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The case for a Tassie Shoal infrastructure hub

SEAAOC

Darwin, 10-11th September 2009

Outline context - “Use it or lose it”

Challenging prevailing paradigms

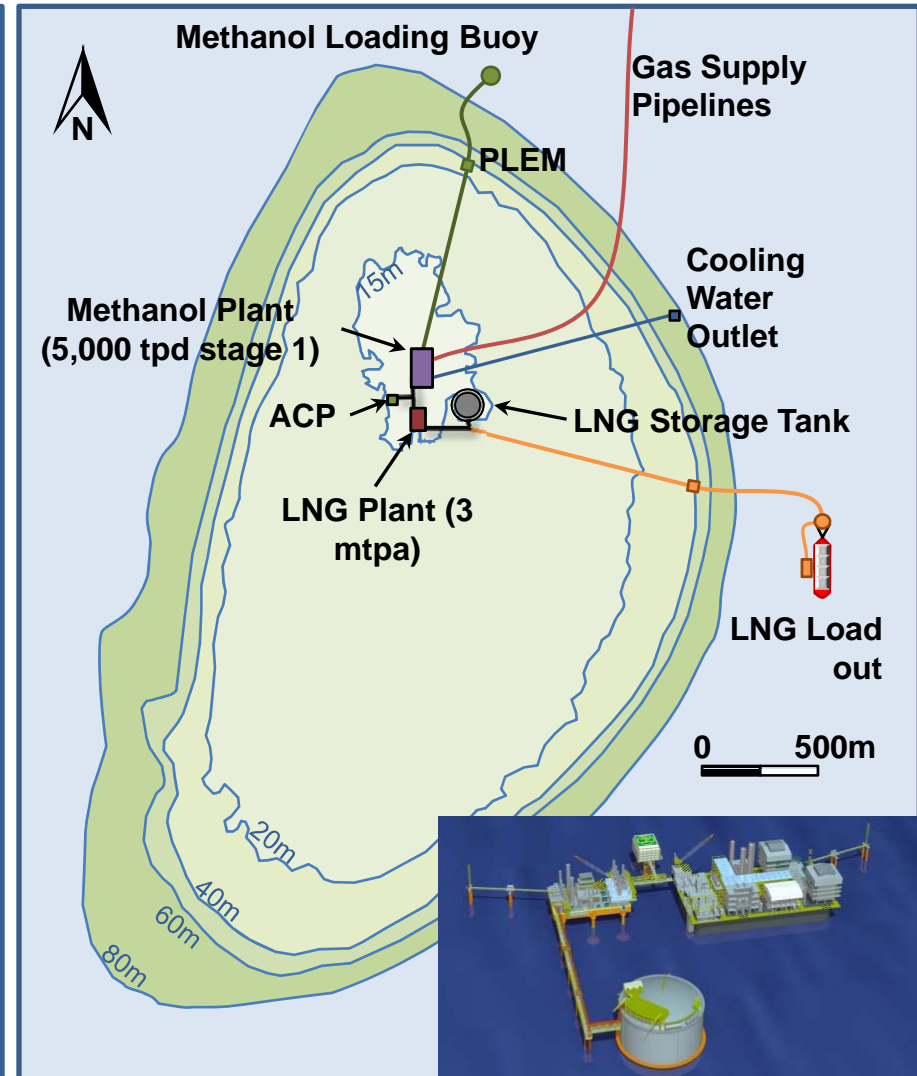
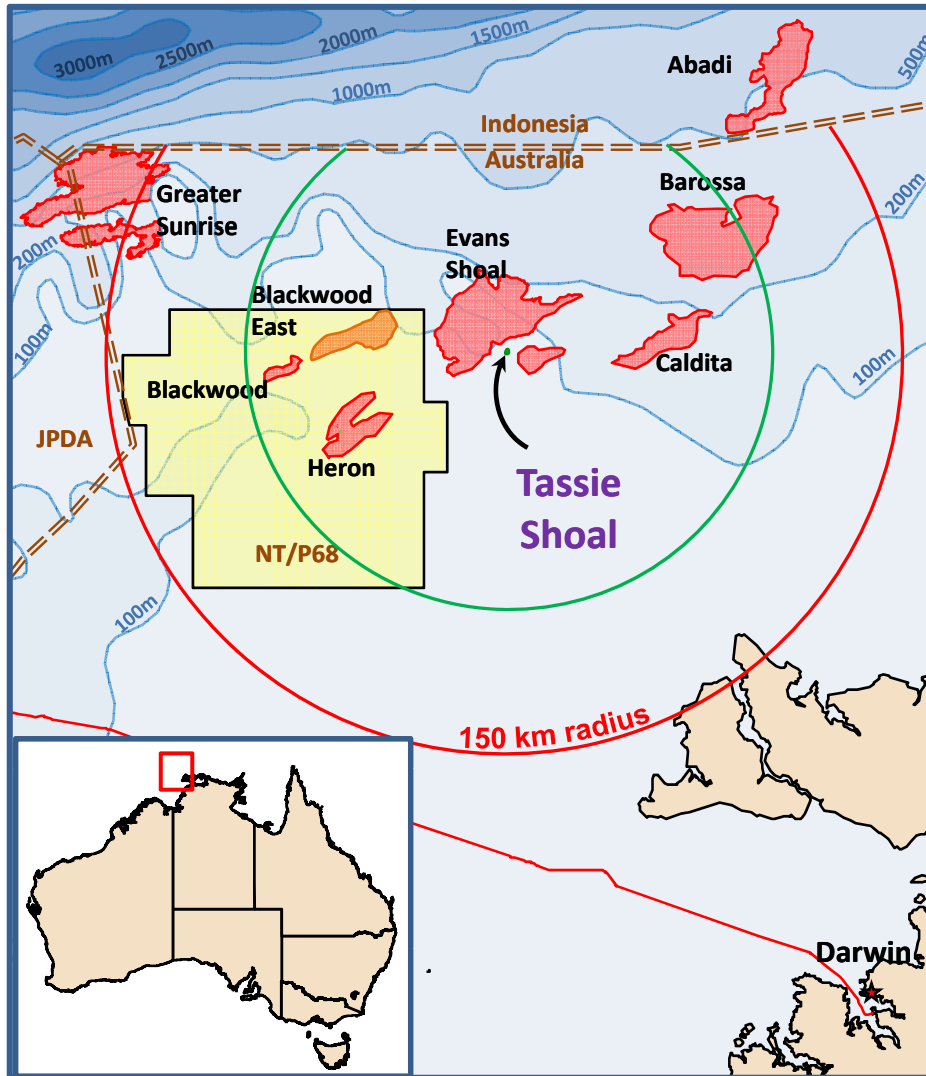
- Tassie Shoal - a natural gas processing development hub site
- A regional perspective
- Economics 101 (“*gas ain’t gas*”)
- Quantifying pipeline cost savings
- Alchemy – converting CO₂ into a revenue stream
- Timor Sea Gas Processing Projects – with environmental approvals in place
- Modular construction yields substantial capital cost savings
- An economically viable alternative for CO₂ and location challenged gas



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Tassie Shoal – a natural development hub

Central to all undeveloped Timor Sea gas fields

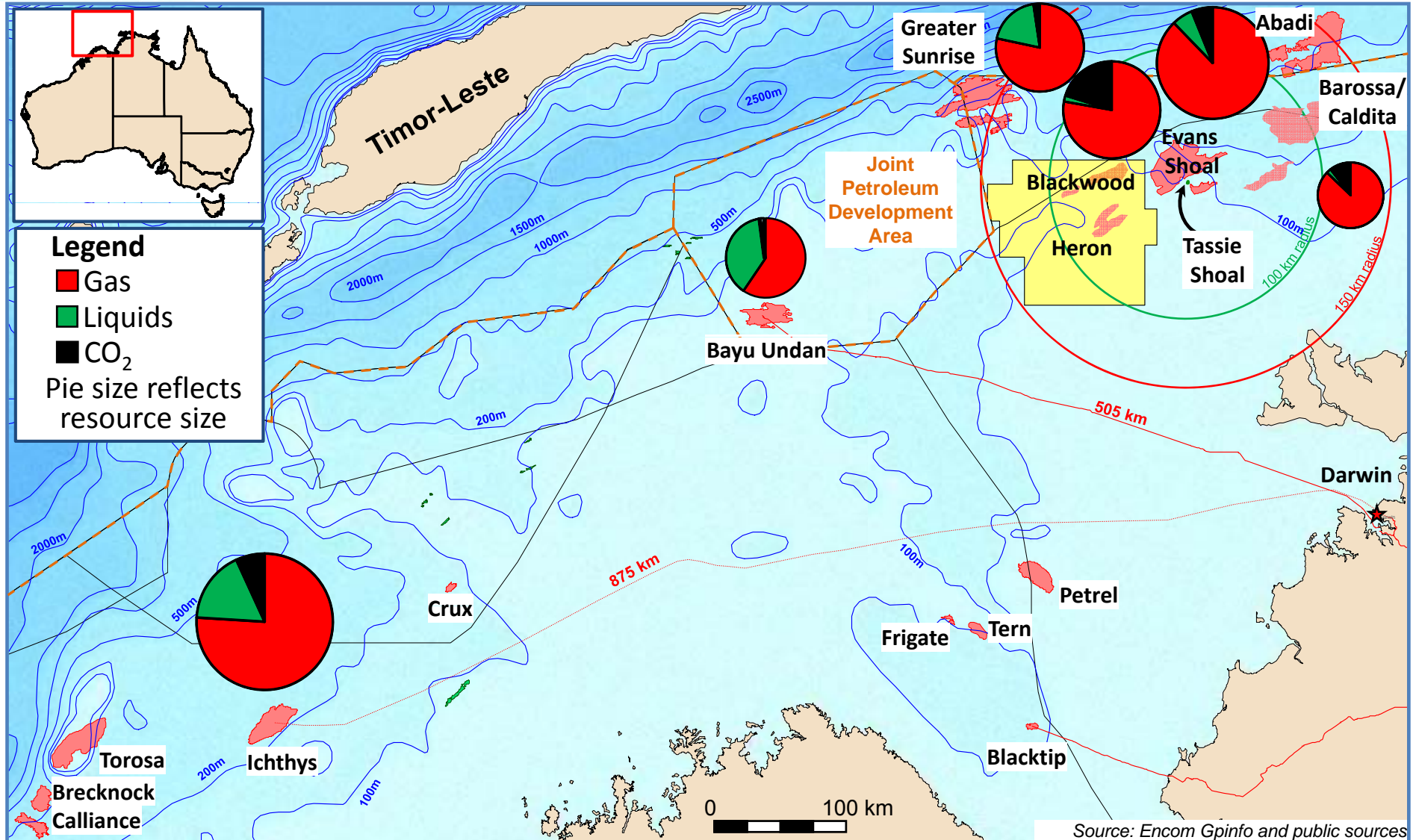




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Remote NW Australian gas discoveries

Gas quality and distance from infrastructure impact economics



Source: Encom Gpinfo and public sources

Economic ranking

Value is driven by natural gas liquids yields & oil price

Field	Tcf gas	%CO ₂ in gas	MtCO ₂	Distance Darwin (km)	Liquids (mmbbls)	Liquids Value (A\$bn)
Ichthys	12.8	9	60.7	875	527	\$ 40.3
Bayu-Undan	3.4	4	7.2	500	400	\$ 30.6
Greater Sunrise	5.4	4	11.4	450	242	\$ 18.5
Abadi	10	7	36.9	410	126	\$ 9.6
Barossa/Caldita	3.4	12	21.5	330	17	\$ 1.3
Evans Shoal	6.6	25	86.9	328	31	\$ 2.4

Assumptions

CO ₂ density	Mt/Tcf	52.7
Oil price	US\$/bbl	\$ 65
Forex	US\$/A\$	\$ 0.85
Carbon permits	A\$/t	\$ 30
Pipeline Cost	US\$m/km	\$ 2

Economic ranking

Natural gas liquids help overcome CO₂ and distance

Field	Tcf gas	%CO ₂ in gas	MtCO ₂	Distance Darwin (km)	Liquids (mmbbls)	Liquids Value (A\$bn)	Carbon cost (A\$bn)	Pipeline cost (A\$bn)	Surplus value (A\$bn)
Ichthys	12.8	9	60.7	875	527	\$ 40.3	-\$1.8	-\$2.1	\$36.4
Bayu-Undan	3.4	4	7.2	500	400	\$ 30.6	-\$0.2	-\$1.2	\$29.2
Greater Sunrise	5.4	4	11.4	450	242	\$ 18.5	-\$0.3	-\$1.1	\$17.1
Abadi	10	7	36.9	410	126	\$ 9.6	-\$1.1	-\$1.0	\$7.6
Barossa/Caldita	3.4	12	21.5	330	17	\$ 1.3	-\$0.6	-\$0.8	-\$0.1
Evans Shoal	6.6	25	86.9	328	31	\$ 2.4	-\$2.6	-\$0.8	-\$1.0

Assumptions

CO ₂ density	Mt/Tcf	52.7
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Proximity to Tassie Shoal saves pipeline costs

But what about CO₂?

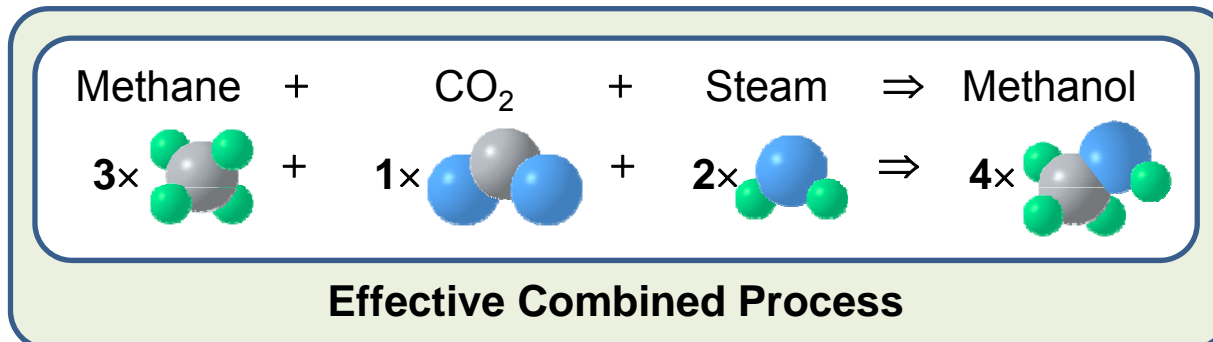
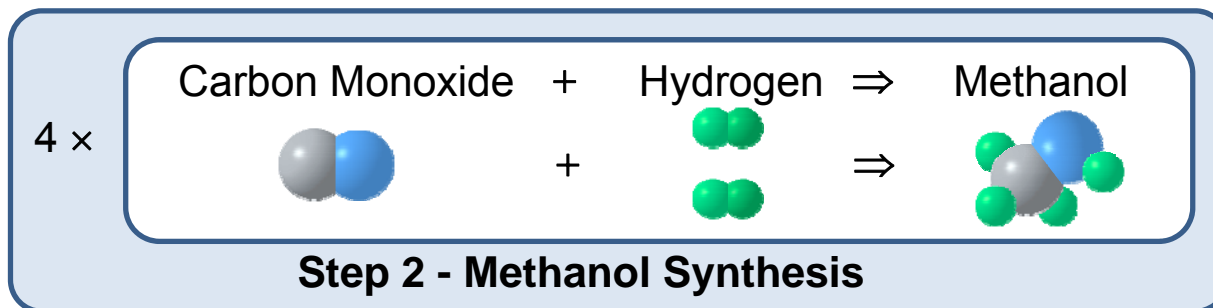
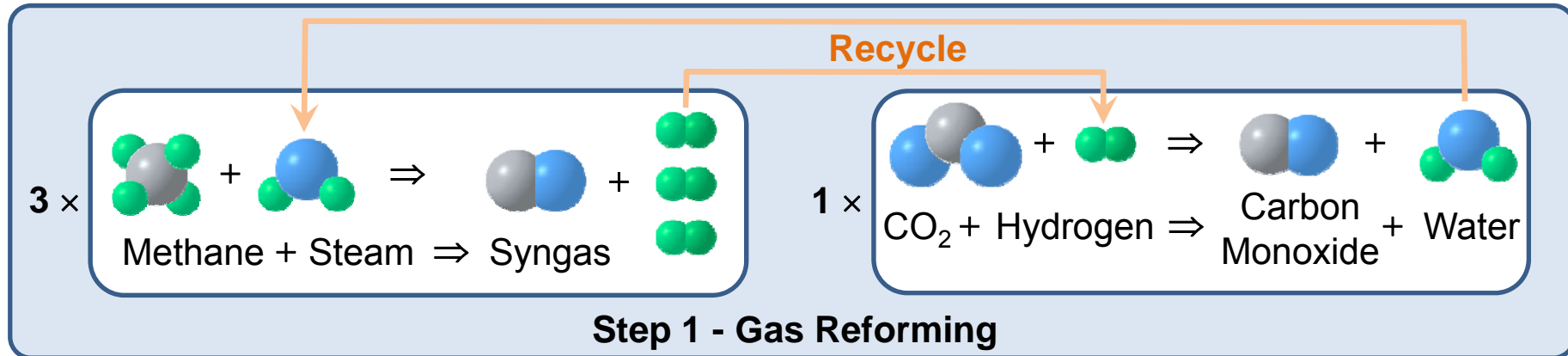
Field	Distance to Darwin (km)	Surplus Liquids value (A\$bn)	Tassie Shoal saving (km)	Tassie Shoal saving (A\$m)
Ichthys	875	\$36.4	Similar distance	
Bayu-Undan	500	\$29.2	Already developed	
Greater Sunrise	450	\$17.1	300	\$706
Abadi	410	\$7.6	268	\$631
Barossa/Caldita	330	-\$0.1	257	\$604
Evans Shoal	328	-\$1.0	318	\$748



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Alchemy

Converting A\$30/t carbon cost into a >US\$200/t revenue stream

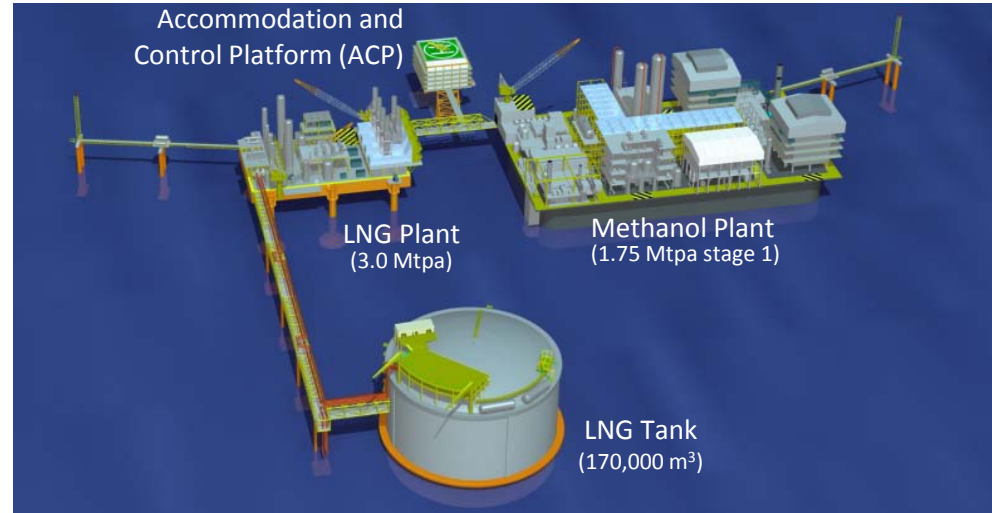
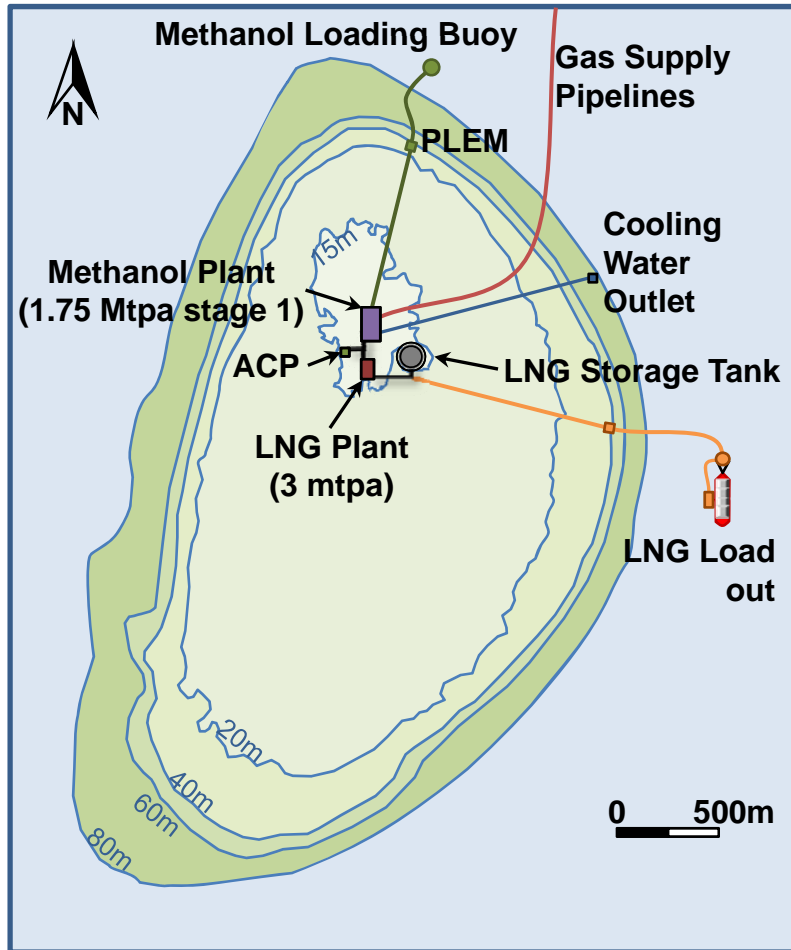


Legend

- = Hydrogen
- = Carbon
- = Oxygen

Environmental approvals in place

CO₂ sequestered into an export product selling for >US\$200/t



Tassie Shoal

- Mild met-ocean conditions
- ~25 Tcf of undeveloped gas within 150km
- Eliminates long pipelines to shore

Environmental approvals secured

- 1 x 3 mtpa (expandable to 3.5 mtpa) LNG plant
- 2 x 5,000 tpd (1.75 mtpa) Methanol plants
- MPF status granted until Dec 2011

Technology developed with leading partners

Proven, 'off-the-shelf' solutions

Financial Advisor:
SMBC

Technology:
Davy ProTech

Topsides Plant:
Aker Solutions

Product offtake:
Mitsubishi, Vitol



Substructure:
Arup

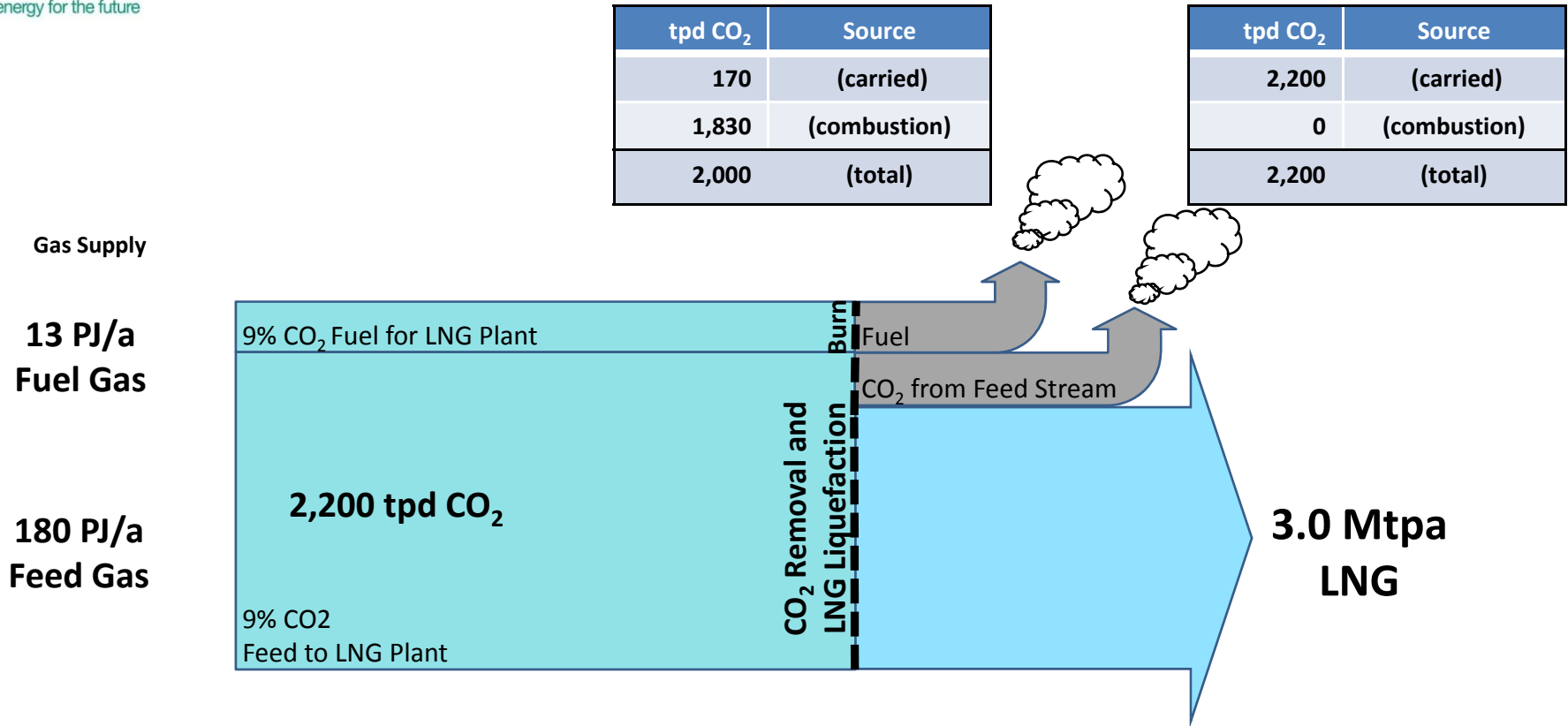
Project Execution:
WorleyParsons,
Fluor, Leighton

Environment:
CEE

Oceanography:
Metocean Engineers

CO₂ released from LNG

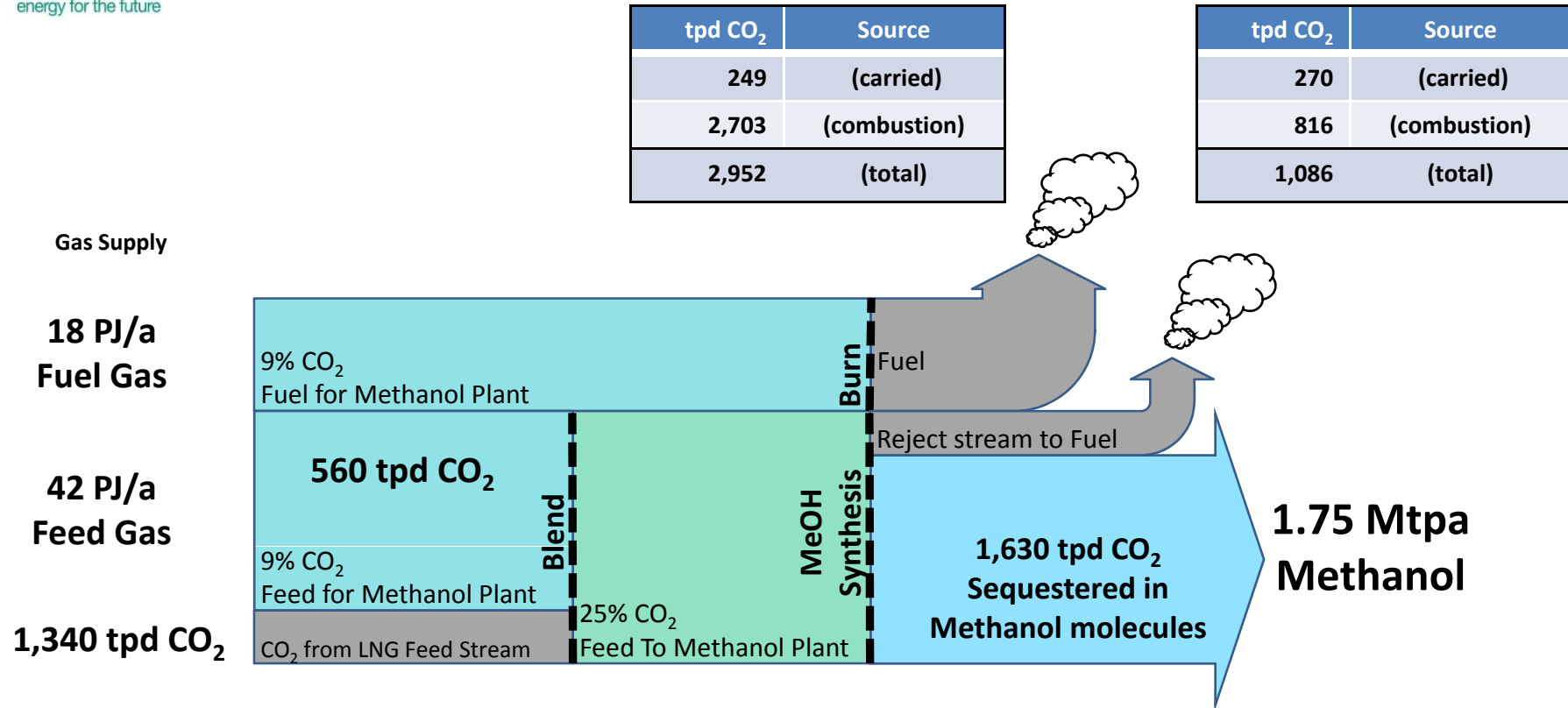
Carbon dioxide balance



- CO₂ intensity of LNG Plant = 0.5 tCO₂/tLNG
- With Geo-sequestration can be reduced to 0.35 tCO₂/tLNG (Source: Gorgon EIS)

CO₂ sequestration into methanol

Achieves lower CO₂ intensity than geosequestration



- Gorgon LNG based on 9% CO₂ gas with Geo-sequestration = **0.35 tCO₂/tLNG**
- Single Methanol Plant = **0.33 tCO₂/tLNG**
- Two Methanol Plants = **0.21 tCO₂/tLNG** (minimum technically possible with 0% CO₂ fuel gas)
- Chinese coal based methanol production is swing producer and emits >1.7 times CO₂ per tonne of methanol compared with MEO proposed process

LNG project elements

Proven, 'off-the-shelf' solutions

- **3 Mt/y LNG production module**
 - Standard pre-treat section: CO₂, H₂O & Hg removal
 - Air Products (APCI) DMR chilling and liquefaction
 - Fractionation plant for refrigerant makeup
 - Utilities: power gen, steam, water cooling systems
- **Production ACE self-installing barge platform**
 - 100m x 50m, on six caisson legs
- **LNG Storage – 170,000m³ conventional tank on CGS**
- **LNG Load out Jetty or Hi-Load semi-sub**
- **Separate structures for ACP and possibly flare**

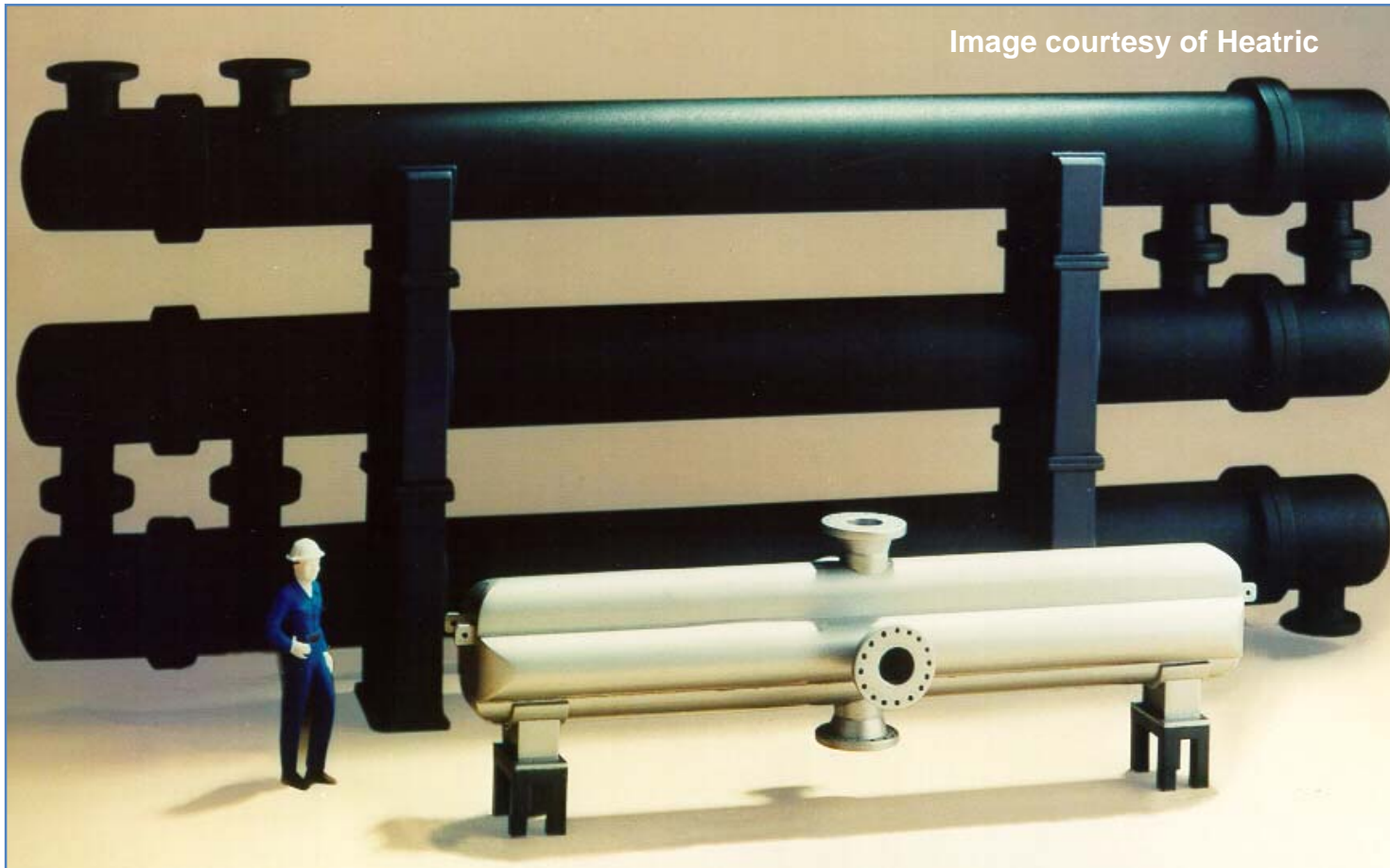




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Compact heat exchangers

Indirect sea-water cooling

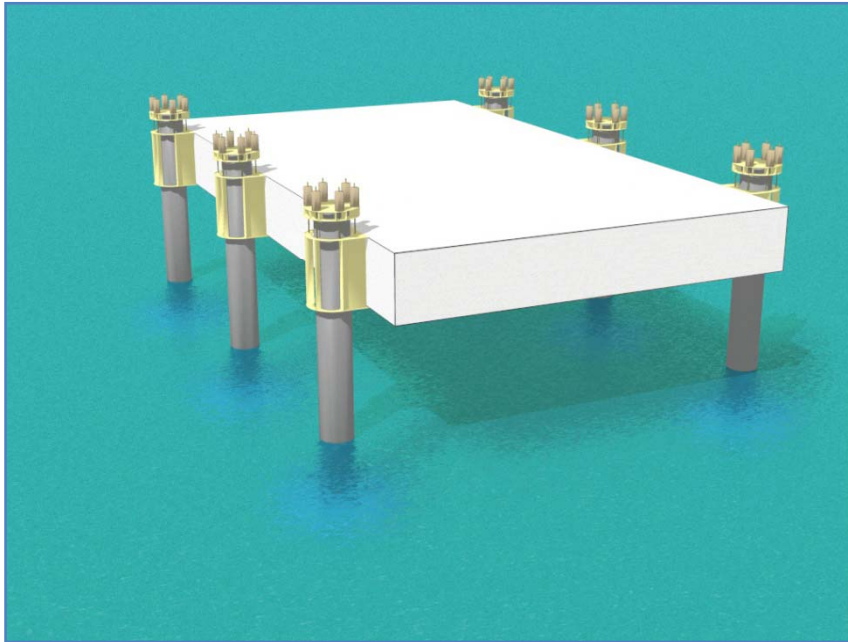


Extensive use of compact printed circuit heat exchangers (PCHEs)

– up to 1/25th plot area of air coolers

LNG Substructure

Production ACE platform for LNG process equipment



Similar to Hang Tuah Compression platform for ConocoPhillips, Indonesia





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Floating LNG technology – on solid ground

Timor Sea LNG Project is a single module



A NWS Train 5 (4.4 Mtpa) module

Pluto 1 (4.3 Mtpa) has **264 modules**



Darwin LNG Plant (3.7 Mtpa)

Timor Sea LNG Plant (3.0 Mtpa) at same scale – **1 module**

- Technology developed for FLNG, installed on fixed, self installing platform
- Small footprint due to compact FLNG design and indirect sea-water cooling
- Proximity to gas fields reduces pipeline distances

Consider the Tassie Shoal advantages

Viabile alternative for CO₂ and location challenged gas

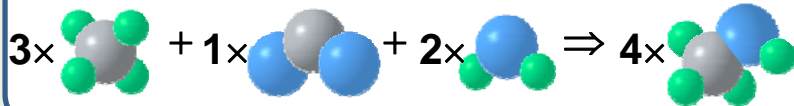
CO₂ challenged

Evans Shoal
(Santos, Shell, Petronas, Osaka Gas)

~6+TCF	25% CO ₂	4 bbl/mmscf
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Conventional solution is **geo-sequestration**
Tassie Shoal offers **methanol sequestration**
Consider the economics of the alternatives

Methane + CO₂ + Steam ⇒ Methanol



Sequesters 25% CO₂ into Methanol

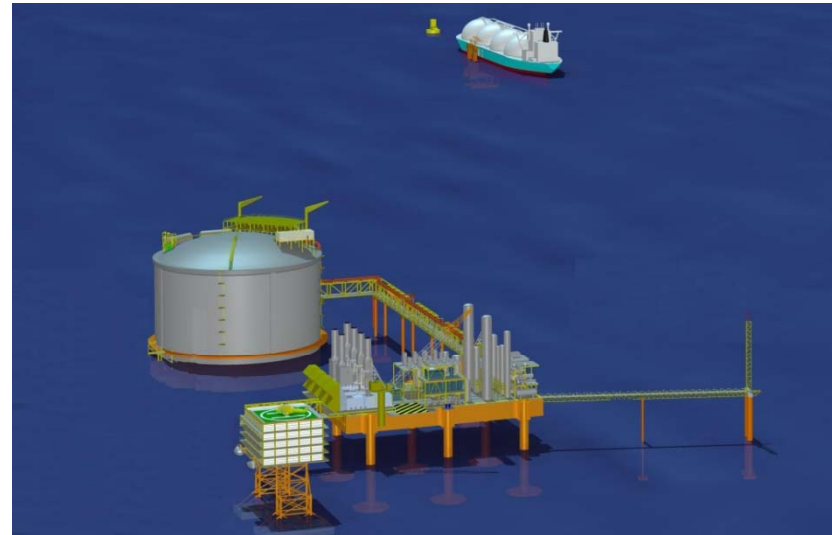
Barossa/Caldita
(ConocoPhillips/Santos)

~3.4 TCF	12% CO ₂	5 bbl/mmscf
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Location challenged

Greater Sunrise - FLNG? Tassie Shoal?
(WPL/Shell/ConocoPhillips/Osaka Gas)

~5.4 TCF	4% CO ₂	40 bbl/mmscf
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Abadi - FLNG? Tassie Shoal?
(Inpex/Pertamina)

~10 TCF	7% CO ₂	20 bbl/mmscf
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Concluding remarks

Inspired by a great thinker - Albert Einstein₍₁₈₇₉₋₁₉₅₅₎

“No problem can be solved from the same level of consciousness that created it”

“If the facts don’t fit the theory, change the facts”

“Insanity: doing the same thing over and over again and expecting a different result”

