



9 September 2010

(ASX Code: KAR)

ASX ANNOUNCEMENT

Karooon takes first step in listing South American assets

Further to the company's announcement on 8 June 2010, Karoon Petroleo & Gas S.A. ("**Karooon Brazil**") today filed a draft prospectus and reference form with the *Comissão de Valores Mobiliários* (the "**CVM**"), the Brazilian securities regulator. This is the first step in the process to conduct an initial public offering of its common shares on the BM&FBOVESPA, in São Paulo, Brazil to the public in Brazil and to certain institutional and other investors elsewhere. The prospectus and reference form are now subject to an initial one month period of review by the CVM. Karoon will continue to assess the merits of a BM&FBOVESPA listing during this period but is under no obligation to proceed to listing.

In the event that Karoon Brazil proceeds with the offering, Karoon Gas Australia Ltd expects to retain an ownership interest of approximately 70% to 75% in Karoon Brazil. The company has opted not to undertake a private seed capital raising prior to making the first filing. If the listing proceeds, it is expected to take place in the final quarter of this year, subject to market conditions, finalization of the CVM registration and BM&FBOVESPA listing processes.

The documents filed with CVM, which are in Portuguese, will be made available on the Karoon Brazil website (www.karoonbrasil.com.br). As part of the listing process, an updated independent report from DeGolyer & MacNaughton, for release later today, states that Karoon's Brazilian and Peruvian assets have geologic risk adjusted, mean, net Prospective Resources of 589 million bbl. The unrisksed mean estimate is 2,150 million bbl.

Karooon will continue to update the market when material decisions are made in respect of the listing process in accordance with applicable rules of the ASX.

For further information please see the Karoon website or contact:

Scott Hosking: Company Secretary

Telephone: 03 59741044

Fax: 03 59741644

Email: shosking@karoongas.com.au

Website: www.karoongas.com.au

Ian Howarth: Collins Street Media

Telephone: 0407 822 319

Email: ian@collinsstreetmedia.com.au

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This announcement does not constitute an offer of securities for sale in the United States and the securities referred to herein may not be offered or sold in the United States absent registration or an exemption from registration. Karoon Brazil has not registered, and has no intention to register, any portion of the offering with the Securities and Exchange Commission in the United States and does not intend to conduct a public offering of the securities in the United States. Any public offering of securities in the United States may only be made by means of a prospectus that may be obtained from the issuer containing detailed information about the issuer and its management, as well as financial statements.

This announcement does not constitute an offer of securities for sale in Brazil and the securities referred to herein may not be offered or sold in Brazil absent registration or an exemption from registration. Karoon Brazil has done an initial filing but not registered, and there can be no assurance that it will register, any portion of the offering with the Comissão de Valores Mobiliários – CVM in Brazil. Any public offering of securities in Brazil may only be made by means of a prospectus that may be obtained from the issuer containing detailed information about the issuer and its management, as well as financial statements.

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