MEO Australia

energy for the future

SEAAOC Conference

Darwin, 23rd September 2010

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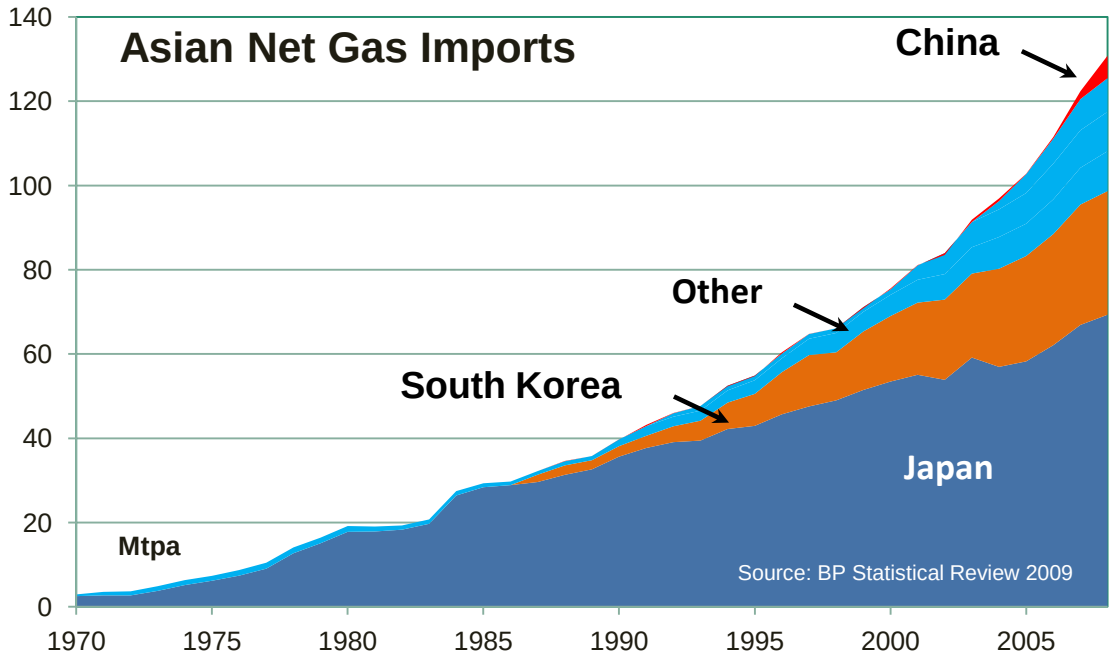
LNG demand – strong historical growth

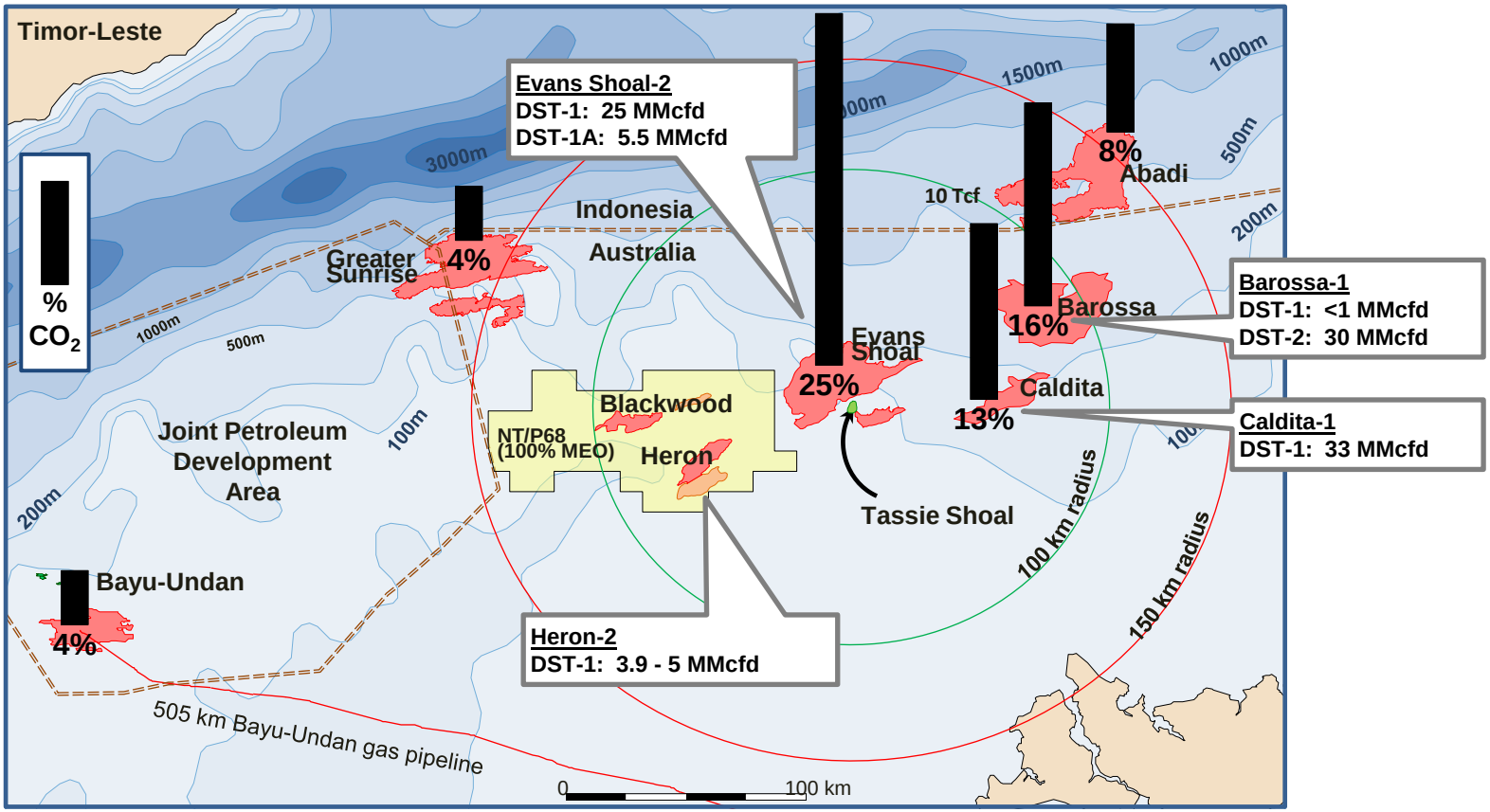
Most forecasts suggest tripling by 2030



- Market has evolved from
  - Niche fuel
  - Predominantly Japanese customer base
  - To environmental fuel of choice with a broad customer base
- Global market means only projects with most robust economics get sanctioned

~25 Tcf of regional gas remains undeveloped

Best quality resource is in production, remaining resources challenged



Impediments to economic development:

- Gas quality – low liquids & high CO_2 content
- Uncertain resource size & long term reservoir performance issues
- Capital cost uncertainty & technology (FLNG) risks
- Remoteness & geopolitical issues

Cost of Carbon?

A major challenge for undeveloped gas resources

CO_2 emissions intensity

Projects must deal with carbon to achieve Environmental Approvals

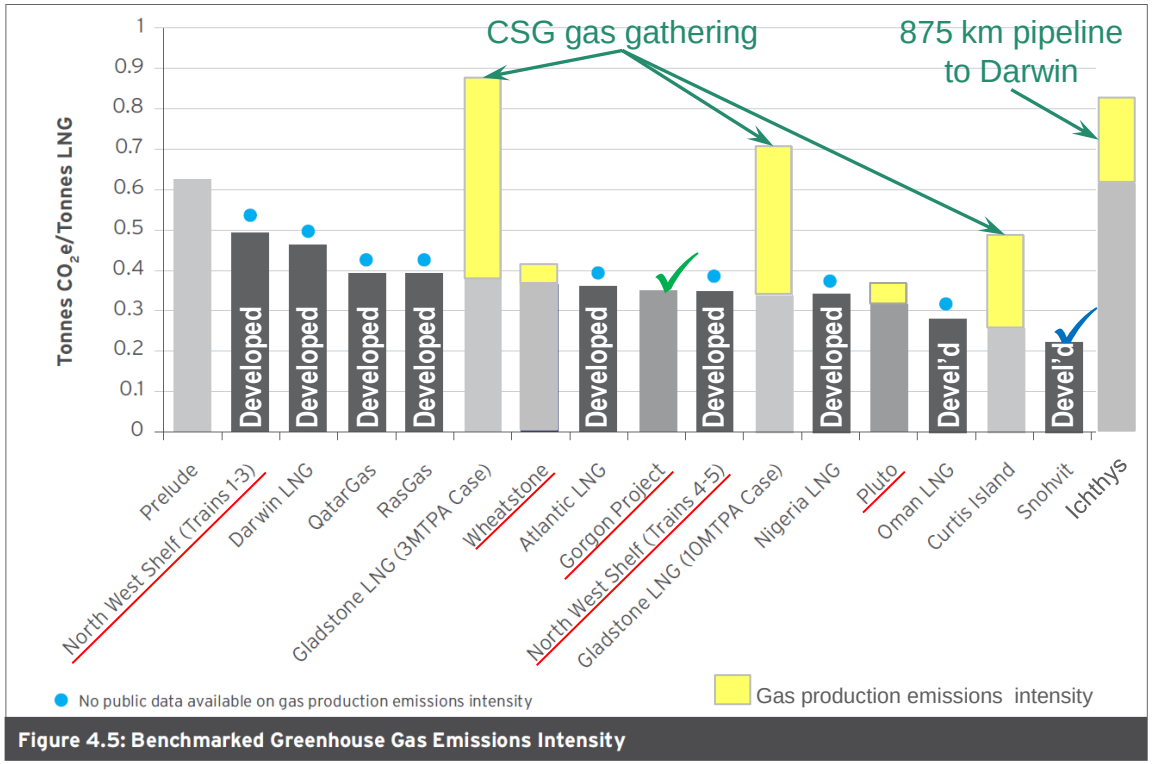


Figure 4.5: Benchmarked Greenhouse Gas Emissions Intensity

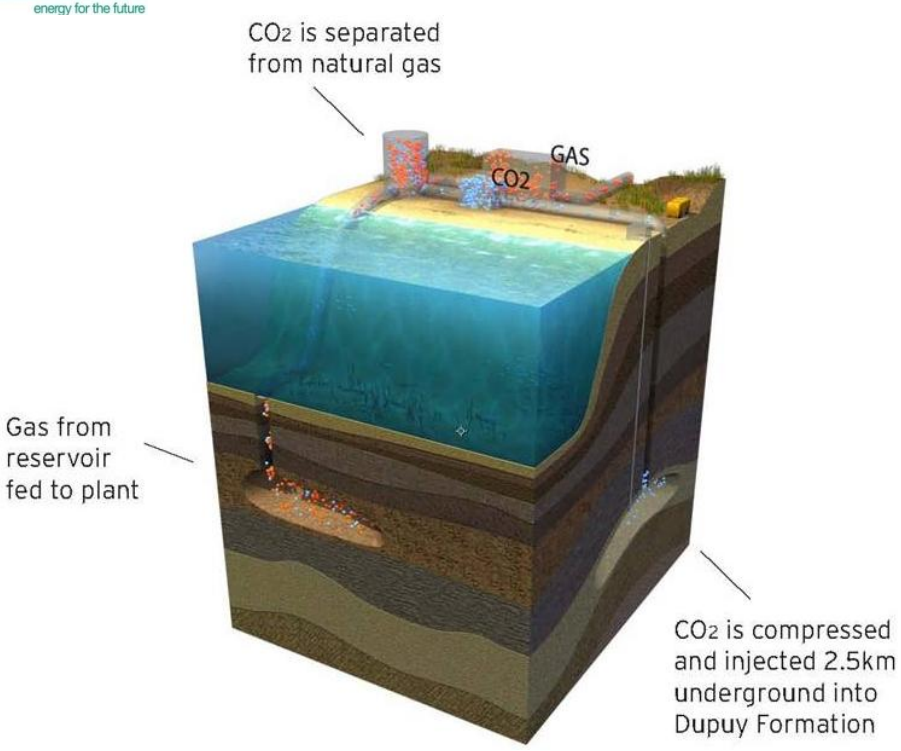
Drivers:

- CO_2 content in reservoir gas - (Prelude vs Wheatstone)
- LNG plant efficiency - (NWS trains 1-3 vs trains 4-5)
- Gas gathering/transportation - (Ichthys vs Prelude) (CSG gas gathering)
- Geo-sequestration - (Gorgon)

Sources: Chevron Australia Pty Ltd – Wheatstone Project EIS, Inpex Corporation - Ichthys Project Draft EIS

Geo-sequestration is an option

Substantial initial capital costs and long term monitoring required



Gorgon CO_2 Seismic Baseline Survey - 2009

- Substantial baseline and ongoing CO_2 monitoring program
- Economy of scale = large identified resources
- Gorgon Project – an example of CO_2 sequestration

Sources: Chevron Australia Pty Ltd Website and presentations

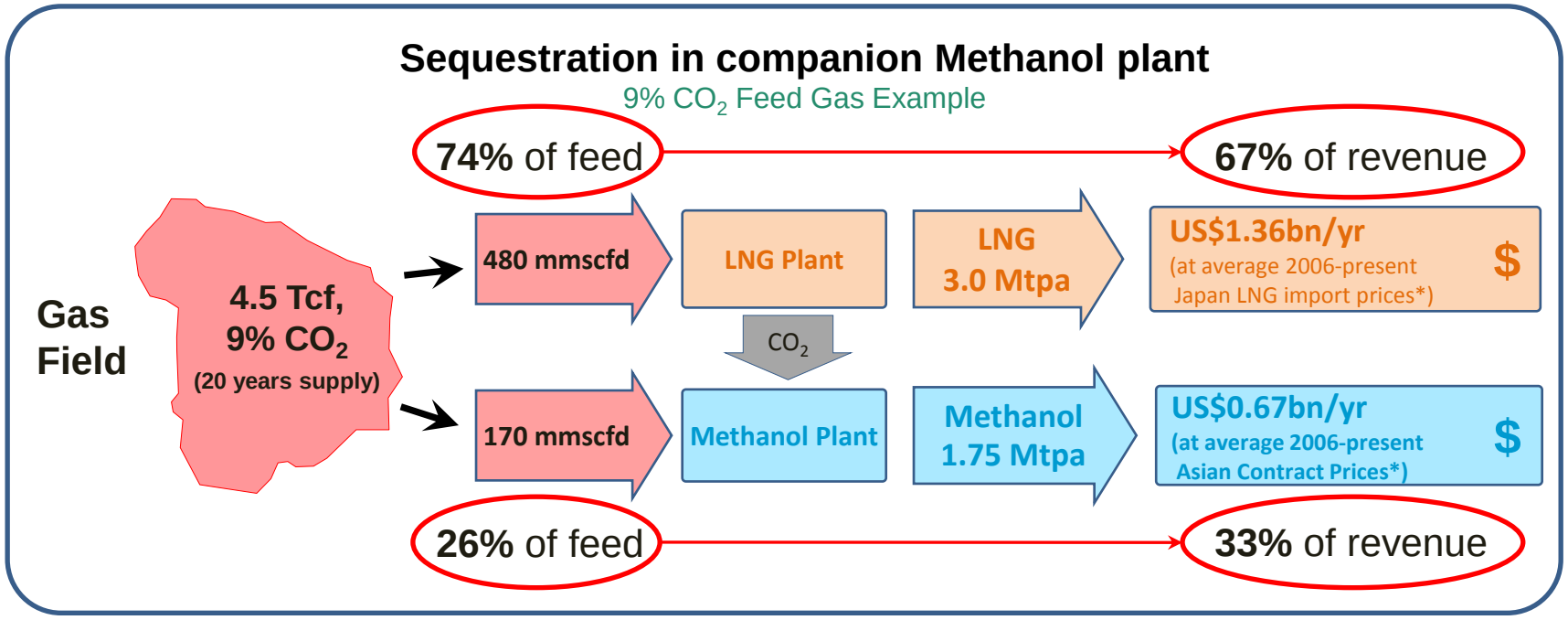
Bio-sequestration is another

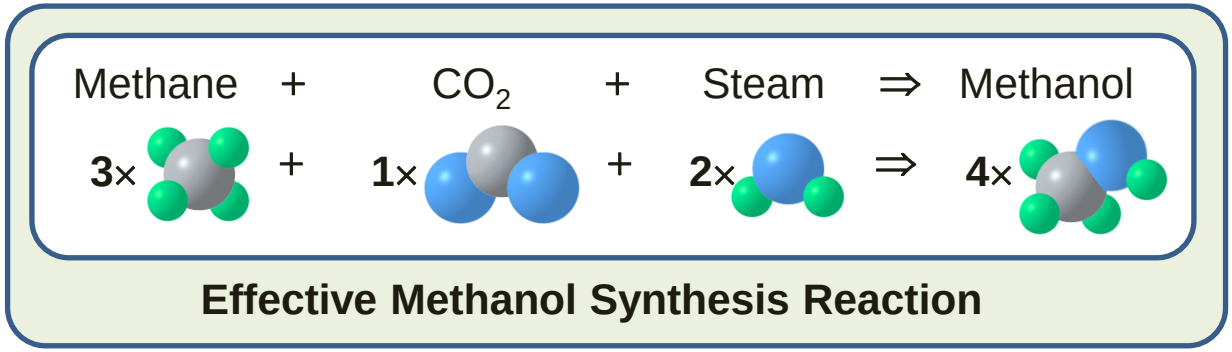
Emerging industries are building sequestration capability

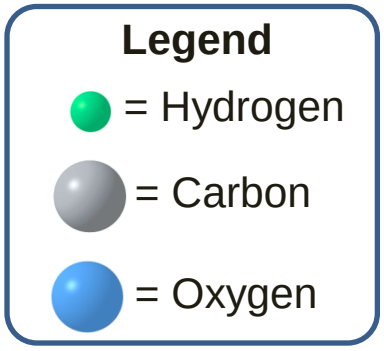
- Origin Energy and BG contract for tree planting
  - Cost of $29 per tonne captured CO_2
- GLNG Irrigation Project
  - Combined saline water disposal and carbon sequestration
- Coal fired power stations seeking Algal solution
  - Targeting significant reduction in CO_2 emissions
  - Algal solution generates multiple revenue streams

Methanol production also sequesters CO_2

And can sanitise gas with moderate CO_2 content for LNG production



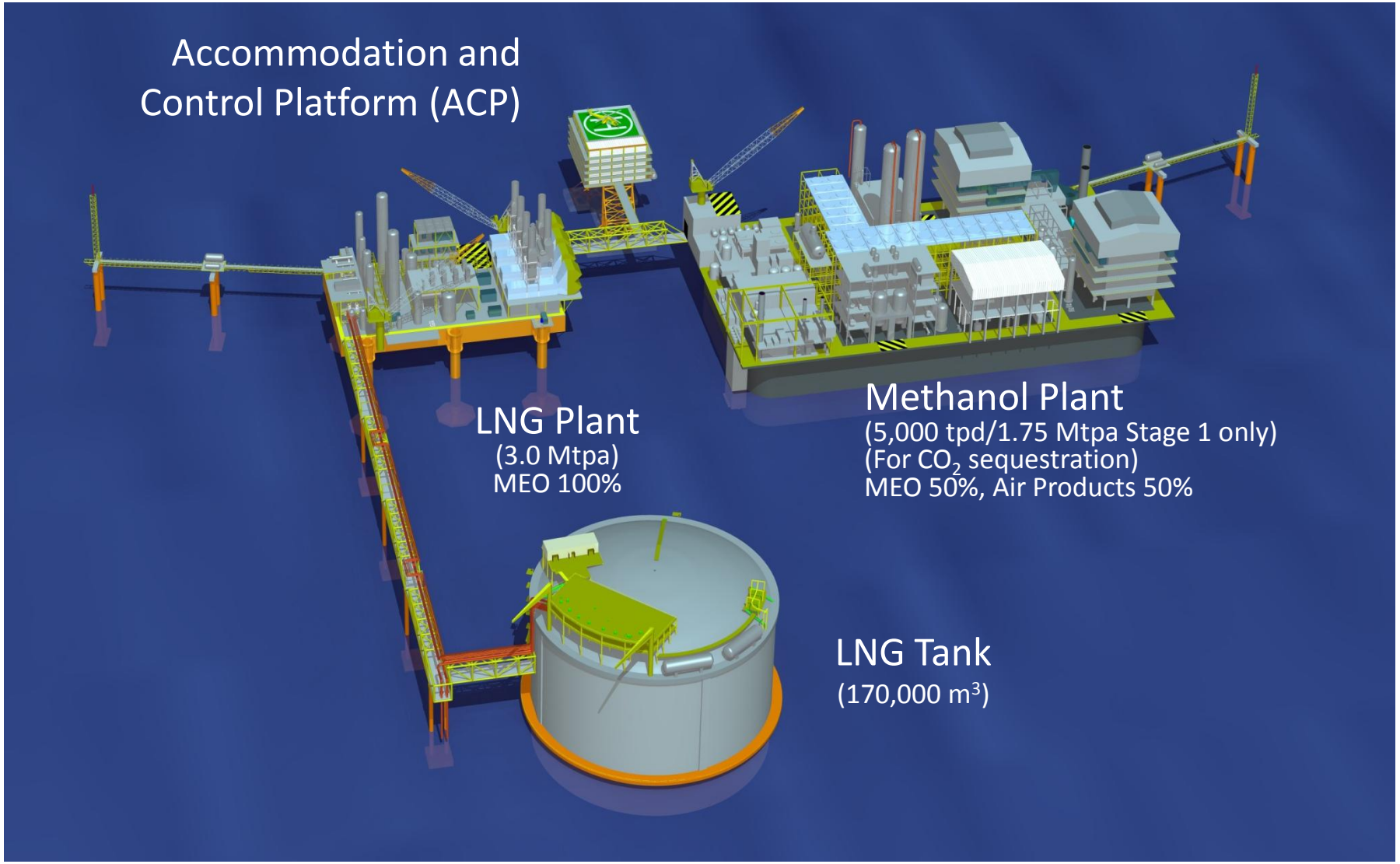




** Source = World Bank and Methanex*

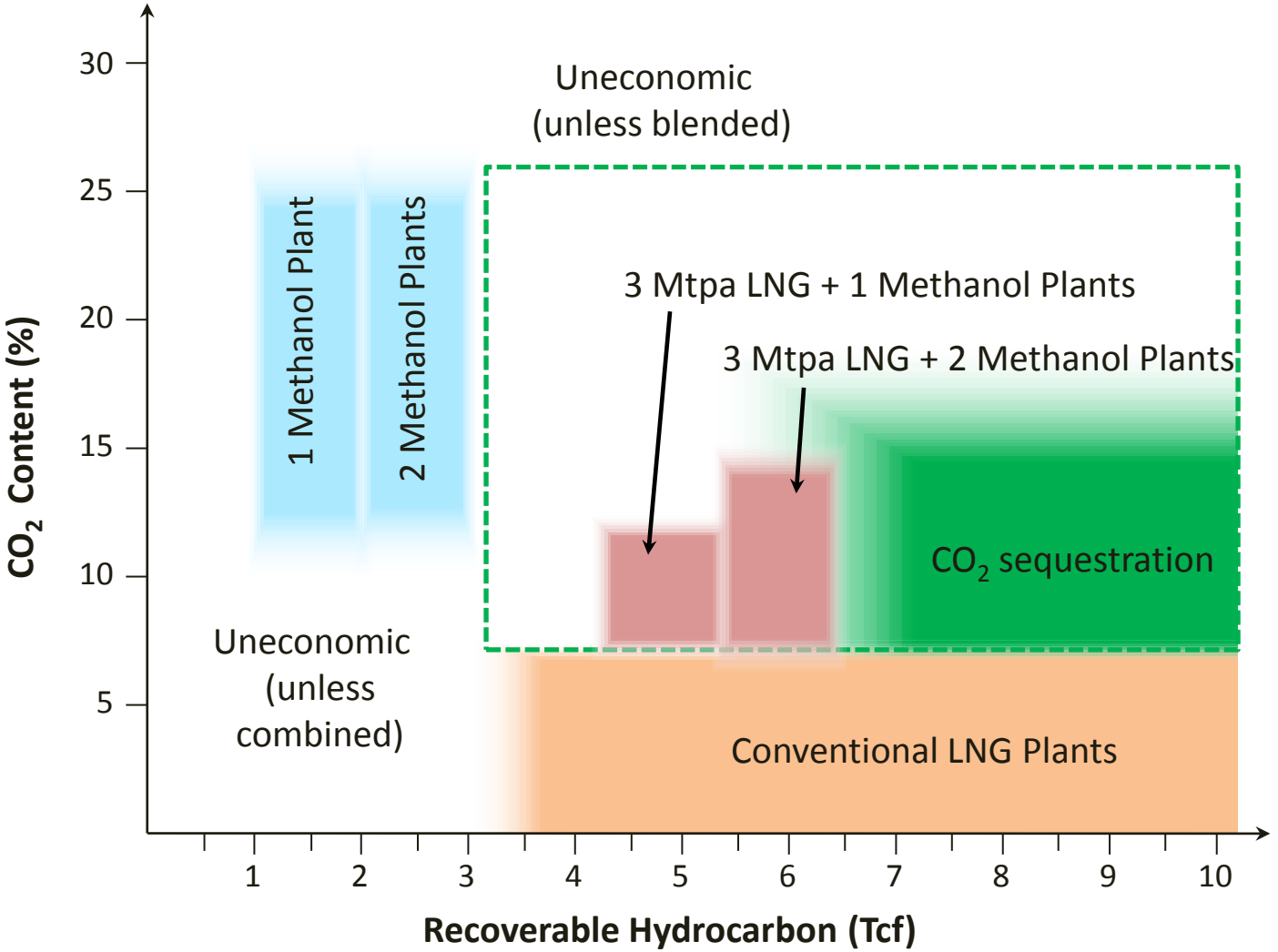
Tassie Shoal Projects – an integrated approach

A modular hub ready for gas – with a wide quality tolerance range...



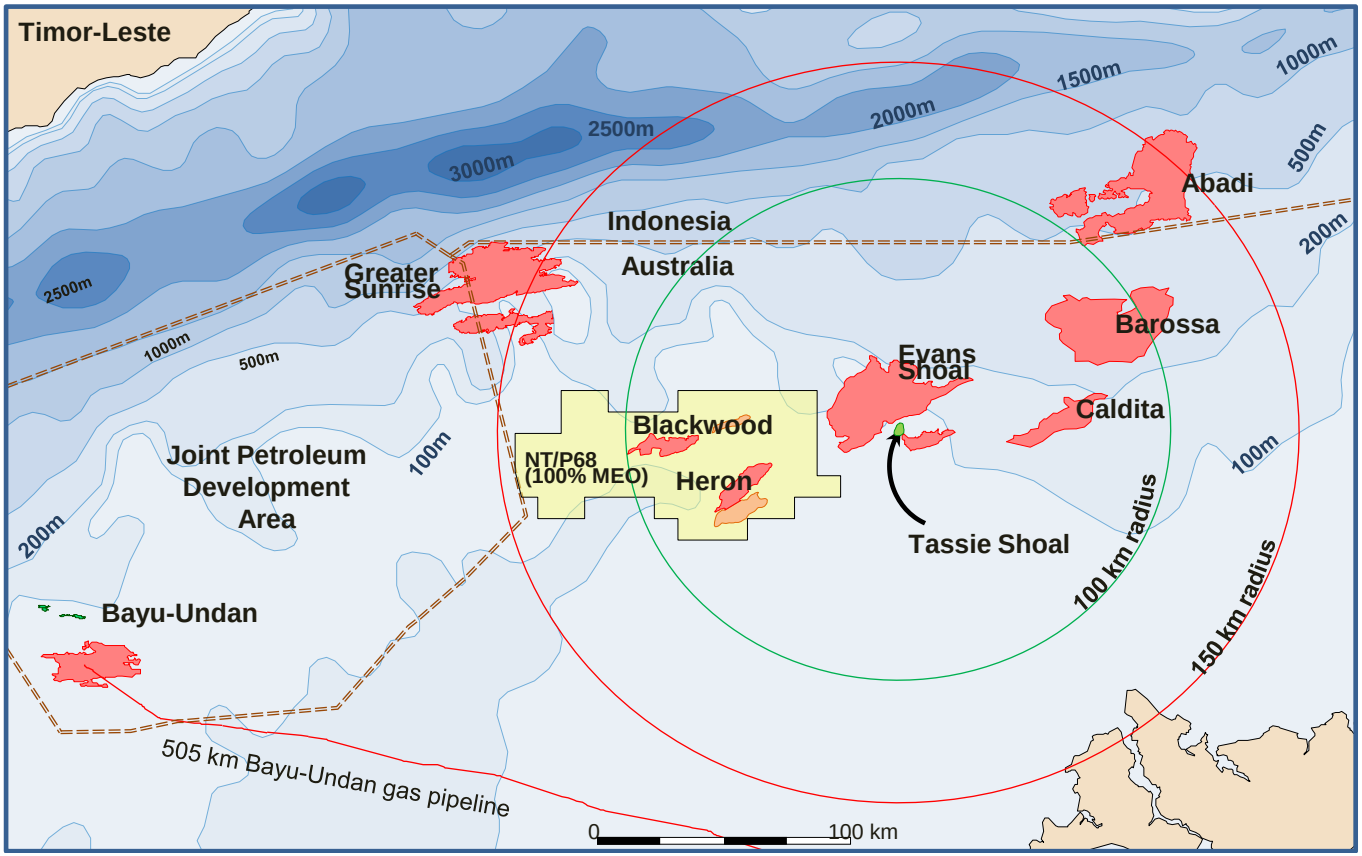
Methanol plant – de-risking reservoir uncertainty

Uses a fraction of the gas resource required for an LNG plant



~25 Tcf of gas seeking a regional solution

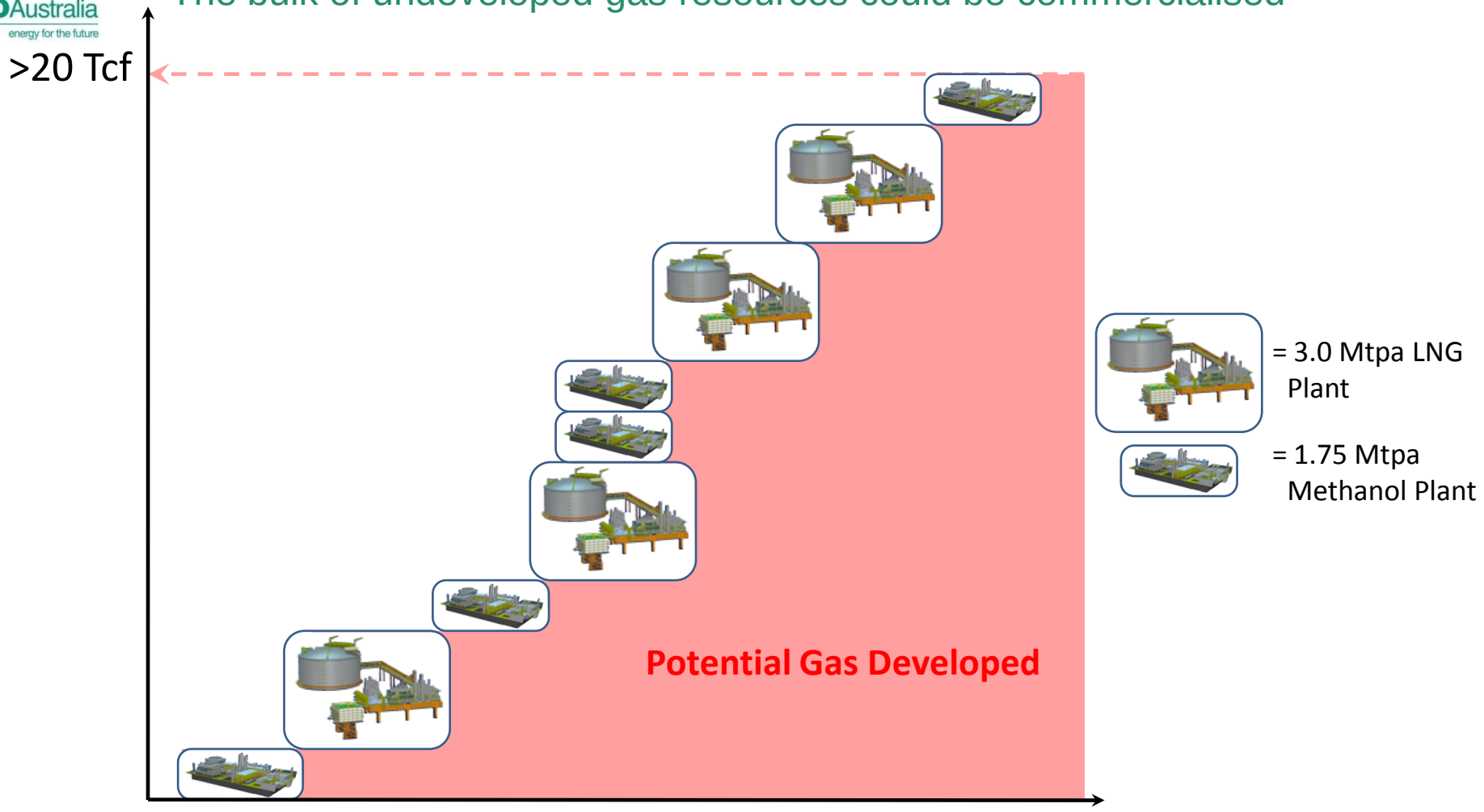
TSMP provide CO_2 solution to unlock regional value



- Close to gas source - reduces distance challenge
- Grounded in shallow water - removes movement challenge
- Modular construction - minimises development cost
- Methanol - sequesters CO_2 cost effectively
- Proven technology - reduces implementation risk
- Mature design - ready to proceed to FEED
- Environmental approvals - secured for 2x Methanol plants & 1x LNG plant

Implications of a regional solution

The bulk of undeveloped gas resources could be commercialised



- Sufficient undeveloped gas within 150km of Tassie Shoal to support at least:
  - 5 x 1.75 Mtpa Methanol Plants; &
  - 4 x 3.0 Mtpa LNG Plants

Tassie Shoal Methanol Project (TSMP)

Brings the gas processing plant to gas field – eliminating long pipelines

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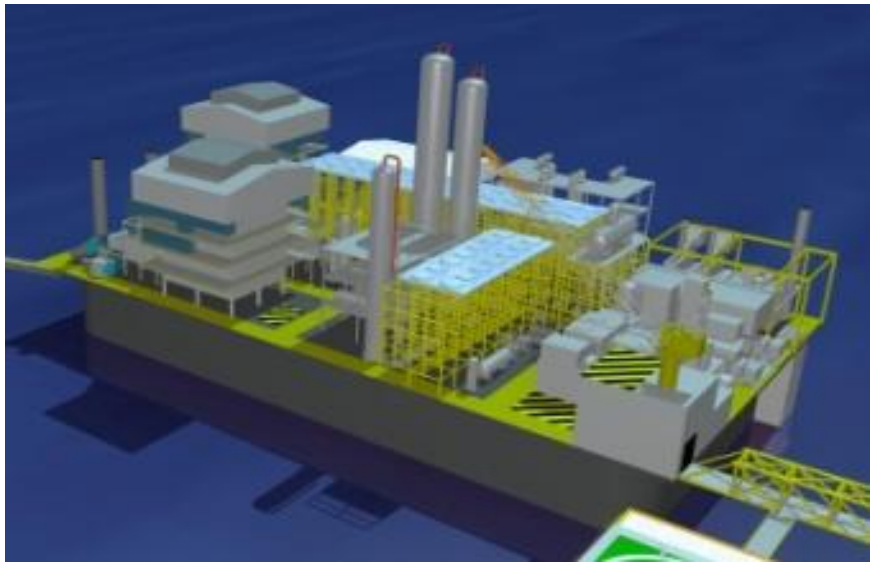
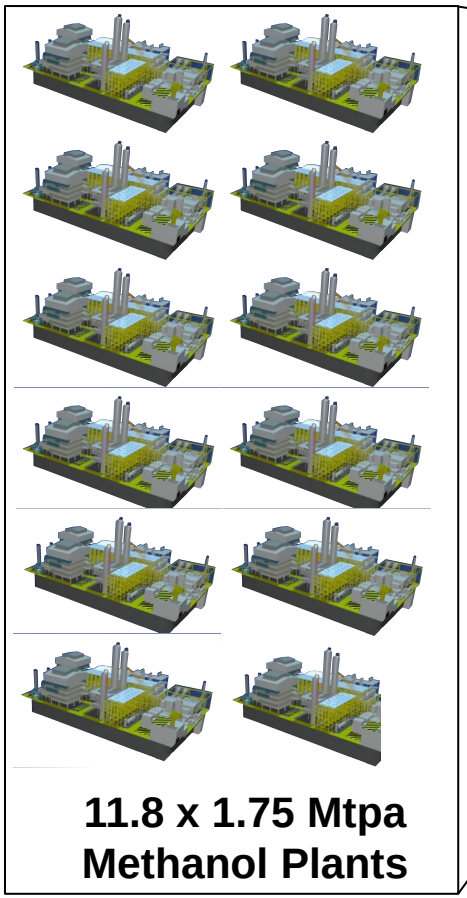


Methanol Plant on Concrete Gravity Structure (CGS)

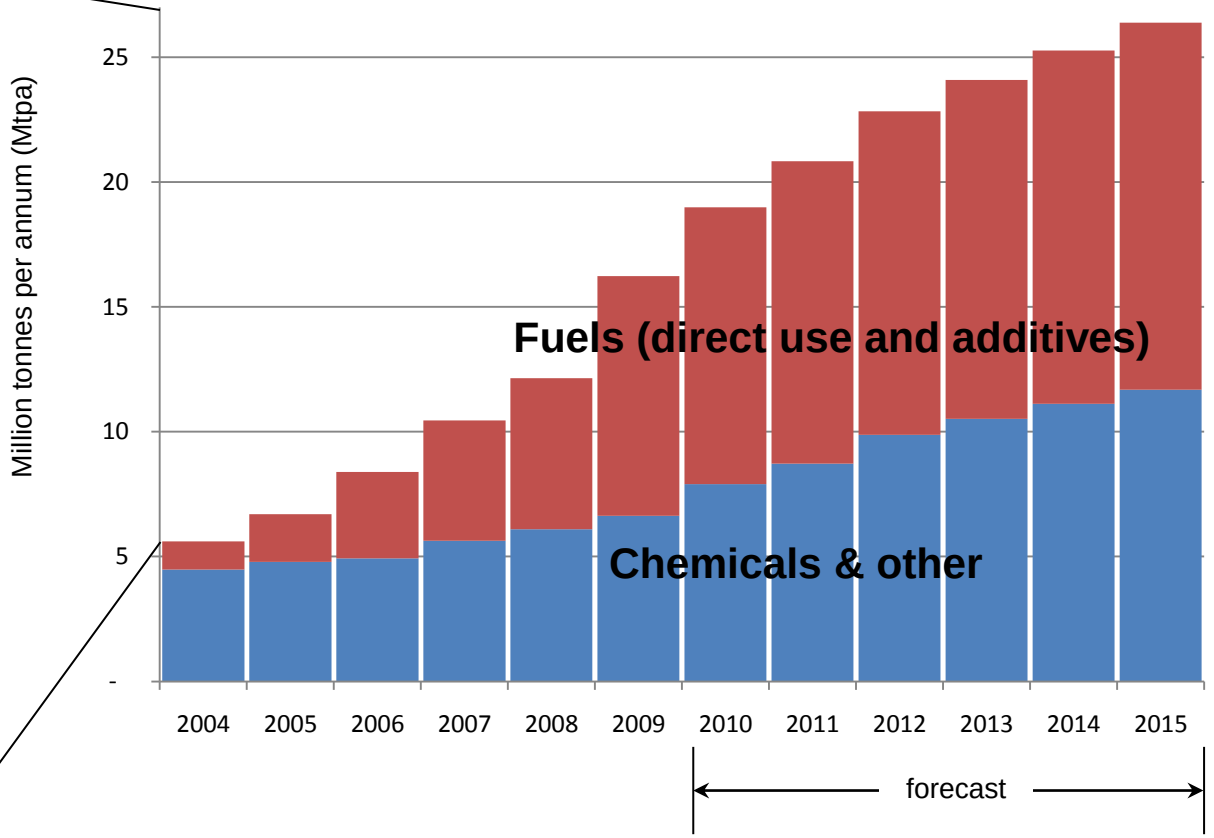
- Off-the-shelf technology
- DPT, Arup & Aker Kvaerner designs
- Worlds scale 1.75 Mtpa (5,000 tpd)

Methanol Demand – China Only

High forecast demand growth



11.8 x 1.75 Mtpa Methanol Plants

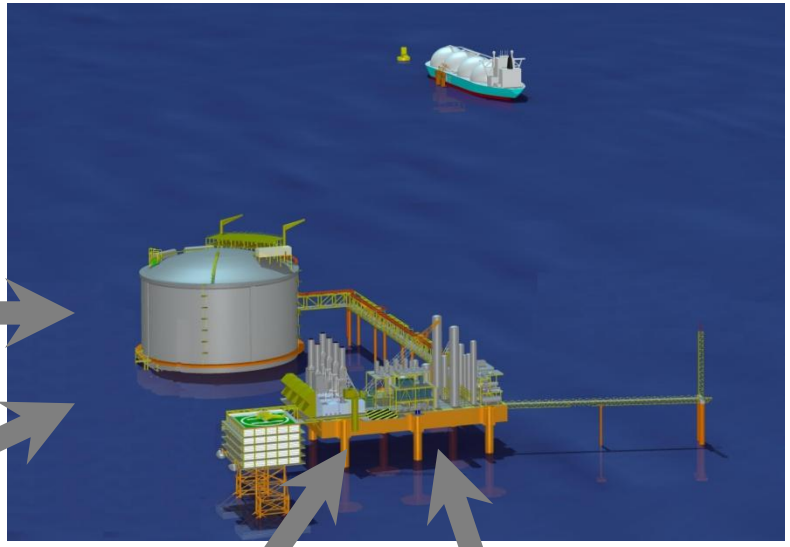


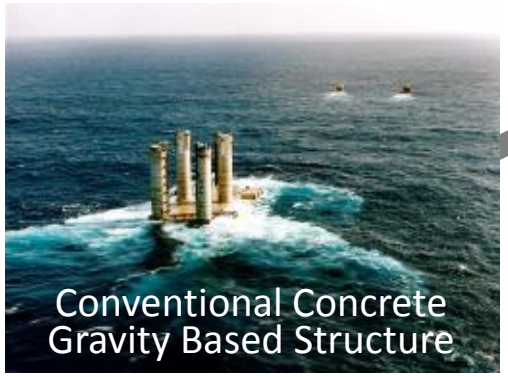
- Strong growth averages more than one 1.75 Mtpa plant every year
- Coal based methanol production is currently swing producer
- Coal based methanol production emits 1.7 x CO_2 of gas based plant

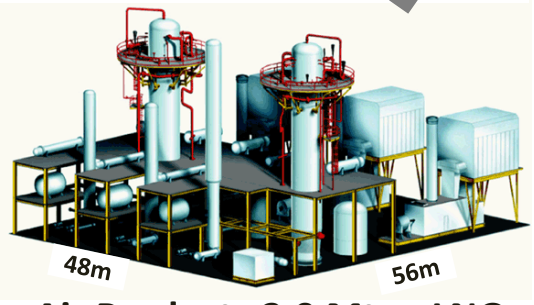
Source: MMSA 2010 forecast

Timor Sea LNG Plant (TSLNGP) – no floating risks

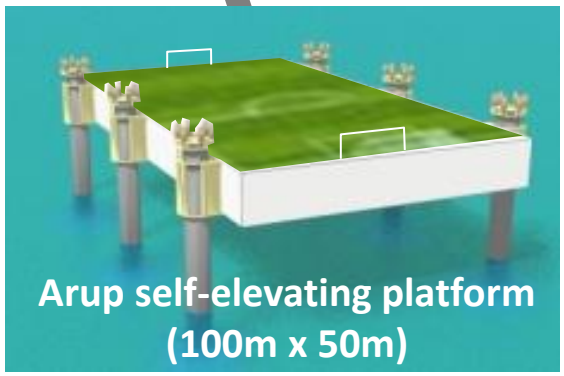
"MEO plans smallest footprint 3.0 Mtpa LNG plant"







Air Products 3.0 Mtpa LNG Plant



- One 3.0 Mtpa module
- 170,000 m^3 LNG storage
- Arup, Air Products and Worley Parsons designs and costings

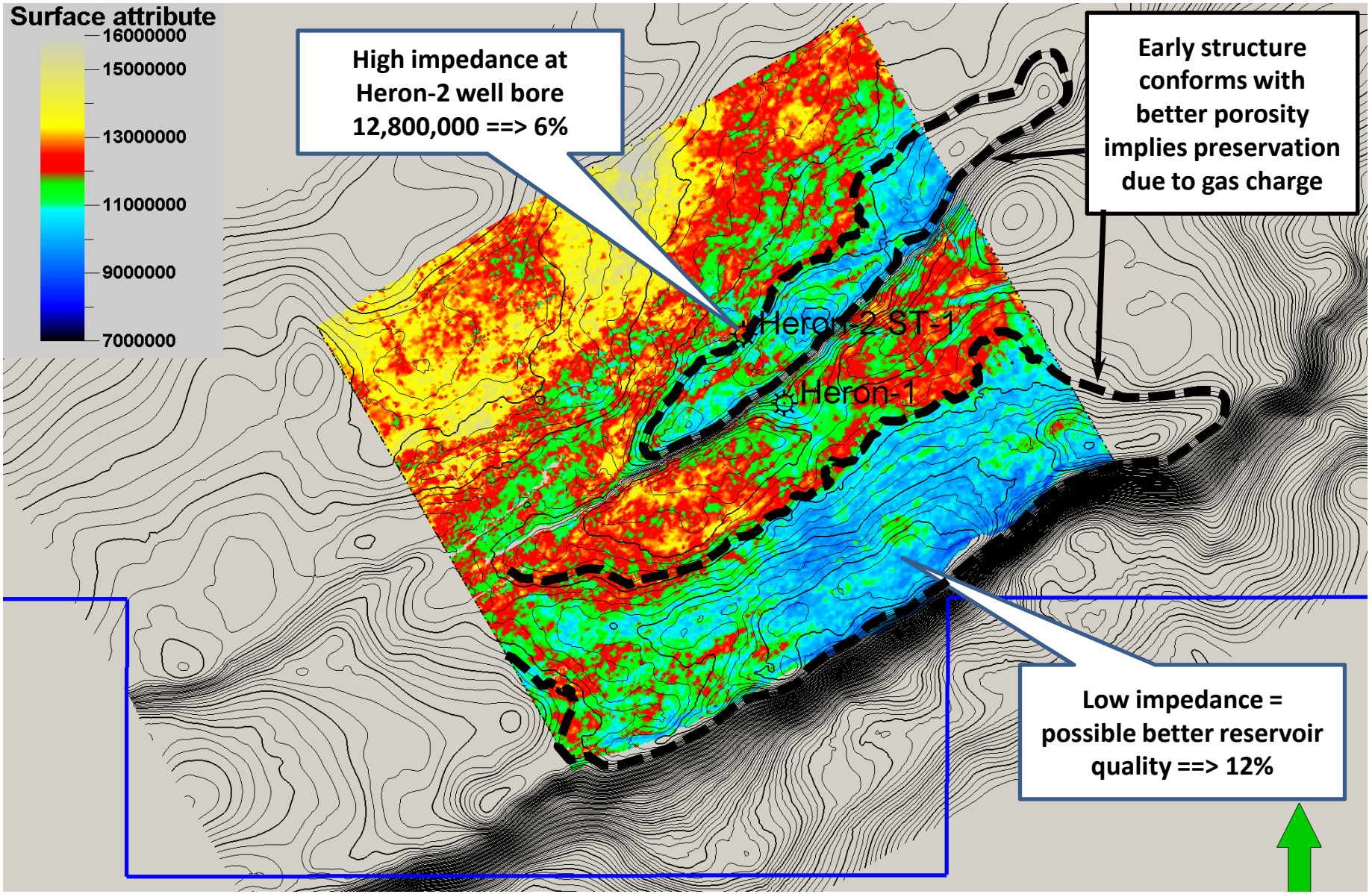
Prelude and Greater Sunrise FLNG

"Shell plans world's biggest ship at Australian field"

Source: http://royaldutchshellplc.com

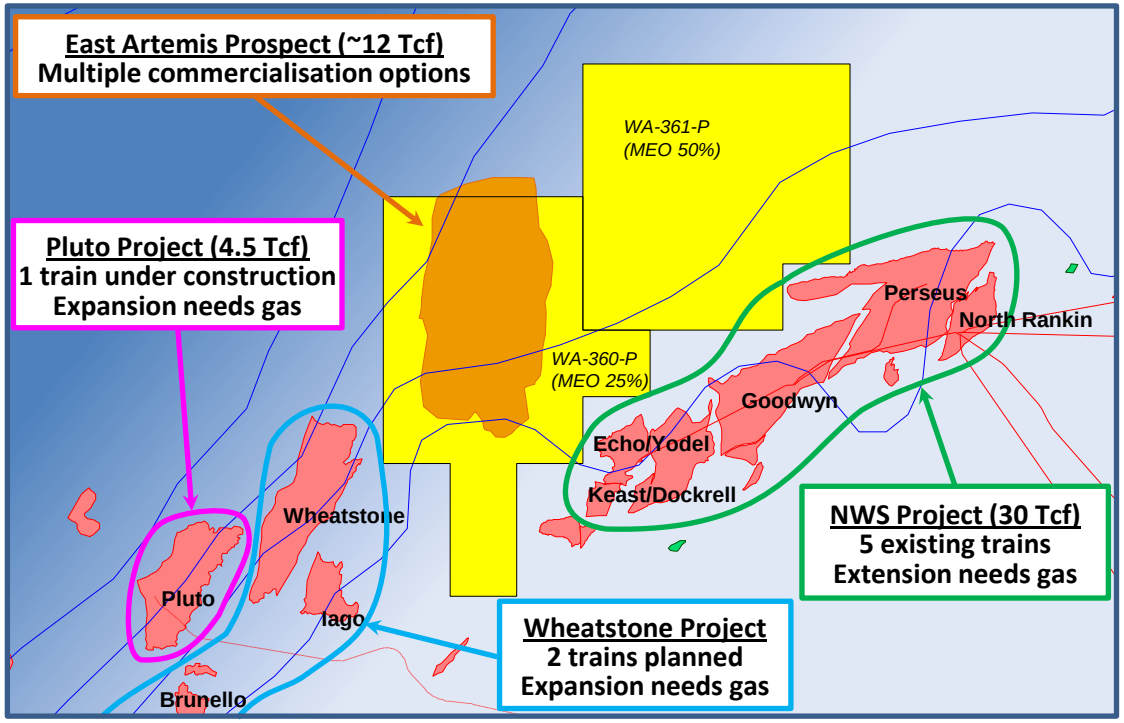
Heron gas discovery – potential LNG size field

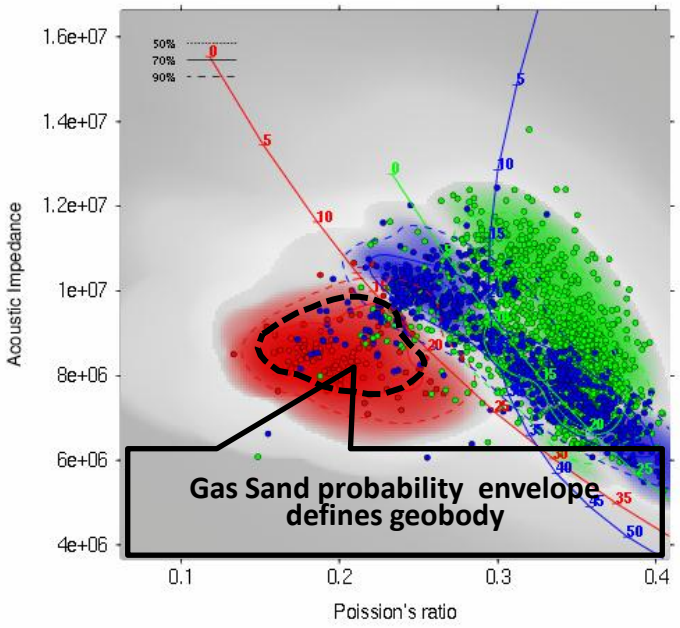
Studies used acoustic impedence on 3D seismic to model porosity



Artemis–1: WA-360-P

"~12 Tcf prospect, strategically located near existing/planned LNG projects"





- Located at juncture of oldest & newest discovery trends
- 25% equity in ~12 Tcf prospect
- Nearby LNG projects hungry for gas to underpin expansion
- Full financial carry on 1st exploration well capped at US$41m
- US$31.5m cash bonus on success, plus
- Financial carry on 2 more wells (20% equity) to US$62m cap/well
- All plans, contracts and approvals in place
- Rig handover from Shell expected early November
- Multiple LNG development options

Concluding remarks

The pieces are coming together...

- Proposed Tassie Shoal development hub
  - ➢Robust economic solution for all undeveloped gas
  - ➢TSMP sequesters CO_2 into methanol derivatives
  - ➢LNG project approved for low CO_2 gas
- 100% equity in two NT/P68 gas discoveries
  - ➢Seeking partner to appraise Heron discovery
  - ➢Launching farmout early October
- Strategic offshore Carnarvon Basin acreage
  - ➢25% interest in ~12 Tcf Artemis prospect
  - ➢Rig available November 2010
  - ➢Multiple LNG development options