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ASX Announcement

KAR South America Updated Prospective Resources Volumes Estimated by D&M – Net Mean P_g-Adjusted Prospective Resources of 561 Million Barrels of Oil.

Karoon is pleased to announce the results of an independent report for its South American Prospective Resources portfolio completed by DeGolyer and MacNaughton (“D&M”). The report estimates the gross mean prospective resources, adjusted for geologic chance of success (P_g) at 812 million barrels of oil for 31 prospects in South America. The net mean P_g-adjusted prospective resources volumes are 561 million barrels of oil. This estimate excludes Karoon’s two large Pre-Salt prospects and the Maruja discovery in the Santos Basin of Brazil. Application of any chance factor does not equate prospective resources to reserves or contingent resources.

The Net Prospective Resources figures have been estimated by Karoon using the product of D&M’s gross prospective resources volumes and Karoon’s equity interests:

Block	Assumed Equity Interest
Santos Basin Block S-M- 1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166, Brazil	65%
Kookaburra A Prospect Santos Basin S-M- 1101 and S-M-1102 Brazil	35%
Tumbes Basin Block Z-38, Peru	75%
Maranon Basin Block 144, Peru	100%

Report Dated 30 September 2012

DeGolyer & MacNaughton Karoon Gas Net Potential Prospective Resources at 30 Sept 2012	Low Estimate	Best Estimate	High Estimate	Mean Estimate	Pg-Adjusted Mean Estimate	No. of Prospects
Brazil Oil 10 ⁶ bbl oil (Arithmetic Summation)	458	855	1,542	942	246	12
Peru Oil 10 ⁶ bbl oil (Arithmetic Summation)	586	1,593	3,708	1,919	315	19
Total South America 10 ⁶ bbl oil (Arithmetic Summation)	1,044	2,448	5,250	2,861	561	31

The prospective P_g-adjusted gross mean prospective resource estimated by D&M has increased from 681 million barrels as of 31 August 2010 to 812 million barrels as of 30 September 2012. Based on Karoon’s equity interest, the P_g-adjusted net mean prospective resources as of 31 August 2010 was 589 million barrels of oil, and has decreased to 561 million barrels of oil as of 30 September 2012. Contributing to the

reduction was the 35% farm out of Karoon's five Santos Basin Blocks in Brazil. Discoveries in the vicinity of Karoon's Santos Basin Blocks provided additional data to update the geological chance factors (P_g) associated with Karoon's Santos Basin prospects. Recent discoveries include Carcara and Franco in the deeper water Santos Basin, and Sabia (Sept 2012), Piracuca, Patola, Vampira, and Fortaleza in the shallower waters.

The prospective resources estimates presented in the DeGolyer and MacNaughton 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:

- "Prospective resources", 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.

The prospective resources reported by DeGolyer & MacNaughton are summarized by both the statistical aggregation and arithmetic summation methods. There is no certainty that any portion of the prospective resources estimated on behalf of Karoon will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Karoon has its main interests in the following key South American assets:

- In Brazil, Karoon holds 5 blocks (65% equity) in the Santos Basin, which is the same basin where the Tupi and Carioca discoveries (multi-billion barrels of oil) were made recently by Petrobras. Karoon is also earning a 20% equity in two additional Santos Basin blocks in return for funding part of presently drilling program operated by Petrobras.
- In Peru, Karoon is earning up to 75% equity in the 4,875 square km Block Z-38 in the Tumbes Basin.
- In Peru, Karoon has 100% equity in the onshore Block 144 in the Marañon Basin, where the Situchi discovery was recently made by Talisman.

Notes:

- Estimated prospective resources volumes are stated on a gross basis in the D&M report.
- Low, Best and High estimates means there is a 90%, 50% and 10% chance, respectively, that an estimated quantity of resources volume will be equalled or exceeded assuming a discovery has been made (success case).
- Tcf means trillion cubic feet of gas.
- 1 Billion Barrel of Oil Equivalent ("BBOE") is equivalent to 6 Tcf of gas.
- A barrel is equivalent to 159 litres.

DeGolyer and MacNaughton is an international petroleum consulting firm with offices in the United States of America, Canada and Russia, who specialise in evaluation of reserves and resources for major oil and gas companies, governments, financial institutions and the investment industry. DeGolyer and MacNaughton have conducted assessments of and for the largest petroleum and financial companies in the world.

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