

Challenging Prevailing Paradigms



Asia Oil Week Conference Singapore – 28th September 2011

Challenging Prevailing Paradigms

“A man should look for what is, and not for what he thinks should be.” *



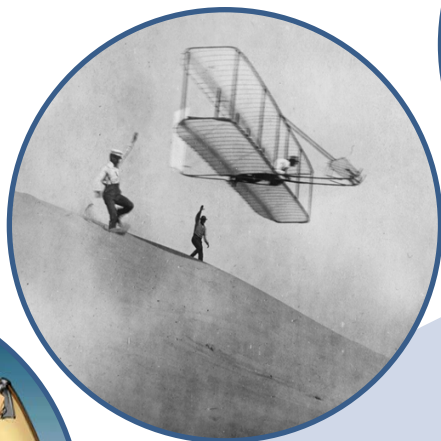
- Innovation
- Liquefaction
- Infrastructure
- Technology Choice
- Competition

Idea Evolution

Fiction to Mainstream



Fiction



Pioneering



Accepted



Mainstream

Idea Evolution

Big ideas don't start big – every idea has its time in the sun

Computers

- "I think there is a world market for maybe five computers." - *Thomas Watson, Chairman of IBM, 1943*

Northwest Shelf LNG Project

- At project sanction LNG market was a smaller niche market than today's methanol market

Queensland CSG to LNG

- In 2005, small-mid cap exploration companies in the Queensland CSG space were struggling
- By 2007-2008, ~\$20 billion of transactions occurred in this space as the majors moved in
- Plans are in place to transform Queensland into a major LNG export province
- Partnership between Ideas, Assets and Financial Capacity has allowed this occur

Shale Gas

- Where was shale gas 10 years ago?

Unconventional

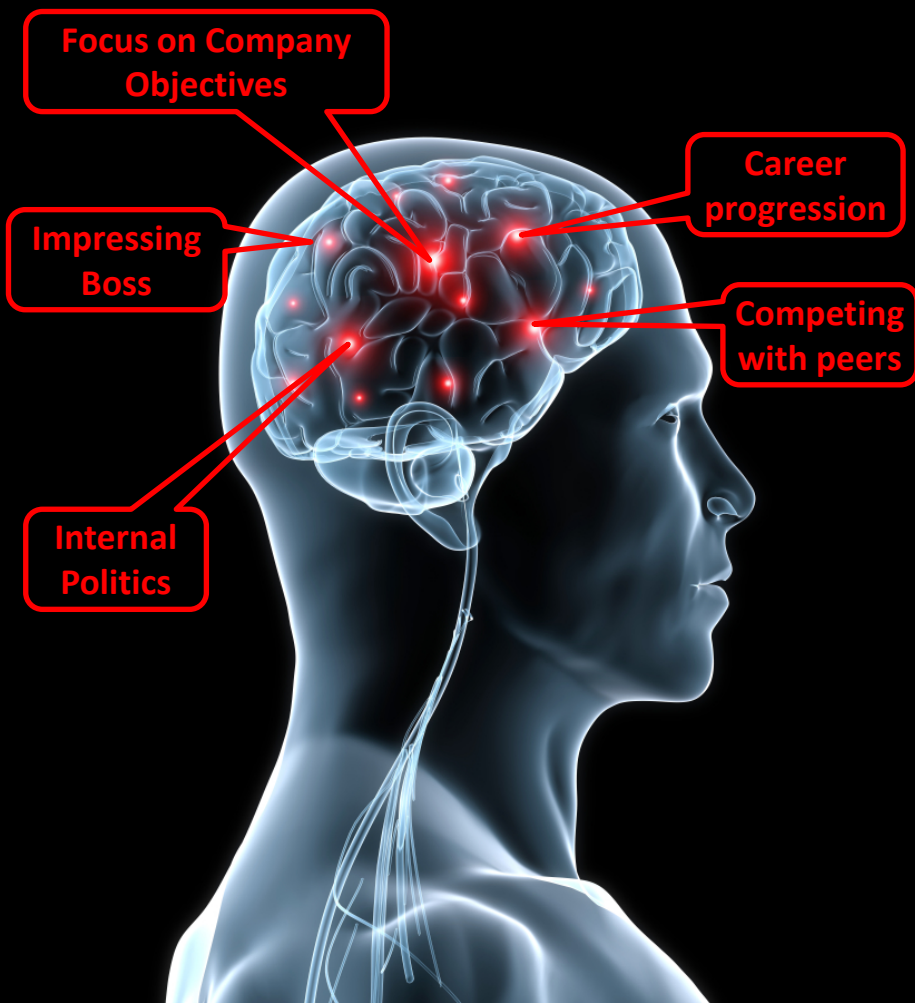
- Is it now conventional?

These principles can be applied more widely.....

Innovation – the Product of Focused Minds

“It's not the size mate, it's how you use it”*

In a large company



At small companies



Liquefaction of Gas: Methanol vs LNG

Methanol is just another way of transporting energy

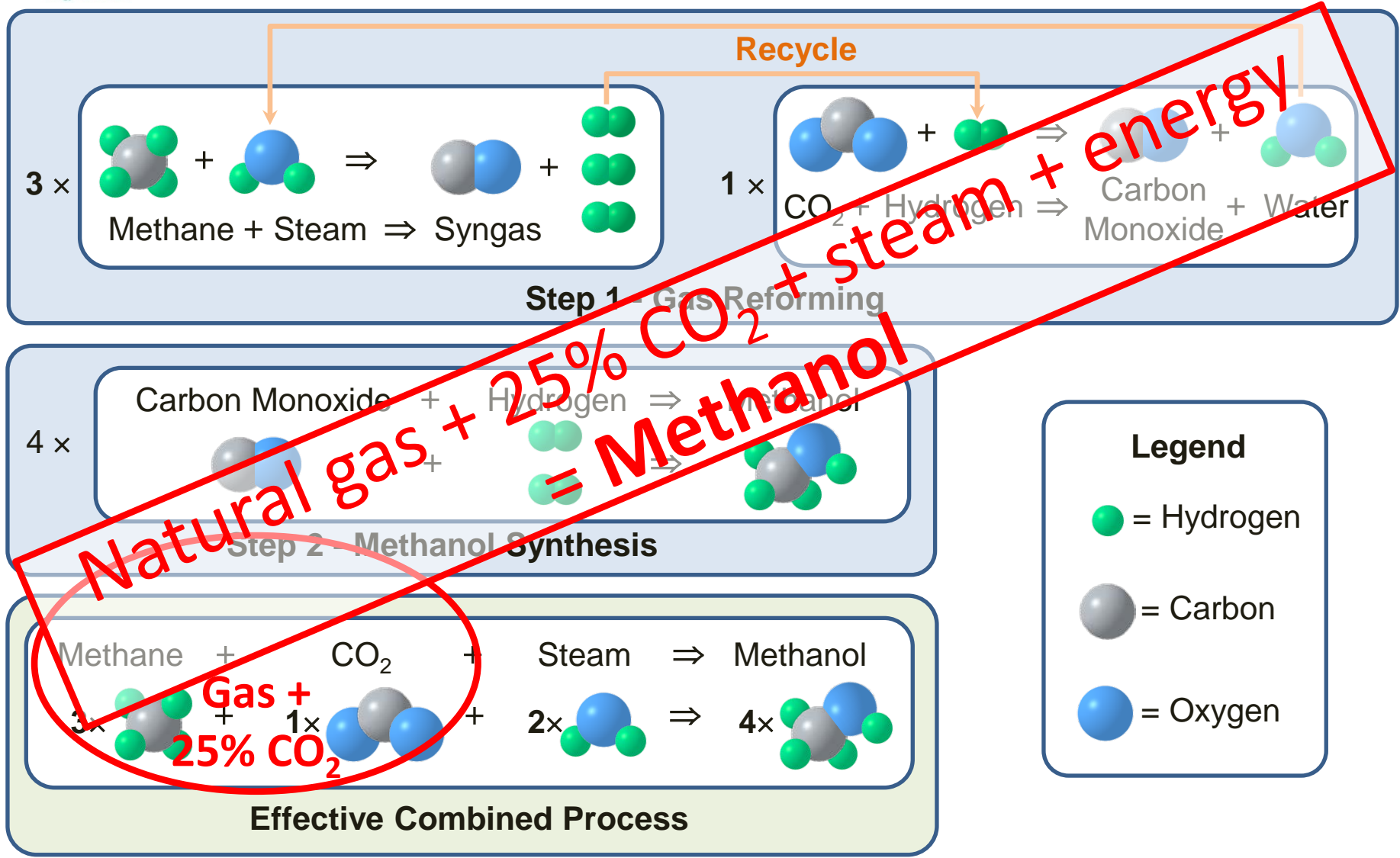
	Methanol	LNG
Storage Temperature	Ambient	-162 °C
Asian Market Annual Growth	9.6% ^①	5.8% ^②
Minimum Resource size (for world scale plant – 20 years supply)	1.4 Tcf (incl. 25% CO ₂)	3.5 Tcf
Ideal CO ₂ in feed gas (mol %)	25%	< 3%
Product Price (US\$)	\$93 /boe (\$350 /tonne) ^③	\$75.5 /boe (\$13 /mmbtu) ^④
Product Yield (boe ^⑤ per mmcf methane)	121	176

Notes:

- ① Source = Global Industry Analysts Feb 2011
- ② Source = Woodmac Feb 2011
- ③ Methanex Asian Posted Contract price (Jul 2008 – Jul 2011) - Source = www.methanex.com
- ④ LNG Japan Average (Jul 2008 – Jul 2011) - Source = World Bank Commodity Price Data
- ⑤ boe = barrel of oil equivalent (energy basis)

Warning – Chemistry Ahead

Making methanol is not rocket science



Infrastructure

“Build it and they will come”

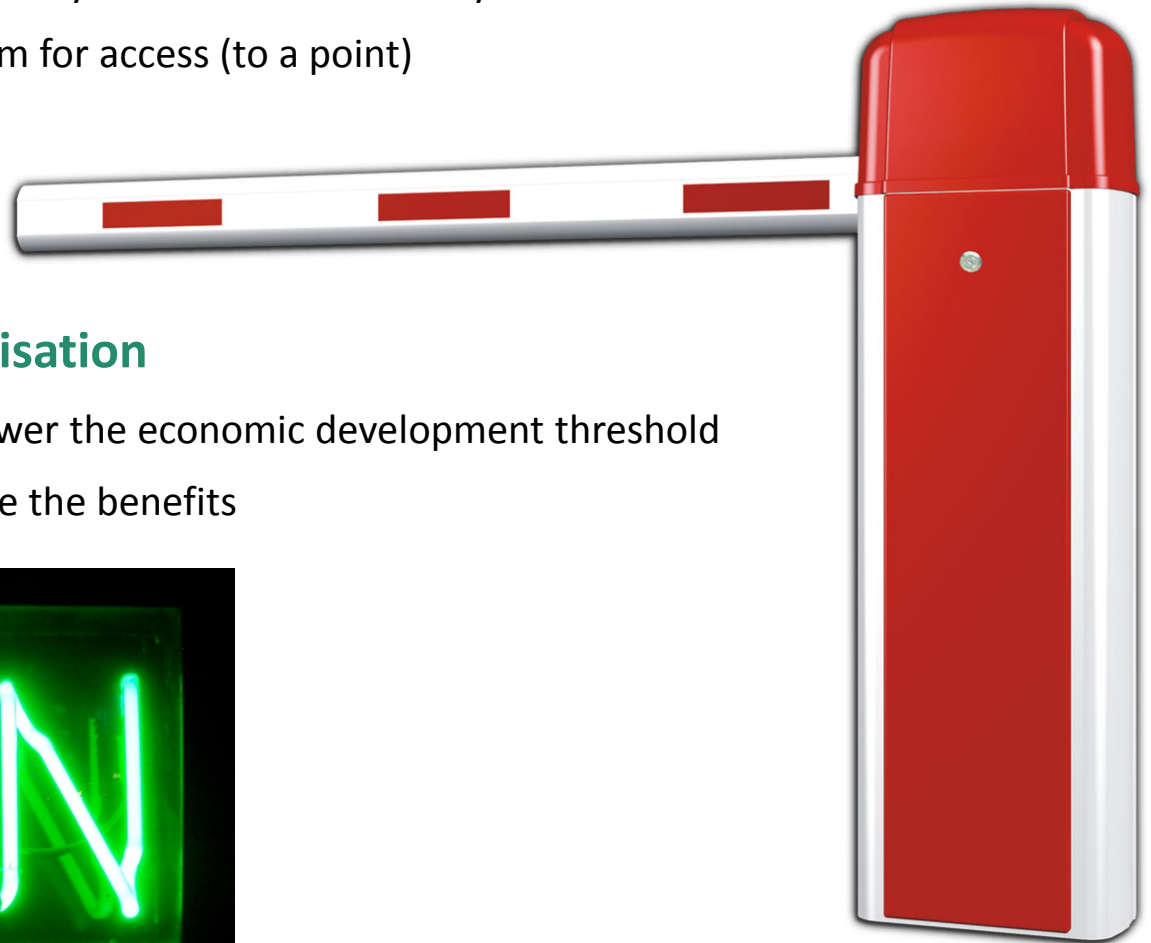
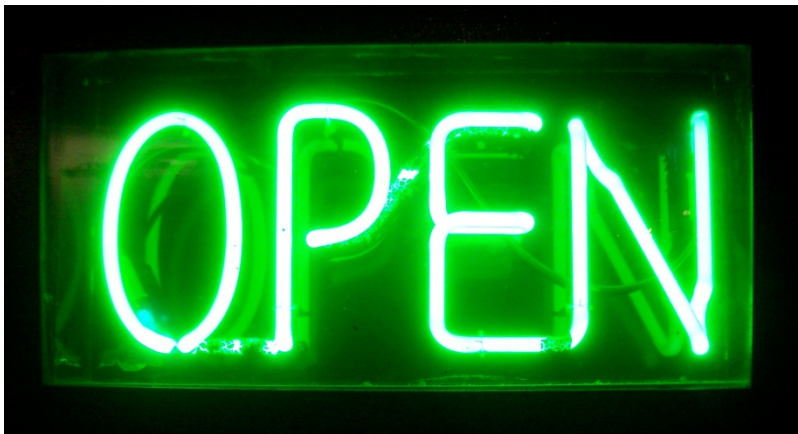
A competitive advantage

- LNG infrastructure has historically been a barrier to entry
- Owners can charge a premium for access (to a point)



A pathway to commercialisation

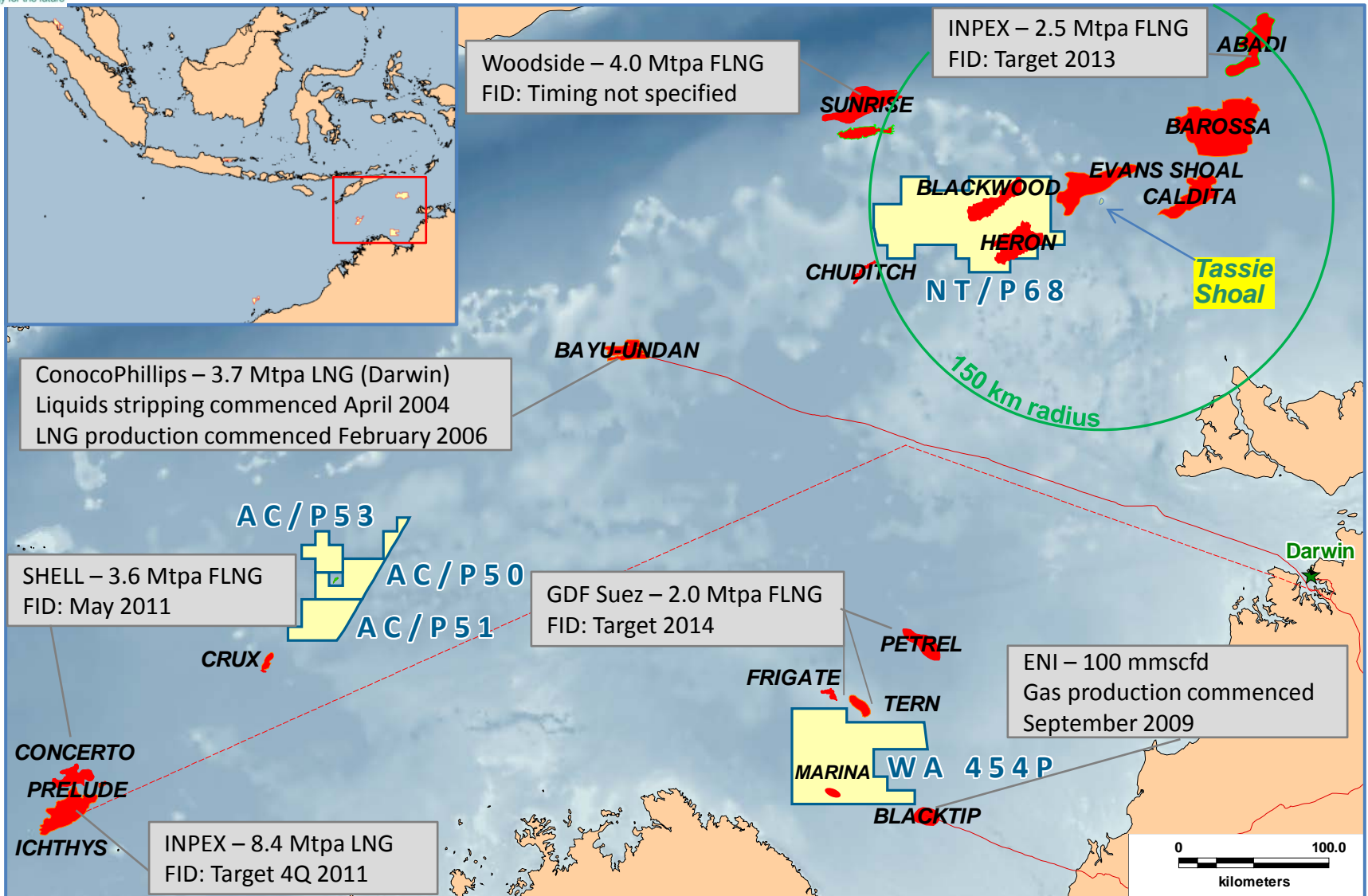
- Existing infrastructure can lower the economic development threshold
- Cooperating parties can share the benefits





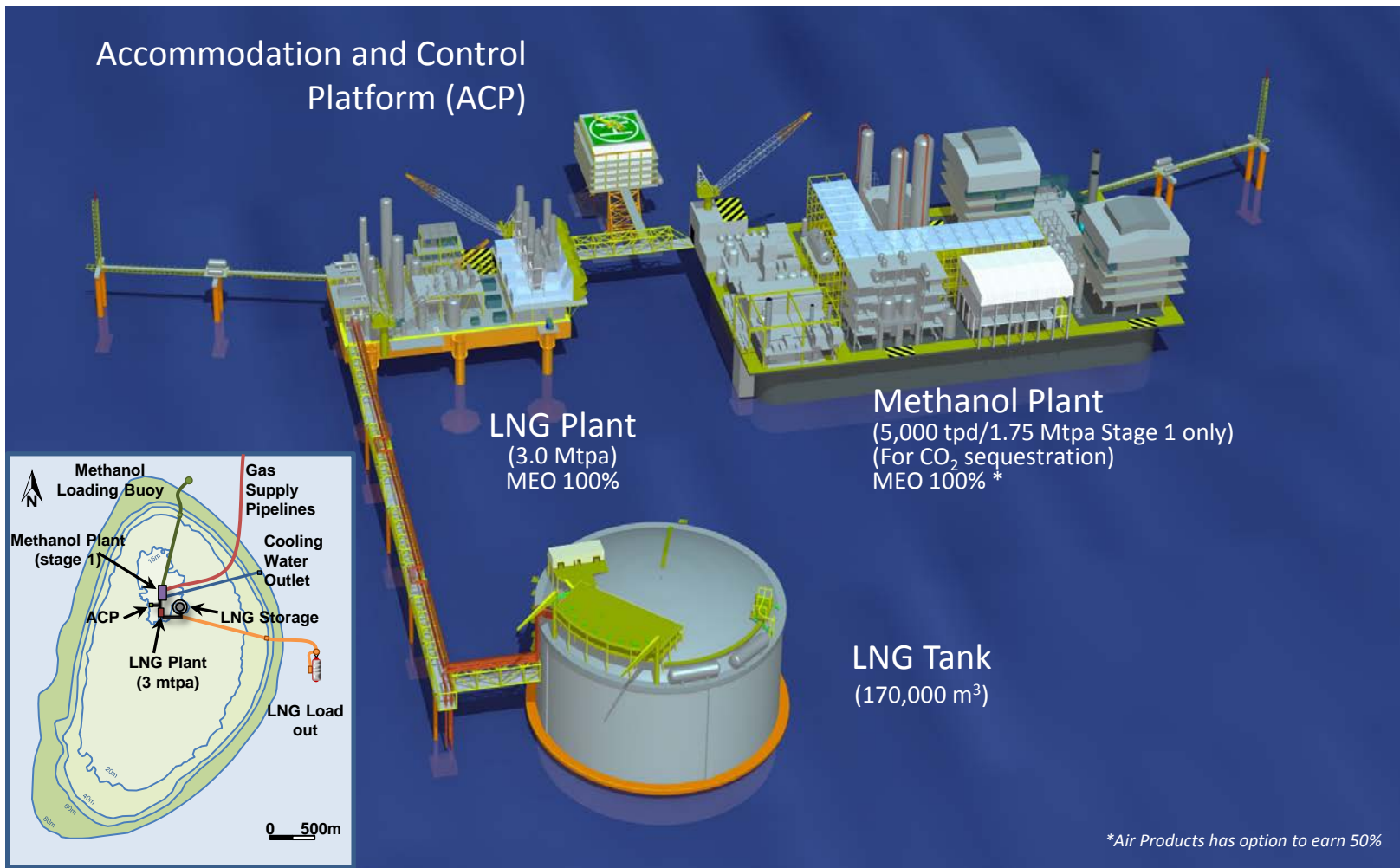
Infrastructure

Consider an optimised development scenario



A modular hub ready for gas of any quality...

Environmental approvals in place until 2052



Embracing new paradigms will enable multiple projects to proceed!

Methanol Plant on Concrete GBS

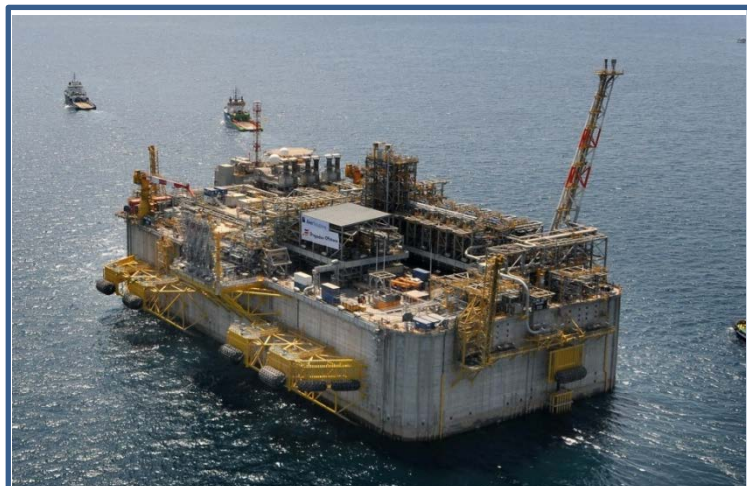
Combination of two proven technologies



DPT M5000 plant - Trinidad

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ExxonMobil Adriatic Re-gas terminal



MEO's Tassie Shoal Methanol Project

Technology to Suit Circumstances

One size does not necessarily fit all

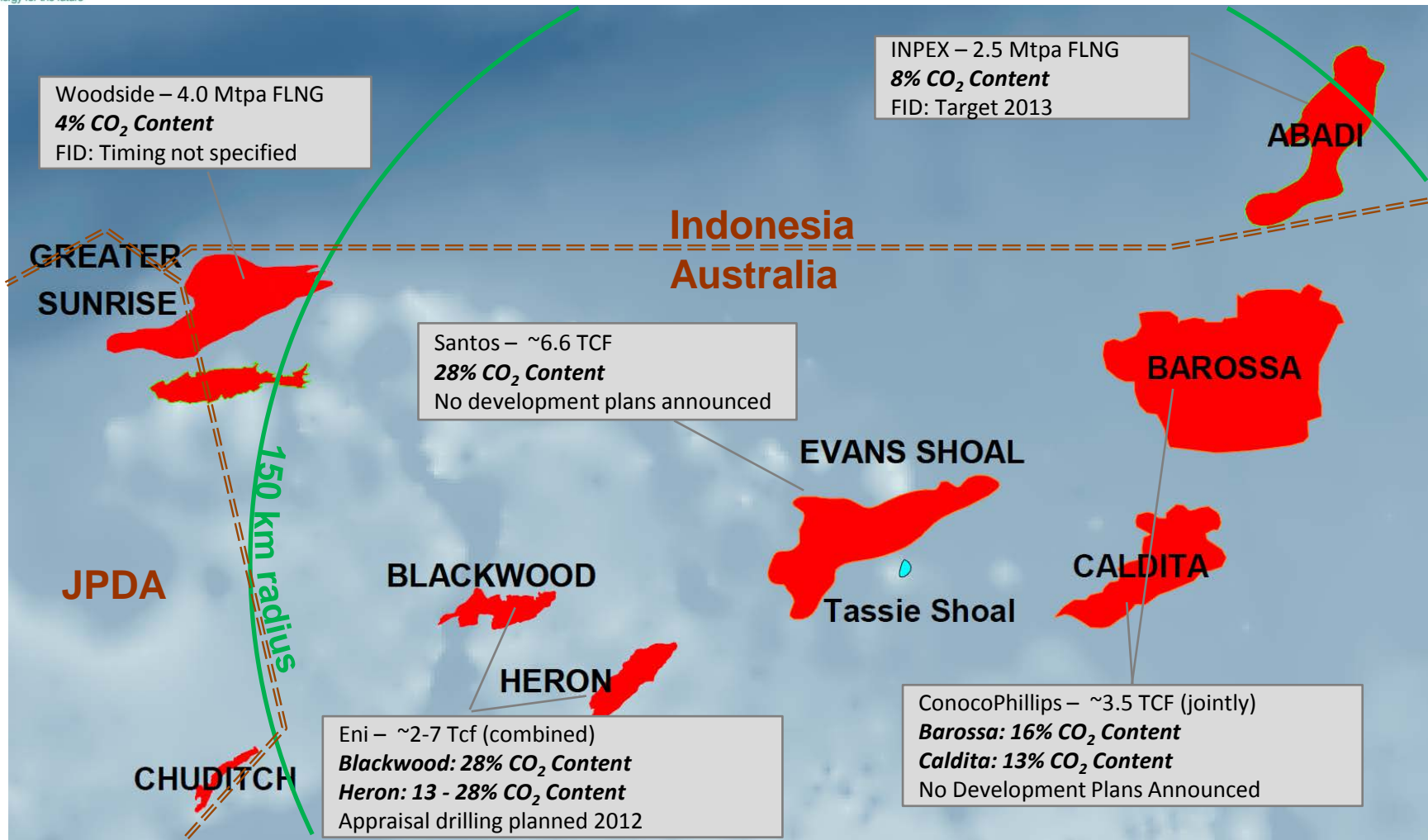


- 3.0 Mtpa LNG
- ~ US\$ 2bn development cost
- Shallow water depth shoal

- 5.3 Mtpa total liquids production
- ~ US\$10 – 13bn development cost
- Deep water location

Infrastructure

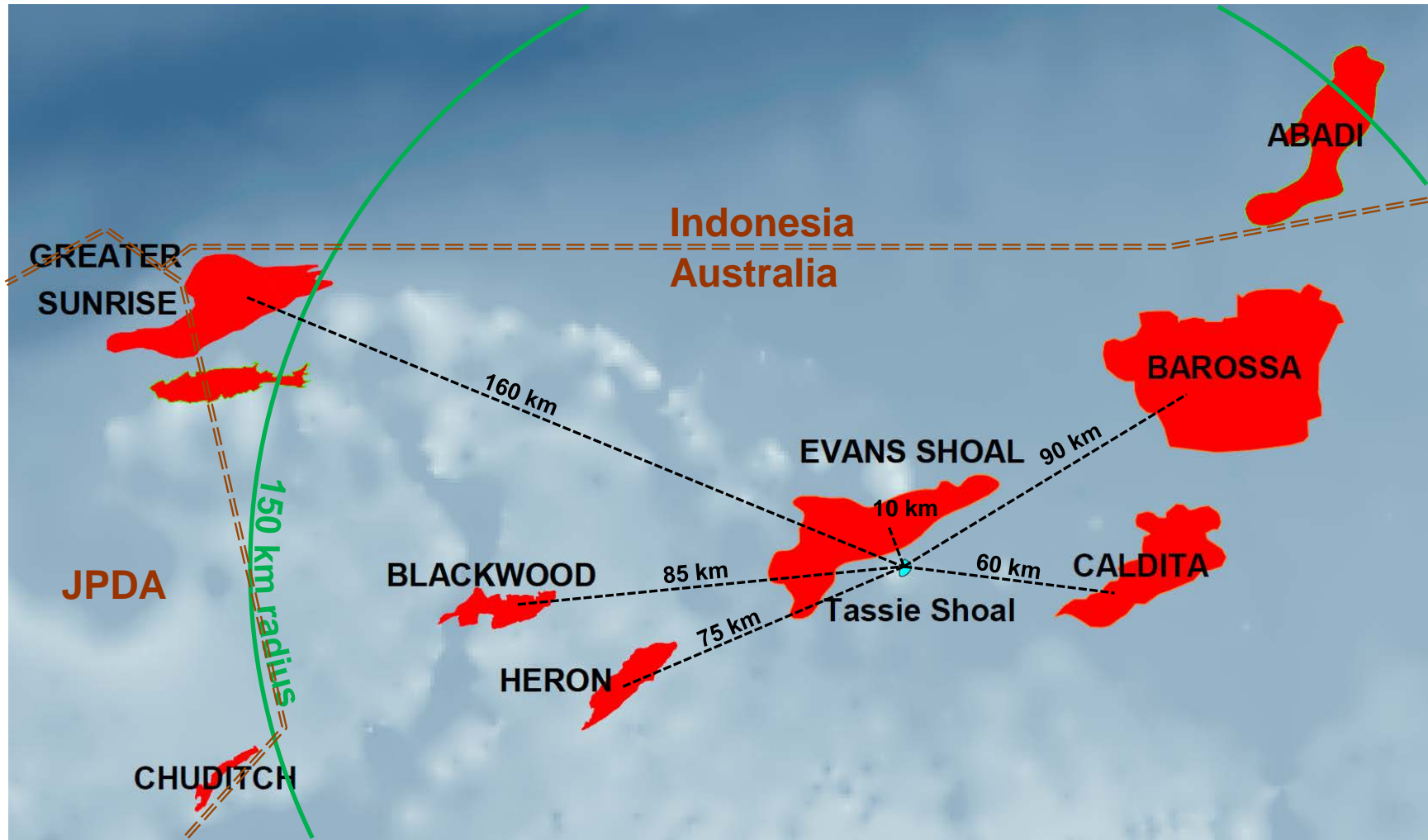
Development plans – no shared infrastructure



- What would an unconstrained optimised development look like?
- What CO₂ solution would be implemented?

New Paradigm

An infrastructure hub enhances economics for all resources



- Sufficient gas resources for multiple gas processing plants at Tassie Shoal
- Accommodation, loading facilities and logistical support could be shared

Competition vs Collaboration

“Don't be afraid to give up the good to go for the great.” *

Competitive (Win - Lose)

- Head to head competition comes at a price
- Not just the loser suffers



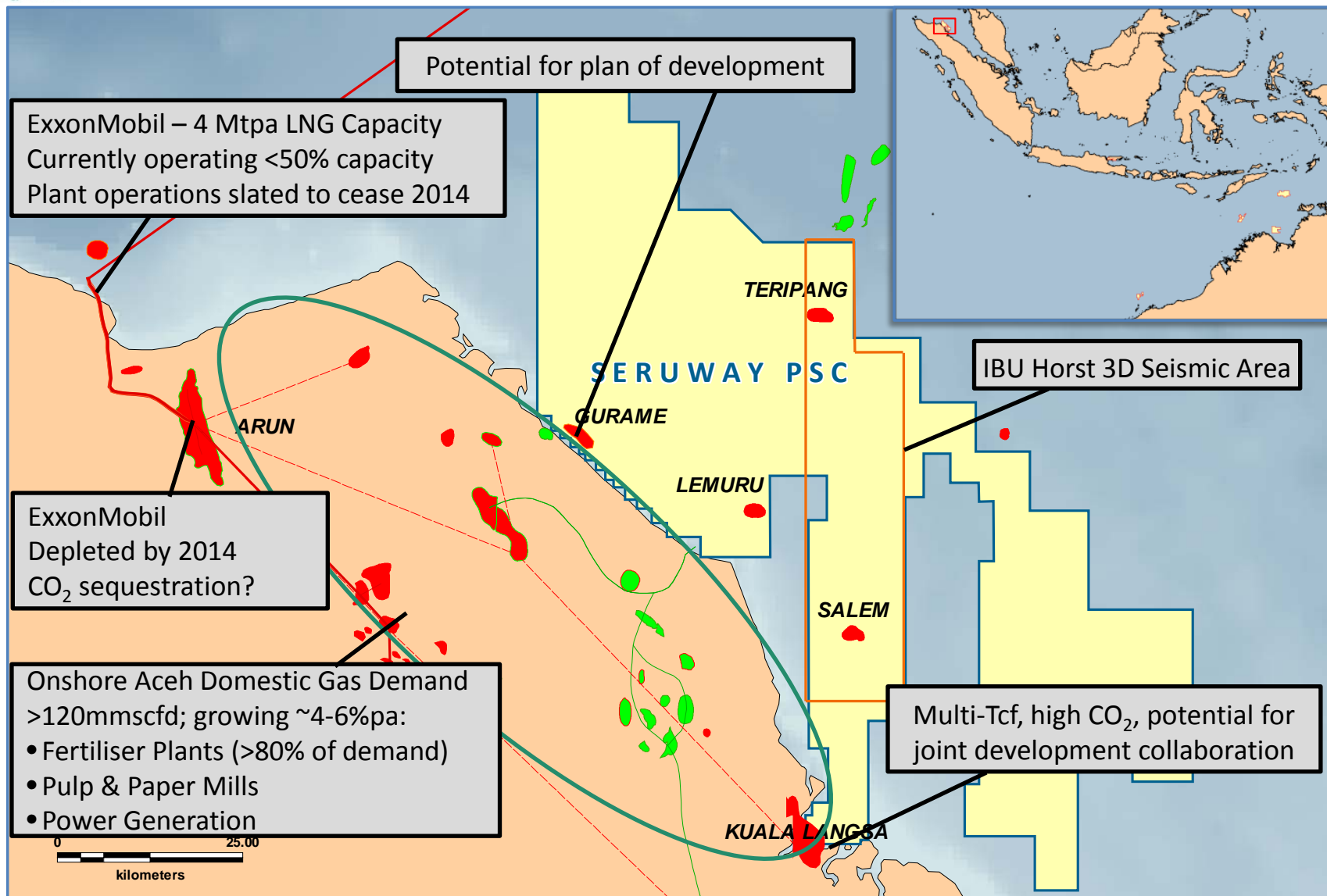
London 1945

Collaborative (Win bigger - Win)

- Collaboration can increase total benefits
- The benefit of collaboration often outweighs the cost of compromise
- Parties can “build a bigger pie” and share the spoils

Potential for Co-operation – North Sumatra

Multiple gas/condensate discoveries, under-utilised infrastructure, varied ownership



Challenging Prevailing Paradigms

A change in the way we do business

- A paradigm shift in our view of resource development can bring widespread benefits to **all stakeholders**
- Applied to the undeveloped resources in the Timor Sea it could lead to significant economic benefits to resource custodians
- Other opportunities for collaboration within MEO portfolio eg Seruway
- MEO currently fielding unprecedented, unsolicited interest from multiple substantial international oil & gas companies in relation to Tassie Shoal projects

Disclaimer

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