



Tuesday 8th June 2010

(ASX Code: KAR)

ASX ANNOUNCEMENT

Karoon to evaluate potential listing of South American assets.

Karoon has evaluated the independent DeGolyer & McNaughton report on the company's South American assets of 30 May, 2010 and believes that the value of its Brazilian and Peruvian assets is not properly reflected in Karoon's market capitalisation.

Karoon Gas Australia Ltd is therefore assessing the possibility of a separate stock exchange listing for its Brazilian and Peruvian asset portfolio. A separate listing of these assets is likely to establish a comparable value with other South American oil exploration companies.

The DeGolyer & MacNaughton report states that Karoon's Brazilian and Peruvian assets had risked, mean, Net Prospective Resources, of 577 million boe (barrels of oil equivalent). The unrisksed mean estimate was 2,080 million boe.

Karoon believes that companies with South American exploration assets, whose shares are listed on overseas exchanges, achieve far greater value for their assets than that achieved by Karoon in Australia.

Karoon believes that the value discrepancy arises from different emphasis and values given to its Australian and South American assets in different markets.

The Brazilian stock exchange (Bovespa) is the likely exchange of choice for this possible listing. Whilst Karoon is assessing the possibility of a separate listing and no final decisions have been made, the following is considered to be the most likely process of evaluation and structure should such a listing take place:

- Karoon would, through its wholly owned subsidiary, Karoon Petroleo & Gas Ltda (Karoon Brazil), undertake a private seed-capital raising to gauge interest in the listing and also to determine the possible pricing of any capital raising to be undertaken with any subsequent listing. If such seed capital raising was not successful, Karoon would not proceed to an initial public offering (IPO).
- Following the seed capital raising, Karoon would take steps, subject to market conditions, to conduct a full IPO process in preparation to list 30% of the assets of Karoon Brazil on the Bovespa.
- Karoon Gas Australia Ltd would retain a majority interest in Karoon Brazil to ensure that Karoon shareholders maintain exposure to the South American assets and any exploration success enjoyed by Karoon Brazil. The retention of interest in the new company would ensure Karoon shareholders have a transparent valuation for the South American unit with which to price Karoon.

Karoon will update shareholders as soon as any decision regarding the possible listing is made.

For further information please see the Karoon website or contact:

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