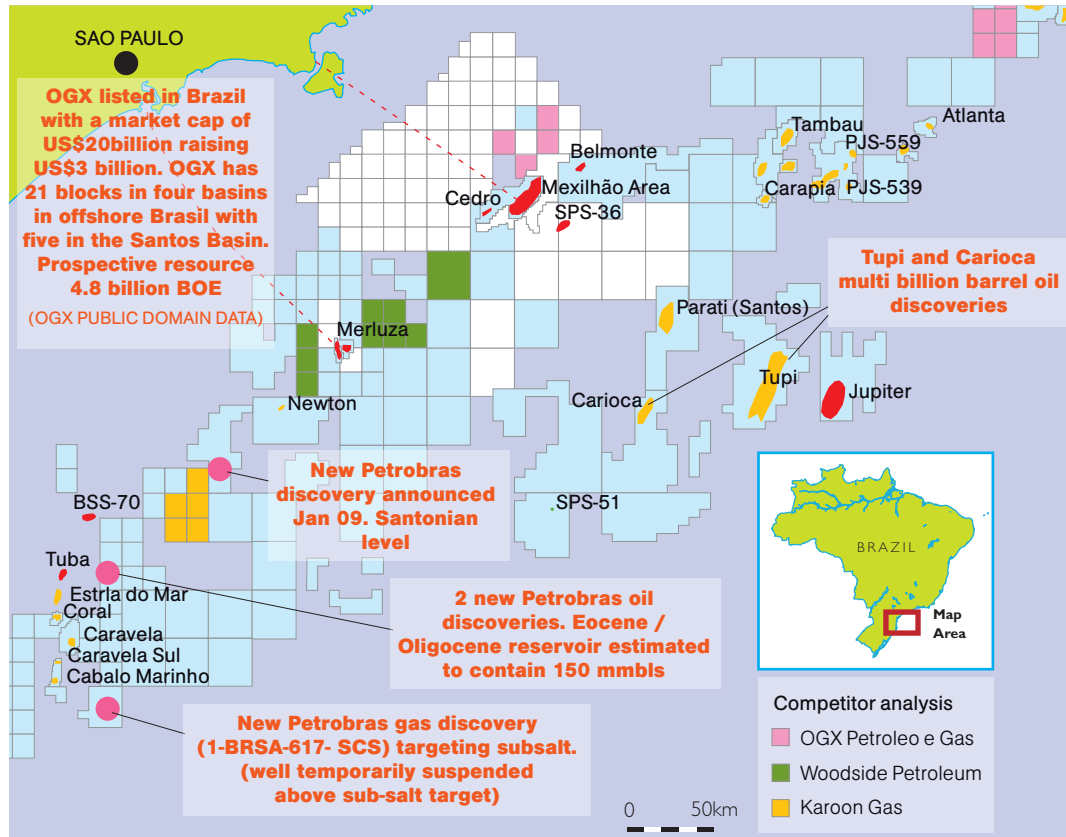
Talisman Energy 33%.

Forward plan:

Perform SCEM survey 2009.

Drill in 2012.

Brasil Santos Basin



Location: On trend with Caravela / Merluza fields.

Potential: 3 main leads with 100 to 200mmbbl oil and/or multi TCF of gas prospective resources.

Additional leads potential recognised but yet to be defined.

Interest: Karoon 100% equity from bid round.

JV and work program:

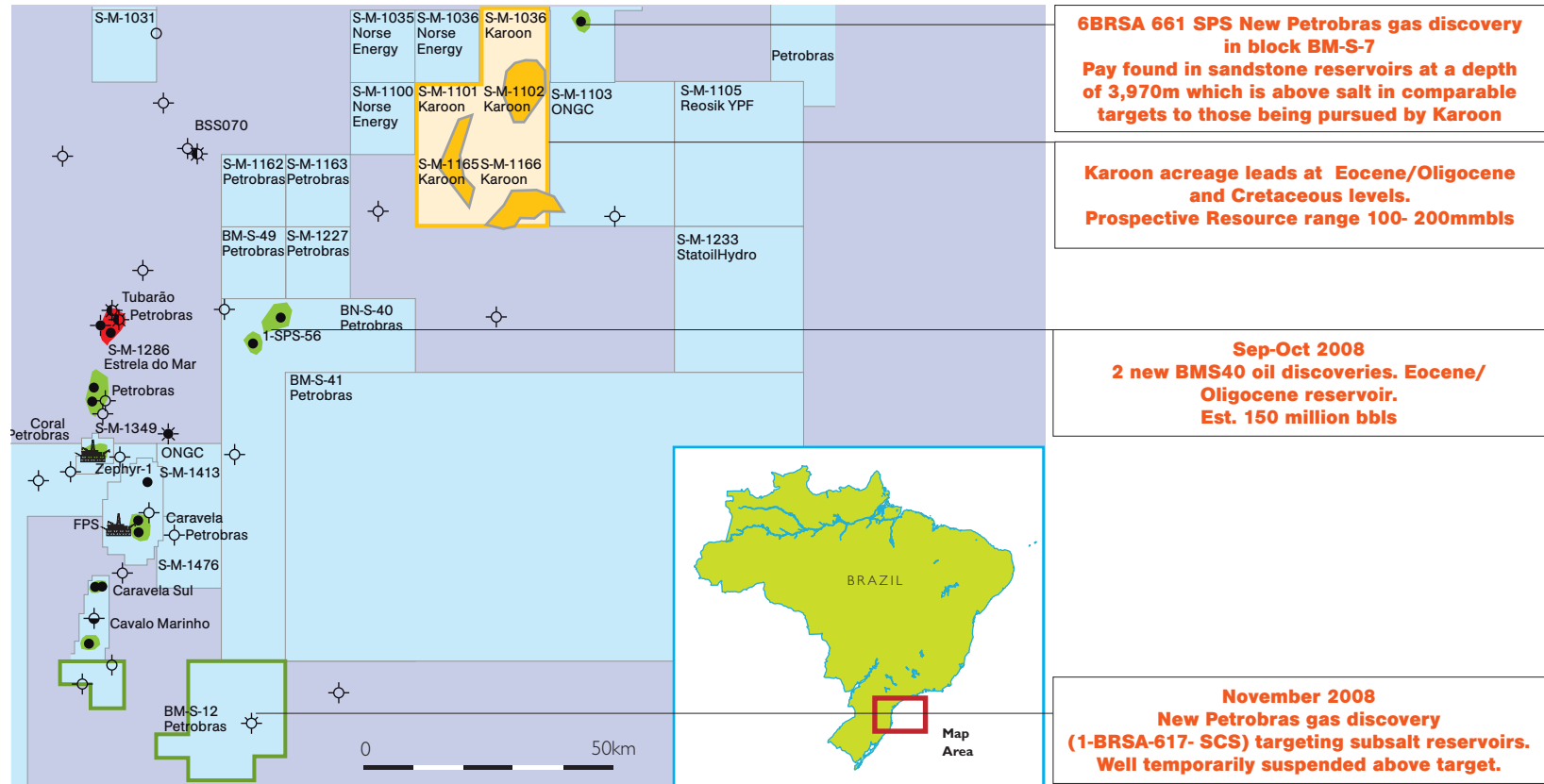
3 year Work Program.

Purchased 3D seismic for PSDM.
Acquire 510 sq. km. 3D over three blocks.

Forward plan:

Acquire 3D seismic in 2009.
Drill in 2011.

Brasil Santos Basin



6BRSA 661 SPS New Petrobras gas discovery in block BM-S-7
Pay found in sandstone reservoirs at a depth of 3,970m which is above salt in comparable targets to those being pursued by Karoon

Karoon acreage leads at Eocene/Oligocene and Cretaceous levels.
Prospective Resource range 100- 200mmbls

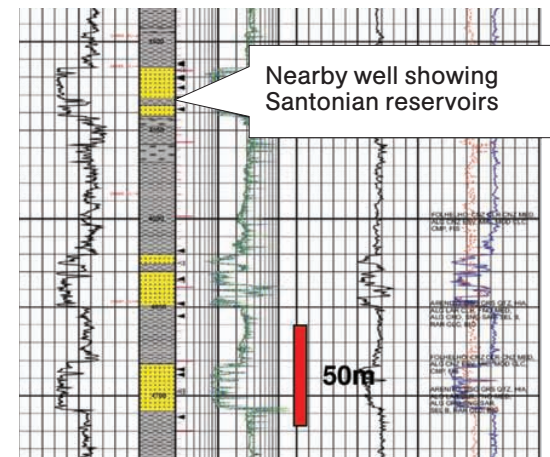
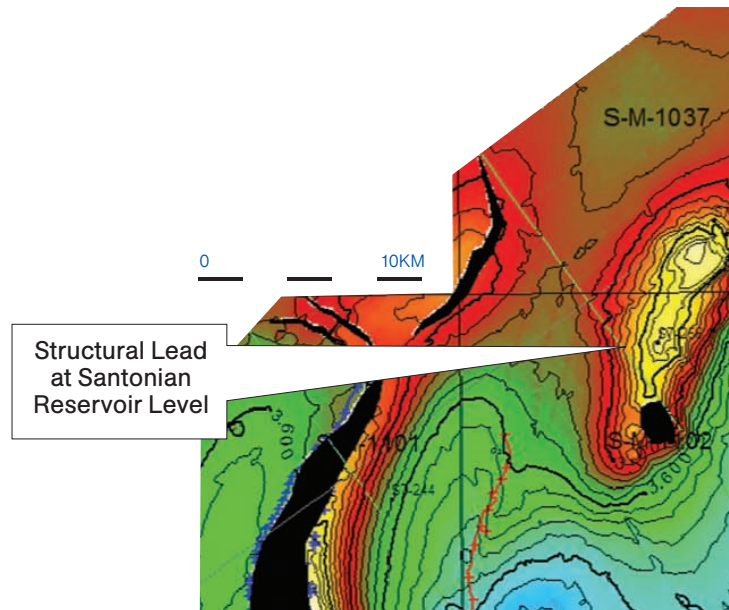
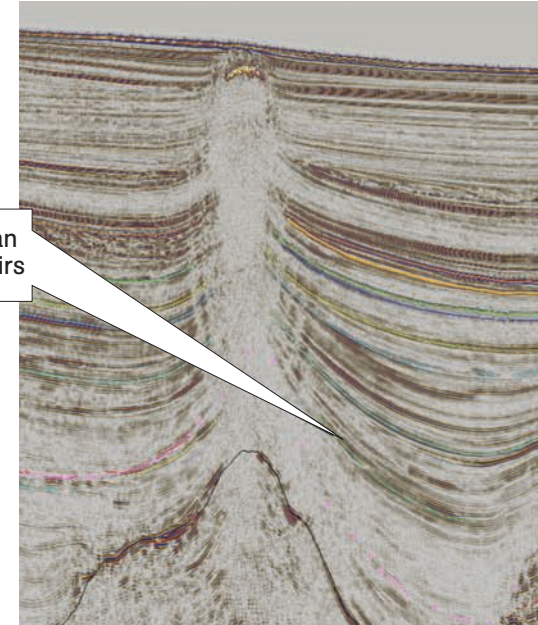
Sep-Oct 2008
2 new BMS40 oil discoveries. Eocene/Oligocene reservoir.
Est. 150 million bbls

November 2008
New Petrobras gas discovery (1-BRSA-617- SCS) targeting subsalt reservoirs.
Well temporarily suspended above target.

Karoon Santos acreage

Santonian Play Summary.

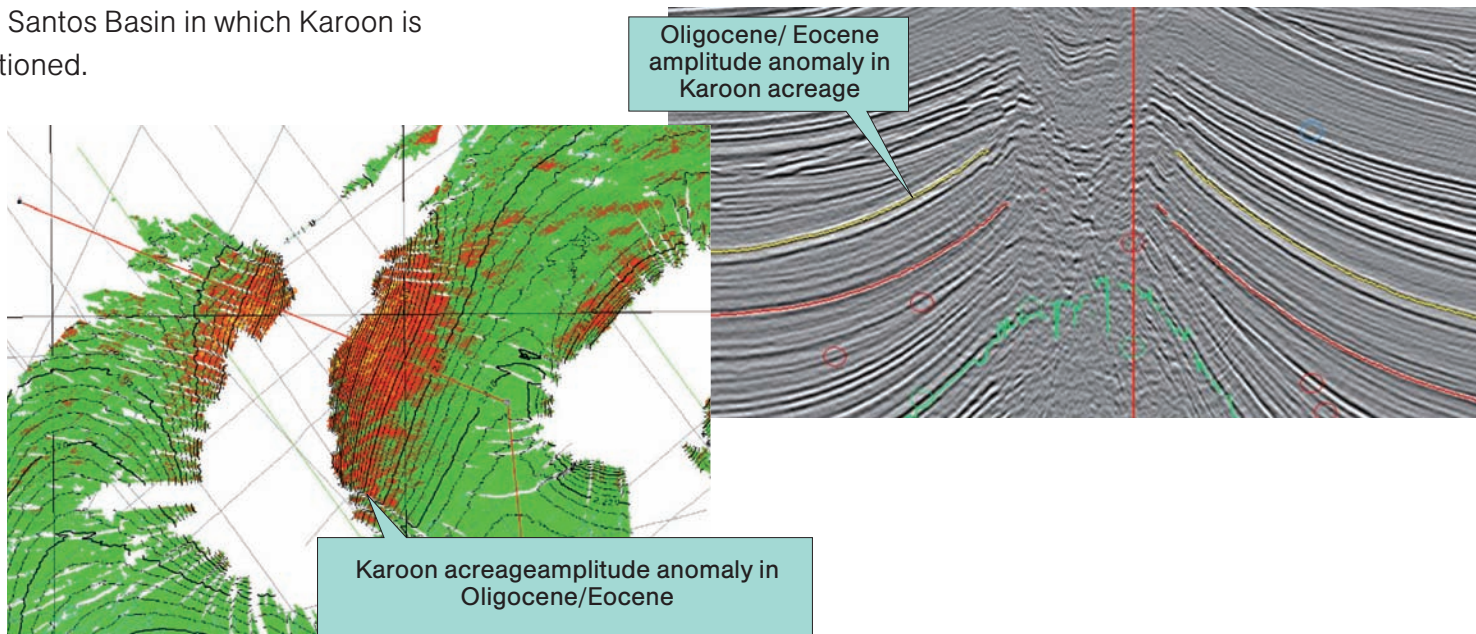
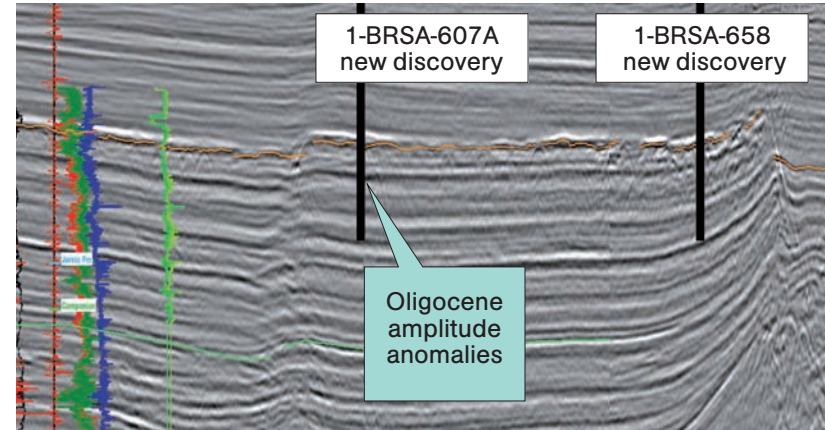
- The salt related structural style in the Santos Basin creates large scale structures in Karoon's acreage where high quality Santonian reservoirs are interpreted to be present.
- The oil and gas charge from both the pre salt (Tupi style) source rocks and the post salt source rocks is modeled to be sourcing the mapped structures providing sizeable prospective resources.
- The Merluza Field is in a similar play type in the southern Santos Basin.



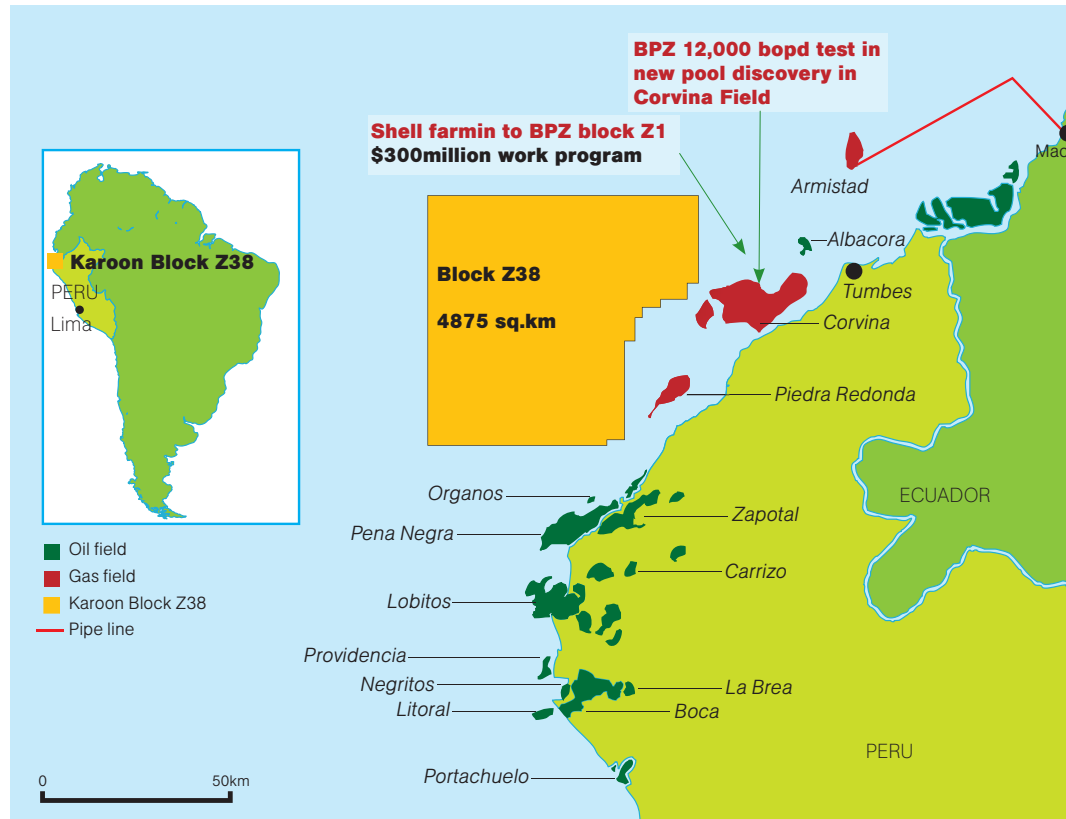
Karoon Santos acreage

Eocene Play Summary.

- 1-SPS-56 Eocene discovery
- Preliminary analyses; Oil's specific gravity is 36 °API (light).
- Lined well production test at 2080m proved high flows with potential production, per well, estimated at more than 12,000 barrels per day.
(Source: Petrobras)
- Log character suggests porosity – 35% from sheet lobe turbidite sands of Eocene age.
- This discovery opens up a new play type in the southern Santos Basin in which Karoon is well positioned.



Peru Tumbes Basin Z38



Location: Offshore Peru close to producing fields and discoveries.

Potential: 2 main leads with 100 to 200mmbbl oil or multi Tcf gas prospective resources potential. Additional leads potential recognised but yet to be defined.

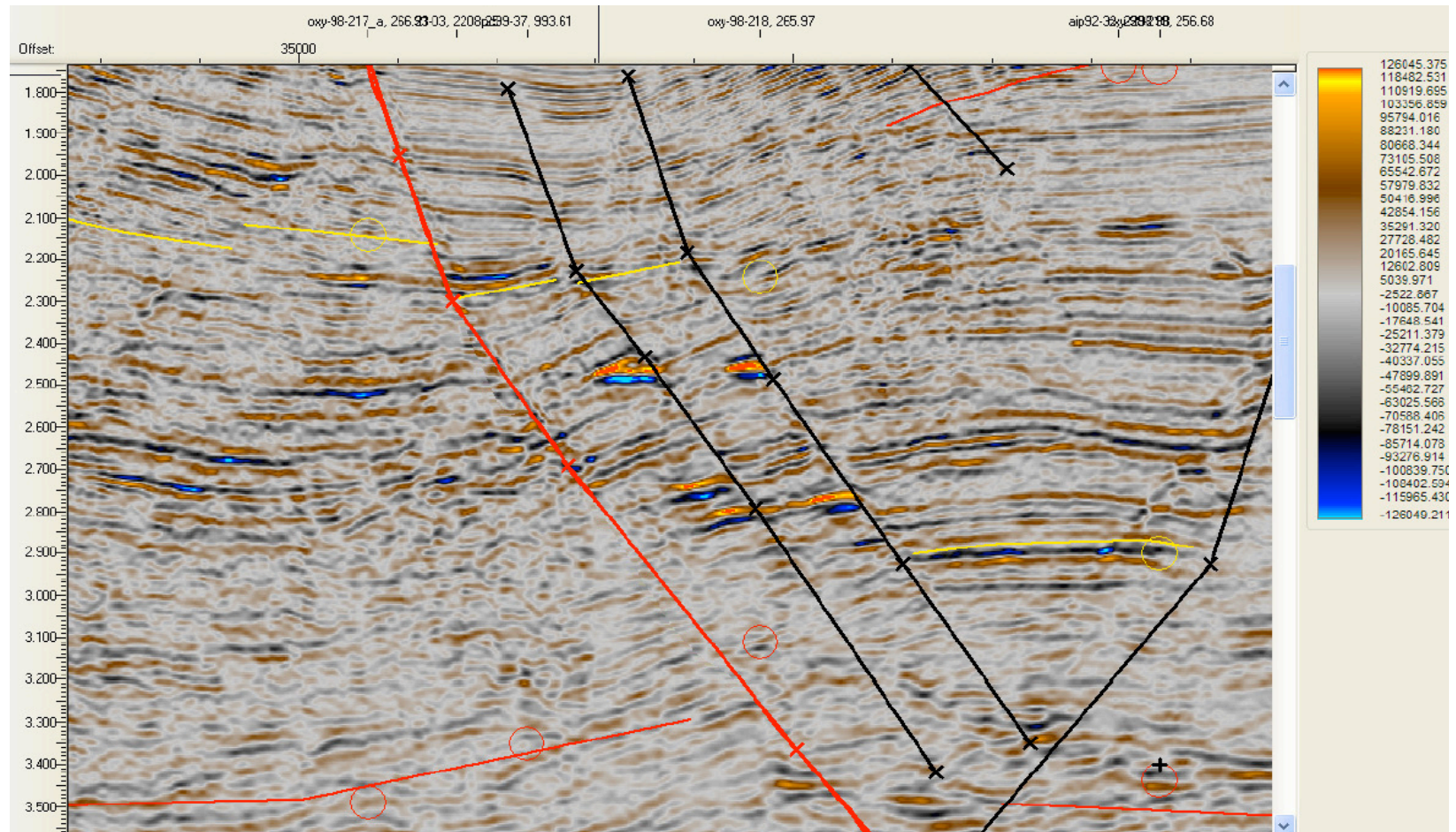
Interest: Karoon earning up to 60% equity from funding of 2D and 3D seismic.

JV and work program:
Vamex farm down to 40%.
First phase (1.5 year) Work Program.
Fund 2000km 2D seismic.
Second Phase Acquire 600 sq. km. 3D.

Forward plan: Acquire 2D and 3D seismic in 2009.
Drill in 2010.

Peru Tumbes Basin Z38

Seismic line example.



■ Clear gas DHI's with flatspot and structural fit with amplitude ratio updip to downdip of around 5 to 10 times.

Conclusions

Australia

- Karoon has grown rapidly in the last four years, evolving into a company with a world class acreage position in the Browse Basin with a world class LNG operator in ConocoPhillips, already established with LNG production facilities in Darwin.
- The Browse Basin JV has embarked on an aggressive A\$270 million exploration campaign of 3D seismic and a 200 day multi-well drilling program begun with the spudding of the first well Poseidon-1 on the 26th January 2009.
- The Browse Basin Prospects are large with Karoon estimates for prospective resource in each in the multi TCF range and potentially rich in condensate and LPG.

South America

Karoon's South American focus area work has resulted in Karoon acquiring good prospective acreage in:

- Brasil's Santos Basin with leads in the 100 to 200mmbbl prospective resources range;
- Peru's Tumbes Basin with leads in the 100 to 200mmbbl prospective resources range.

These new assets will underpin Karoon's growth into the future providing a high value, diverse and risk balanced portfolio.

DeGolyer & MacNaughton Assessment

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

DeGolyer and MacNaughton have reported that Karoon has mean estimated risked prospective resources of 1.23 billion barrels of oil equivalent (BOE) in 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 MacNaughton, 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 MacNaughton 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.

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

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Index of terms

TCF: trillion standard cubic feet (1,000,000,000,000 cubic feet)

Mmbbls: Millions of barrels (1,000,000 barrels)

Boe: Barrel of oil equivalent. A term used to combine oil and gas volumes on an energy equivalent basis. (1boe equals approx. 5500 standard cubic feet of gas)

Monte Carlo simulation: Where there is uncertainty in the variables used in the calculation of reserves, the ranges of possible values of each variable can be incorporated in a Monte Carlo simulation calculation to produce a range of probabilistic outcomes that reflect that uncertainty.

The “Mean” is the expected outcome. The P10 (probability greater than 10%) is often used as the maximum case, the P50 the mid case and the P90 the minimum case.

Risk: Prospect Risk or Geologic Risk is the assessed chance that the drilling of the prospect will be successful in finding significant volumes of hydrocarbons. The risk is calculated by multiplying the chance of success of each of the Petroleum System Elements involved in the prospect.

Prospective resource: A ‘Prospective Resource’ is the term used to describe undiscovered volumes in an exploration prospect yet to be drilled.