

Karoon Gas Australia Ltd

Corporate Review

September 2014



Queiroz Galvão "Olinda Star" Semi Submersible Drilling Rig

Karoon's Global Footprint



Corporate Overview



The Strategy: Exploration Led Growth

Karoon looks for high equity interests in early stage exploration opportunities with large potential targets in proven petroleum systems

The Company looks to create shareholder value through the geotechnical work-up of the acreage, leveraging its high equity interests to explore and appraise these opportunities to achieve commercialisation

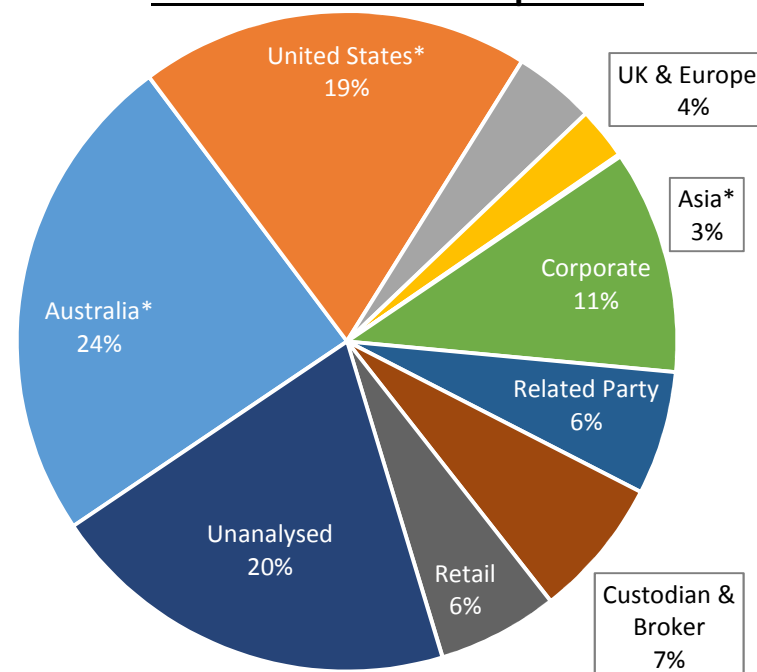
Overview

- A\$1 billion market capitalisation
- 255.8 million ordinary shares on issue
- 11 million unlisted options
- A\$660 million cash at bank (as at 31 August 2014)
- Member S&P / ASX 200 Index
- On-market buyback program active for up to 10% of ordinary shares on issue

Substantial Shareholders

1. Wellington Management Co	13.5%
2. Talbot Group Investments	10.3%
3. Paradice Investments Management	6.7%
4. IOOF Holdings Ltd	5.1%

Total Shareholder Composition



* Institutional Shareholders represented by geography

Investment Highlights

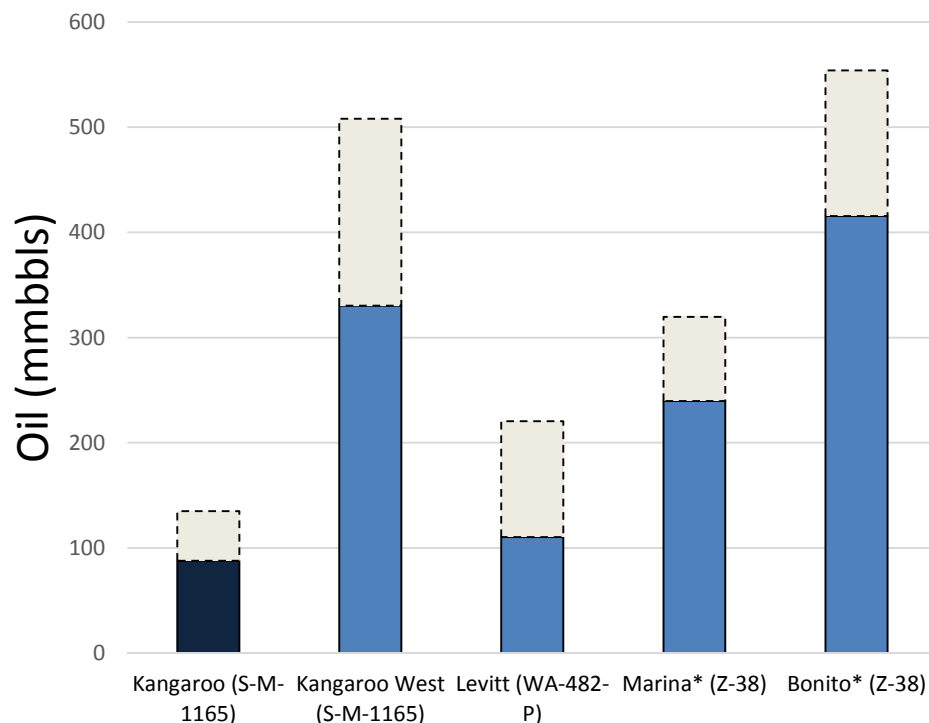


Proven Track Record	<ul style="list-style-type: none"> - Exploration led growth strategy delivering - 78% drilling success rate in last 24 months from 9 wells - Browse Basin Poseidon gas resource monetised for up to US\$800 million
Oil Focused Drilling Inventory	<ul style="list-style-type: none"> - Kangaroo oil discovery appraisal planned December Quarter 2014 - 4 oil focused exploration wells planned, targeting NET un-risked prospective resource Best Estimate 1.1 Bn bbls[#]
Chasing Production	<ul style="list-style-type: none"> - Kangaroo oil discovery appraisal the #1 priority - Upon success at Kangaroo, project expected to progress to FEED
2 Transactions Delivered YTD	<ul style="list-style-type: none"> - Browse and Carnarvon Basin transactions delivered. Combined value ~A\$1Bn - Santos and Tumbes Basin farmouts remain a priority, discussions ongoing
Funding	<ul style="list-style-type: none"> - US\$600 million proceeds from sale of Browse Basin permits RECEIVED, US\$200 million milestone payments outstanding - Well funded for existing commitments over the medium term
Capital Management	<ul style="list-style-type: none"> - Capital review undertaken - On-market buyback launched for up to 10% of ordinary shares on issue - A reduced share count will increase exposure per share to drilling program
Capital Discipline	<ul style="list-style-type: none"> - Focus on less capital intensive, higher returning oil opportunities - Higher risk exploration subject to farmouts
Board Restructured	<ul style="list-style-type: none"> - Independent Board established - Committed to separating Executive Chairman function by FYE15

Drilling Inventory – Oil Opportunity



Unrisked Mid Case Resource Estimate



Resource Classification

NET (to Karoon) Contingent Resource[#] – 2C

NET (to Karoon) Un-risked Prospective Resource[#] – Best Estimate

Net to JV Partner

Type

Discovery - Kangaroo

Prospect - Kangaroo West, Levitt, Marina*, Bonito*

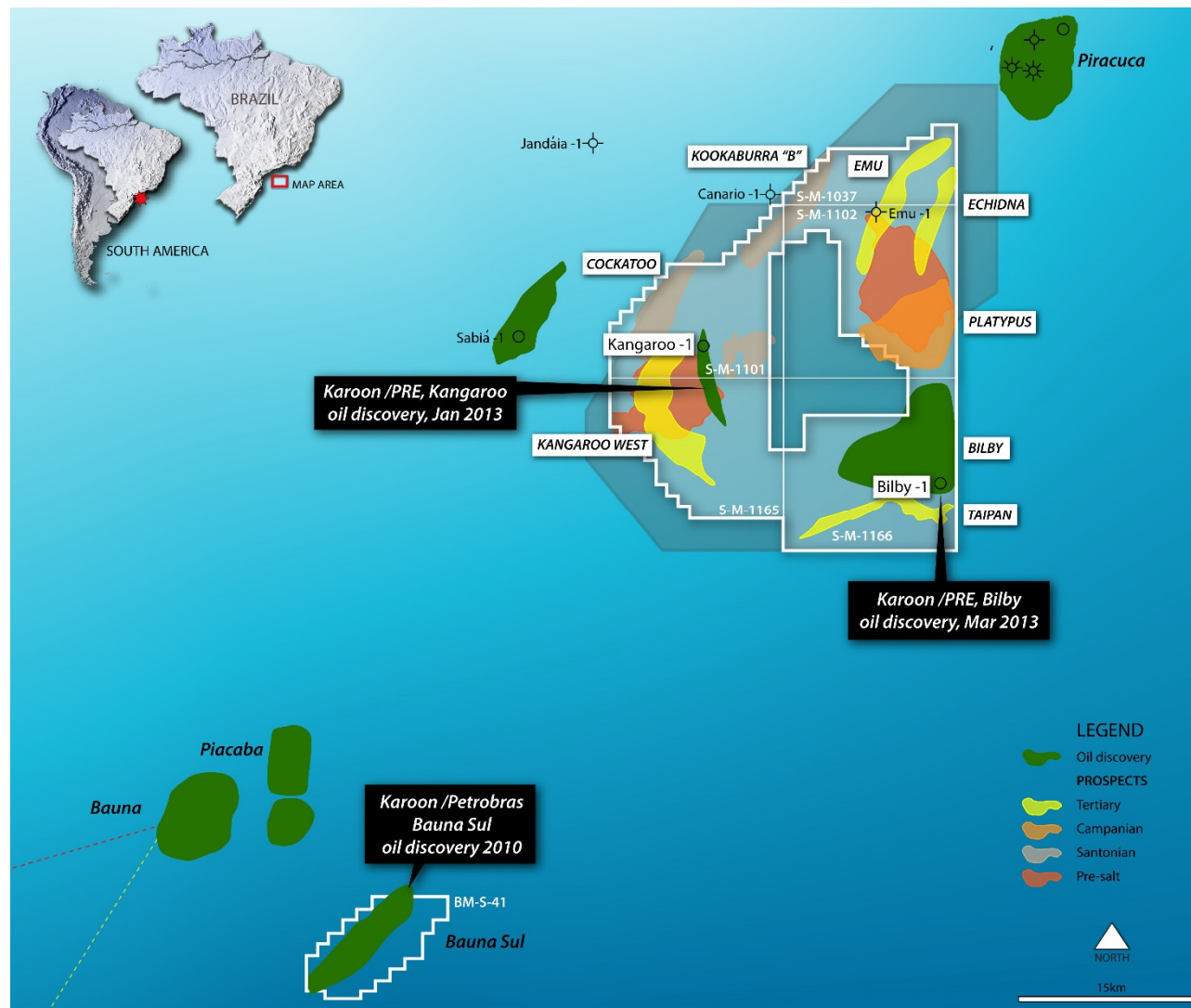
18 month drilling inventory key takeaways:

- First well, Kangaroo-2, appraising the Kangaroo light oil discovery
- 4 exploration wells targeting oil and a total prospective resource Best Estimate:
 - Net to Karoon, UNRISKED 1.1 Bn bbls
 - Net to Karoon, RISKED 287 mmbbls
- Preliminary economic analysis of development scenarios suggest the NPV US\$ / bbl range for discovered pre-development resources is:
 - US\$5 – US\$12 / bbl

* Exploration wells remain subject to farmout. Net prospective resource presented represents Karoon's 75% interest

Refer to End Notes on page 21

Appraisal Phase – Santos Basin



Santos Basin - 5 Blocks

Santos Basin, Brazil - Blocks S-M-1037, 1101, 1102, 1165, 1166

Equity Interests: Karoon 65% (Operator), Pacific Rubiales 35%

Progress to Date:

- 2 oil discoveries - Kangaroo-1 and Bilby-1 during 2013. Kangaroo is good quality light oil (40 degree API) in shallow water, net unrisked contingent 2C resource of 88 mmbbls (gross 135 mmbbls)
- Discovery Appraisal Plan approved December 2013.
- Pre-FEED studies completed
- 180 day extension to current work commitment period granted, firms wells to be drilled by 29 June 2015

Forward Plan:

- Key operational objective in 2014: The appraisal of Kangaroo oil discovery
- Appraisal and exploration program is designed to confirm the size of the oil column, reservoir continuity and properties, and flow rates at Kangaroo along with testing nearby targets
- Appraisal drilling campaign to commence December Quarter 2014
- 'Olinda Star' rig contracted for 2 firm and 2 option wells.
- Firm wells: Kangaroo-2 appraisal well and Kangaroo West-1 exploration well
- Limited appraisal drilling required to progress into FEED and upon success, into production
- Pending success at Kangaroo-2, FEED is expected to commence at Kangaroo

Farmout:

- Farmout discussions are on-going

Santos Basin – Well Locations

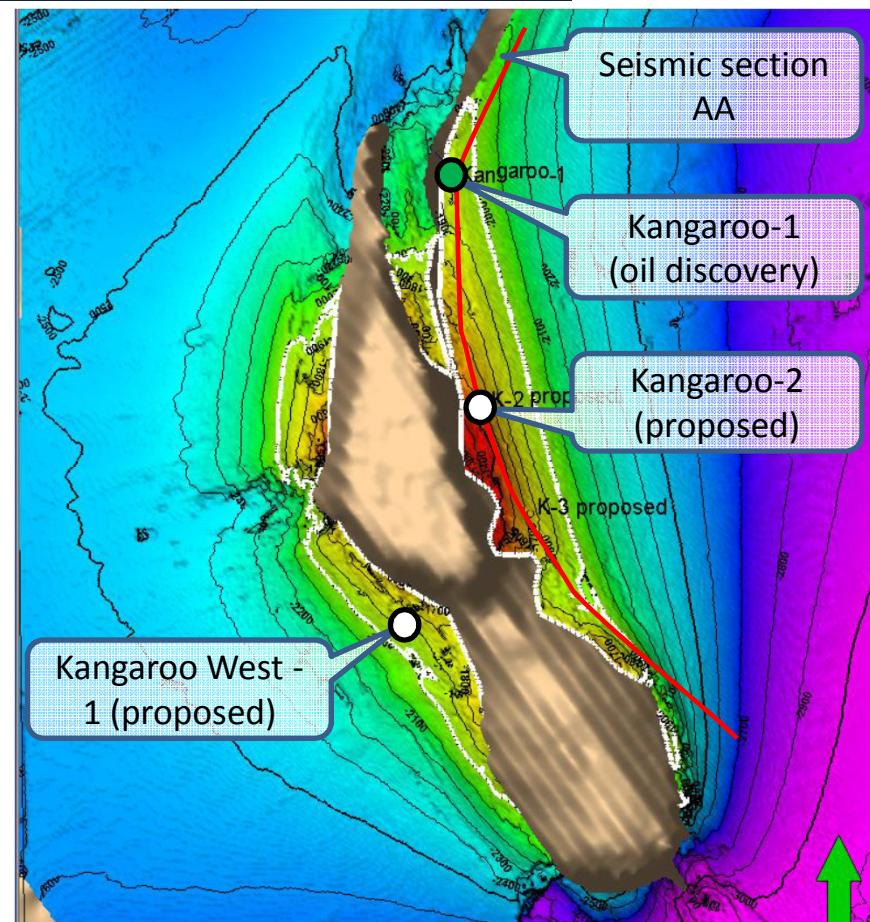


Kangaroo discovery and Kangaroo West prospect

- The Kangaroo field and Kangaroo West prospect structures are developed on the flanks of an elongate salt diapir. Kangaroo-2 positioned 300m updip from the Kangaroo-1 location
- Excellent 3D seismic data quality
- The reservoirs and seals identified in Kangaroo-1 can be correlated on seismic around the salt diapir to Kangaroo West, presenting an excellent exploration target.

Note:

- The Kangaroo Contingent Resource estimates below are NET to Karoon. The gross contingent resource range is 1C:11 mmbbls, 2C:135 mmbbls, 3C:487 mmbbls.



Internal Assessment			Net Contingent Resource (Discovered)			Net Un-risked Prospective Resource [#] (Undiscovered)		
Discovery / Prospect	Interest	Type	1C	2C	3C	Low	Best	High
Kangaroo	65%	Oil (mmbbls)	7	88	317	-	-	-
Kangaroo West	65%	Oil (mmbbls)	-	-	-	15	330	1,193

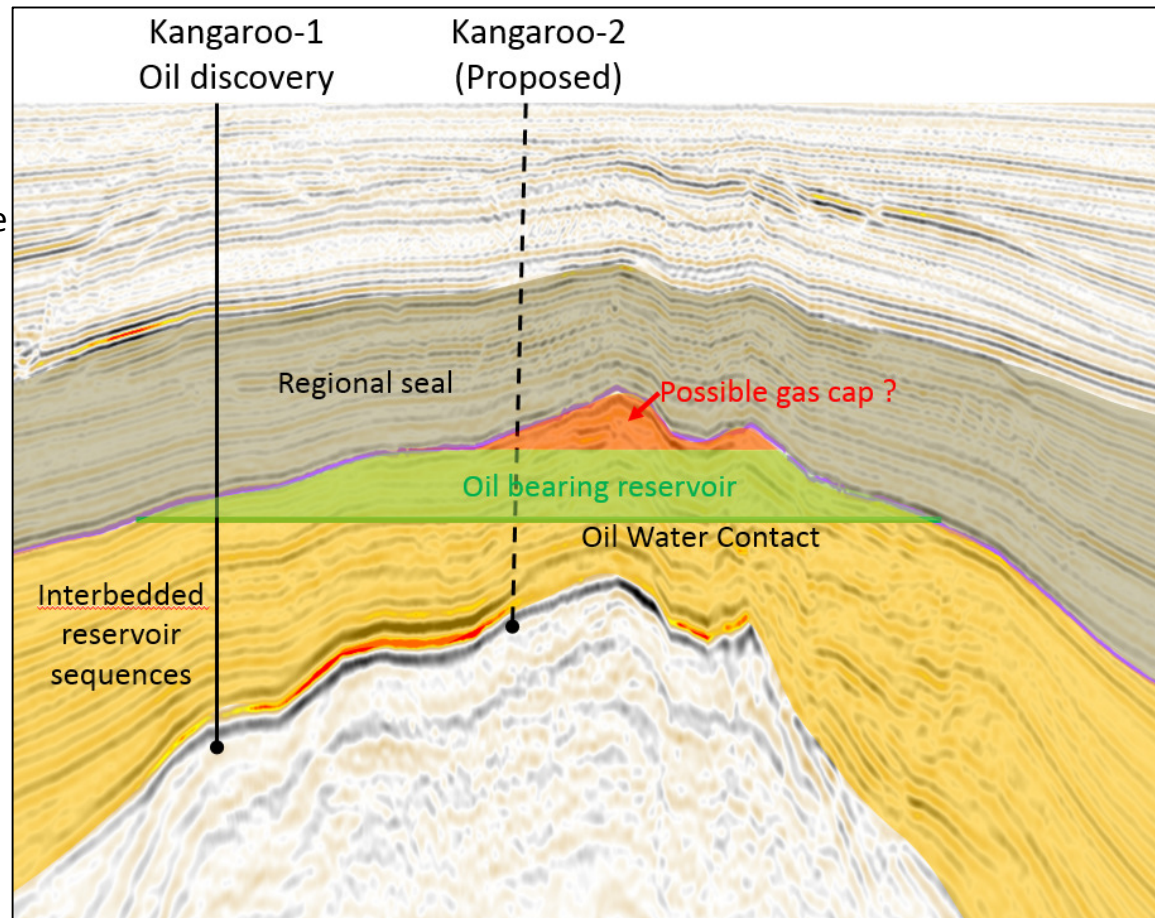
Santos Basin – Kangaroo Field



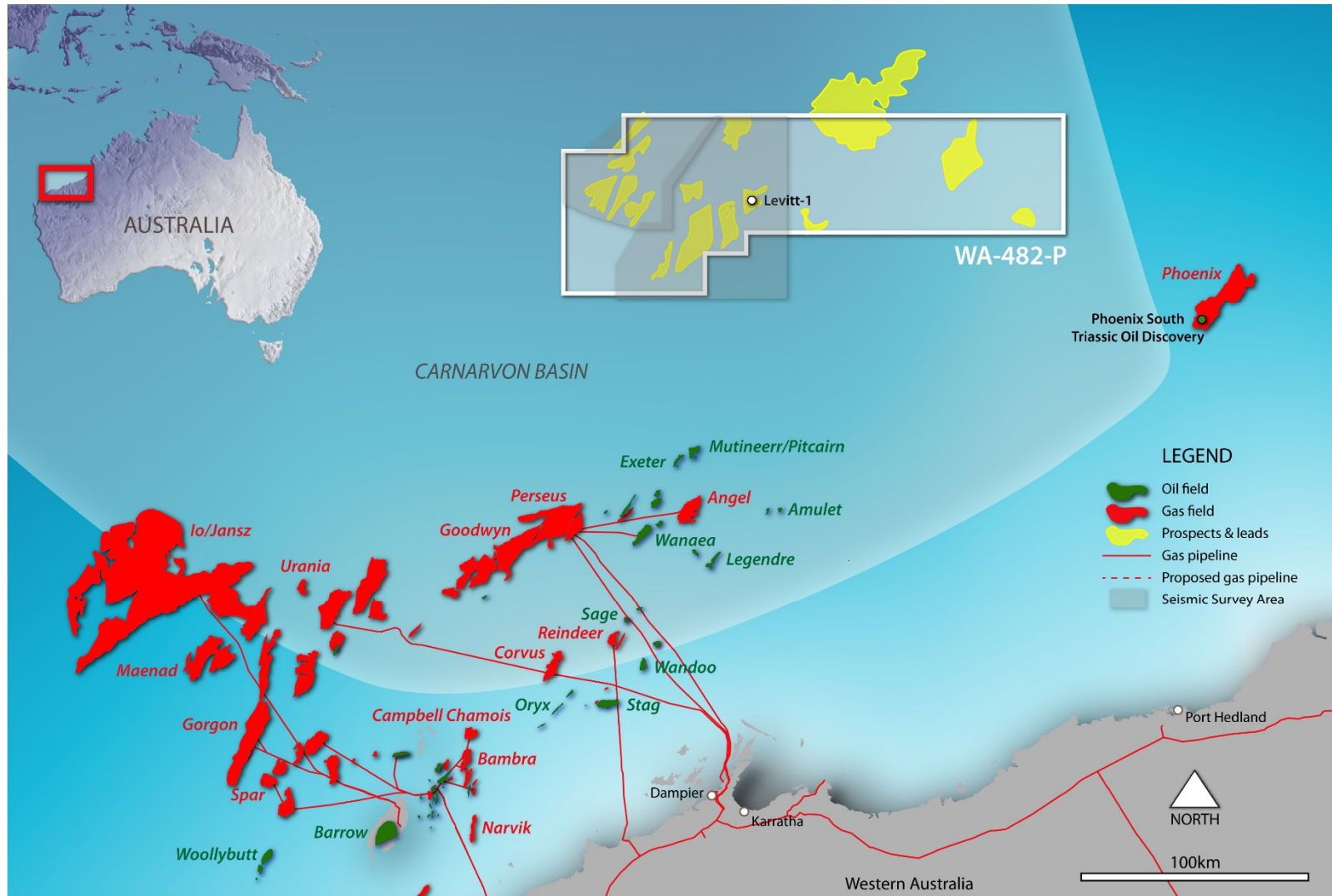
N-S seismic section AA through Kangaroo field

Kangaroo Oil Discovery

- Pressure data and recovered oil samples confirms a 75 metre oil column in Eocene interbedded sands
- Oil measured at 40 degrees API
- Possible gas cap present at crest of trap.
- Petrophysical analysis estimates reservoir porosities in the range 25 to 32% with permeabilities measured from 10 to over 1000md
- Deeper Eocene to Maastrichtian interbedded sands are expected to be within the hydrocarbon column higher in the structure.



Exploration Pipeline – Carnarvon Basin



Carnarvon Basin – WA-482-P

Carnarvon Basin, Australia – Permit WA-482-P

Equity Interests: Karoon – 50%; Apache – 50% (Operator)

Farmout:

- Karoon farmed out a 50% interest in WA-482-P to US independent, Apache for US\$9 million upfront cash payment and carry for 90% of one exploration well capped at US\$63 million
- Farmout brings a world class partner and the next leg of exploration led growth at a modest cost

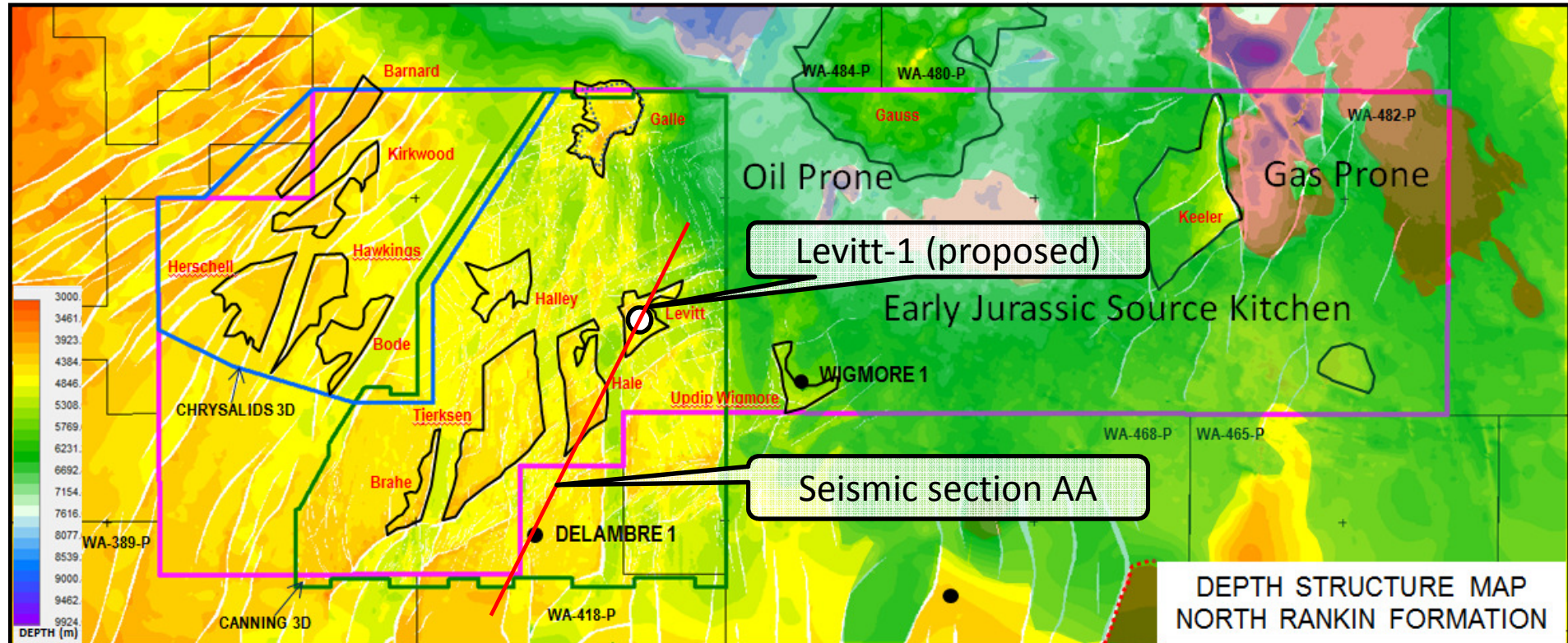
Progress to Date:

- WA-482-P is highly prospective for oil and gas
- Independently assessed NET un-risked prospective resource Best Estimate is 1,117 mmbbls[#] (6 prospects) from less than a third of the 13,539 square kilometre permit area
- Final processed Chrysalids 3D seismic survey data expected during December 2014 Quarter (not included in the current un-risked prospective resources estimates)

Forward Plans:

- JV selected Levitt prospect as the first exploration target to be drilled
- Levitt un-risked prospective resource Best Estimate 220 mmbbls gross, or 110 mmbbls net to Karoon
- Levitt-1 exploration well expected to be drilled during the next 2 quarters

Carnarvon Basin – WA-482-P

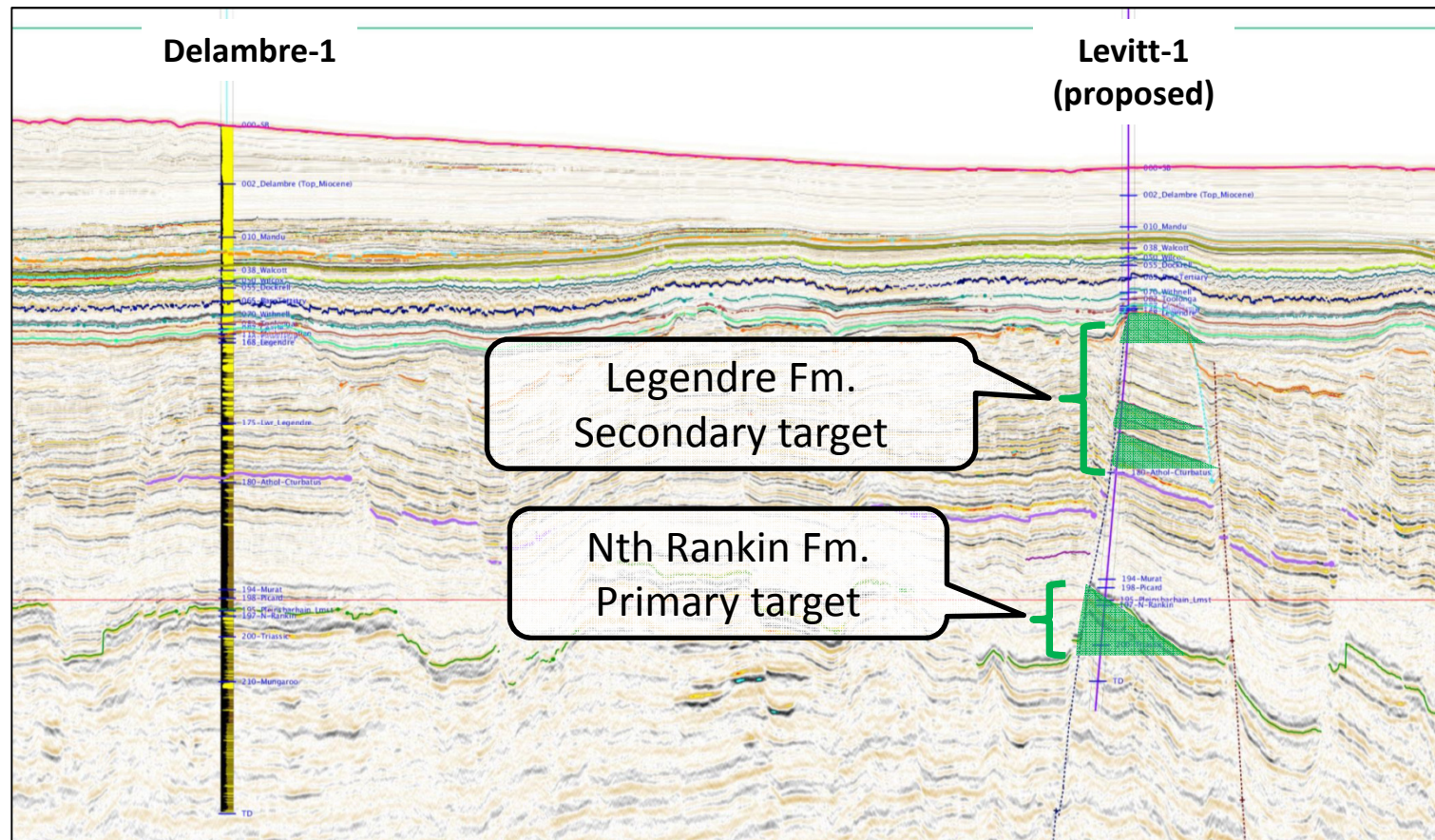


- Levitt-1 is well positioned to receive migrating hydrocarbons from the oil mature Early Jurassic source kitchen.
- Primary target North Rankin formation and secondary target Legendre formation

Independently Assessed			Net Un-risked Prospective Resource [#] (Undiscovered)		
	Interest	Type	Low	Best	High
WA-482-P (Permit)	50%	Oil (mmbbls)	375	1,117	2,837
Levitt (Prospect)	50%	Oil (mmbbls)	36	110	275

Carnarvon Basin – WA-482-P

N-S seismic section AA through Levitt Prospect

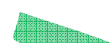


Levitt-1

Prospective targets at Legendre and North Rankin Fm. levels.

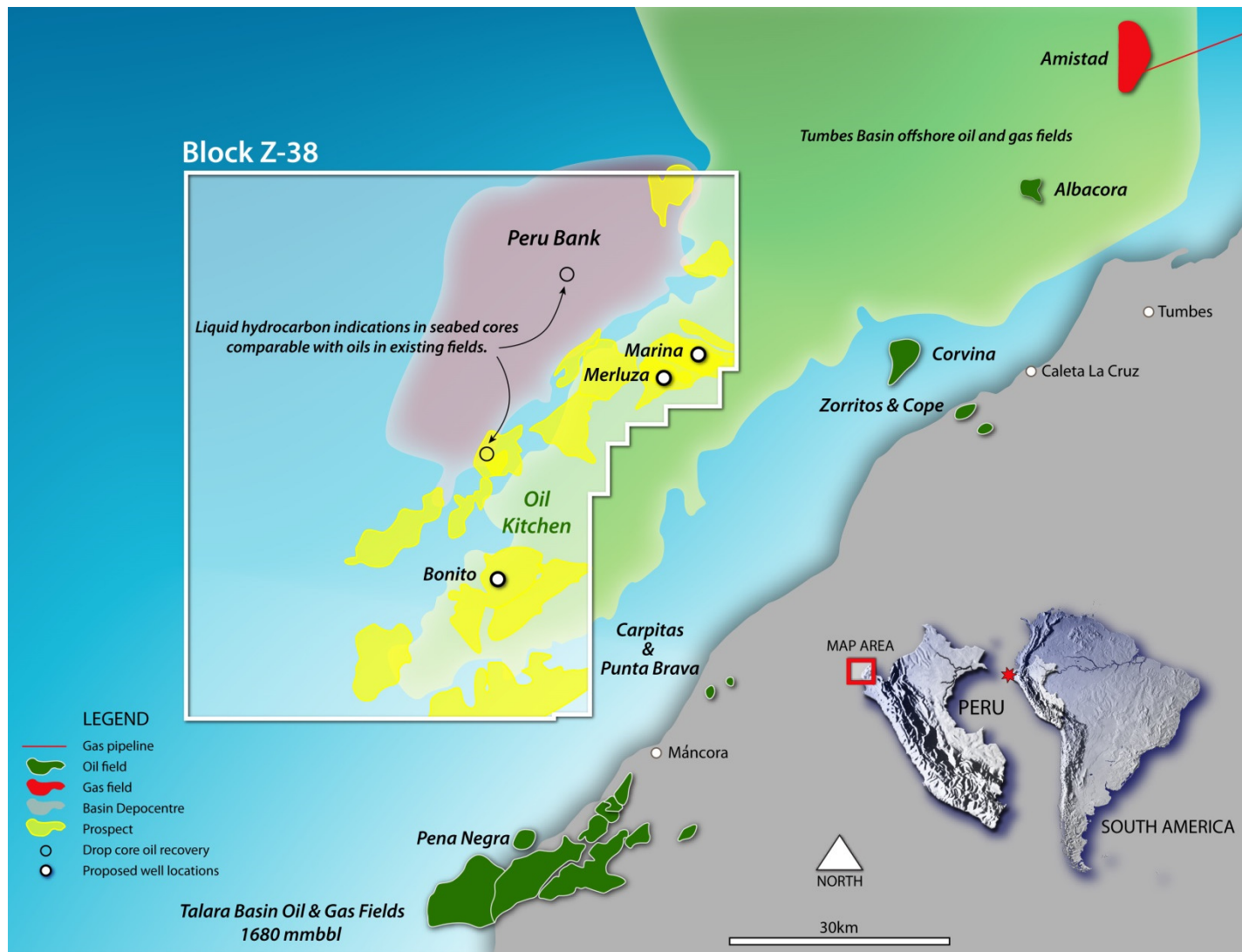
Gross unrisks prospective resource 220mmbbls, 110mmbbls net to Karoon

Delambre-1. Dry well with structure located in migration shadow.



Indicative hydrocarbon column

Exploration Pipeline – Tumbes Basin



Tumbes Basin – Block Z-38

Tumbes Basin, Peru - Block Z-38

Equity Interests: Karoon – 75% (Operator); Pitkin Petroleum – 25%

Progress to Date:

- Independently assessed net un-risked prospective resource Best Estimate 1,686 mmbbls[#] (across 18 prospects)
- Prospect evaluation complete and preliminary drill locations have been selected
- Environmental Plan approval received mid 2013

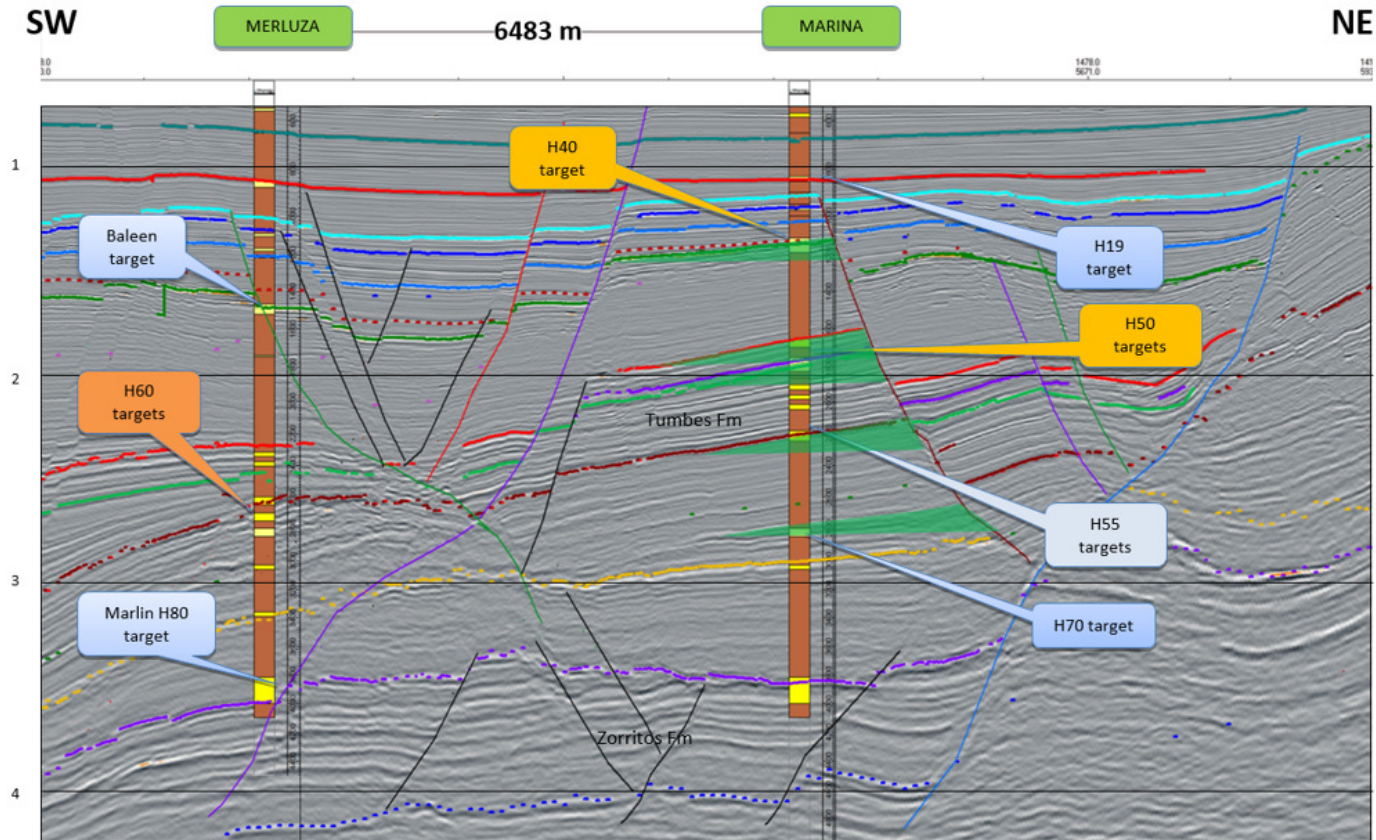
Forward Plan:

- Exploration drilling planned to commence 2015, and remains subject to a farmout
- Initial 2 well campaign planned
- Preliminary well locations Marina and Bonito prospects, with a net un-risked prospective resource Best Estimate 656 mmbbls[#]
- Block currently in force majeure. The current third period term has approximately 22 months remaining once force majeure is lifted

Farmout:

- Non-exclusive farmout negotiations remain on-going along with discussions with other interested parties

Tumbes Basin Z-38 Marina Prospect



Indicative
hydrocarbon
column

Principal targets between H40 & H55 but secondary targets from 800-4000m. H70 target equivalent to 36 API oil sand in 15-X-1 well

Independently Assessed			Net Un-risked Prospective Resource [#] (Undiscovered)		
	Interest	Type	Low	Best	High
Z-38 (Block)	75%	Oil (mmbbls)	686	1,686	3,764
Marina (Prospect)	75%	Oil (mmbbls)	129	240	405
Bonito (Prospect)	75%	Oil (mmbbls)	186	415	953

Other Assets



WA-314-P, Browse Basin, Australia

Equity Interests: KAR 100% (Operator)

- Final processed Kraken 3D seismic survey data (over Elvie prospect) expected December Quarter 2014
- Farmout discussions remain on-going with interested parties
- Further exploration drilling remains subject to farmout
- Current work program commitments comprise geological and geophysical studies. There is no current well commitment

Block 144, Marañón Basin, Peru

Equity Interest: KAR 100% (Operator)

- Farmout process commenced, preliminary interest received and data room slots being scheduled
- The Block is currently in force majeure

Block 1352, Santos Basin, Brazil

Equity Interests: KAR 20%, Petrobras 80% (Operator)

- Bauna Sul (formerly Maruja) oil discovery announced January 2011
- Technical and commercial assessment remains on-going

Corporate Social Responsibility



Karooon is committed to the equitable and sustainable development of the environment and the communities in regions where we operate



Corporate Social Responsibility



Peru was identified as the operational location where investment in social and environmental programs presented the best chance to make a significant positive contribution. The focus is on empowering individuals and communities by creating opportunities for improved healthcare, education, training and business.

Karoon implemented the Citizen Participation Plan, a program designed to allow frequent and transparent dialogue with local communities around planned exploration activities and to identify the best opportunities to support those communities.

Social and Environmental Programs:

Block Z-38, Tumbes Basin

- *Artisanal Fishermen Formalization:* Promote the formal identification through licensing of local fishermen and safety at sea
- *Micro Business Program:* Promote micro businesses in bijouterie (through the brand *Mutumbi*) managed by the local women of Tumbes
- *Frigatebird Project:* Promote sustainable tourism in the mangrove ecosystem of Puerto Pizzaro, Tumbes, through researching and increasing the awareness and protection of the Magnificent Frigatebird and its habitat

Block 144, Marañón basin

- *Healthcare and Education Programs:* Promote health and education for disadvantage localities to support the local institutions and improve living condition
- *Land Titling Program:* Formalize community boundaries and publically register property to improve the land security
- *Natural Medicine Program:* Improve community knowledge and opportunities around the biodiversity in the Amazon

Resource Summary – NET to Karoon



The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. There is no certainty that any portion of the prospective resource 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.

Independently Assessed - DeGolyer & MacNaughton					NET Contingent Resource (Discovered)			NET Un-risked Prospective Resource (Undiscovered)		
Permit	Interest	Basin	Country	Type	1C	2C	3C	Low	Best	High
WA-314-P*	100%	Browse	Australia	Wet Gas (Bcf)	-	-	-	559	1,096	2,051
Total - Wet Gas					-	-	-	559	1,096	2,051
Permit / Block	Interest	Basin	Country	Type	1C	2C	3C	Low	Best	High
WA-482-P*	50%	Carnarvon	Australia	Oil (mmbbls)	-	-	-	375	1,117	2,837
Block Z-38*	75%	Tumbes	Peru	Oil (mmbbls)	-	-	-	686	1,686	3,764
Block 144*	100%	Maranon	Peru	Oil (mmbbls)	-	-	-	53	107	195
Total - Oil					-	-	-	1,113	2,910	6,796

Internally Assessed					NET Contingent Resource (Discovered)			NET Un-risked Prospective Resource (Undiscovered)		
Discovery / Prospect	Interest	Basin	Country	Type	1C	2C	3C	Low	Best	High
Kangaroo**	65%	Santos	Brazil	Oil (mmbbls)	7	88	317	-	-	-
Kangaroo West***	65%	Santos	Brazil	Oil (mmbbls)	-	-	-	15	330	1,193
Total Oil					7	88	317	15	330	1,193

* The prospective resource volume estimates presented in Australia and Peru have been independently assessed by DeGolyer and MacNaughton and disclosed in Karoon's 30 April 2014 announcement, 'Independently Certified Net Un-risked Prospective Resource, Australia and Peru, Best Case Net to Karoon 4.5 Tcf Wet Gas and 4.2 Bn bbls Oil'.

* The Kangaroo contingent resource as assessed 31 July 2013 has previously been disclosed in Karoon's 1 August 2013 announcement, 'Kangaroo Oil Discovery Contingent Resource Upgrade'. The announcement referred to gross contingent resource numbers, 1C: 11 mmbbls, 2C: 135 mmbbls, and 3C: 487 mmbbls, where as the table above presents them on a net basis. The discovered resource is categorised as a contingent resource because further evaluation is required to confirm commerciality.

For the contingent and prospective resource estimates previously announced and referred to in the 2 paragraphs immediately above, Karoon is not aware of any new information or data that materially affects the resource estimates and all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

*** The Kangaroo West net un-risked prospective resource estimates were assessed by Karoon's Engineering Manager, Mr Lino Barro on 30 April 2014 (see Competent Persons Statement below). They based on seismic survey data, nearby well data and other geologic information and prepared on a deterministic method 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.

SPE-PRMS Standards - Society of Petroleum Engineers- Petroleum Resource Management System-Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be discovered accumulations, resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

Competent Persons Statement – Mr Lino Barro, Karoon Gas Australia Ltd Engineering Manager - Any petroleum reserves, contingent resources and prospective resources information contained in the following Corporate Presentation relating specially to Santos Basin, Brazil, exploration blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165, S-M-1166 are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of, Mr Lino Barro, Karoon Gas Australia Ltd Engineering Manager. Mr Barro has the following qualifications B.Eng. (Chemical), MBA. Mr Barro is a member of the Society of Petroleum Engineers. Mr Barro has consented in writing to the inclusion of this information in the format and context in which it appears.

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End Note

This estimate of prospective petroleum resources must be read in conjunction with the cautionary statement on page 20 that the estimated quantities of petroleum that may potentially be recovered by the application of a future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.