

KAROON REVIEW

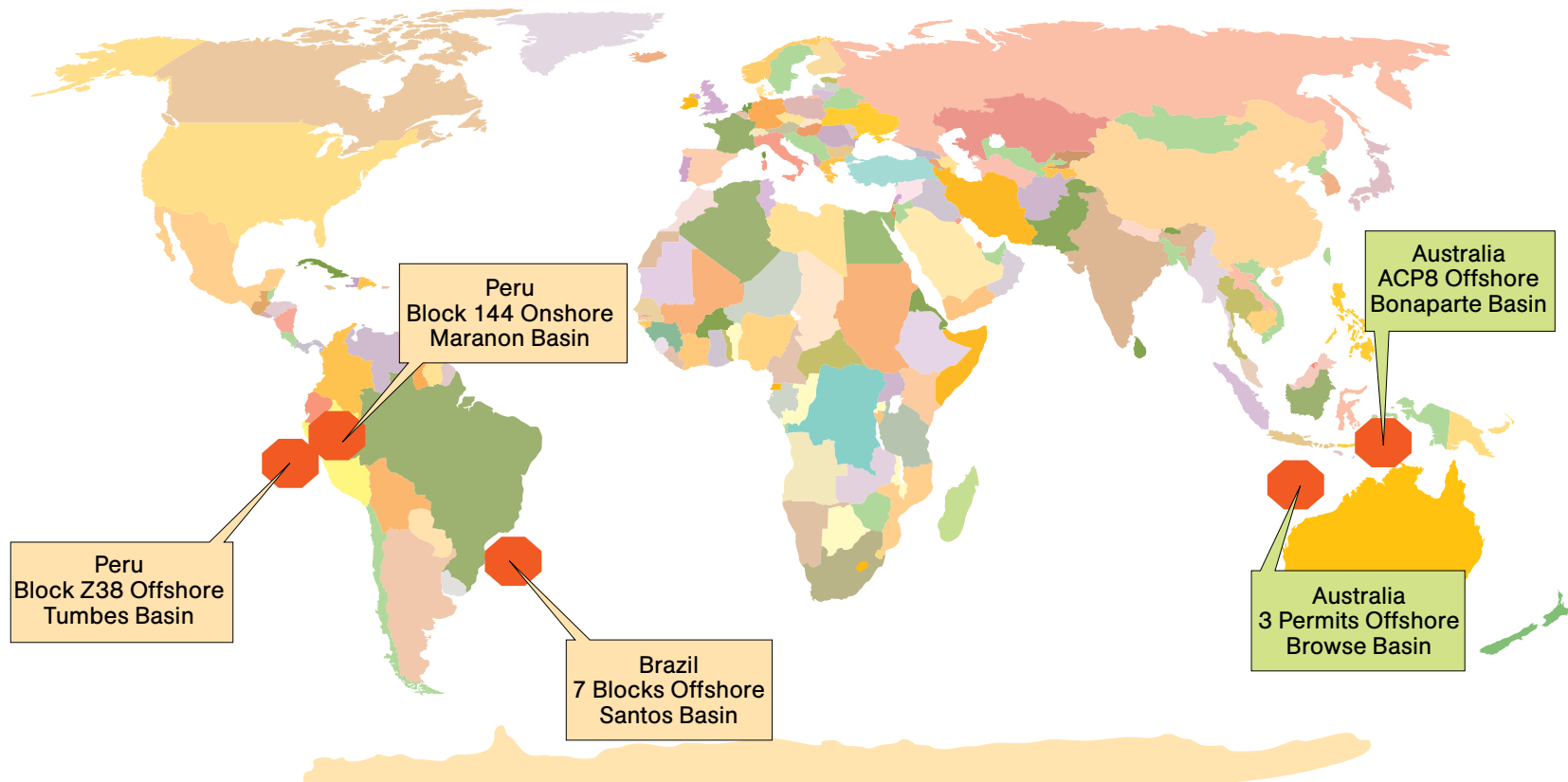
September 2010



KAROON
Gas Australia Ltd

Karoon Gas snapshot

- Approximately 177 million shares and 8.4 million options
- Market capitalisation approximately A\$1.25 billion @A\$7.10
- Cash in bank @30th June A\$87 million with spend of A\$8.8 million over next quarter.
- 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.
- High value oil prospects in Brazil being prepared for drilling
- Karoon farmin to Petrobras blocks, drilling 2 wells from August 2010



- 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 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

41 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.

HYWEL THOMAS Senior Geophysicist

34 years experience as a geophysicist with BP and BHP

HIEP LAM IT Manager

10 years experience in IT most recently with Thomas Duryea.

RALPH SPINKS Drilling Consultant

40 years in the industry including 13 years with Phillips Petroleum.

South American team

JULIANO MACEDO Senior Geologist

28 years experience as a geologist and exploration manager, 18 years with Petrobras.

JOSE COUTINHO BARBOSA Brazilian Advisor

Geologist 38 years with Petrobras rising to CEO.

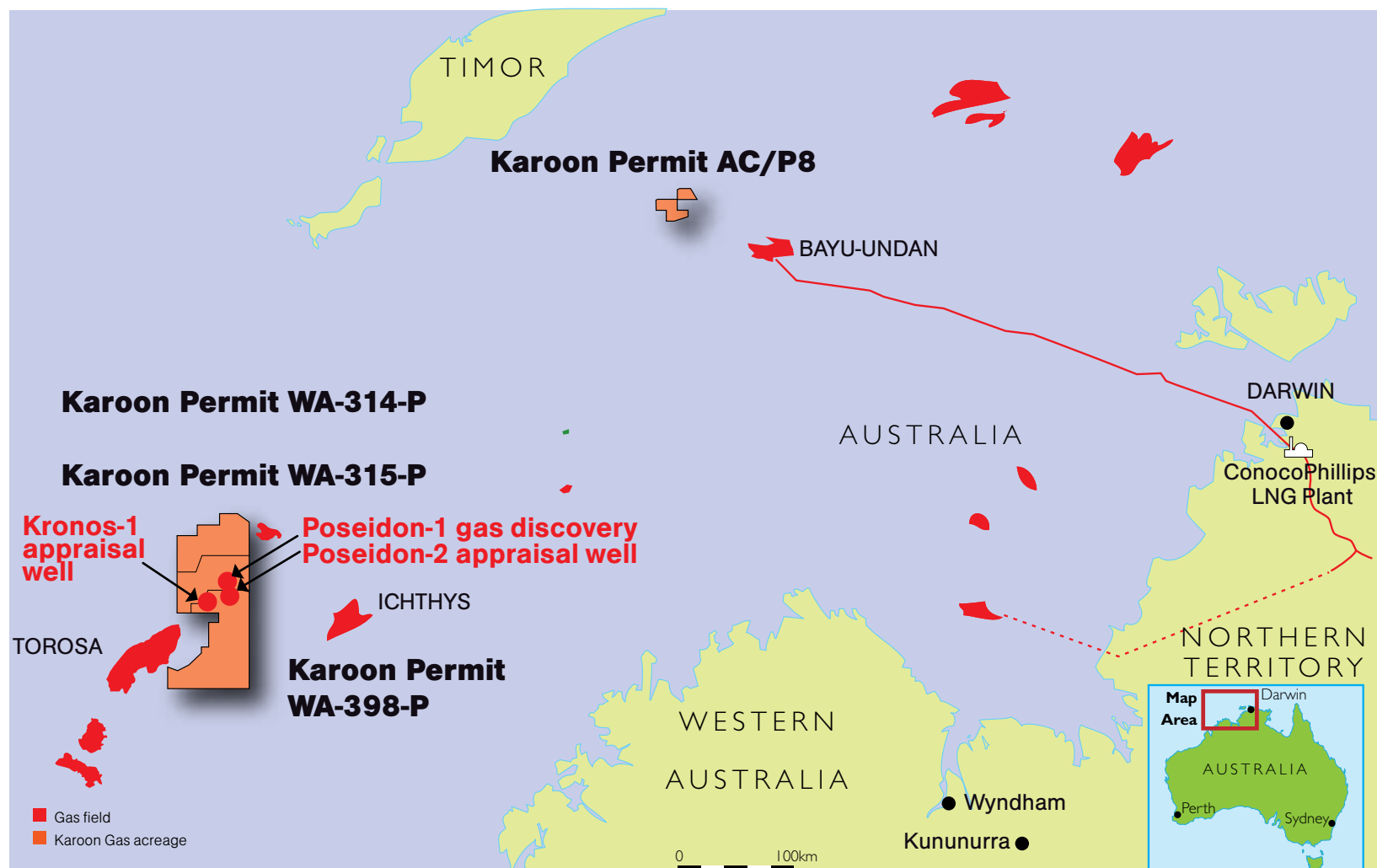
CARLOS URIEN South American Geologist

40 years with Belco Oxy & Noble.

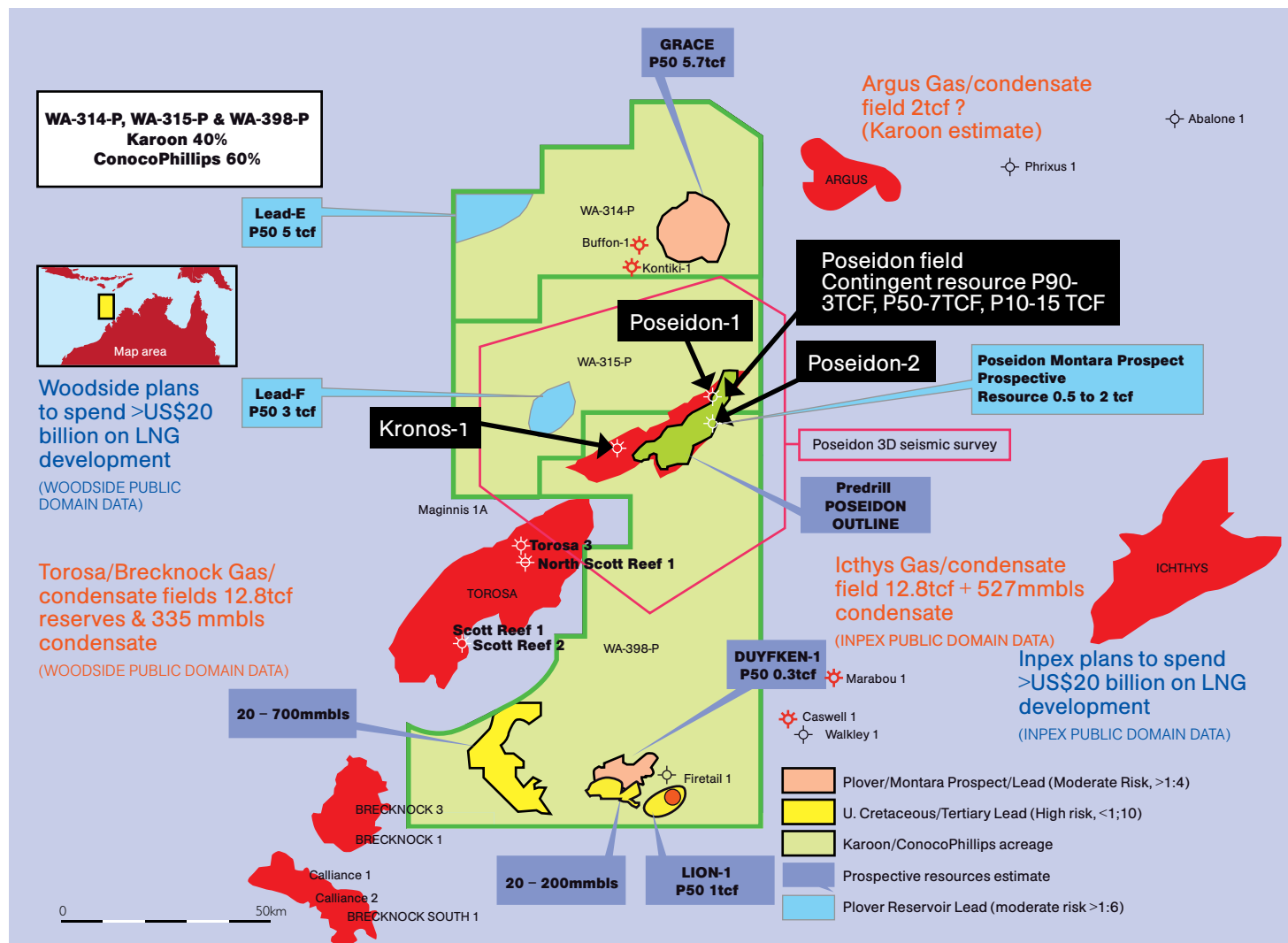
GUSTAVO BORJA Peruvian Advisor

Geologist 35 years with Petroperu.

Australian Assets



Browse Basin



- 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, Kronos-1 results

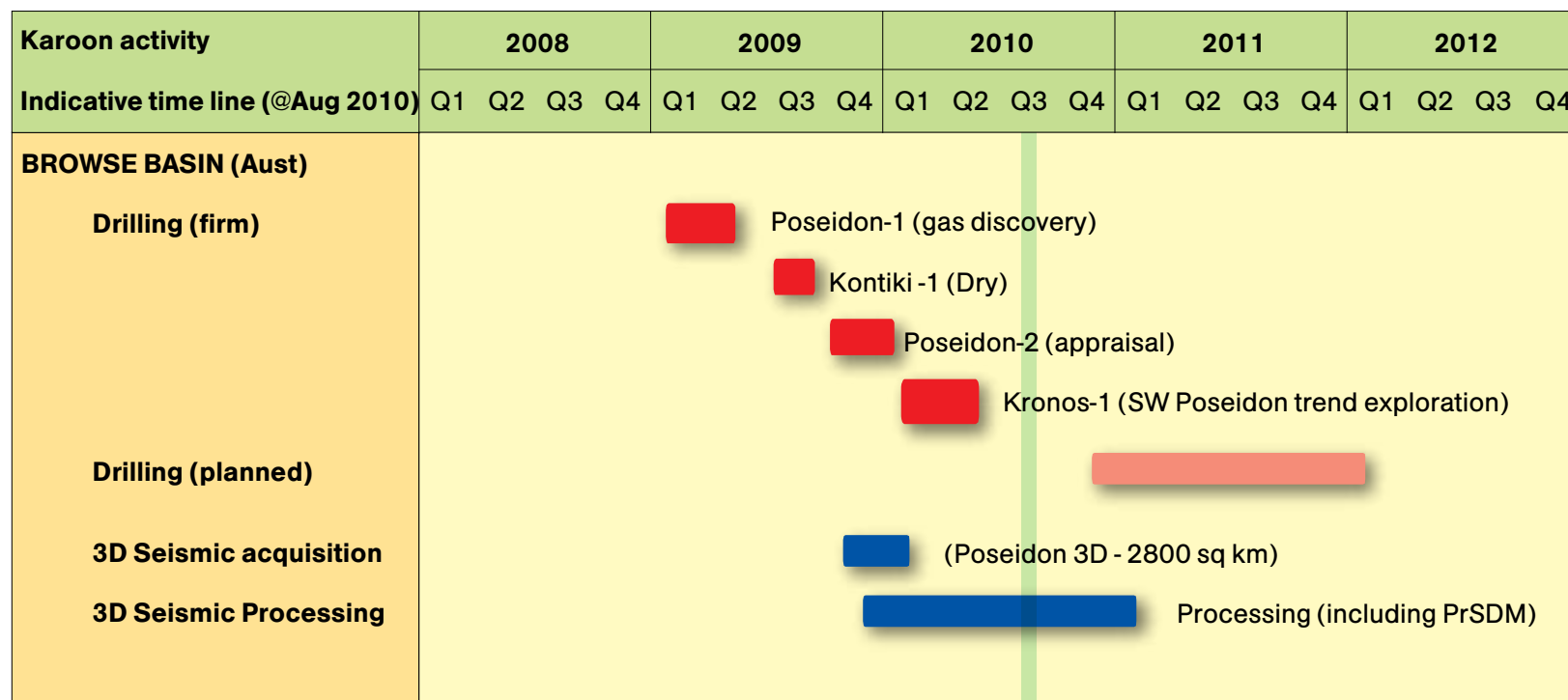
Kronos-1 Flowed Gas at an equipment constrained 26 MMscf/d

- Karoon Gas and WA-398-P joint venture partner, ConocoPhillips (operator) conducted a drill stem test on the Kronos-1 exploration well in the Browse Basin. The well was perforated over the interval 4999 - 5052 mRT, in Plover Formation reservoir.
- The maximum sustained flow rate attained during the multi-rate test was 26MMscf/d through a 32/64" choke, with a flowing wellhead pressure of 3900 psia. The flow rates achieved were equipment constrained.
- A Condensate-Gas Ratio of 9.5bbl/MMscf was measured at the surface, along with a 10% CO₂ content taken from the gas flow on a volume basis.
- Petrophysical interpretation indicates that the well has penetrated a sand interval in Plover Formation. Kronos-1 MDT pressure data confirms that the Kronos area is a separate gas accumulation, with a gas-water contact potentially over 200m deeper, to that discovered by Poseidon-1.
- Based on an analysis of the well test data, Karoon believes that future production wells drilled adjacent to the Kronos-1 location have the potential to flow at commercial rates in excess of 100 MMscf/d.

Future Plans

- Well data from the three wells drilled on the greater Poseidon structure will be analysed over the coming months, together with the new Poseidon 3D seismic data which is currently being processed.
- Further appraisal and exploration well locations will be indentified 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.
- As planned, exploration and appraisal drilling will recommence in the permits in the first quarter 2011.

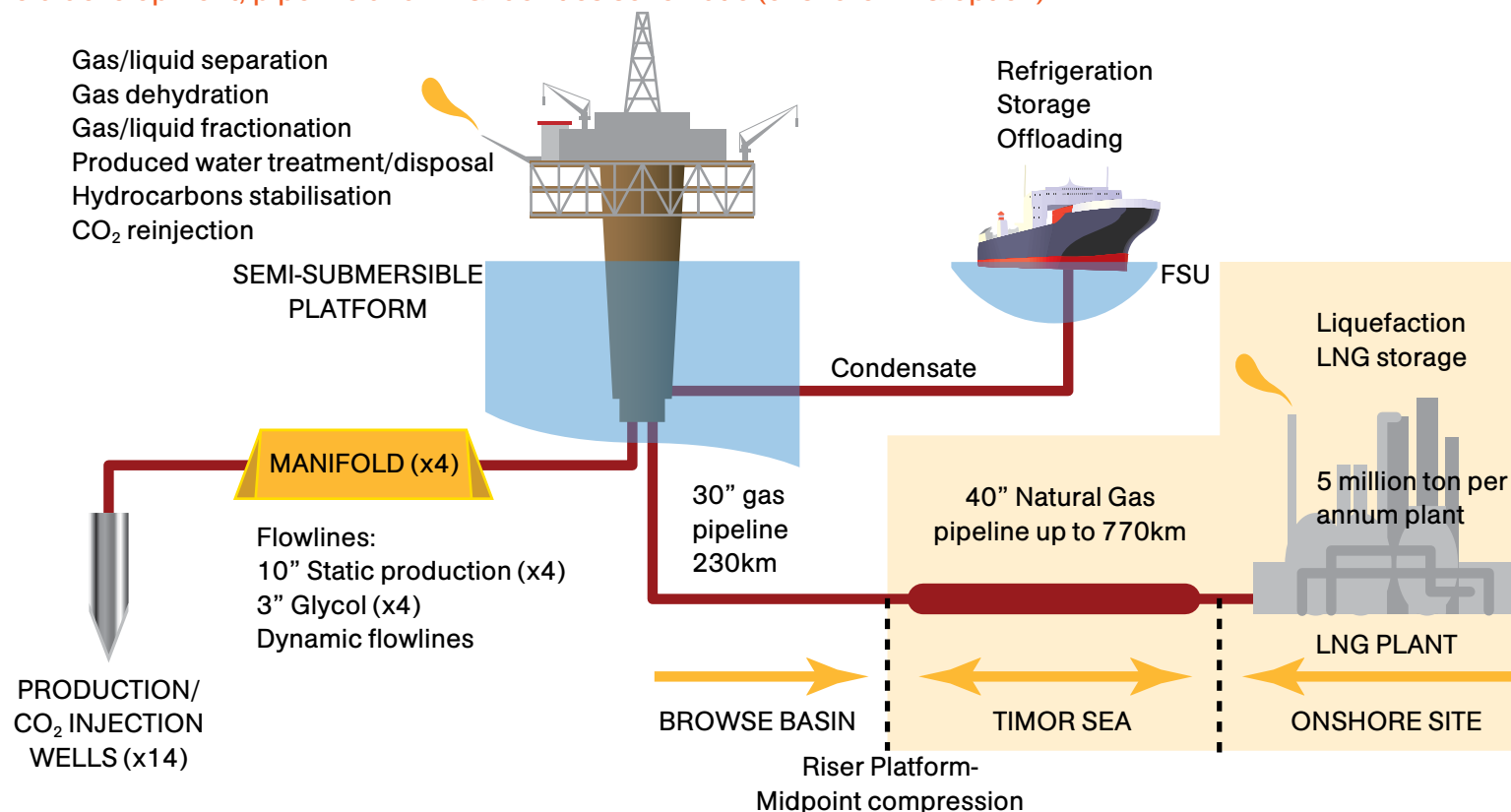
Browse Basin – Indicative Time line



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).



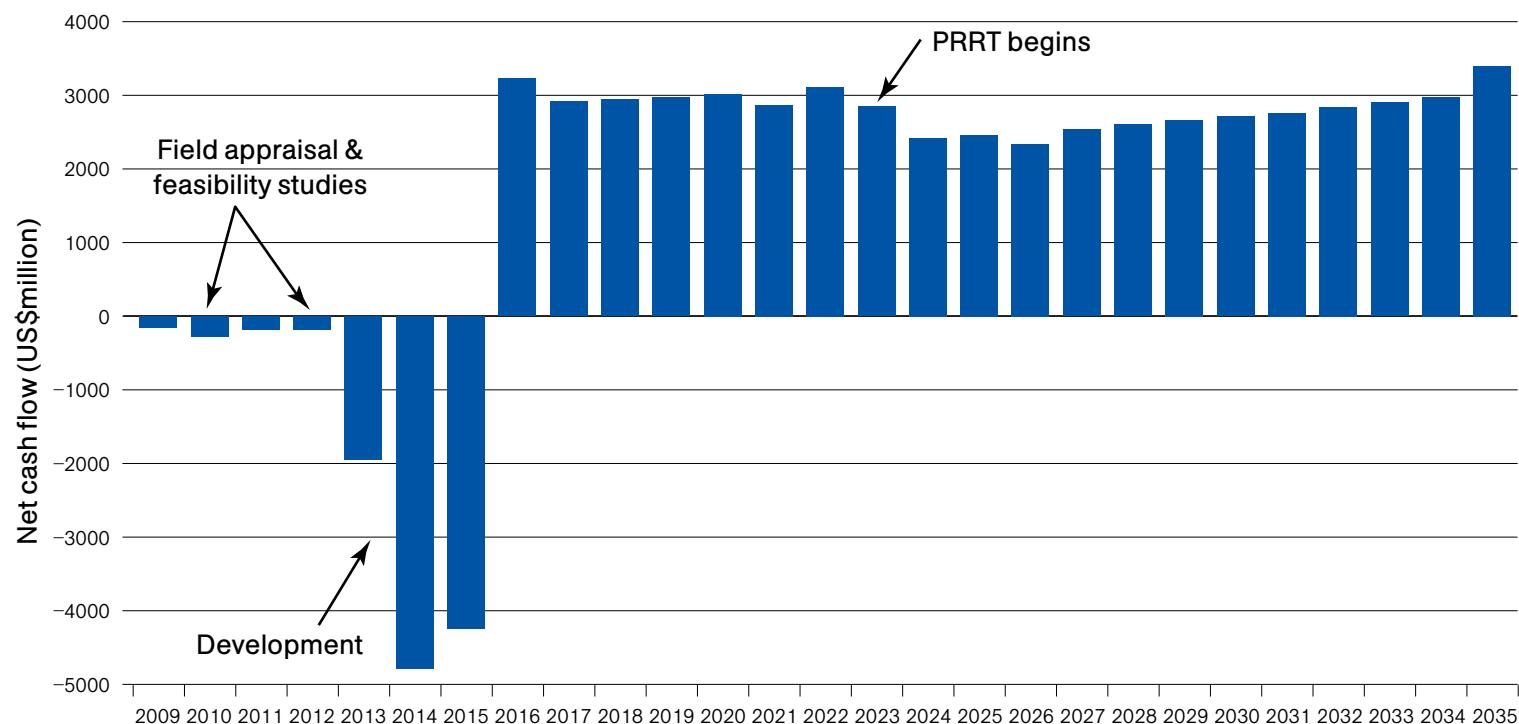
LIQUID PRODUCTS ASSUMPTION

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%

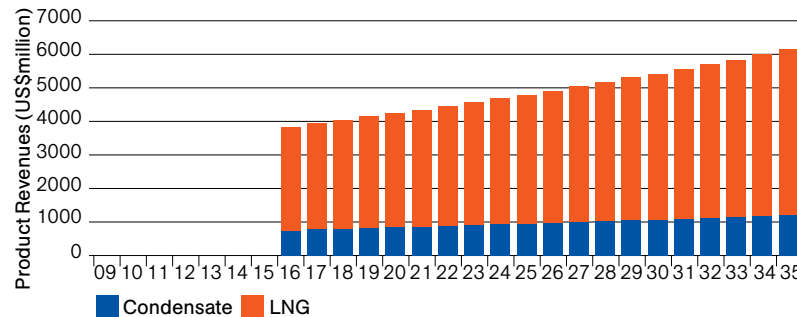
Assumptions: Condensate US\$70/bbl, LNG US\$10/mmbtu

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

Karoon indicative development model economics

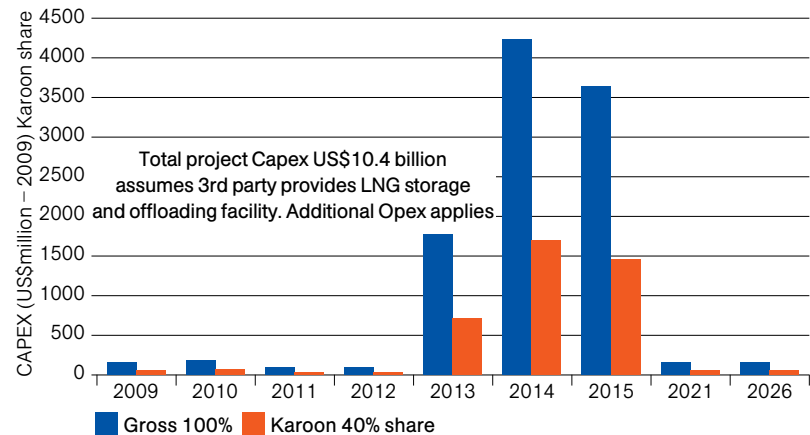
Product revenues

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

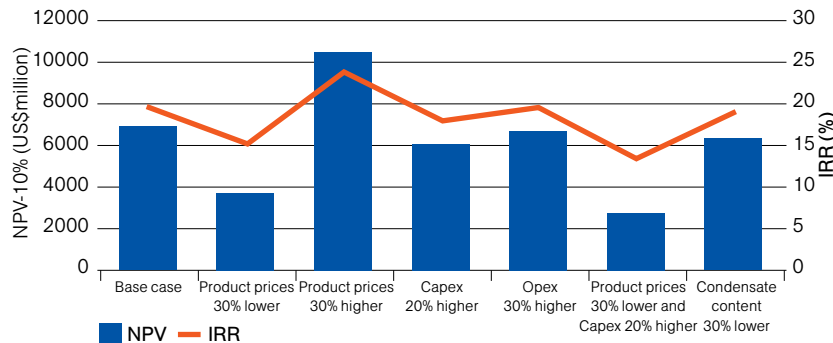


Capex profile

– 2009 US dollars

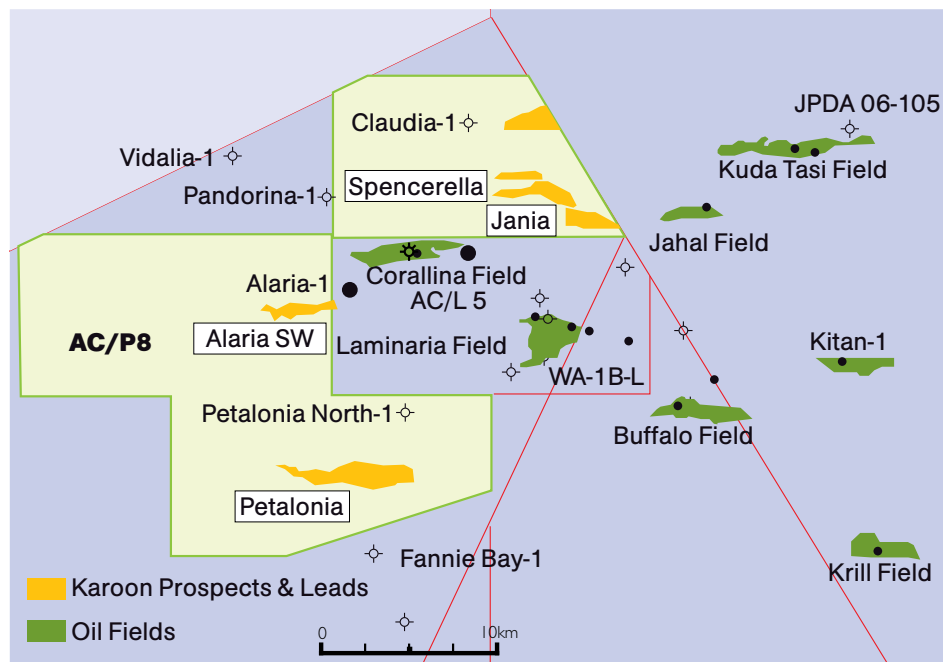


Economic sensitivity analysis



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

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.

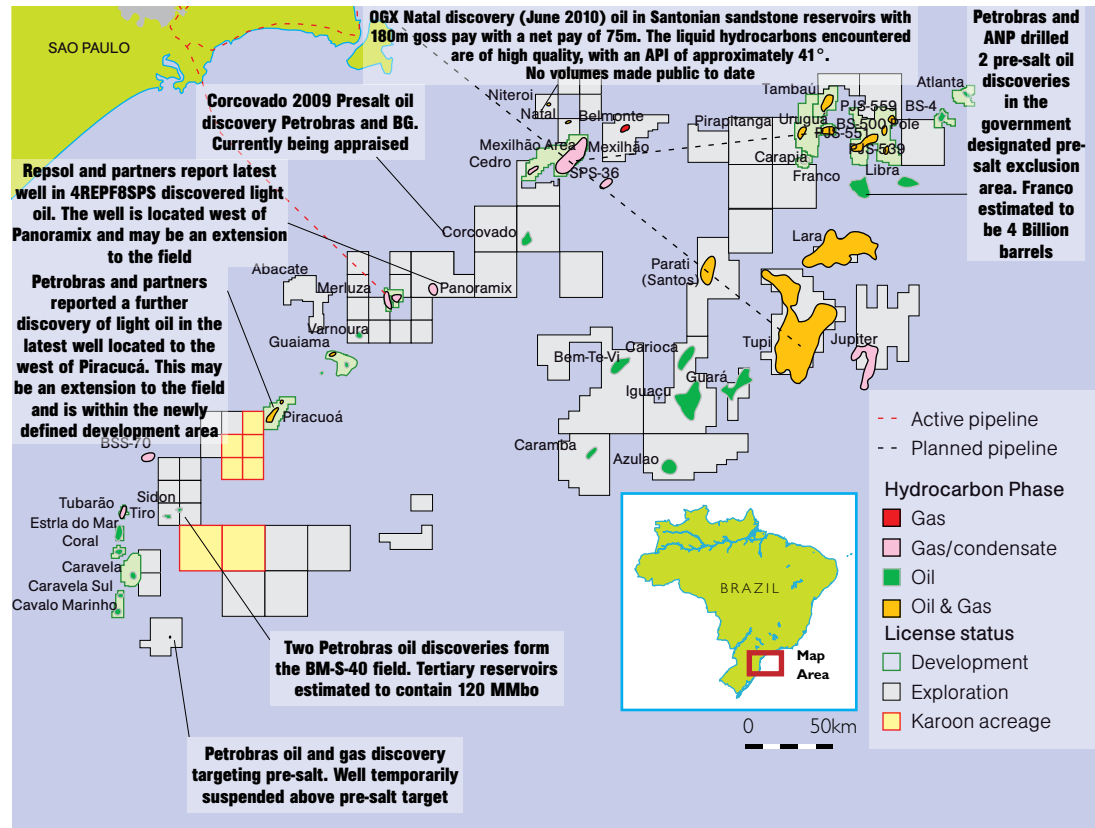
Forward plan:

Perform CSEM (Controlled source electro magnetic) survey 2010. Survey under way.

Drill option in 2012.

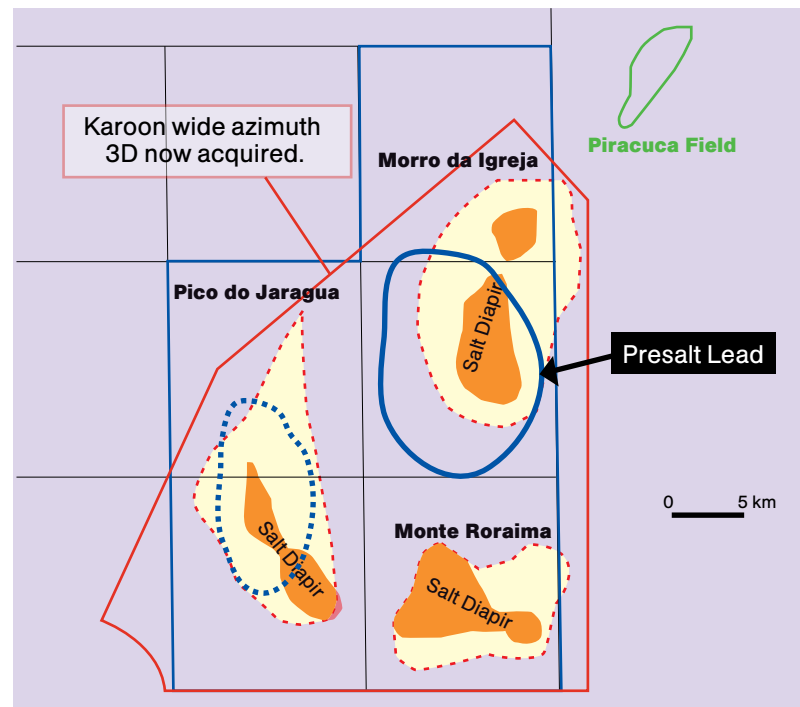
Karoon activity	2008				2009				2010				2011				2012			
Indicative time line (@Jun 2010)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BONAPARTE BASIN (Aust)																				
AC/P8 Interpretation																				
CSEM survey																				
Interpretation																				
Drilling (optional w/ CSEM success)																				

Brazil Santos Basin



Brazil Santos Basin – Prospects and Lead

Permits S-M-1037, 1101, 1102, 1165 & 1166

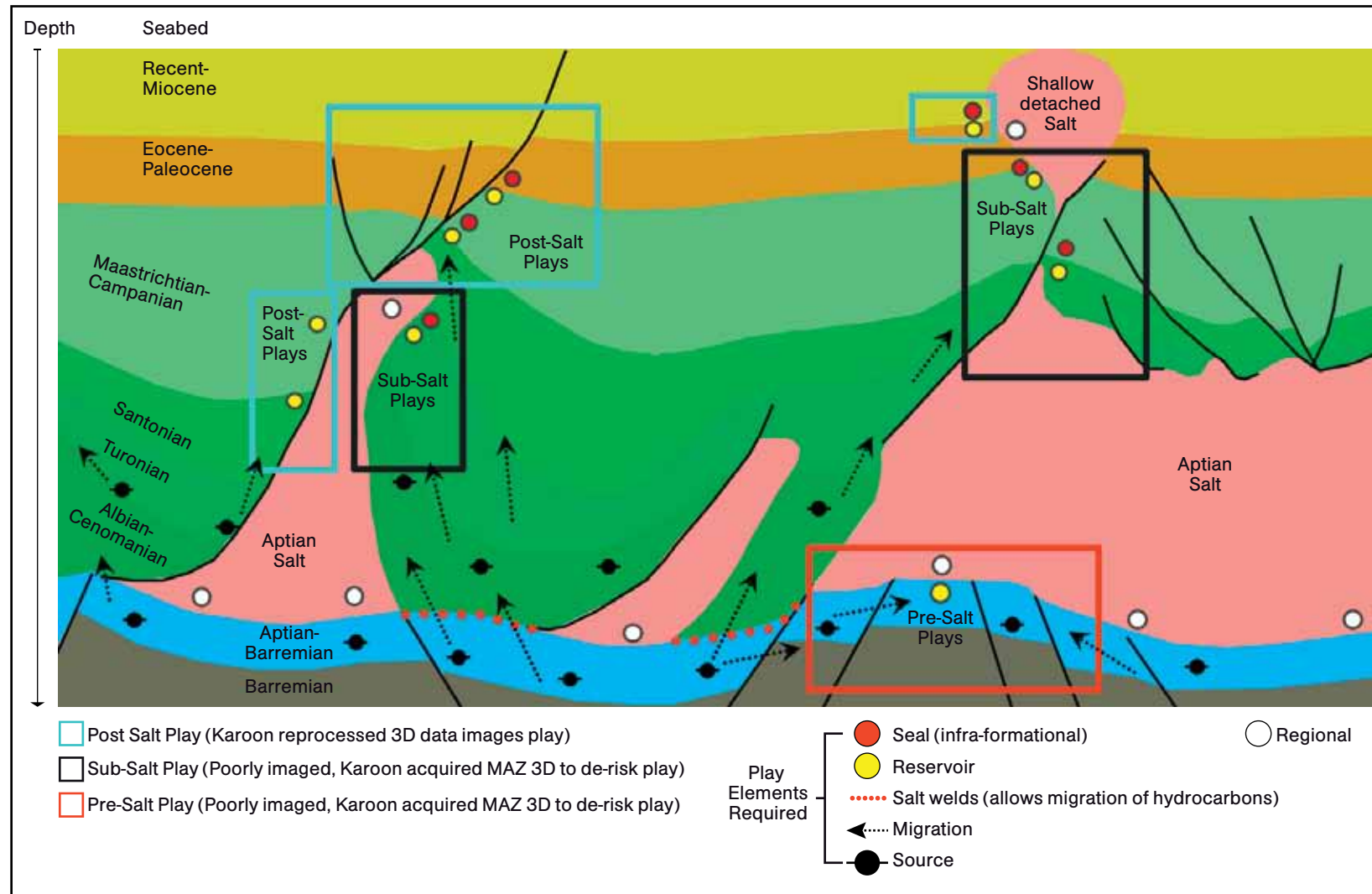


Prospects and Lead	Reservoir	Mean Rec Oil unrisked (mmbbls)
Pico do Jaragua East	Santonian	235
	Maastrichtian	153
Pico do Jaragua West	Maastrichtian	208
Morro da Igreja East	Maastrichtian	134
Morro da Igreja East	Santonian	340
Monte Roraima North	Maastrichtian	155
Monte Roraima South	Maastrichtian	120
Presalt Lead	Aptian-Barremian	640

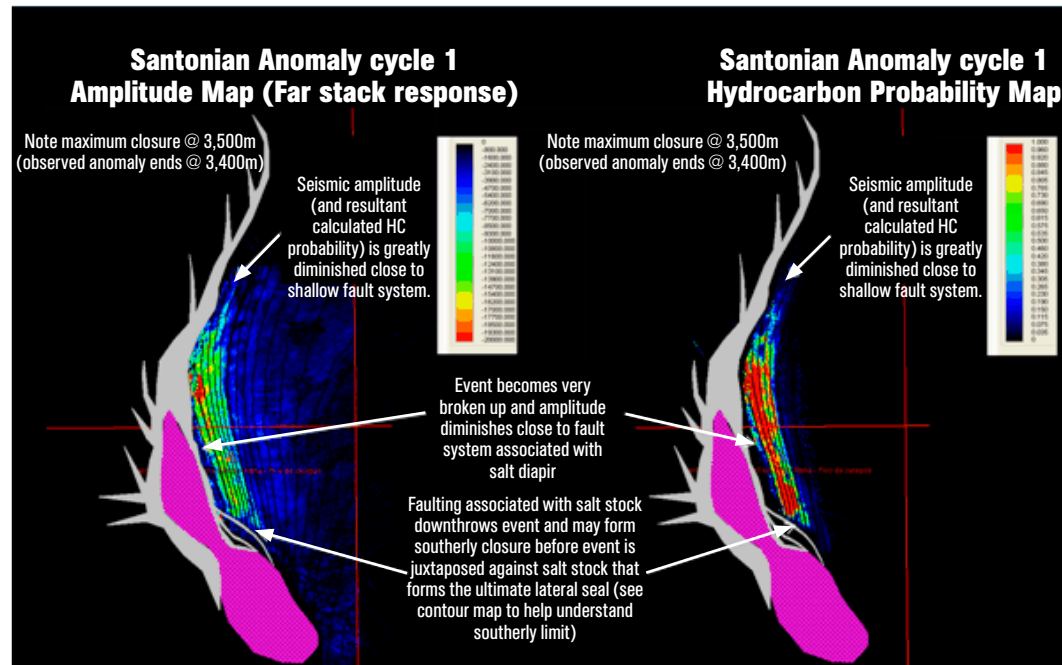
- 3D interpretation complete for prospects.
- Total prospective resource approx. 2 billion barrels unrisked prospects and leads.
- Current farmout finalisation waiting on results of Wide Azimuth 3D seismic.

■ 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.

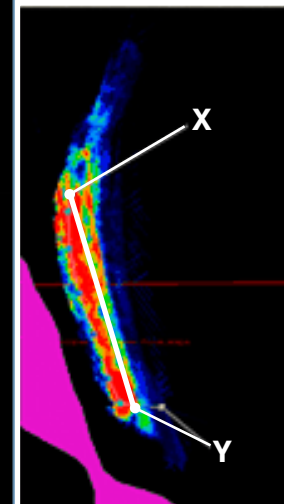
Brazil Santos Basin – Karoon acreage play types



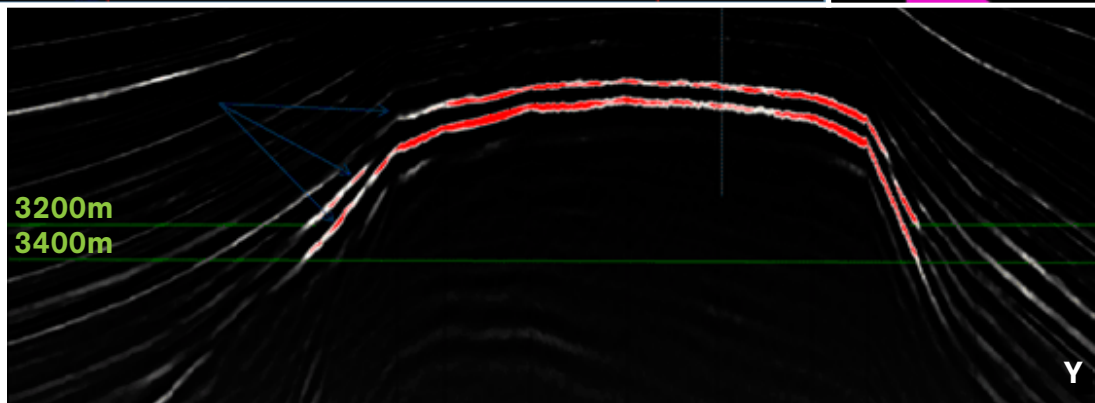
Brazil Santos Basin – Prospect example



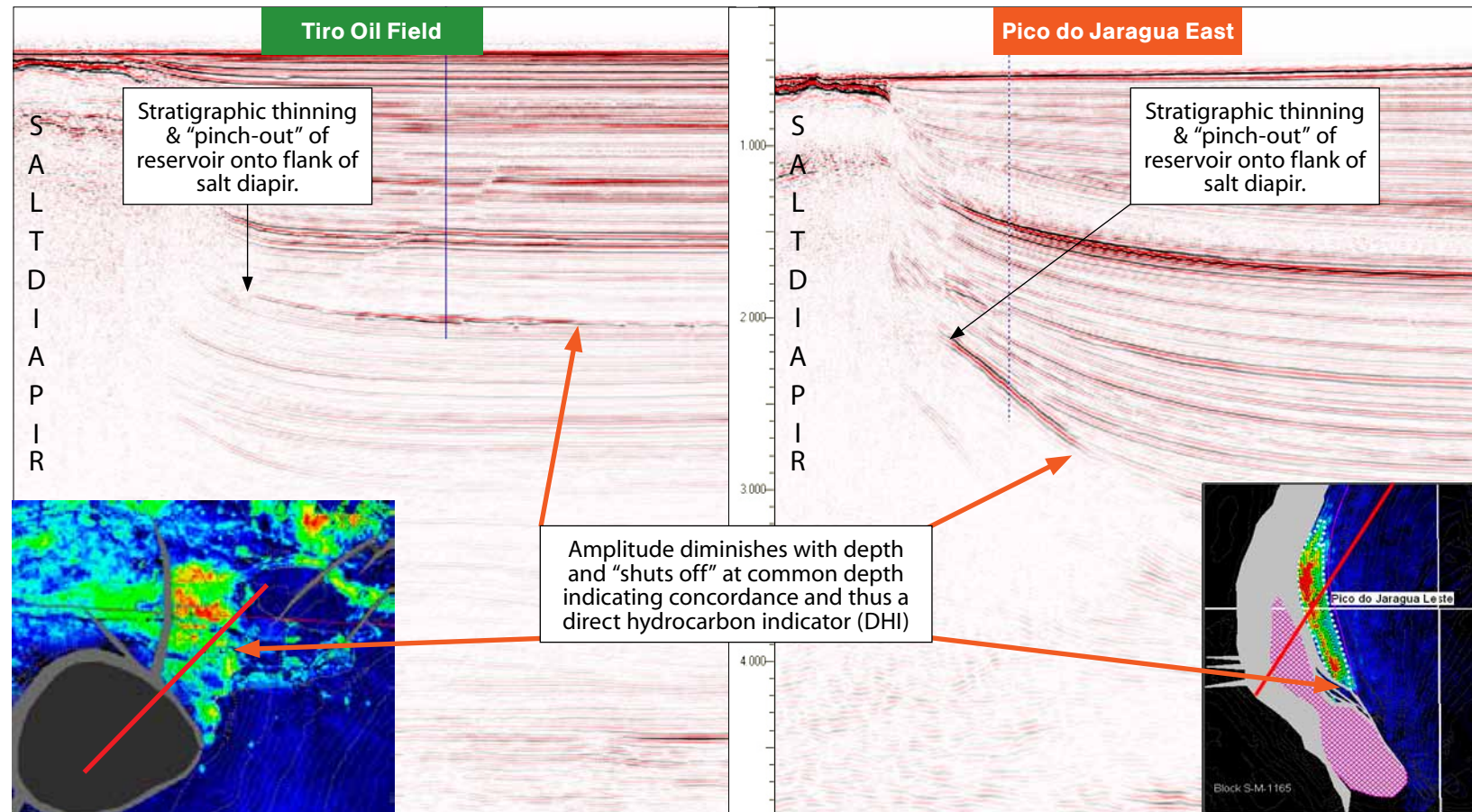
Pico do Jaragua East Santonian Prospect example- amplitude anomalies



- 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.



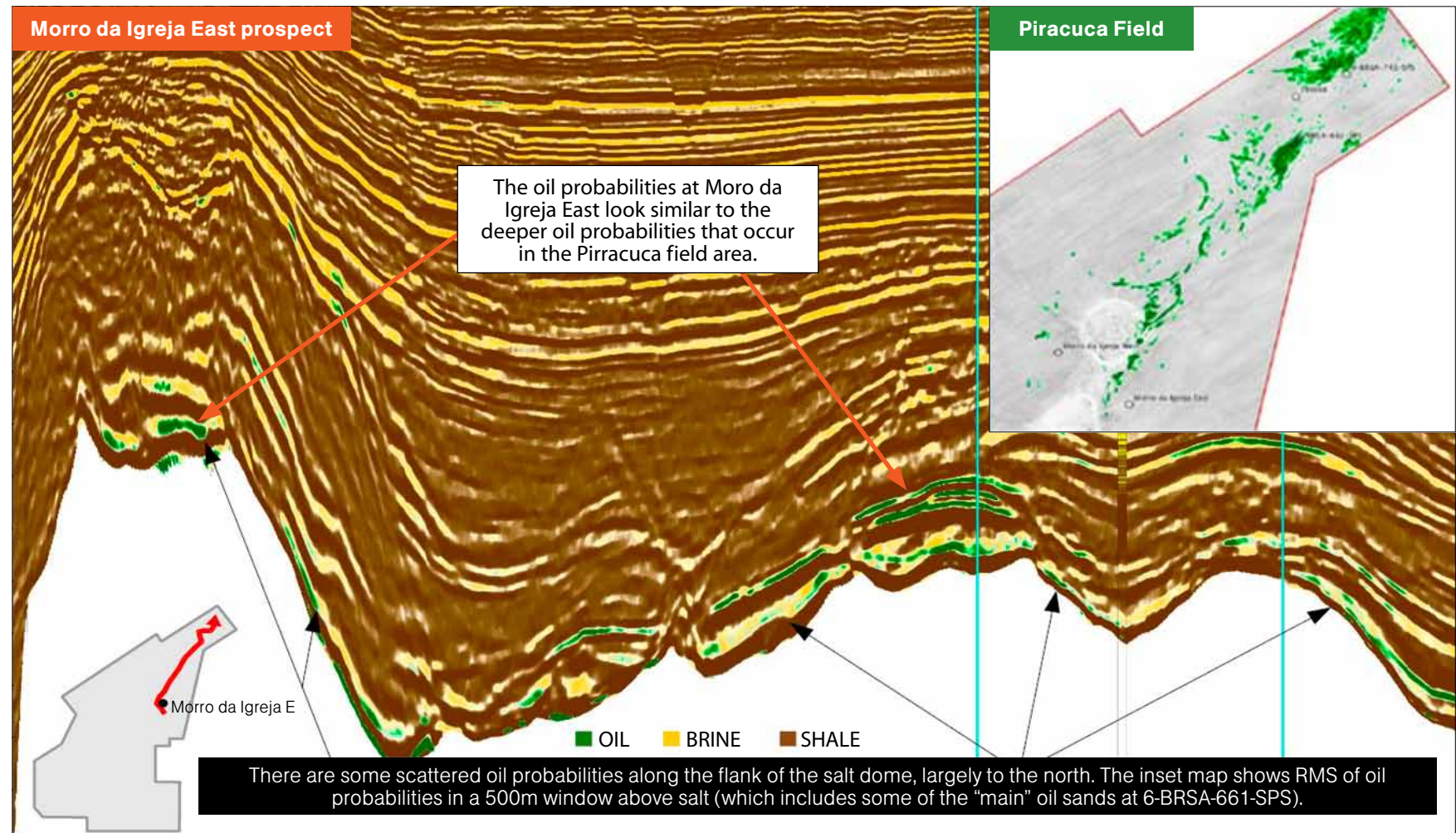
Brazil Santos Basin – Prospect analog



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).

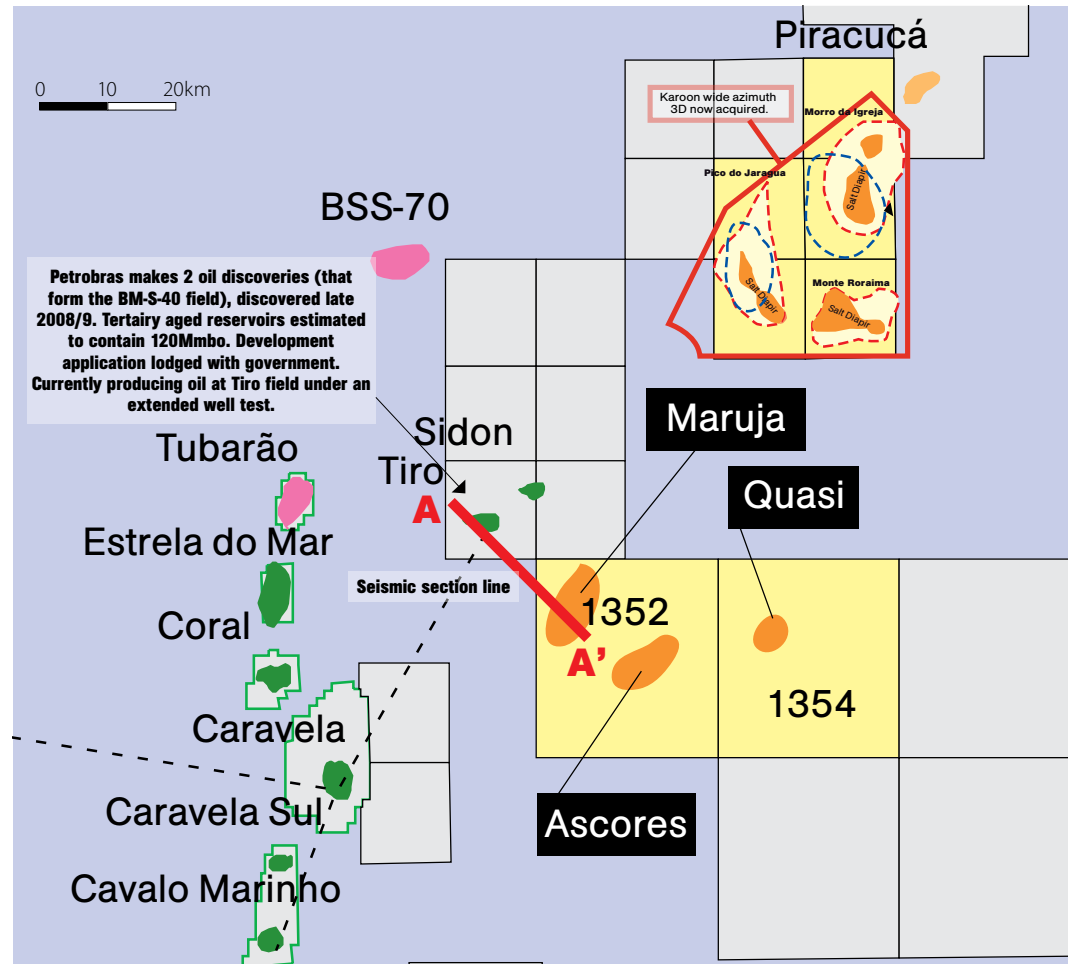
Petrobras is currently producing oil from Tiro in an extended well test.

Brazil Santos Basin – Prospect analog



Seismic inversion final probability volume (a co-render of Shale/Brine/Oil probabilities) compared and tied to Piracuca light oil discovery 5km from block boundary.

Brazil Santos Basin – Karoon farmin 1352 & 1354

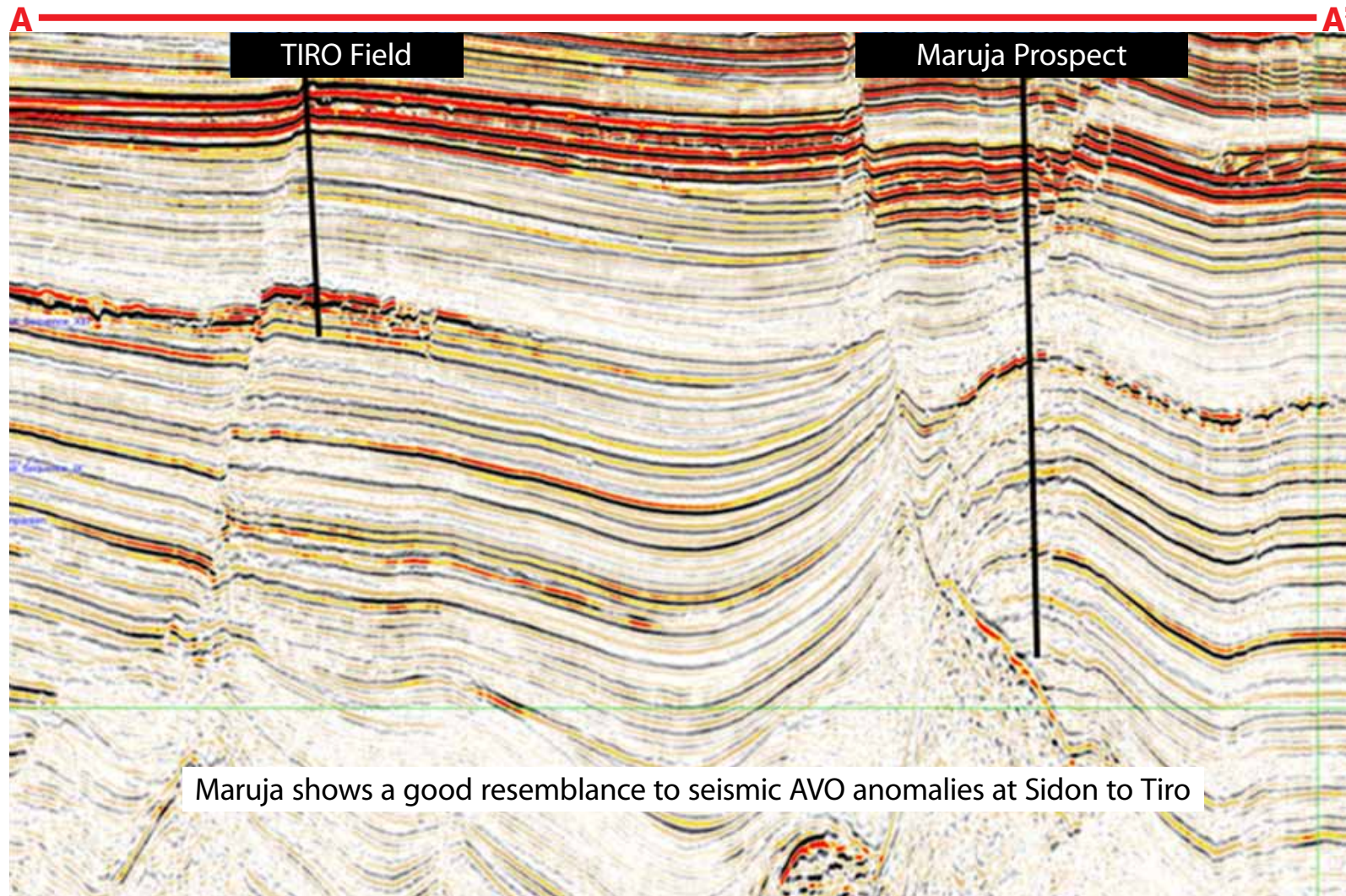


- Karoon right to earn 20% equity subject to fulfilling farmin obligations.
- Petrobras operator.
- Two wells drilling campaign starting August - September 2010.
- High risk wells.

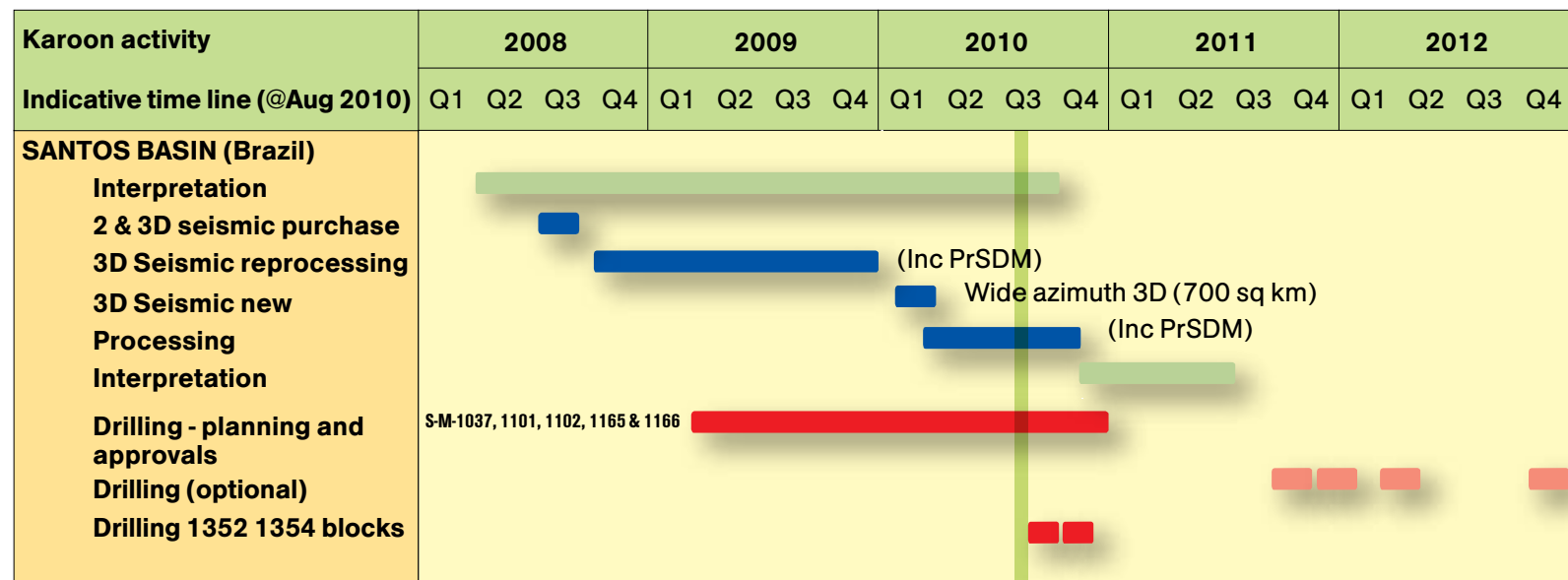
Prospect	Reservoir	Gross Mean Rec Oil unrisks (mmbbls)
Maruja	Oligocene	38
Maruja	Campanian	100
Açores	Santonian	125
Quasi	Miocene	44

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Brazil – Prospect example



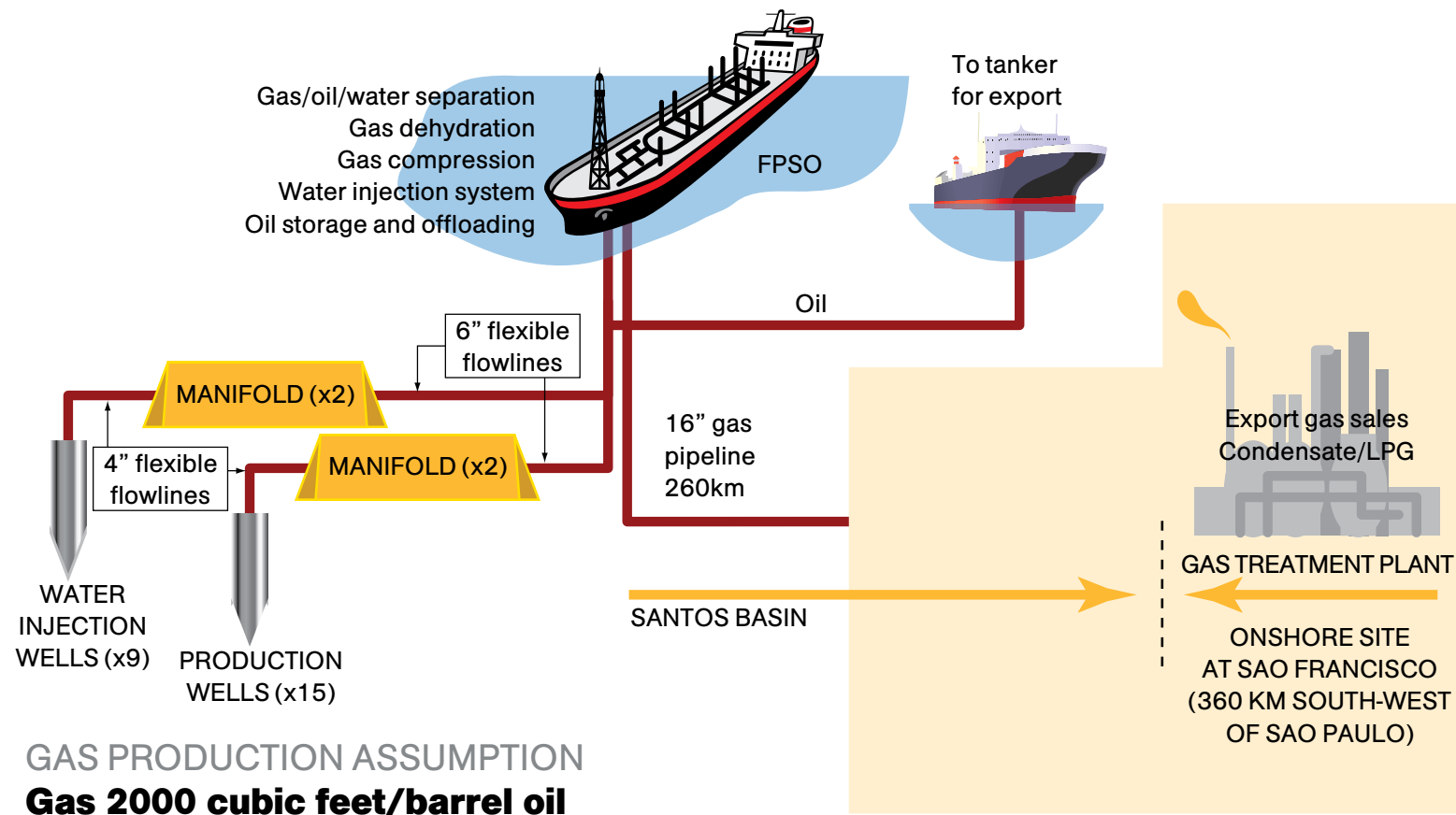
Brazil Santos Basin – Indicative Timeline



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).

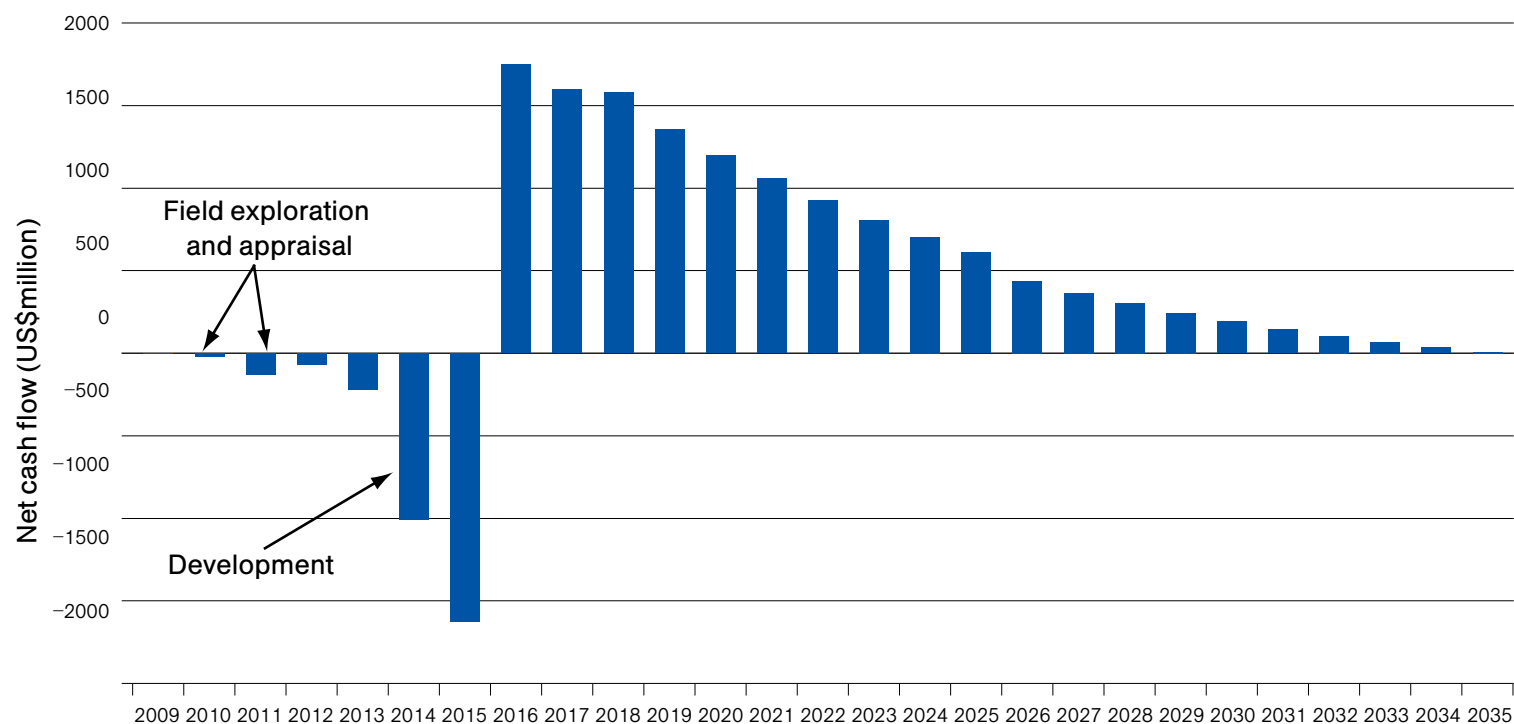
Field development, pipeline and gas plant facilities schematic (80,000 b/d oil, 160 mil scf/d gas).



Net cash flow

Karoon oil and gas production indicative development model economics.

100% share.



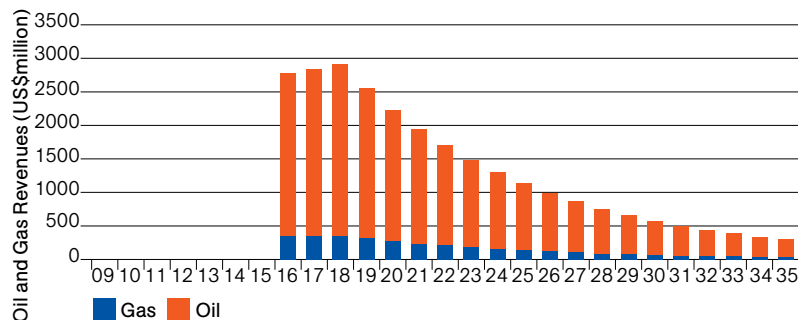
Project NPV US\$2.9 Billion, IRR 34%

Assumptions: Oil US\$70/bbl, Gas US\$5/mmbtu

Karoon indicative development model economics

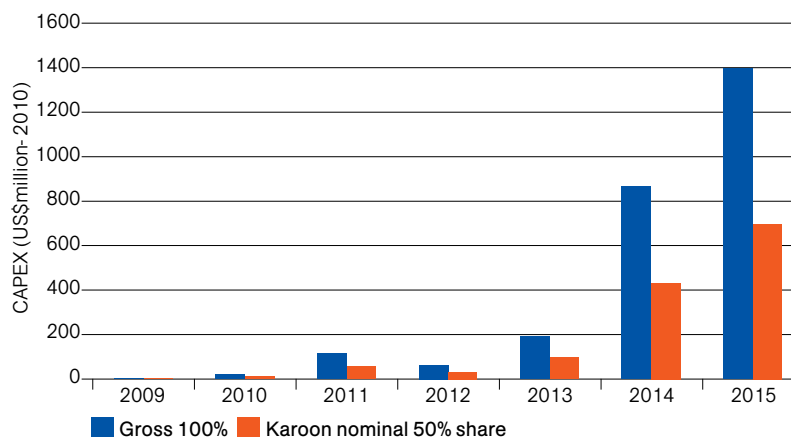
Product revenues

Oil and Gas Revenues- 100% share



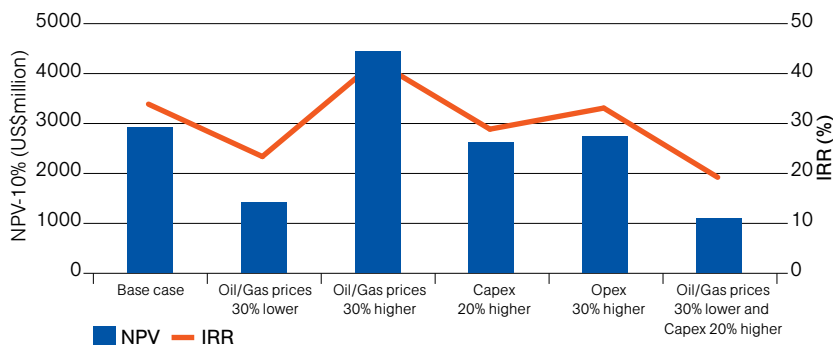
Capex profile

—2010 US dollars

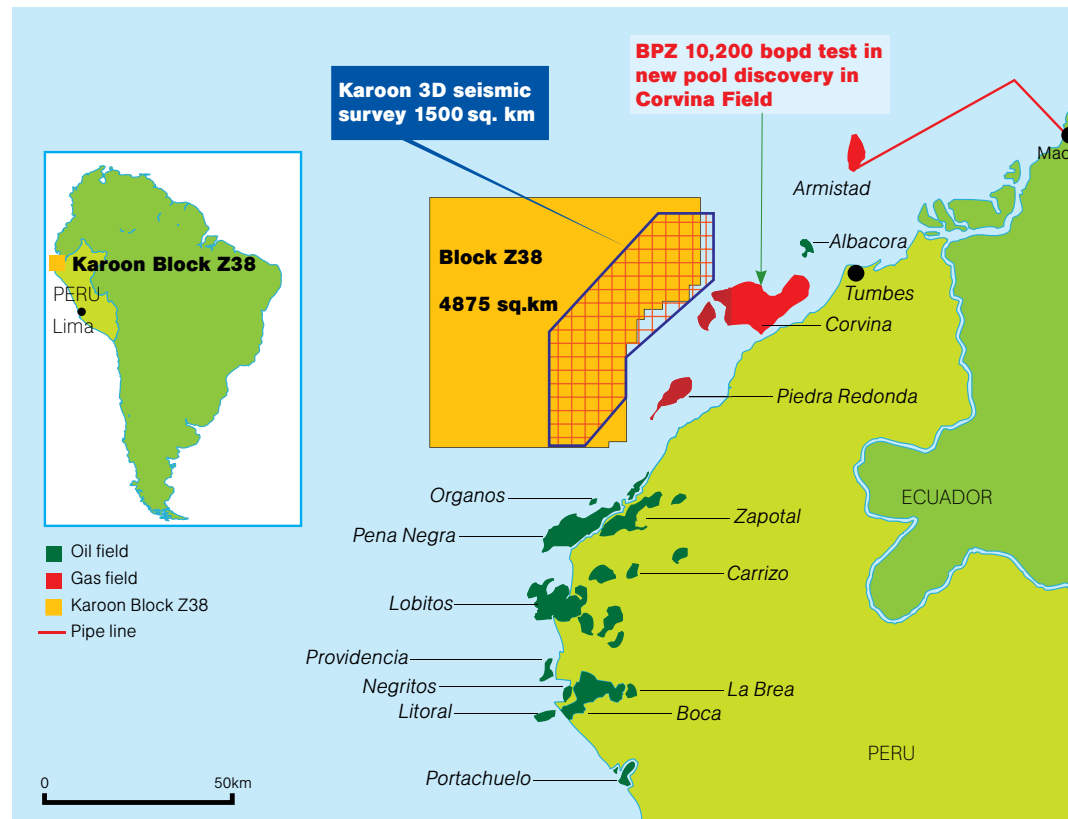


Total project Capex US\$ 2.4 billion

Economic sensitivity analysis



Peru Tumbes Basin Block Z38



Location: Offshore Peru close to producing fields and discoveries.

Potential: 2 main leads each with 50 to 250mmbls potential oil or multi Tcf gas prospective resources potential.

Additional leads potential recognised but yet to be defined.

Interest: Karoon earning up to 75% from funding 2D & 3D seismic and 2 wells.

Vamex farm down to 25%.

JV work program:

First phase (1.5 year) Work Program.

Fund 2000km 2D seismic.

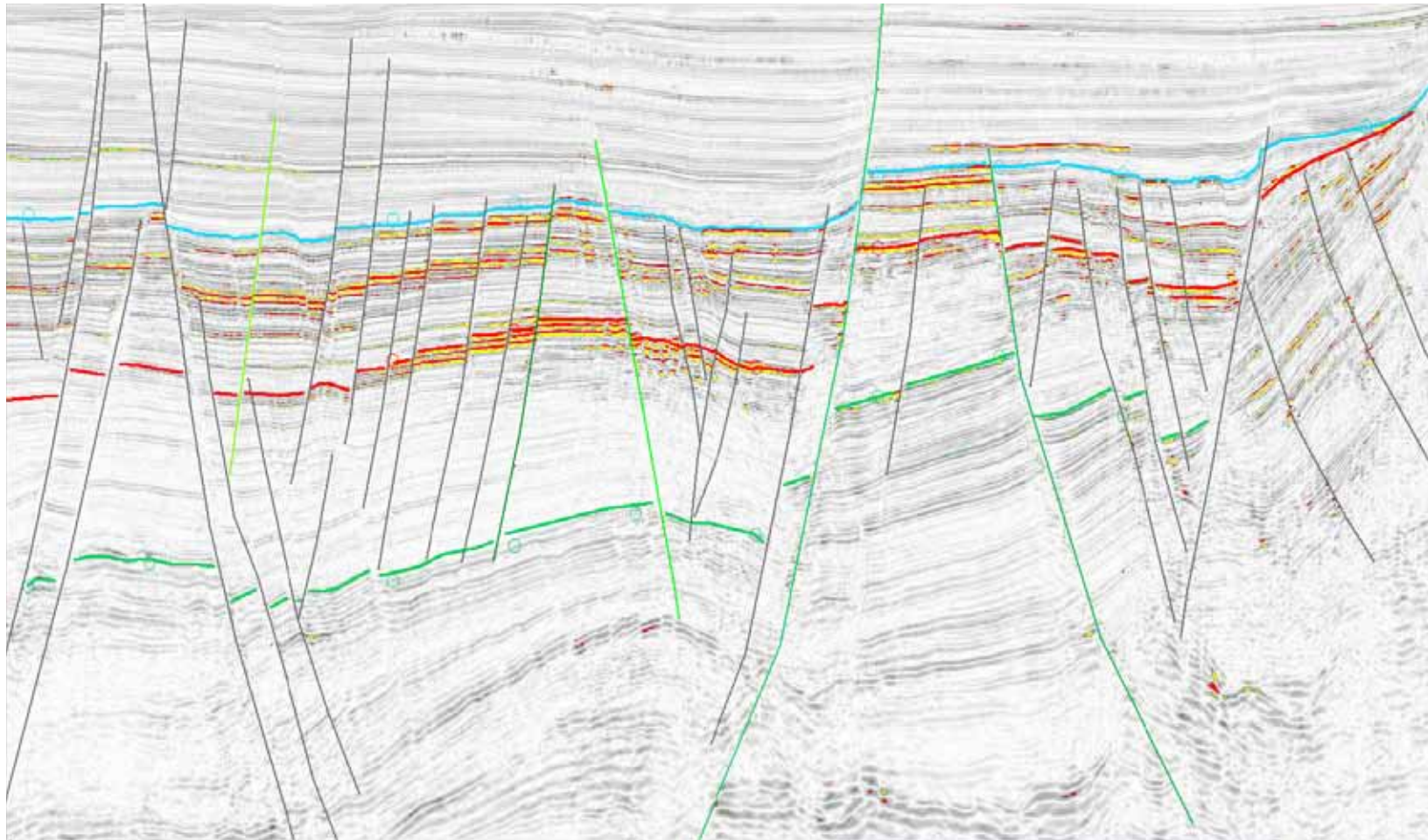
Second phase acquire 600 sq. km. 3D seismic.

Third phase drill two wells.

Forward plan: Drill in 2011.

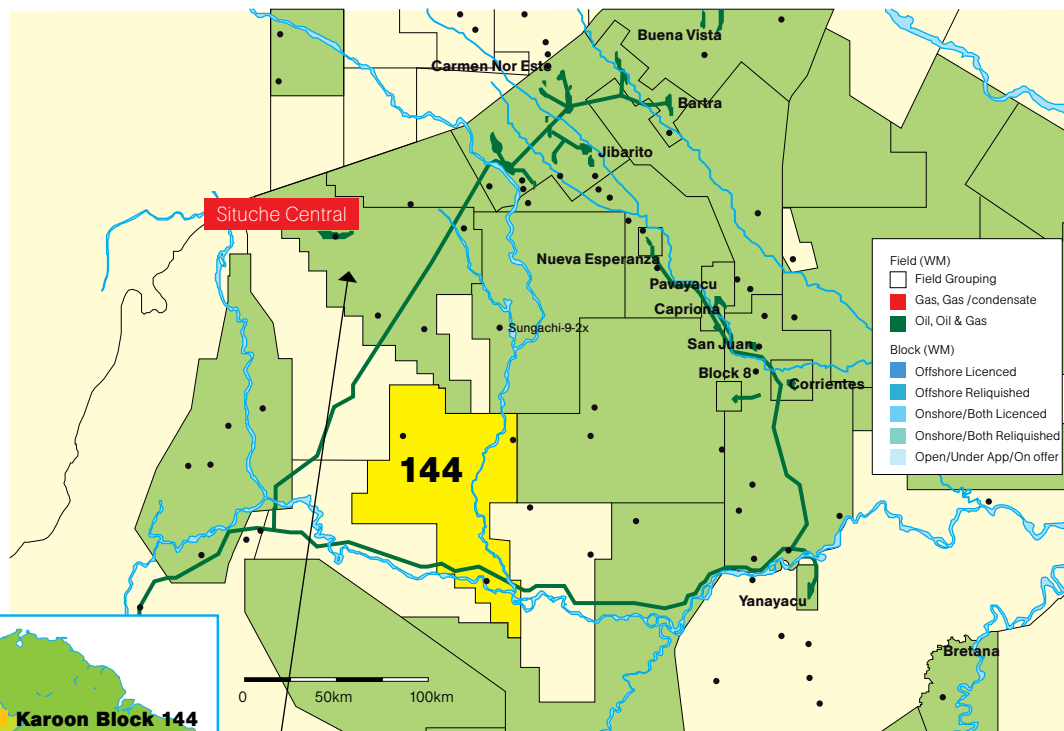
Peru Tumbes Basin Block Z38

Seismic line example.



■ Clear gas DHI's with amplitude ratio up dip to down dip around 5 to 10 times.

Peru Marañon Basin Block 144



18th August. 2009 Scout Meeting, TALISMAN has reported that the well Situche 3 is drilling to the depth of 15,900 feet and found the Vivian Fm. sand with a 90 ft oil column, ave. porosity 16 % and permeability 300/350md. Oil 35° API. Estimated to confirm prediction of 120MM to 150MM of barrels of oil reserves.

Location: Onshore Peru close to existing infrastructure and producing fields.

Potential: Leads with 50 to 250mmbls prospective resource potential. Additional leads potential recognised but yet to be defined.

Along trend from from Situche oil field (100+mmbs).

Interest: Karoon holds the permit 100%.

Work program:

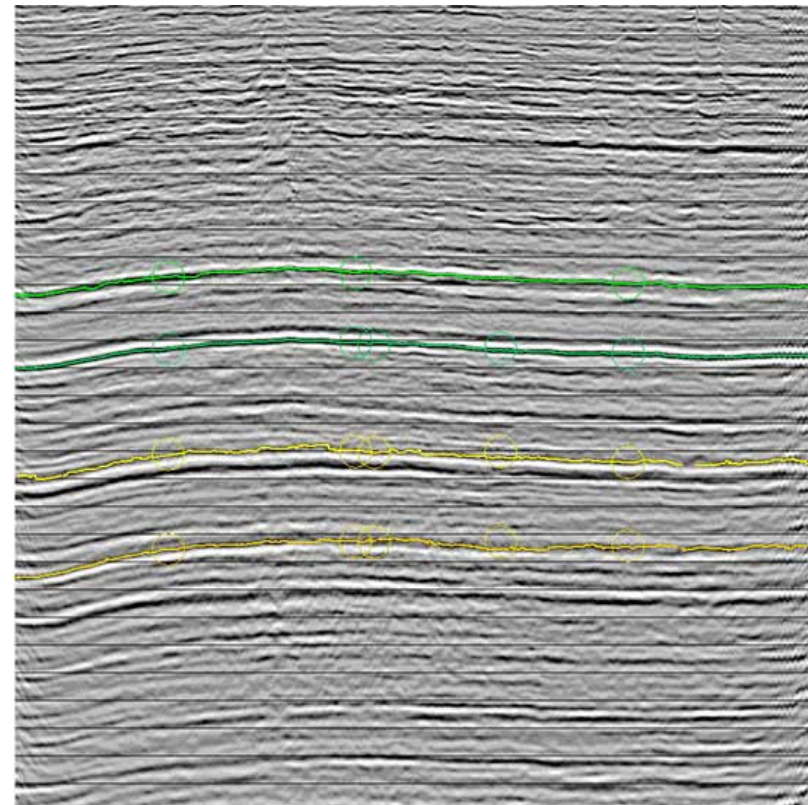
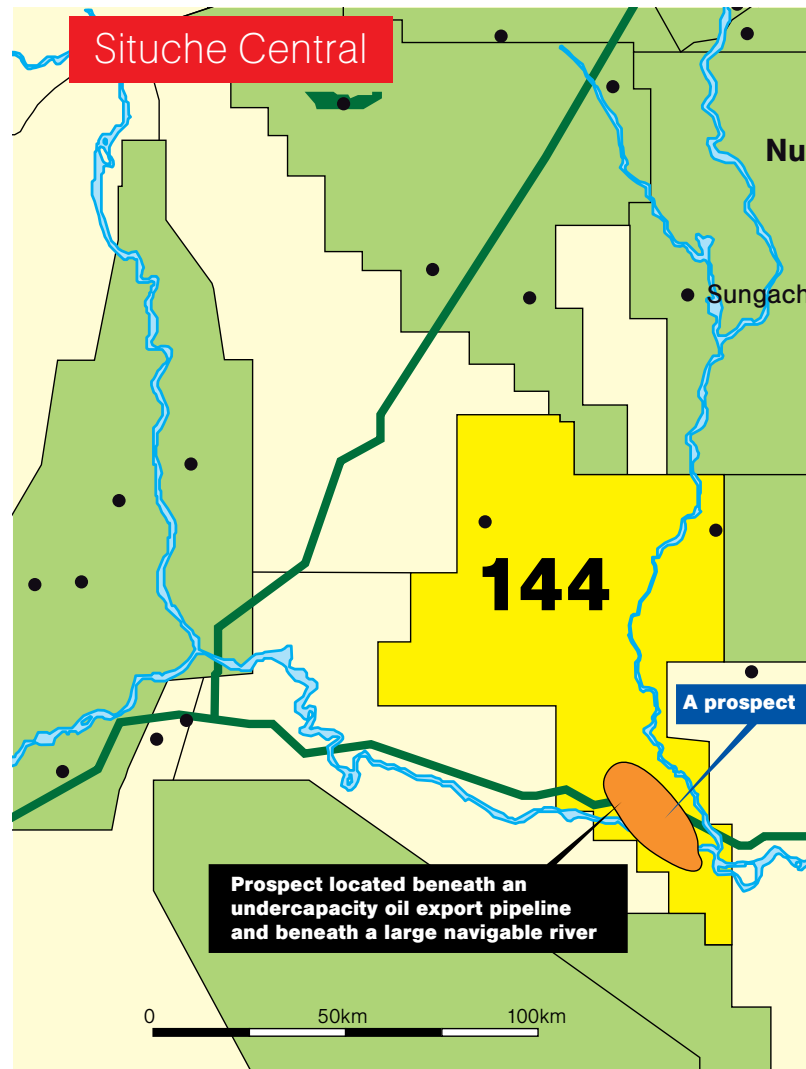
Phase-1 April 16 2009 - October 2011
Reprocess 1000km 2D seismic, geological and geophysical studies.

Phase-2 October 2011 - April 2013
Interpretation of 300km 2D seismic.

Phase-3 April 2013 - October 2015
Drill one well to a minimum depth of 4200m.

Forward plan: Interpret completed 1000km seismic reprocessing in presentation for drilling in 2013-2015.

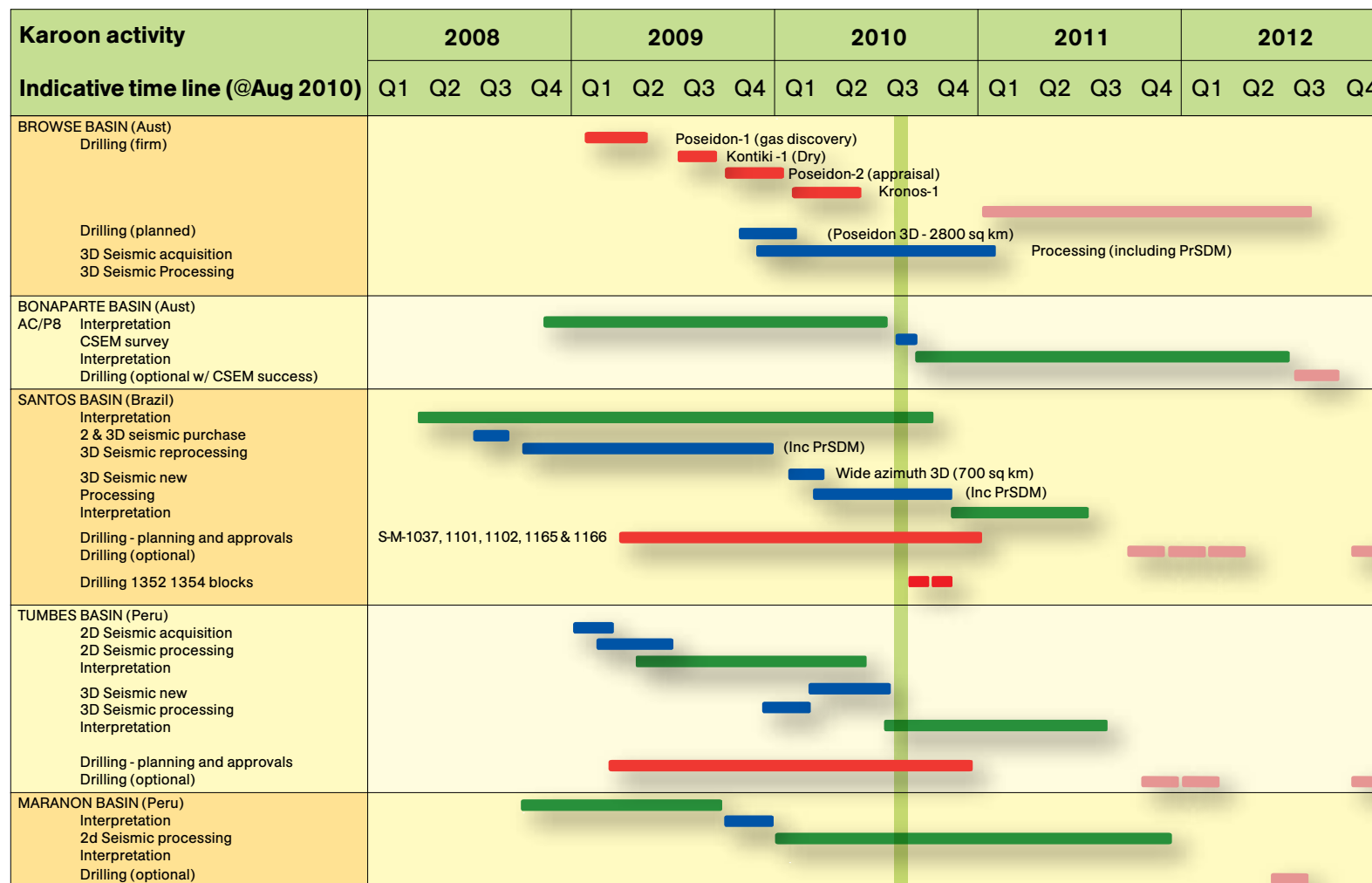
Peru Marañon Basin Block 144



Prospect	Reservoir	Mean Rec Oil unrisked (mmbbls)
A Prospect	Cretaceous sands	120

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Activity Summary



DeGolyer & MacNaughton Assessment

Independent report on Prospective Resources for the company's South American portfolio of exploration assets as completed by DeGolyer and MacNaughton (D&M) at the 30th May 2010.

The Prospective Resource Report certifies a Risked Net Mean Prospective Resources of 600 mmboe for Karoon's South American assets.

Table summarises total Karoon D & M assessments combining the D & M Assessments of 30 Sept 2009 and 30th May 2010

		Low Estimate	Best Estimate	High Estimate	Mean Estimate	Riskd Mean Estimate
Net Contingent Resource						
Assessment date						
Sep 09	Poseidon Wet Gas (Tcf)			7.6		

Net Prospective Resources						
Assessment date						
Sep 09	Australia Browse Basin Wet Gas (Tcf)	1.80	4.50	11.20	5.80	1.60
Sep 09	Australian Browse / Bonaparte Basins Oil (billion barrels)	0.26	0.63	1.91	0.95	0.06
May 10	Peru, South America Oil (billion barrels)	0.19	0.57	1.64	0.78	0.13
May 10	Brazil, South America Oil (billion barrels)	0.59	1.15	2.19	1.30	0.44
	Oil Total Australia and South America (billion barrels)	1.04	2.35	5.74	3.03	0.64

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Petroleum exploration relies on the interpretation of complex and uncertain data and information which cannot be relied upon to lead to a successful outcome in any particular case. Petroleum exploration is inherently uncertain and involves significant risk of failure. All information regarding Prospective resource estimates and other information in relation to Karoon's assets is given in the light of this caution.

Index of terms

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

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

Bbls: Barrels

BOE: A means of expressing gas volumes in barrels of oil equivalent.
(1BOE equals approx. 5500 standard cubic feet of gas)

PSDM: Pre-stack depth migration

CSEM: Controlled source electromagnetic (survey)

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** (probability of 50%) the mid case and the **P90** (probability greater than 90%) 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.

Contingent Resources: Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not yet currently considered to be commercially recoverable.

ORR: Over-riding royalty

Prospect: Target ready for drilling

Lead: Potential target under evaluation