

KAROON GAS AUSTRALIA LTD



September Review 2012

Karoon Gas – snapshot

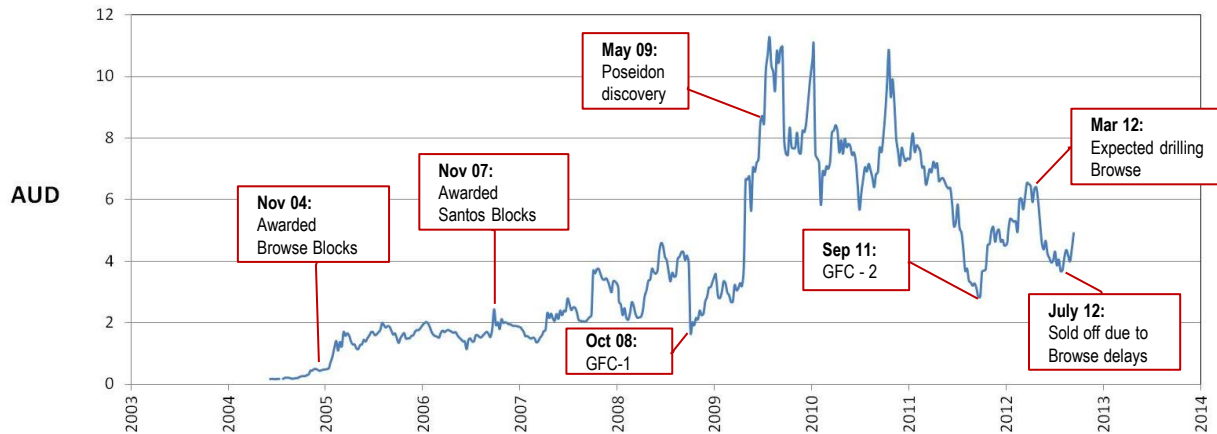
- Brazil Farm-out completed - 35% equity to Pacific Rubiales Energy Corp
 - US \$40 million as consideration for the assignment of the Blocks
 - Executed final agreements for Pacific Rubiales to acquire a 35% interest in the Karoon's wholly owned Santos Basin Exploration Blocks, S-M-1101, S-M-1102, S-M-1037 and S-M-1165 with an option to acquire a 35% interest in S-M-1166
- Three well Santos Basin Exploration Drilling Campaign set to commence 4th quarter 2012
- Brazil oil discovery – Maruja-1 flows at 6142 stb/d (facility constrained)

- Australian Browse Basin Drilling progressing
 - Boreas-1 intersects target objective. Current program includes geotechnical analysis and a decision on drill stem testing.
 - 5-8 well Browse exploration and appraisal drilling has begun
- Poseidon field, Kronos-1 well flows at 26 million scf per day (facility constrained)
- New North Carnarvon Basin Exploration Block WA-482-P acquired



Investor information

Karoon Share Price Movement

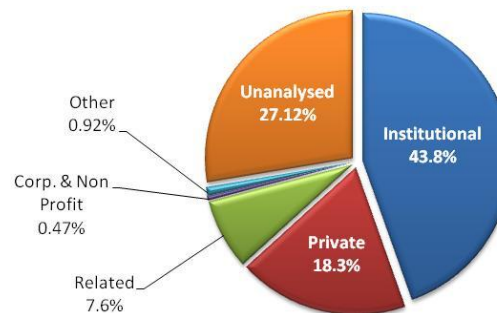


- ❑ 221,420,769 shares
- ❑ 11,654,000 unlisted options
- ❑ Market capitalisation approx A\$1.1 billion @ A\$5.00
- ❑ Cash at bank A\$228 million as at 30 June 2012
- ❑ Company in S&P/ASX 200 Index

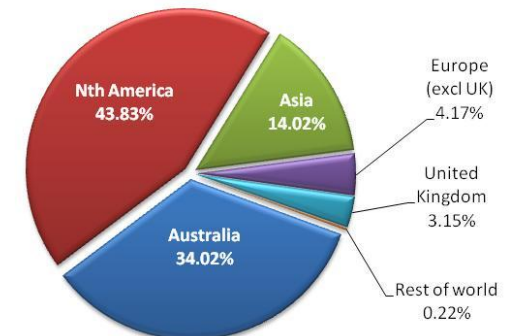
Substantial Shareholders

Rank	Name	% ISC
1	Wellington Management Company LLP	12.09
2	Talbot Group	11.89
3	Robert Hosking	5.66
4	FMR LLC	5.34

Total Shareholder Composition



Institutional Shares by Geography





What we have done

- 2004 – ASX Listing
- Australia- Browse Basin
 - 2005 - Acquired WA-314-P and WA-315-P (100%)
 - 2006 - Farm-out to ConocoPhillips
 - 2007 - Acquired WA-398-P (40%)
 - 2009 - Discovery of Poseidon
 - 2010 - Discovery at Kronos-1
 - 2012 - Discovery at Boreas-1
- South America – Brazil
 - 2007 - Awarded 5 Blocks in the Santos Basin Brazil
 - 2010 - Acquired wide azimuth 3D seismic survey (first in Brazil)
 - 2010 - Farm-in to Petrobras block S-M-1352 (20%) and participated in Maruja discovery
 - 2012 - Farm-out 35% to Pacific Rubiales Energy Corp
- Peru – Tumbes Basin
 - 2008 - Farm-in Z-38 (75%)
 - 2010 - Acquired 3D seismic

What we are doing

- Australia, Browse Basin - Appraisal and exploration drilling 5-8 wells 2012-2014
- Australia, North Carnarvon Basin - farm-in to WA-482-P (100%)
- Australia, Browse Basin - farm-out of an interest in WA-314-P
- South America - Brazil, Santos Basin, preparing to commence drilling of up to 3 wells in 4th quarter 2012
- Peru - Tumbes Basin
 - Data room to be open 1st quarter 2013 - farm-out to follow
 - Preparations continuing for a two well program in late 2013

Where we are going

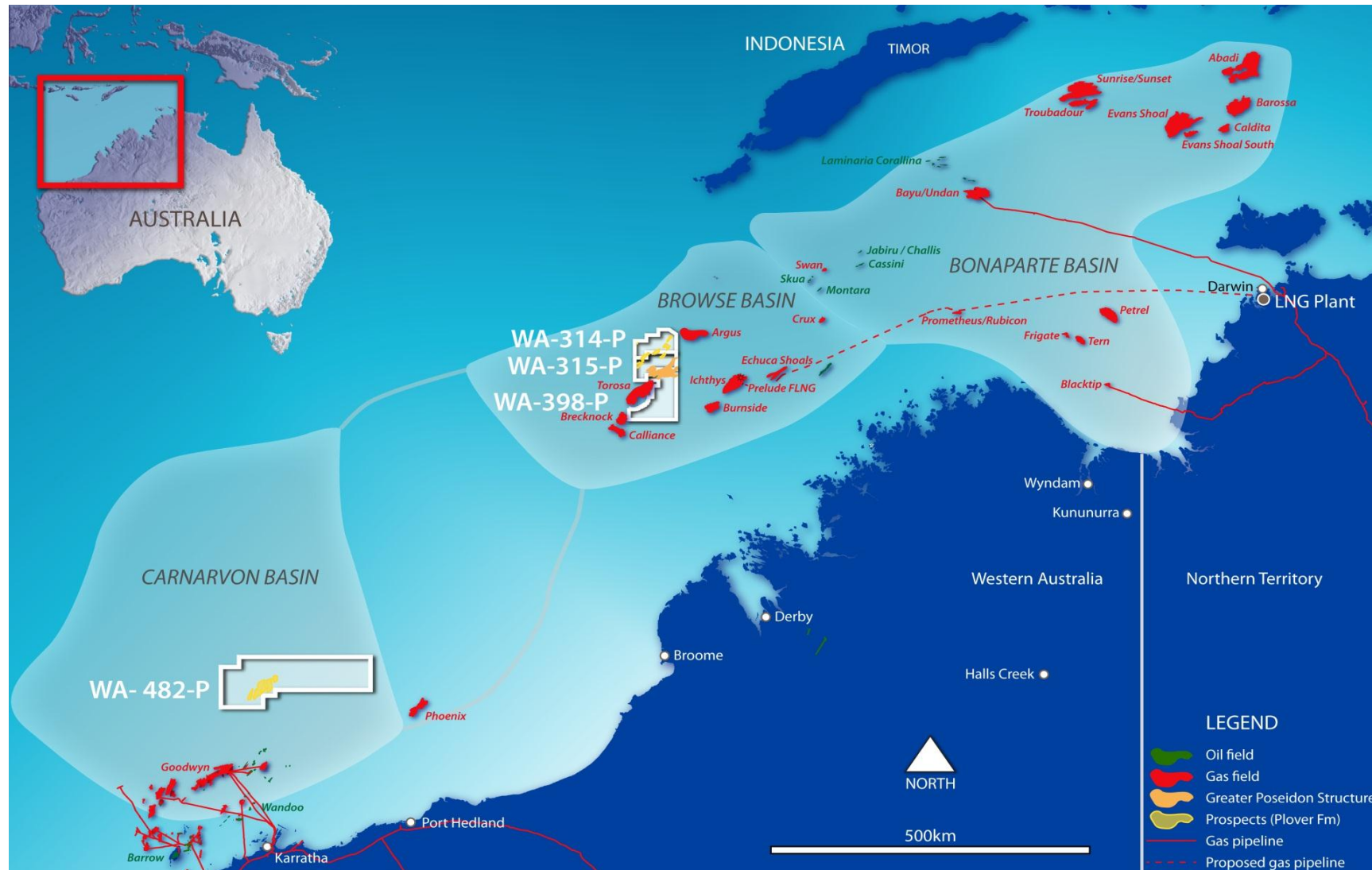
- Early entry into highly prospective basins, with high equity, larger potential targets and a proven petroleum system
- Realise value from prospective areas by managing equity positions and financing alternatives to provide the highest economic value for shareholders
- Leverage off high equity ownership positions in discoveries to provide the greatest value for shareholders through commercial outcomes

Key personnel

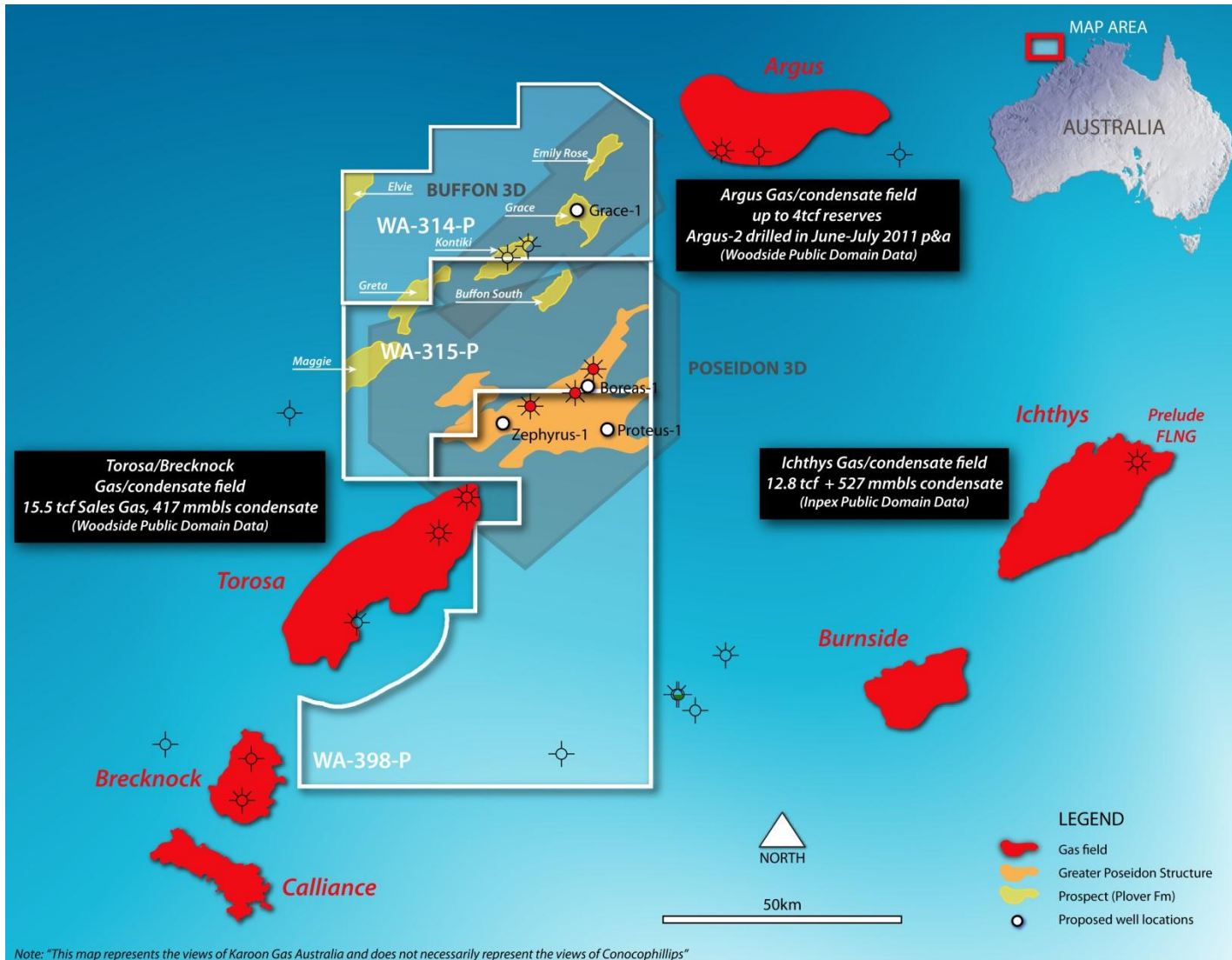


BOARD AND SENIOR MANAGEMENT	KEY PEOPLE
<p>ROBERT HOSKING – EXECUTIVE CHAIRMAN Founding Director and shareholder of Karoon Gas with 35 years of commercial experience. Involved in the oil and gas industry for 18 years. Founding Director and shareholder of Nexus Energy</p>	<p>LINO BARRO – ENGINEERING MANAGER 32 years experience in reservoir and development engineering and project economic evaluation with BHPB, & Kufpec and Delhi</p>
<p>MARK SMITH – EXECUTIVE DIRECTOR AND EXPLORATION MANAGER 30 years experience as a Geologist and Exploration Manager in petroleum exploration and development, mainly with BHPB in Australia, Southeast Asia and North America</p>	<p>OSVALDO ANTONIO RODRIGUES DE SÁ – SENIOR GEOPHYSICIST 36 years experience as a Geophysicist and Explorationist with Petrobras exploring the Reconcavo Basin, Santos Basin, Espírito Santos, Campos and Pernambuco basins</p>
<p>JOSE COUTINHO BARBOSA – NON-EXECUTIVE DIRECTOR 38 years experience including roles as Exploration Director for Petrobras International and Braspetro. Rising to interim CEO of Petrobras</p>	<p>LUIZ ANTONIO PIERANTONI GAMBOA – SENIOR GEOPHYSICIST 41 years as Geophysicist and Explorationist working in Gulf Oil (USA) and Petrobras Brazil concentrating on the study of deep water areas in the Santos Basin during 1990-2010</p>
<p>STEPHEN POWER – NON-EXECUTIVE DIRECTOR 25 years as a commercial lawyer providing advice to participants in the resources industry in Australia and overseas</p>	<p>DENNIS HINING – DRILLING MANAGER 40 years experience in the oil and gas industry. Former head of ExxonMobil Worldwide Ventures Group for Deepwater Exploration Drilling, Drilling Engineer for Shell Oil. Experienced in Brazilian deep pre-salt development projects</p>
<p>GEOFF ATKINS – INDEPENDENT DIRECTOR 35 years experience as a Marine Engineer with involvement with design and construction of LNG facilities</p>	<p>TIMOTHY HOSKING – GENERAL MANAGER – 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</p>
<p>CLARK DAVEY – INDEPENDENT DIRECTOR 30 years oil and gas accounting experience with PWC and private consulting. Energy and Resources tax specialist including experience with structuring and PRRT</p>	<p>HYWEL THOMAS – EXPLORATION MANAGER PERU 34 years experience as a Geophysicist with BP and BHP</p>
<p>SCOTT HOSKING – COMPANY SECRETARY AND CFO International financial and commercial management background with expertise in international financial and commercial management background with expertise in corporate finance</p>	<p>JORG BEIN – PRINCIPAL GEOPHYSICIST 43 years experience as Geophysicist and Manager with Exxon and BHPB</p>
<p>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</p>	<p>RALPH SPINKS – DRILLING ADVISOR 44 years experience in drilling management and engineering with Panax Geothermal, Geodynamics, Maurel & Prom, Century Drilling, Empire Oil & Gas</p>
<p>JORGE CAMERGO – ADVISOR TO THE 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</p>	<p>PETER MCGREGOR – PRINCIPAL GEOLOGIST 29 years experience with Exxon, Benton, Petrobras and Repsol focused on South America</p>
<p>GERMAN BARRIOS – ADVISOR TO THE BOARD 25 years experience. Partner of Barrios Fuentes Abogados – a law firm in Peru specialising in oil and gas law</p>	<p>BRIAN LUECKE – EXPLORATION MANAGER – SOUTH AMERICA 40 years International and US experience in the oil and gas industry as Chief Geologist, Country Manager and Chief Executive for Phillips Petroleum, IEDC, ARCO and Anzoil</p>

Australian assets



Australian assets – Browse Basin



Location:

- Browse Basin, Australia. 450-600m water depth. On trend with Torosa, Brecknock and Calliance gas condensate fields. Other fields: Ichthys, Argus, Prelude and Burnside

Karoon discovered resource:

- Poseidon/Kronos Contingent Resource Range; P90 - 3 tcf P50 - 7 tcf and P10 - 15 tcf

Prospective resource:

- Outside greater Poseidon trend 8 prospects identified with Total Mean Unrisked Prospective Resource of 15 tcf

Interest:

- 40% in WA-315-P and WA-398-P
- 90% in WA-314-P

Forward Plans:

- Drilling order:
 1. Boreas
 2. Zephyrus
 3. Proteus
 4. Grace
 * Additional wells to be determined
- Program to last 18-24 months
- Farm-out an interest in WA-314-P

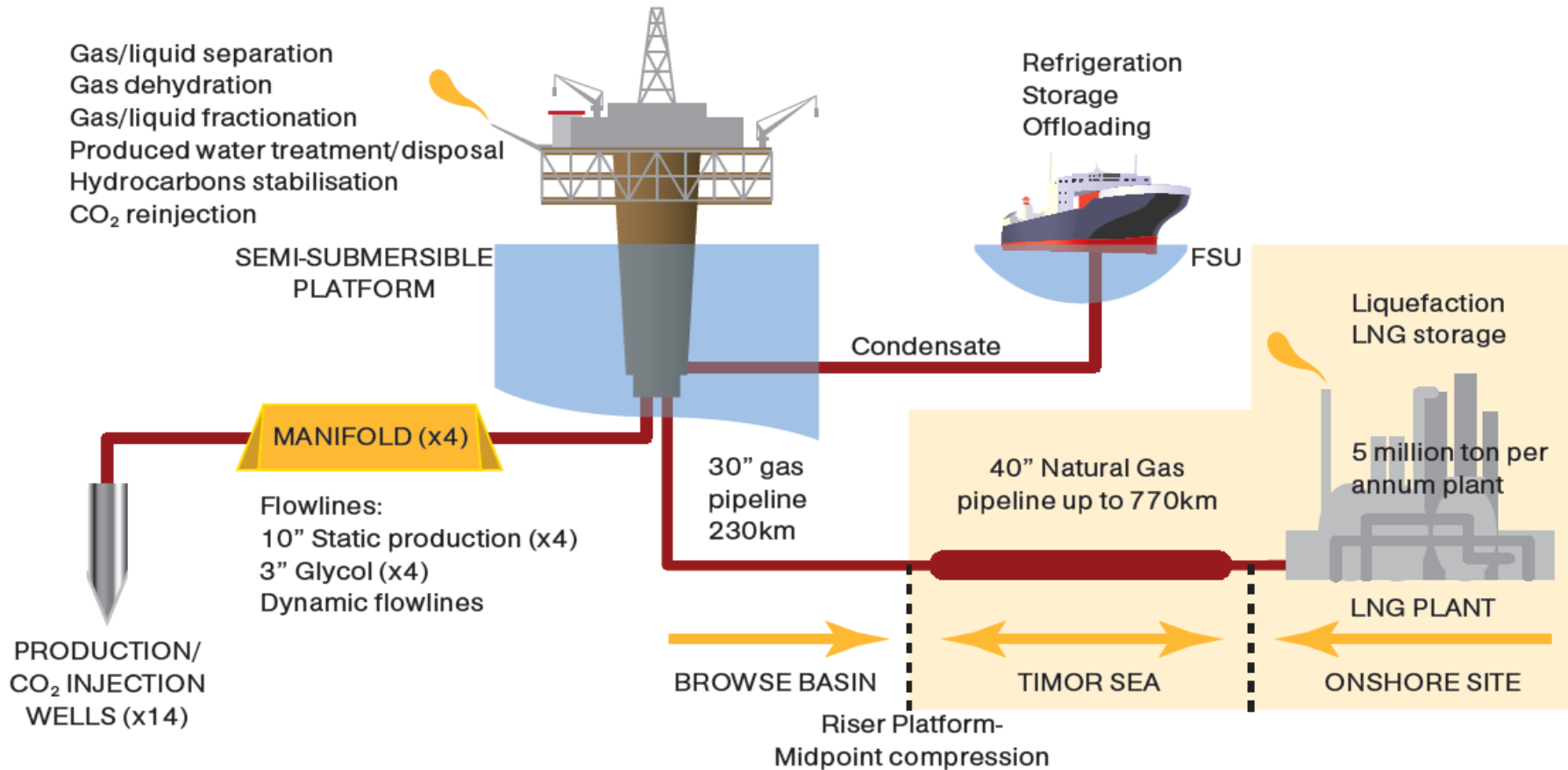
Objective:

- Define resource and progress to LNG development FEED stage

Browse Basin

Indicative development model and economics

Karoon LNG/condensate indicative development model economics
 (assuming a discovery of 7 tcf and based on a leading third party design concept)



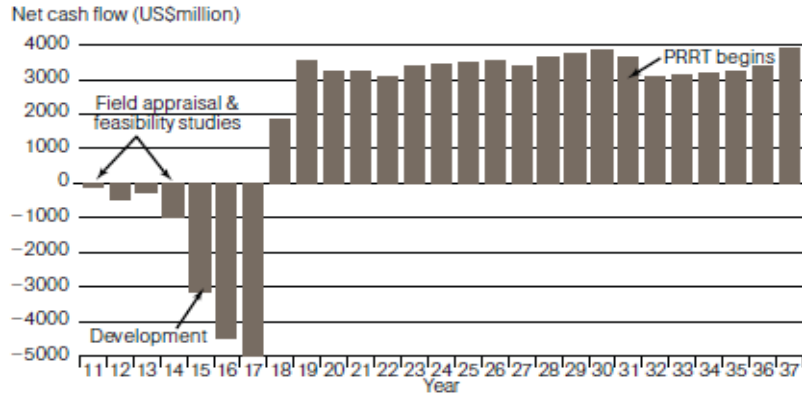
FIELD DEVELOPMENT, PIPELINE AND LNG FACILITIES SCHEMATIC (ONSHORE LNG OPTION)

Browse Basin

Indicative development model and economics

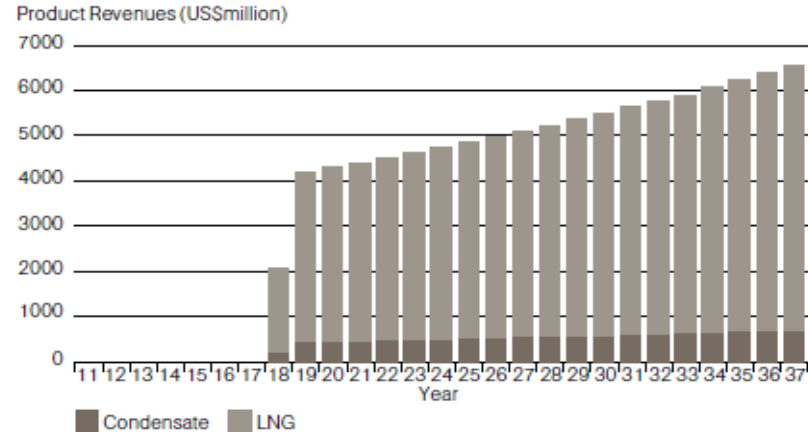
Combined Net Cash Flow

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



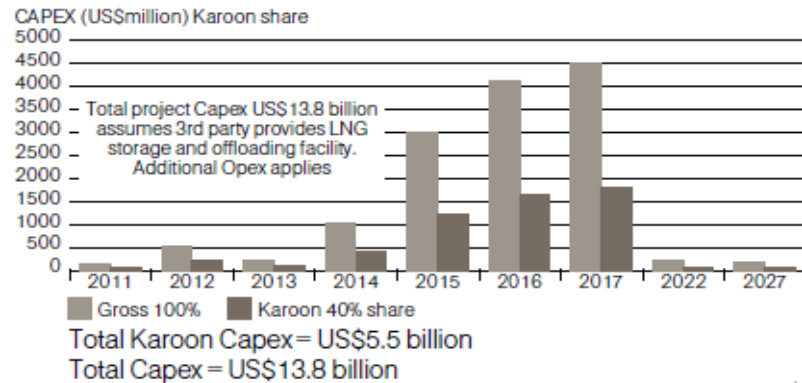
Product revenues

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

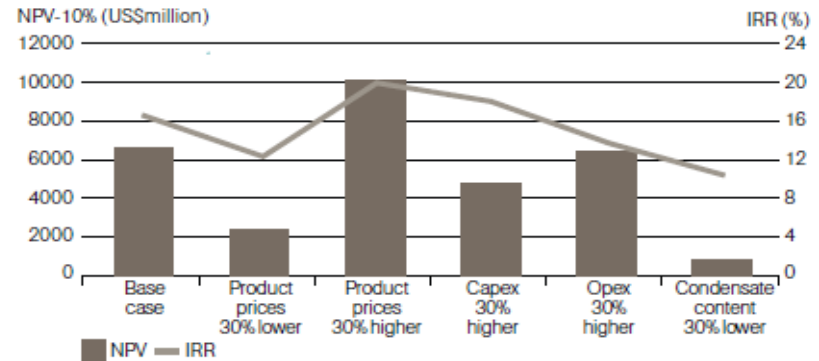


Capex profile

– 2011 US dollars

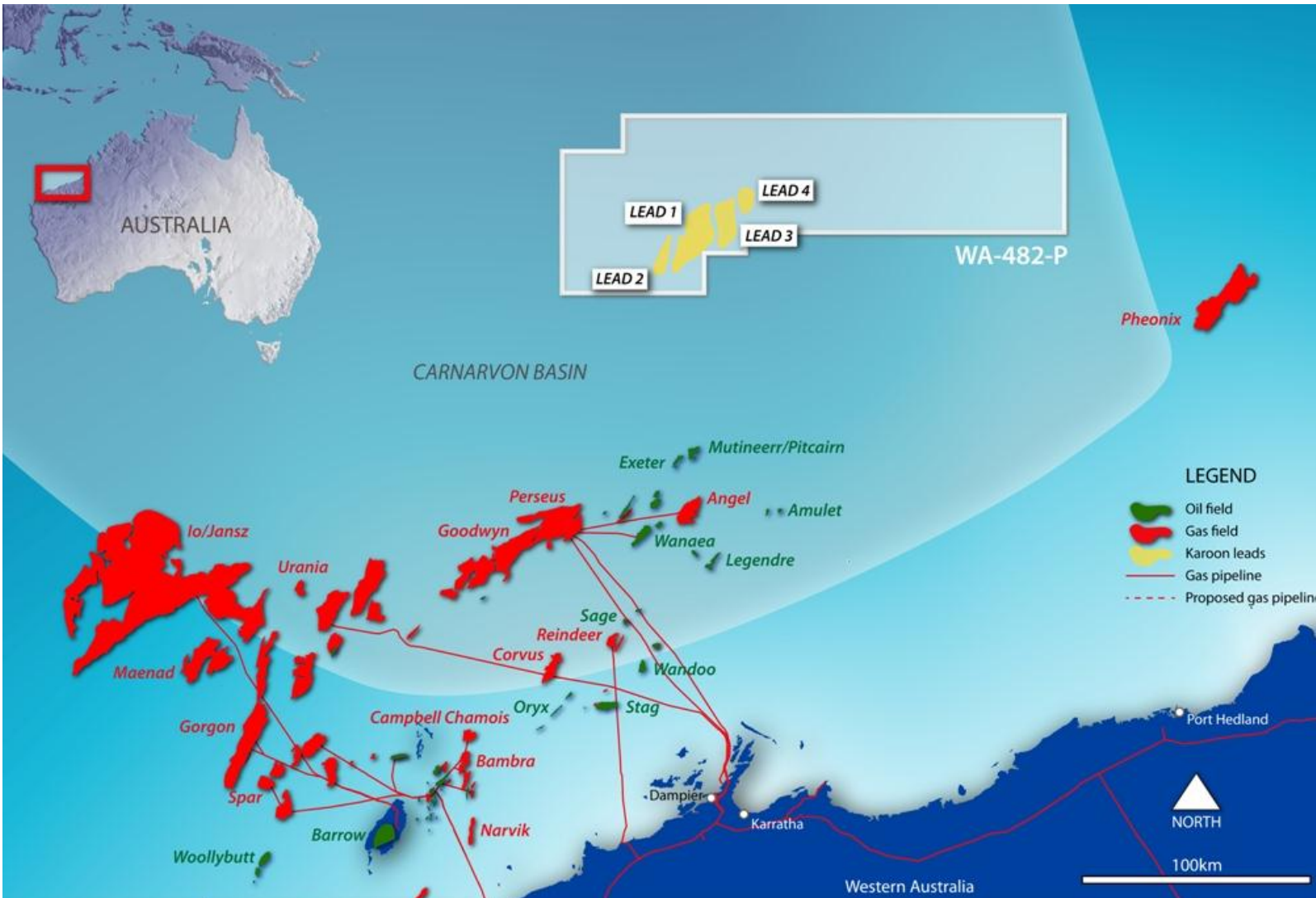


Economic sensitivity analysis



Project NPV US\$6.5 billion, IRR 17%
Assumptions: Condensate US\$80/bbl, LNG US\$12/mmbtu
Royalty: 1.5% ORR for first 5 years going to 2% thereafter (not included)

Australian assets – North Carnarvon Basin



WA-482-P

Location:

- North Carnarvon Basin, Australia. 400-2000m water depth. On trend with North Carnarvon Basin Mungaroo plays and Phoenix gas discovery

Prospective resource:

- 4 prospects and leads with multiple tcf potential

Interest:

- Earning 100% equity

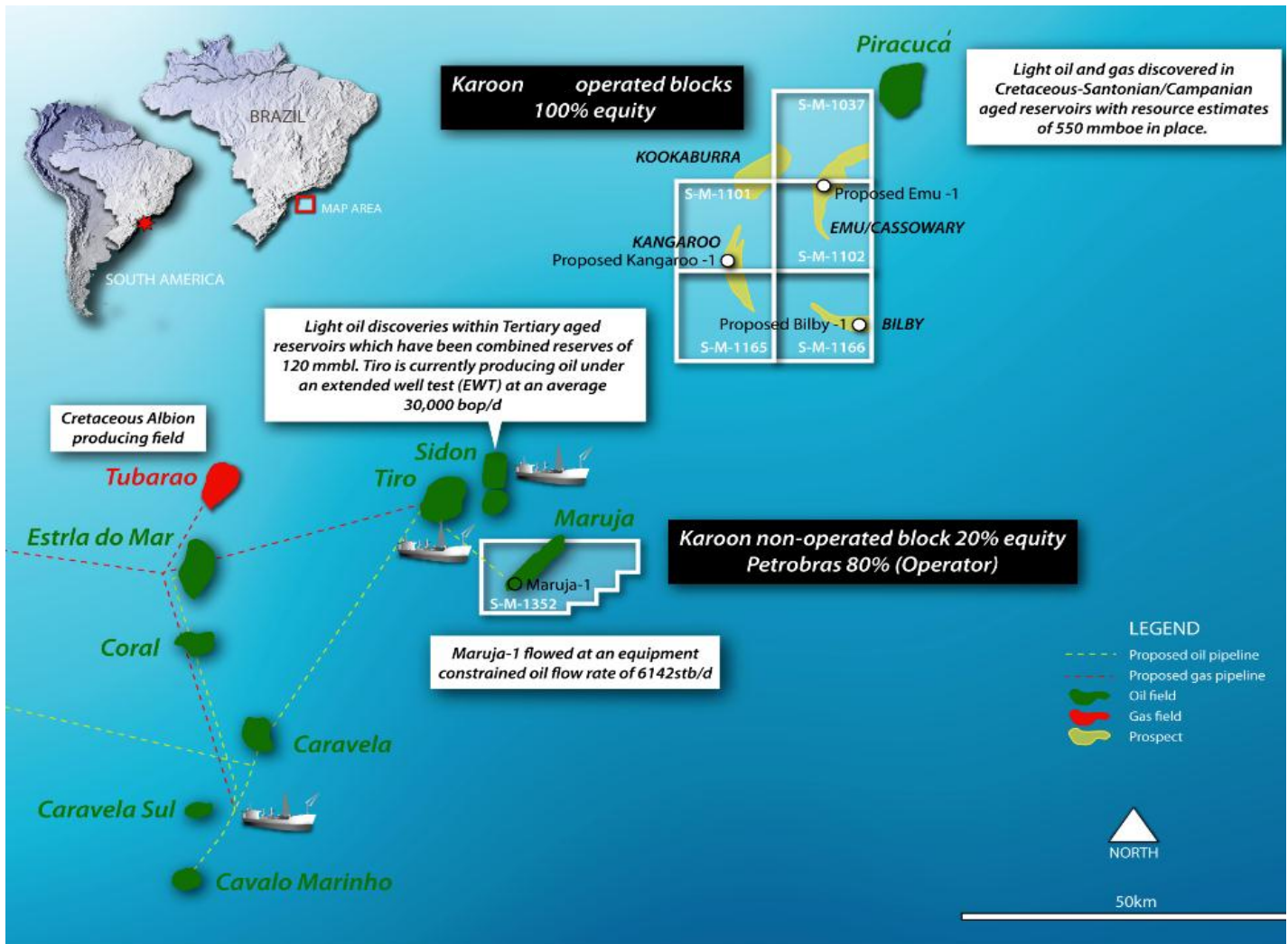
Terms:

- Farm-in from Liberty Petroleum Corp
 - Earn 100% by completing years 1 and 2 work program of geological and geophysical studies and 2010 sq Km 3D seismic
 - After completion of years 1 and 2 geological studies and 3D seismic, option to acquire 100% interest and enter year 3 well commitment

Brazil assets



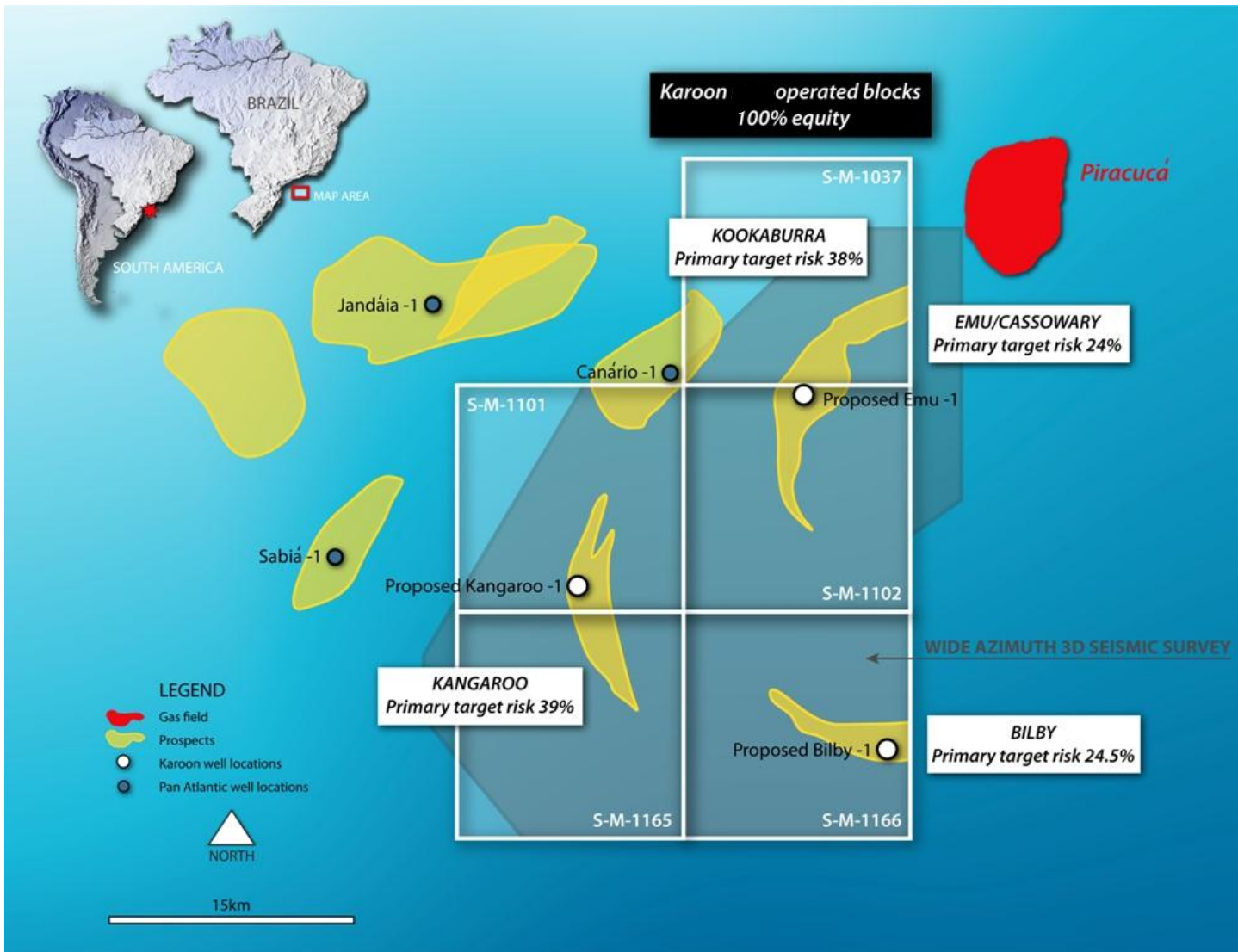
Brazil assets – Santos Basin



- Location:**
- Santos Basin, Brazil. 300-400m water depth.
 - On trend with Piracuca, Newton, Muluza, Maruja, Tiro and Sidon fields
- Karoon discovered resource:**
- Maruja oil field
- Prospective resource:**
- 15 prospects and leads firmed up including 2 in pre-salt section
 - Current Karoon Unrisked Mean Prospective Resource in the post salt, total approx 1 billion barrels
 - Pre-salt values subject to additional work
- Interest:**
- 100% interest in 5 blocks (reducing to 65% subject to regulatory approval of the farm-out to Pacific Rubiales Energy Corp)
 - 20% interest in Block S-M-1352 (Subject to final regulatory approval)
- Forward plans:**
- Drill 3 wells start in 4th quarter of 2012
 - Program to last 6 to 9 months
 - Maruja field, define appraisal/ development program
- Objective:**
- Explore for new resources in three target locations at Kangaroo, Emu/Cassowary and Bilby, while defining and appraising the existing discoveries at Maruja, for potential future development
- Prospect drilling order:**
1. Kangaroo
 2. Emu/ Cassowary
 3. Bilby
- *Drilling order subject to change

Perspective resource estimates represent current interpretations by Karoon of available exploration data and are subject to material change and reinterpretation as exploration and appraisal proceeds

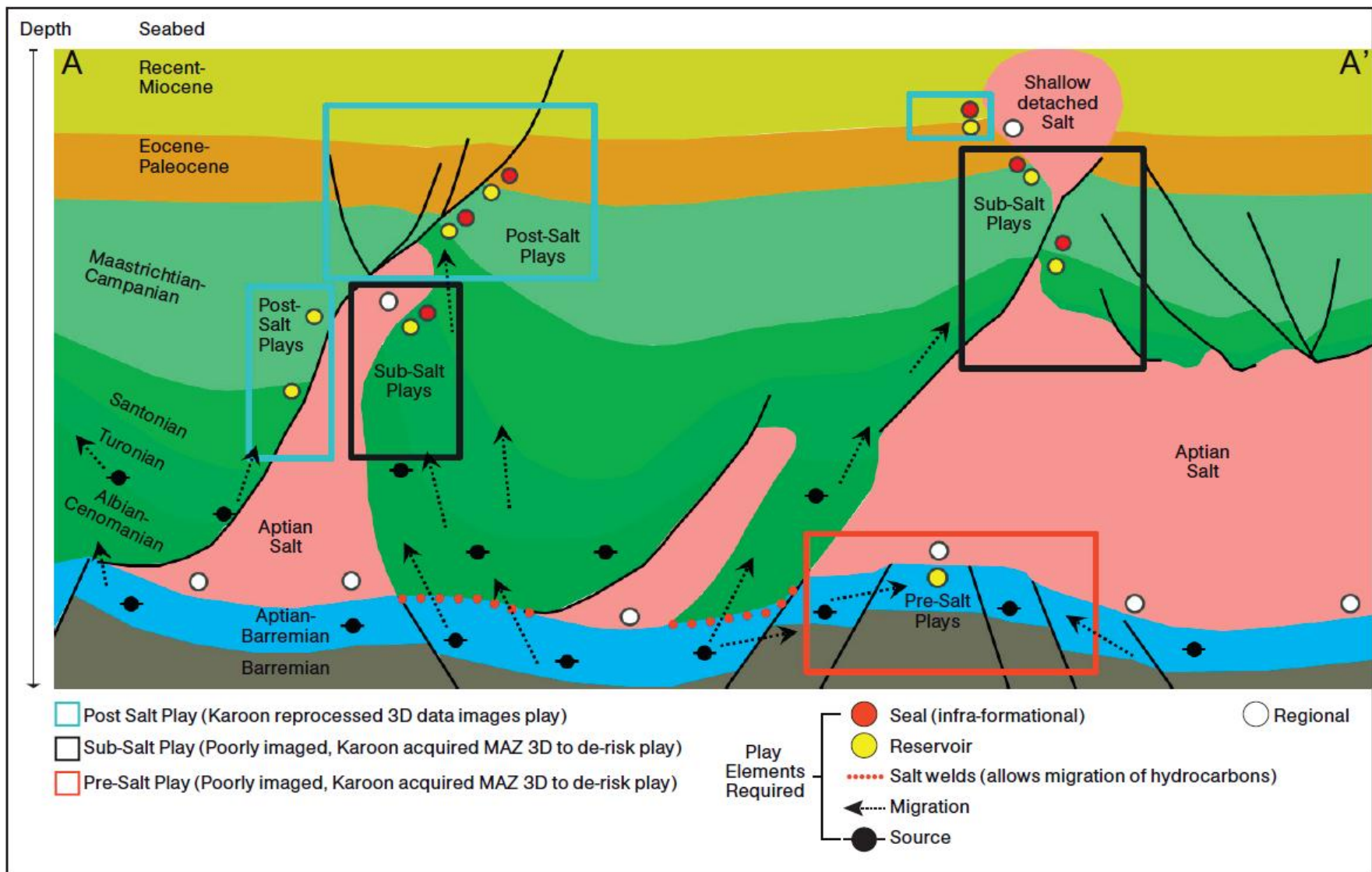
Brazil assets – Farm-out Agreement



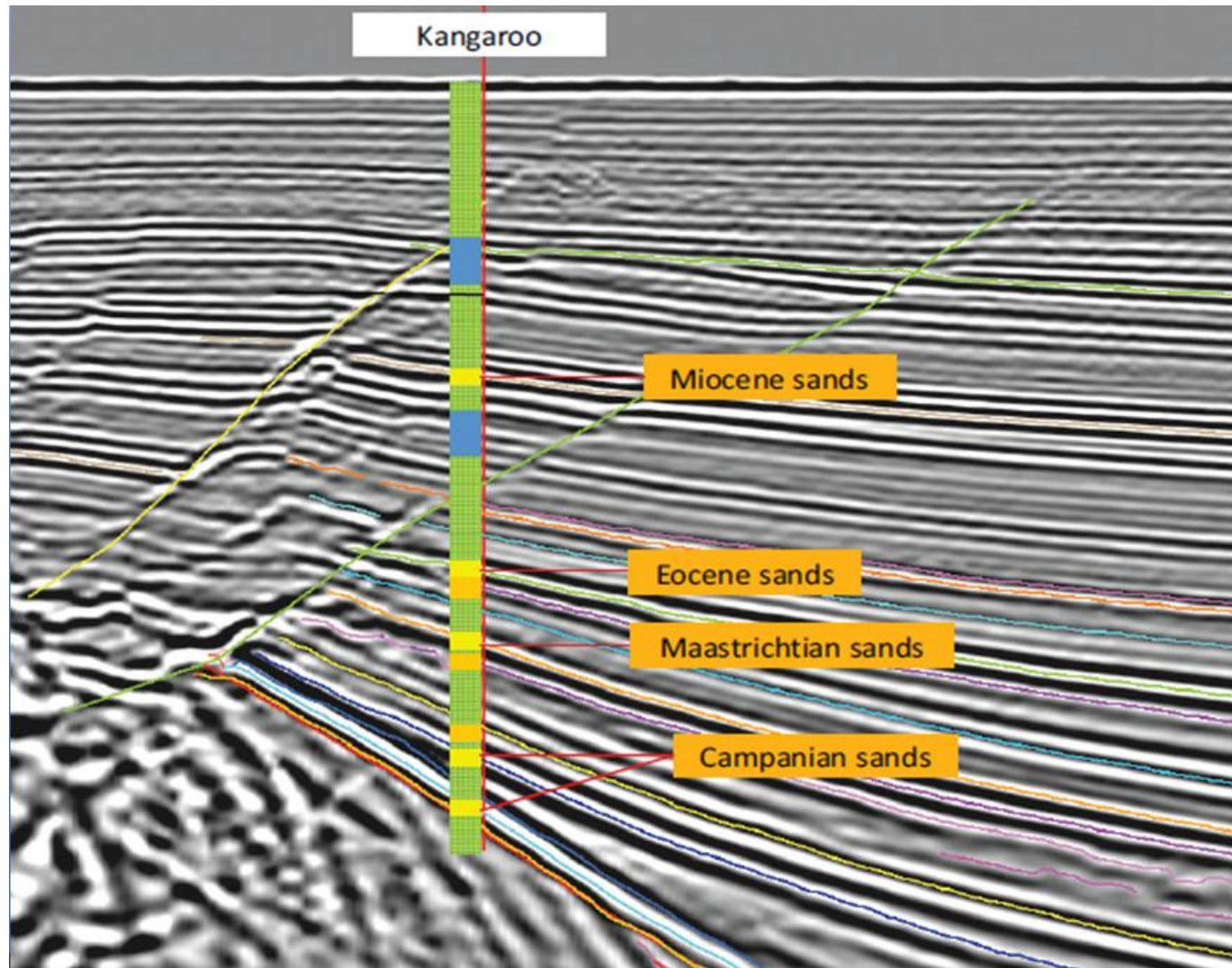
Santos Basin Farm-out

- Agreement for Pacific Rubiales Energy Corp to acquire a 35% interest in Karoon's wholly owned Santos Basin Exploration Blocks, S-M-1101, S-M-1102, S-M-1037 and S-M-1165 with an option to acquire a 35% interest in S-M-1166
- Pacific Rubiales Energy Corp will pay:
 - US\$40 million in cash consideration
 - US\$140-US\$210 million in carried well costs
 - 35% of all costs over and above the well carry commitment

Brazil Santos Basin - Karoon Acreage play types

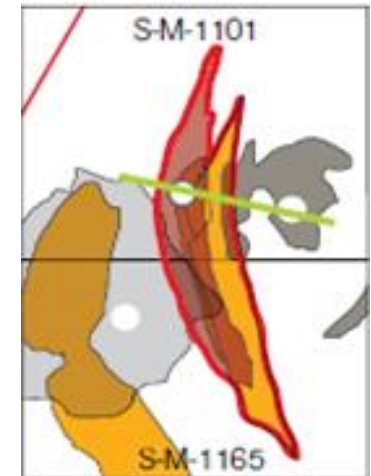


Brazil Santos Basin - Drilling candidates



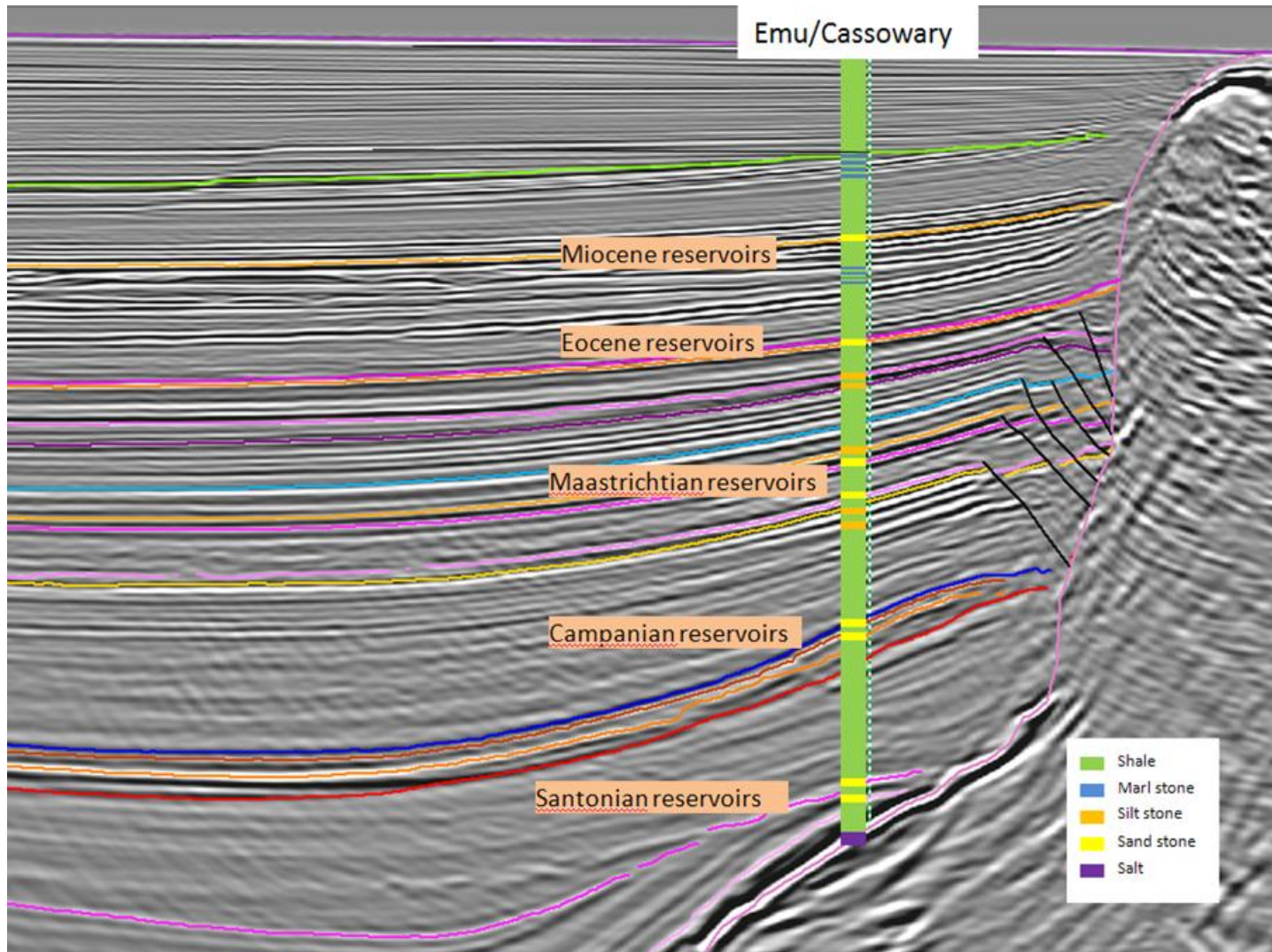
Kangaroo Prospect (formerly Pico do Jaragua E.)

Target sand intervals indicated
in yellow



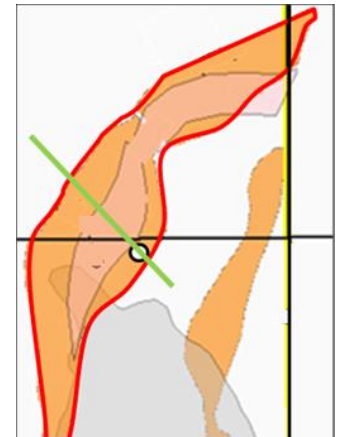
Primary target is the
Campanian sand intervals which
show a good seismic DHI
(Direct Hydrocarbon indicator)

Brazil Santos Basin - Drilling candidates



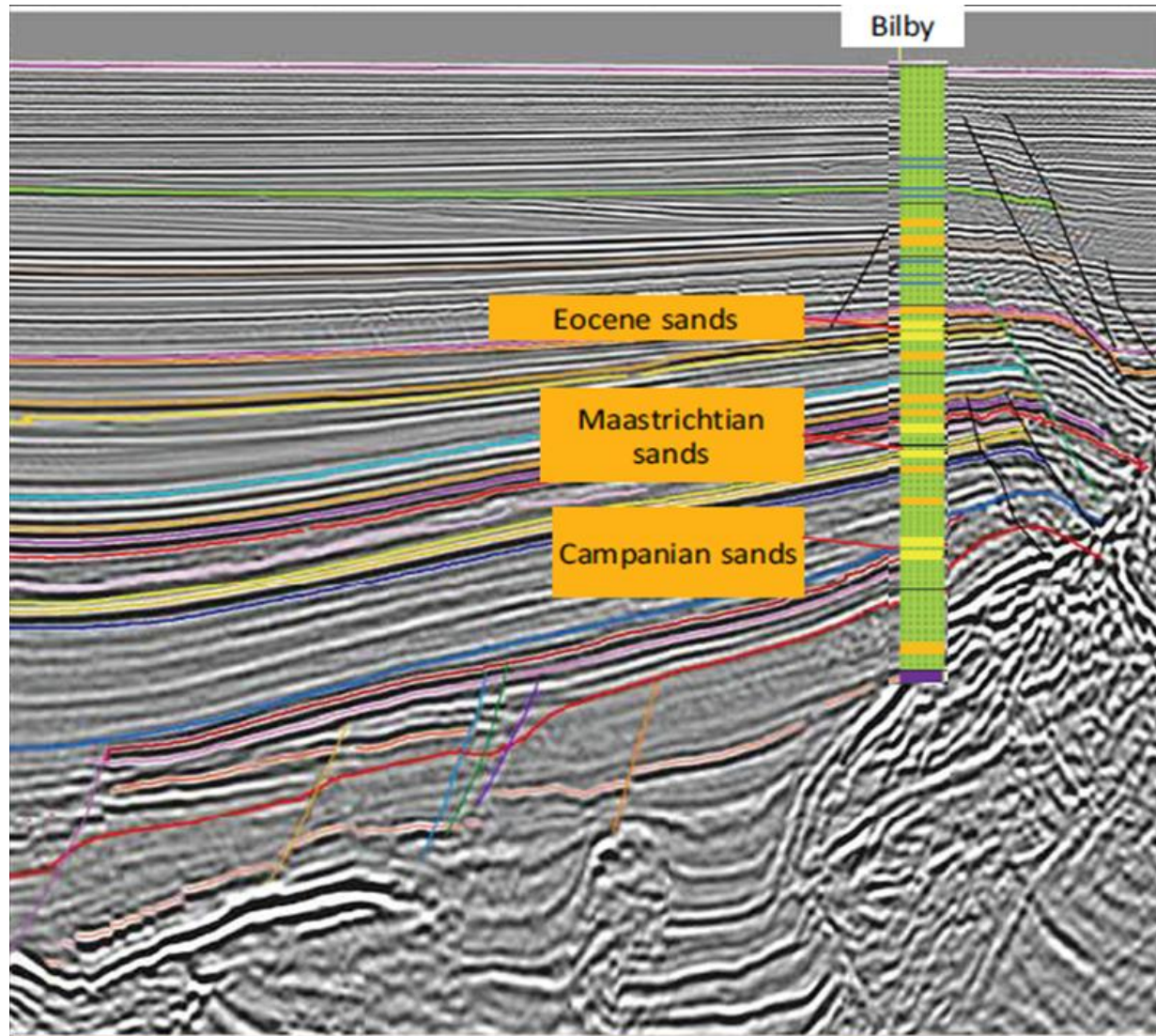
Emu/Cassowary Prospect

Target intervals indicated in yellow (sandstones)



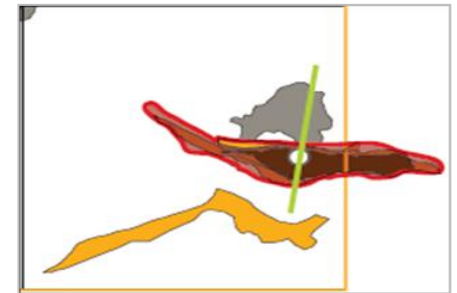
Primary target is the Campanian and Santonian sand intervals

Brazil Santos Basin - Drilling candidates



Bilby Prospect

Target sand intervals indicated in yellow (sandstones)



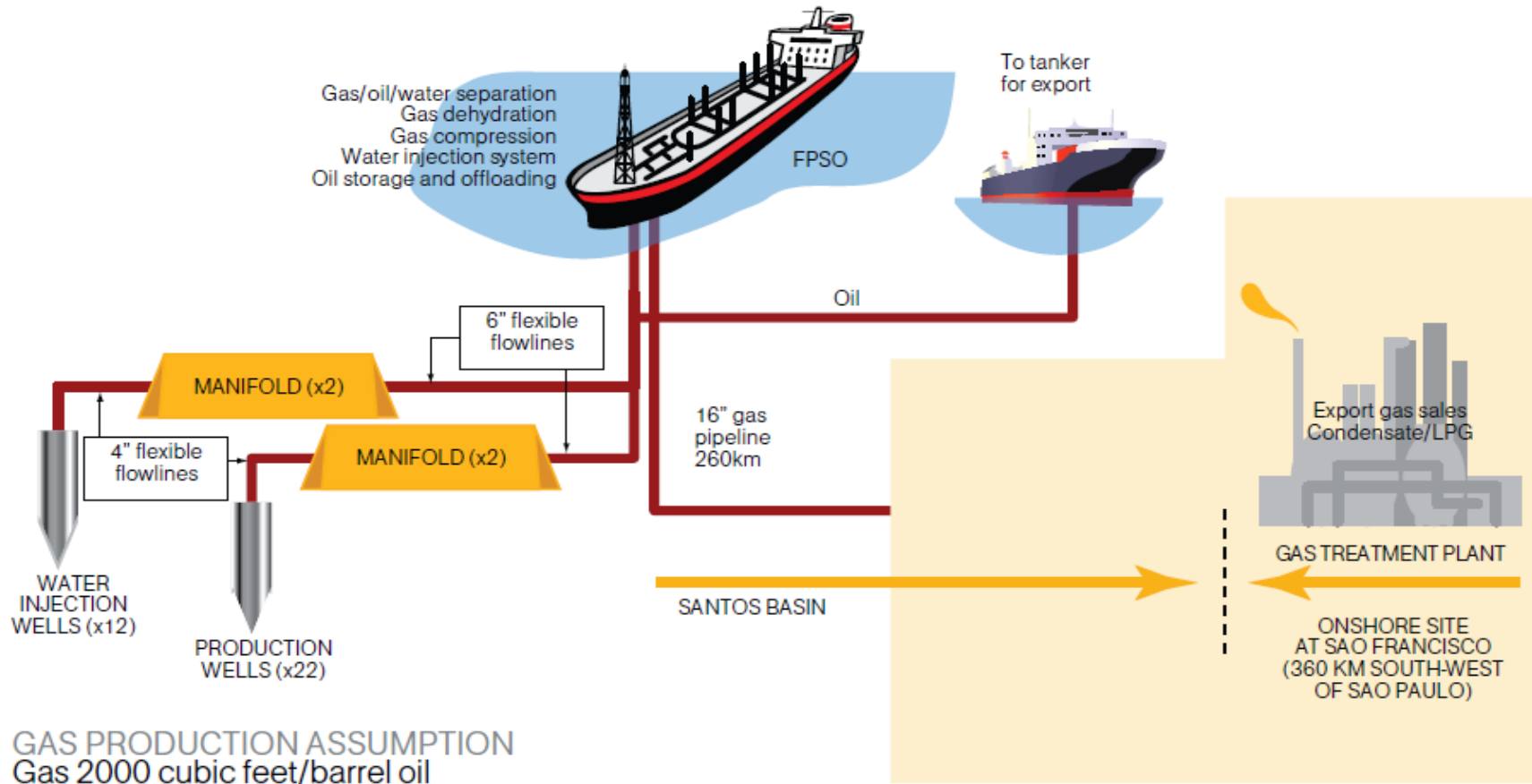
Primary target is the Campanian sand intervals which show a good seismic DHI (Direct Hydrocarbon Indicator)

Santos Basin

Indicative development model and economics

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).



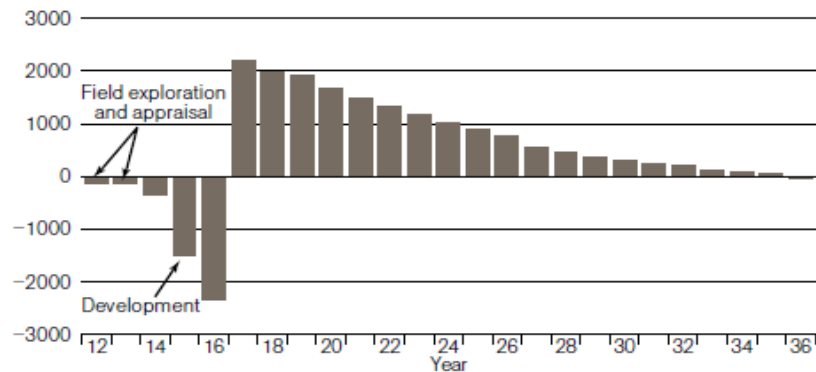
Santos Basin

Indicative development model and economics

Net cash flow

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

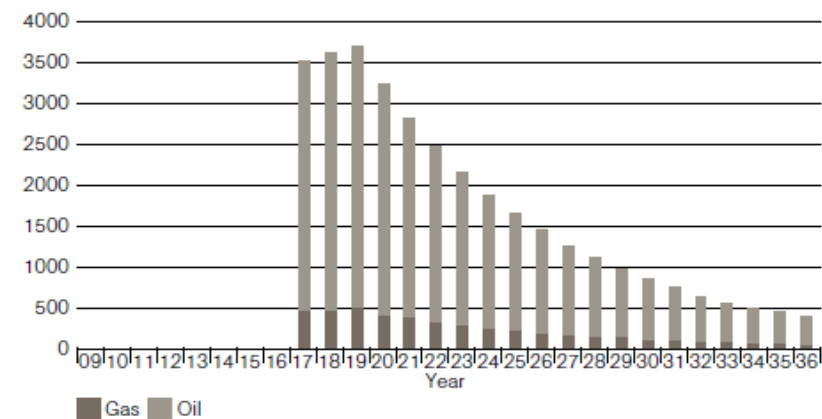
Net cash flow (US\$million)



Product revenues

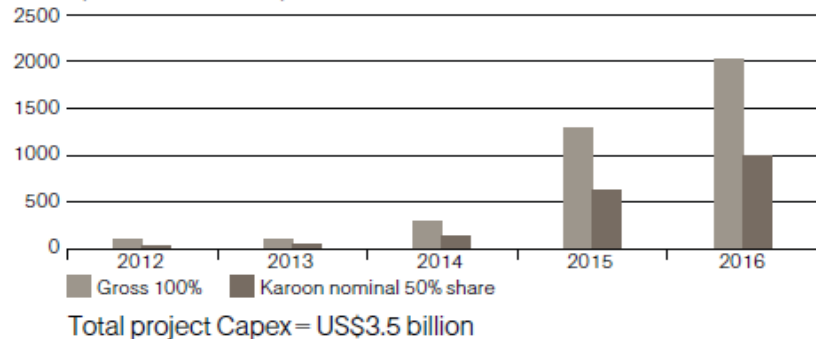
Oil and Gas Revenues- 100% share.

Oil and Gas Revenues (US\$million)



Capex profile

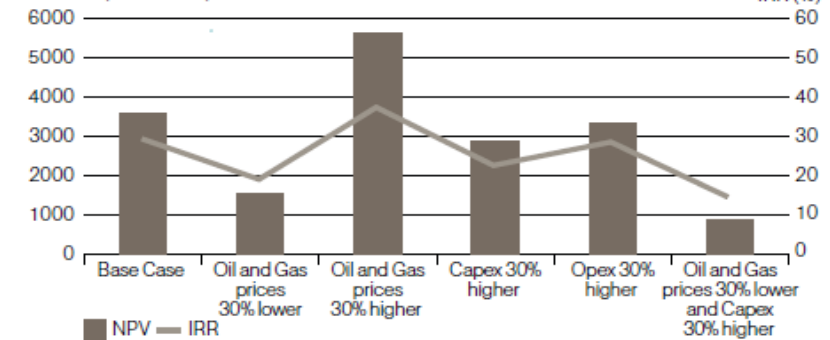
CAPEX (US\$million - 3Q 2011) Karoon share



Economic sensitivity analysis

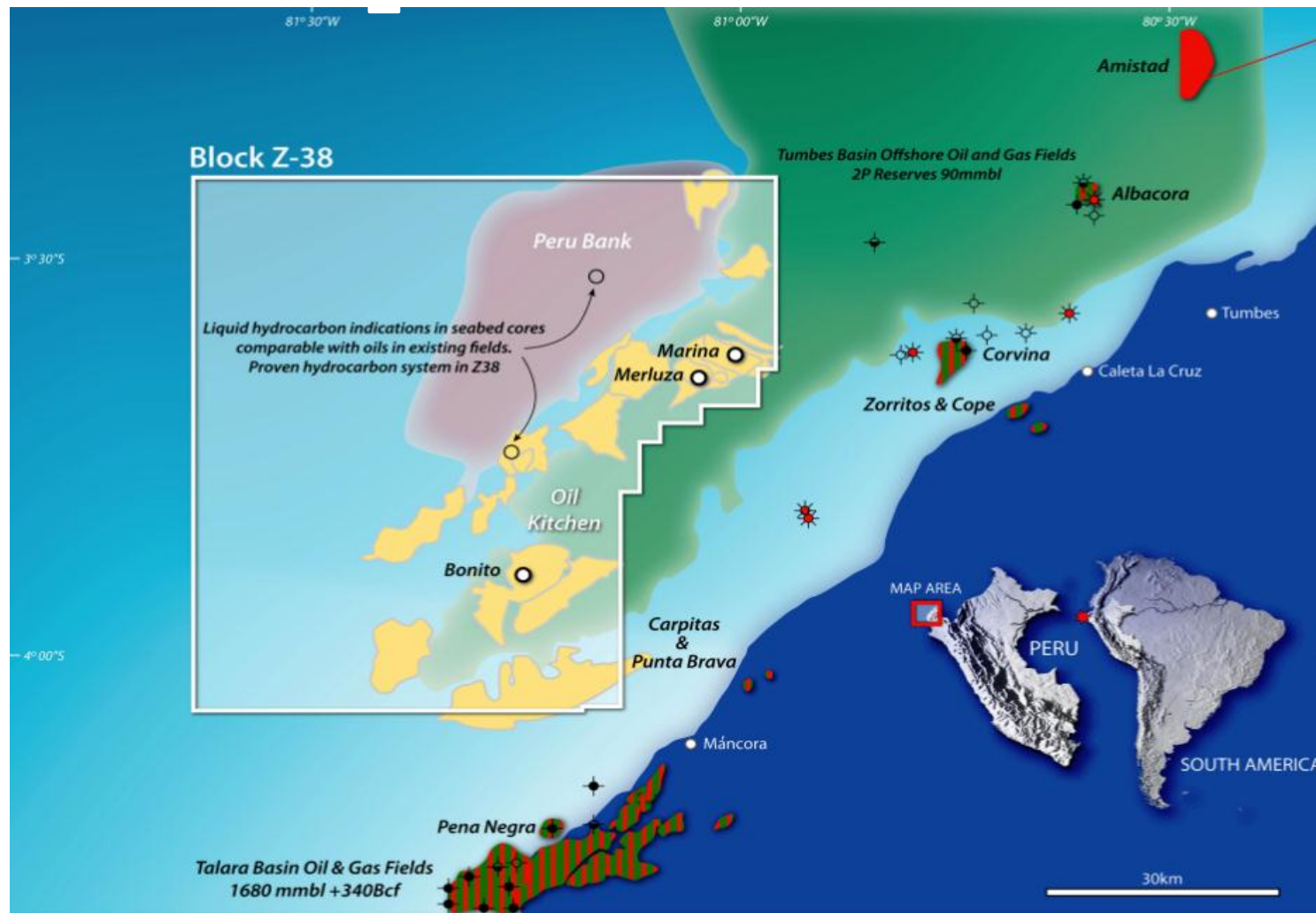
NPV-10% (US\$million)

IRR (%)



Project NPV US\$3.6 billion, IRR 29%
Assumptions: Oil US\$90/bbl, Gas US\$7/mmbtu

Peru assets – Block Z-38 – Tumbes Basin



Location:

- Tumbes basin water depths 300-1000m. Close to fields that have produced over 1.6 billion barrels of oil

Prospective resource range

- 19 prospects and leads identified with Current Unrisked Mean Perspective Resources totalling 1.92 billion barrels

Interest

- 75% equity in Z-38 subject on completion of farm-in terms with Pitkin Petroleum Plc (formally Vamex)

Forward plans

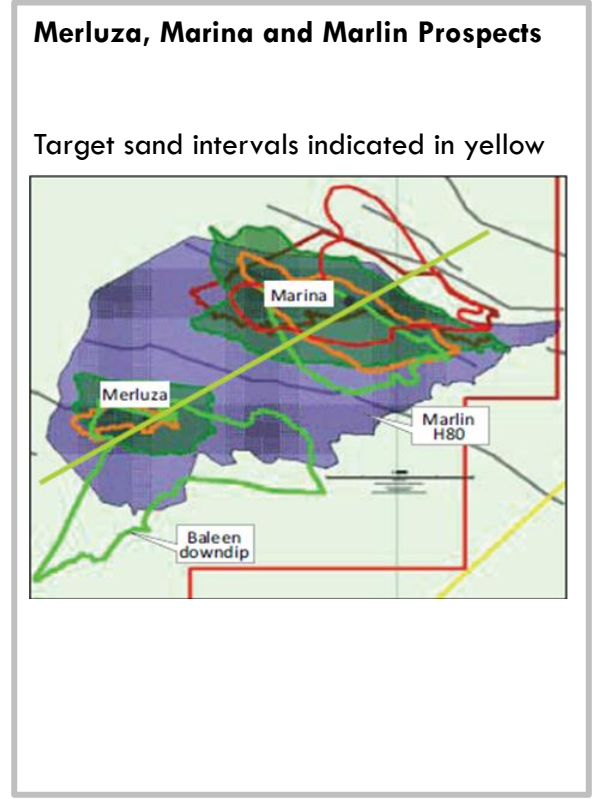
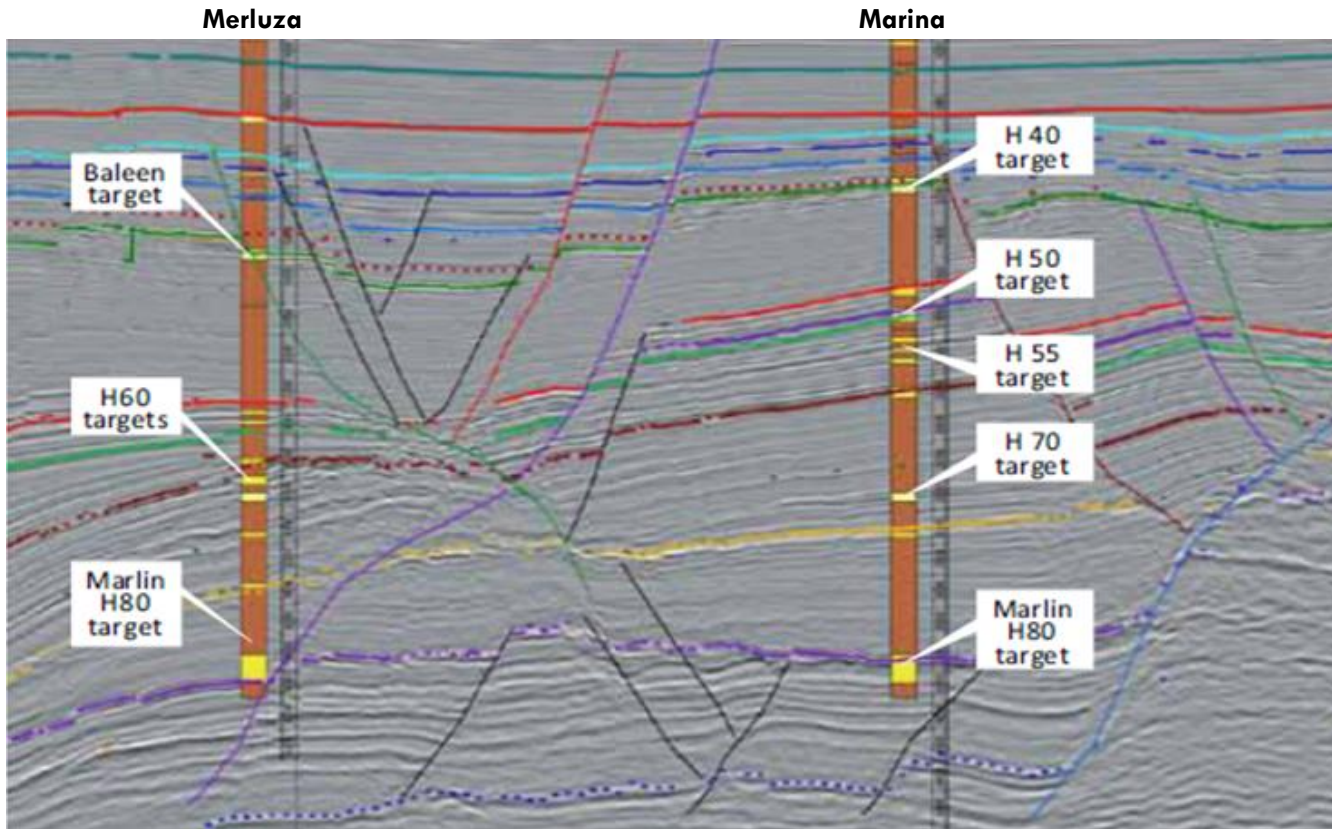
- Farm-out to take place 1st quarter 2013
- Drill up to 3 wells expected to start 2nd half 2013. Rig being procured
- Program to last 6 to 9 months

Objective

- Define resource size and progress to appraisal/development 2014

Perspective resource estimates represent current interpretations by Karoon of available exploration data and are subject to material change and reinterpretation as exploration and appraisal proceeds

Peru assets –Tumbes Basin Drilling candidates

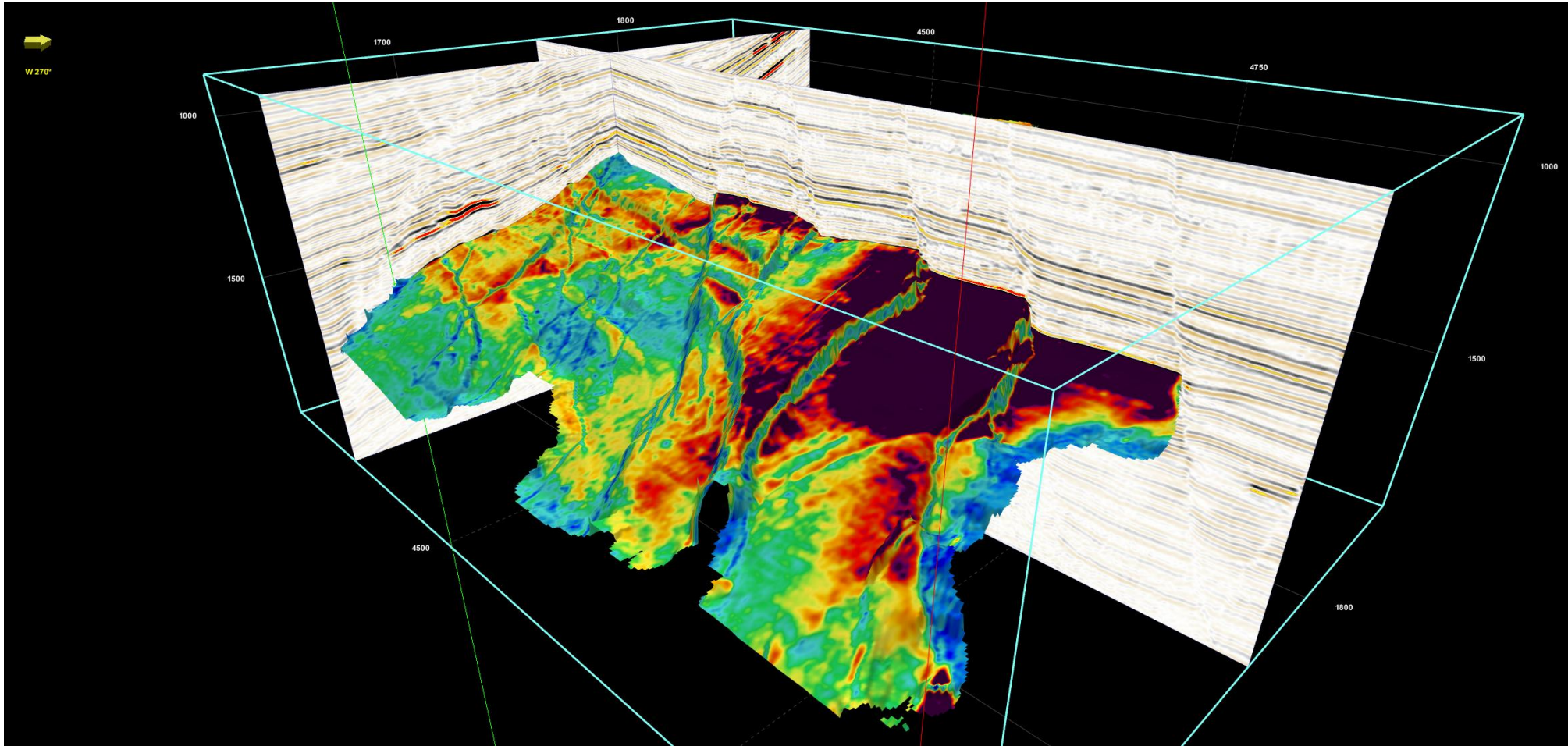


Merluza-1 will test three overlying prospects, Baleen, Merluza H60 and Zoritos H80. **NB.** The Zoritos level Marlin prospect will also be penetrated in Marina-1

Marina-1 will test five overlying prospects, H40, H50, H70 and Zoritos H80. **NB.** The Zoritos level Marlin prospect will also be penetrated in Marina-1

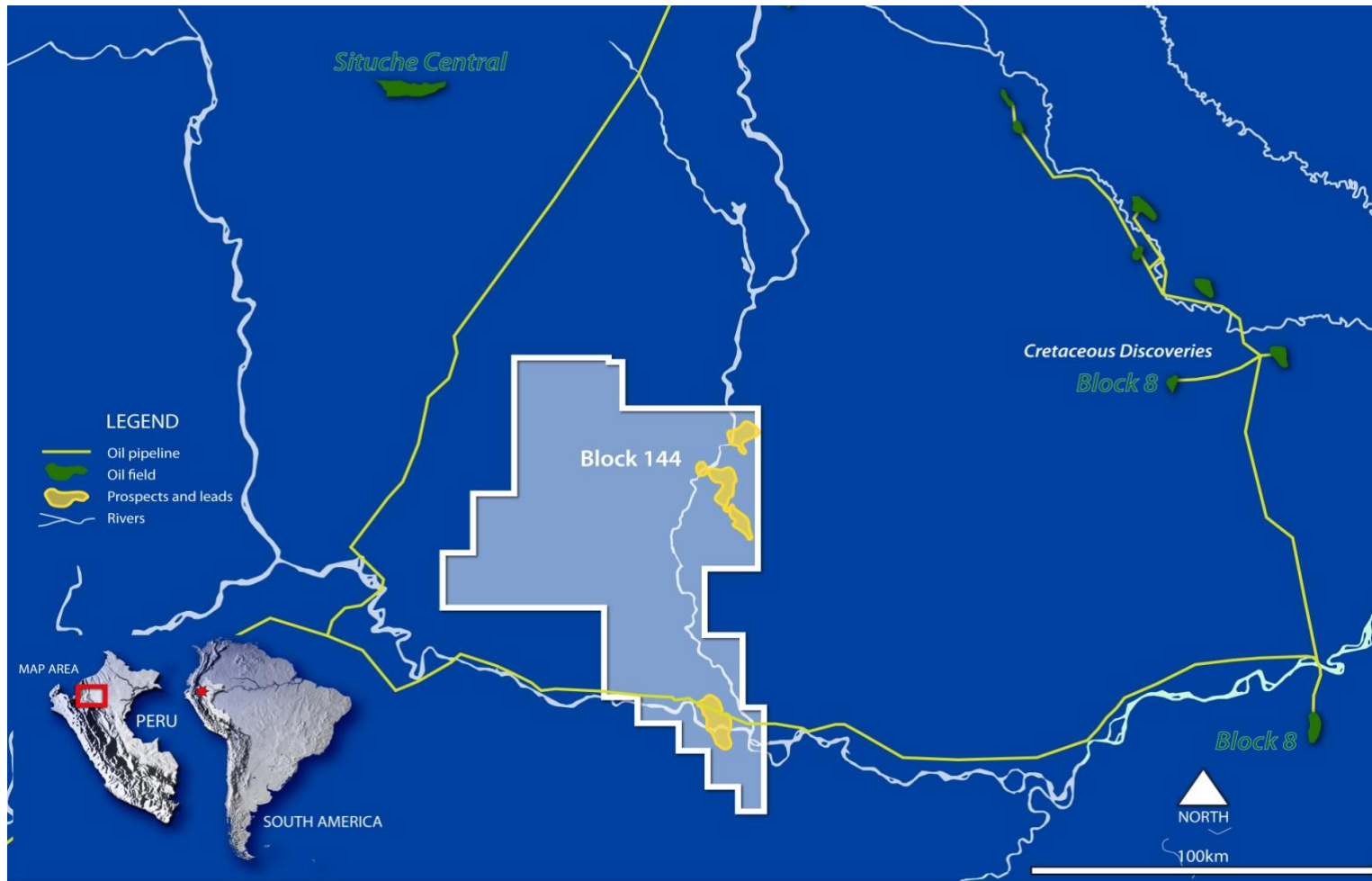
The **Marlin Prospect** will be potentially tested in Marina-1 and/or Merluza-1. Zoritos H80 level sands are the target

Peru Tumbes Basin - Drilling candidates



Baleen Prospect amplitude map. Red areas indicate potential hydrocarbons located in crestal areas of the prospect.

Peru Marañon Basin - Block 144



Location:

- Marañon Basin, Peru.
On trend with Situche Central oil field. Close to under-capacity oil export pipeline and major navigable rivers

Prospective resource range:

- 3 prospects being evaluated

Interest:

- 100% equity

Forward plans:

- Acquire 2D seismic in the south and east to better define structure
- Farm-out to take place in 2013

Objective:

- Define prospective resource size prior to drilling

Perspective resource estimates represent current interpretations by Karoon of available exploration data and are subject to material change and re-interpretation as exploration and appraisal proceeds

Activity summary

KAROON ACTIVITY	2010				2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BROWSE BASIN (Aust)																
Drilling (firm)																
Boreas-1																
Zephyros-1																
Proteus-1																
Grace-1																
Poseidon-2																
Kronos-1 (gas discovery)																
Drilling (planned)																
3D Seismic acquisition & processing (2,800 km2)																
3D Seismic interpretation																
SANTOS BASIN (Brazil)																
Interpretation																
2 & 3D Seismic purchase																
Heritage 3D Seismic re-processing (2,370 km2)																
Wide Azimuth 3D Seismic acquisition & Processing (750 km2)																
Multi Azimuth 3D PreSDM 3D interpretation																
Drilling - planning & approvals																
Drilling (firm)																
Kangaroo-1																
Emu/Cassowary-1																
Bilby-1																
Drilling Blocks 1352 1354 (Maruja & Qasi)																
TUMBES BASIN (Peru)																
2D Seismic acquisition & processing (2,393 line km)																
2D Interpretation																
New 3D Seismic (1,500 km2) acquisition & processing																
3D Interpretation																
Drilling - planning & approvals																
Drilling																
MARANON BASIN (Peru)																
Interpretation																
2D Seismic processing																
Interpretation																
New 2D Seismic acquisition																
Drilling - planning & approvals																
Drilling																

DeGolyer & MacNaughton Assessment

Summary of DeGolyer and MacNaughton assessments of Karoon's Prospective and Contingent Resource Base as of 30th September 2009 and September 2012			Low Estimate	Best Estimate	High Estimate	Mean Estimate	Risked Mean Estimate	Number of Prospects and Leads
GAS	Net Contingent Gas Resource							
	Assessment date							
	September 2009	Poseidon Wet Gas (Tcf)			7.60			1
	Net Prospective Oil Resources							
	September 2009	Total Net Australia Browse Basin Wet Gas (Tcf)	1.80	4.50	11.20	5.80	1.60	7
OIL	Net Prospective Oil Resource							
	September 2012	Brazil, South America Oil (billion barrels)	0.46	0.86	1.54	0.94	0.25	12
	September 2012	Peru, South America Oil (billion barrels)	0.59	1.59	3.71	1.92	0.32	19
		Total Net Prospective Oil Resource (billion barrels)	1.04	2.45	5.25	2.86	0.56	31

Note: Excludes North Carnarvon Basin Permit WA-482-P, Maruja and Pre-Salt Prospects in Brazil, and takes into account current interest in Z-38 and the Pacific Rubiales Energy Corp farm-out deal.

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