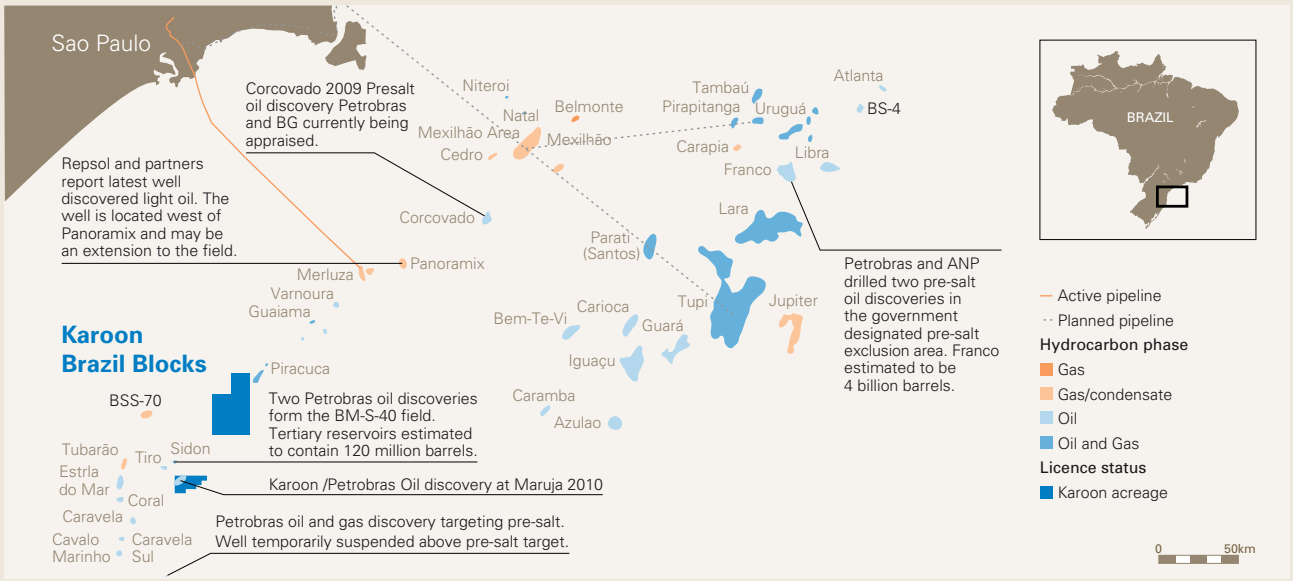
Santos Basin Blocks S-M-1037, S-M-1101, S-M-1102, S-M-1165 & S-M-1166



Karoon's Santos Basin Blocks are located 112 kilometres off the coast from the Santa Catarina region of Brazil, south of Rio de Janeiro. The Basin has recently yielded multiple oil discoveries. Discoveries announced in the period since Karoon acquired the first of its Santos Basin Block interests include the Tupi, Carioca, Libra, and other large-scale pre-salt oilfields. During late 2009, Petrobras announced the discovery of a 550 million barrel in place resource in the Piracucá field, just five kilometres to the north-east of Karoon's blocks.

During the last three years, other discoveries have also been made in similar geological features to the prospects mapped in Karoon's current acreage such as Tiro, Sidon, Guaiama, Panoramix and Vampira fields. Karoon is analysing all available exploratory information from these discoveries. This new information, when utilised alongside recent seismic data, has contributed to the delineation of prospects within the acreage. Karoon's economic assessments of its blocks indicate that new fields could be rapidly brought into production due to the relatively shallow water depths of 300-400 metres and proximity to existing oil and gas infrastructure.

Seismic Acquisition, Processing and Interpretation

During 2010, Karoon completed a proprietary, wide azimuth ('WAZ') 3D seismic acquisition program, covering an area of 750 square kilometres. This was the first application of WAZ technology in Brazil. This specialised method of acquiring 3D seismic is designed to better image above, around and under salt bodies in the basin. In addition, Karoon merged its existing conventional 3D data, purchased in 2009, with the WAZ into one combined dataset to provide a full multi-azimuth ('MAZ') 3D survey. This data benefits from the application of other state-of-the-art technology, which is yielding excellent structural imaging below the salt. The data is being processed to provide the best possible imaging of structure and amplitude plays that will provide Karoon with the best chance of success in the upcoming drilling campaign.

During September 2011, Karoon received the final processed seismic dataset. Intermediary products were made available earlier to commence interpretation ahead of the completion of final delivery, primarily to assist with well planning. This newly acquired seismic data fulfilled the first period work program commitments for the blocks and is being used by Karoon for the upcoming drilling campaign.

Figure 1 on the following page shows a comparison of seismic quality for the 'old' pre-existing 3D in the area with the new 3D data after it has been exposed using the technology outlined above. This snapshot demonstrates the progress made through processing and the greatly improved imaging of the salt illuminating both the sub-salt and pre-salt play potential.