



To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	4 July 2012
From	Helen Hardy	Pages	7
Subject	Australia Pacific LNG takes FID on second train of two train project		

Please find attached a release on the above subject.

Also attached is a copy of the media release by Australia Pacific LNG.

Regards

A handwritten signature in black ink, appearing to read "Helen Hardy".

Helen Hardy
Company Secretary

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ASX/Media Release

4 July 2012

Australia Pacific LNG takes FID on second train of two train project

Origin Energy Limited (Origin) today announced that the Board of Australia Pacific LNG Pty Ltd (Australia Pacific LNG) has approved a Final Investment Decision (FID) on the second train of its two-train CSG to LNG project in Queensland.

- FID taken on the second train of the Australia Pacific LNG project (FID2)
- Marketing complete for Australia Pacific LNG's two-train project with binding agreements in place with Sinopec and Kansai
- Shareholdings following completion of Sinopec's additional equity subscription: Origin (37.5%); ConocoPhillips (37.5%); Sinopec (25%)
- Since announcing FID1 in July 2011, there has been no significant change in the US\$20 billion cost of the Australia Pacific LNG project other than as a result of movements in foreign exchange rates, which at the time converted to A\$23 billion
- The project is estimated to cost A\$23 billion from FID1 to first LNG from the second train
- A US\$35 per barrel break-even oil price over the project life¹ would cover all estimated project costs and project finance debt service obligations. US\$50 per barrel over the project life¹ would allow Origin to recover its weighted average cost of capital on its estimated cash injection into Australia Pacific LNG
- The project is on schedule and budget to deliver first LNG in mid-2015
- Origin and ConocoPhillips are commencing a joint process to further dilute their interests in Australia Pacific LNG

Origin Energy Managing Director, Mr Grant King said, "The final investment decision for the Australia Pacific LNG project's second train marks a major milestone for the project, and in the growth of Origin.

"As one of Australia's largest LNG export projects, the Australia Pacific LNG project stands to deliver significant value to Origin shareholders and to Australia, as well as jobs for the Australian community," Mr King said.

"The incremental benefit of the second LNG train will strengthen the project's already robust economics," Mr King said.

The two train project is on track to deliver LNG from its first train in mid-2015. First LNG from the second train is expected in early 2016.

Australia Pacific LNG shareholding dilution

With the taking of FID2, the subscription agreement for Sinopec to increase its shareholding in Australia Pacific LNG from 15 to 25 per cent² is now unconditional

¹ Real oil price; from FID1 (July 2011) over the estimated life of the project.

² For more information see Origin's ASX announcement on 23 January 2012.



with completion due to occur shortly. At that completion, Origin's shareholding in Australia Pacific LNG will be diluted from 42.5 to 37.5 per cent.

Sinopec's additional equity subscription provides Australia Pacific LNG with a net payment of US\$1.4 billion for value determined as at 1 January 2011. That amount is then adjusted for Sinopec's share of capital expended since that date, resulting in Sinopec injecting an estimated US\$2.1 billion into Australia Pacific LNG. These funds will be used to meet project expenditure before any additional funding is required from Origin, ConocoPhillips or Sinopec.

Origin and ConocoPhillips have agreed to commence a joint process to further dilute their interests below 37.5 per cent. Origin is looking to retain around a 30 per cent stake in Australia Pacific LNG over the longer term.

LNG sales agreements

In January 2012, Australia Pacific LNG and Sinopec signed binding agreements for the supply of an additional 3.3 million tonnes per annum (mtpa) of LNG bringing the total sales to Sinopec to 7.6 mtpa³. Australia Pacific LNG has also signed a binding agreement to supply The Kansai Electric Company with approximately 1 mtpa of LNG. The signing of these LNG off-take agreements concluded the marketing for both LNG trains. The agreement with The Kansai Electric Company is now unconditional. The agreement to supply Sinopec the additional 3.3 mtpa will become unconditional upon completion of the Sinopec subscription.

Project update

Project description:	<ul style="list-style-type: none"> CSG-to-LNG export project - two LNG trains approved, each with a 4.5 mtpa nameplate capacity
Shareholdings⁽¹⁾:	<ul style="list-style-type: none"> Origin Energy 37.5% ConocoPhillips 37.5% Sinopec 25.0%
Off-take Agreements:	<ul style="list-style-type: none"> 7.6 mtpa LNG supply for 20 years to Sinopec⁽²⁾ ~1.0 mtpa LNG supply for 20 years to The Kansai Electric Company
Project cost:	<ul style="list-style-type: none"> A\$23 billion from July 2011 until start-up of Train 2 in early 2016, in line with the US dollar cost estimates announced at FID1
APLNG economics:	<ul style="list-style-type: none"> US\$35/bbl breakeven oil price⁽³⁾ to cover estimated project costs and project finance debt service obligations US\$50/bbl breakeven oil price⁽³⁾ for Origin to recover its weighted average cost of capital on its estimated cash injection into Australia Pacific LNG
APLNG reserves⁽⁴⁾ (at 31 December 2011):	<ul style="list-style-type: none"> 2P: 12,810 PJ 3P: 16,022 PJ Additional 4,240 PJ (2C) or 10,614 PJ (3C) of contingent resources
Timing:	<ul style="list-style-type: none"> First LNG: Train 1 expected mid-2015, Train 2 expected early-2016

- (a) Percentages shown assume completion of Sinopec's 25 per cent subscription.
- (b) In calendar year 2015, it is expected cargoes will be delivered at a pro rata rate of 2.5 mtpa. The additional 3.3 mtpa offtake agreement extends from early 2016 to 2035. In calendar year 2016, it is expected cargoes will be delivered at a pro rata rate of 4.3 mtpa prior to the start of the second LNG train, following which the rate will increase by a pro rata rate of 3.3 mtpa.
- (c) Real oil price; from FID1 (July 2011) over the estimated life of the project.
- (d) Refer to Important Notices on Reserves in presentation released today. Australia Pacific LNG reserves are calculated on a forward view of commodity prices. Some of Australia Pacific LNG's CSG reserves and resources are subject to reversionary rights.

³ For more information see Origin's ASX announcement on 23 January 2012.

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Australia Pacific LNG capital expenditure

The cost of a two-train project is estimated to be A\$23 billion⁴. There has been no significant change in the cost of the Australia Pacific LNG project from that announced in July 2011 (US\$20 billion⁵, which included a US\$2.5 billion contingency), other than as a result of movements in foreign exchange rates, which at the time converted to A\$23 billion⁵.

There have been cost increases announced by third party LNG projects in which Australia Pacific LNG is a non-operating joint venture participant in specific upstream gas fields. Australia Pacific LNG's cost estimates announced in July 2011 already allowed headroom for cost increases of this type in the period to first LNG. As a result, the other projects' cost increases are not expected to materially impact Australia Pacific LNG's existing cost estimates for its two-train project assessed against information currently available from these projects.

In addition to project costs, Australia Pacific LNG has non-project costs which include costs associated with its domestic operations, pre-LNG operating and maintenance costs and costs associated with the supply of gas to third party LNG projects. These non-project costs are expected to be substantially offset by revenues from future early gas sales by Australia Pacific LNG including sales to other LNG projects.

Origin's investment contribution to Australia Pacific LNG will be reported in Australian dollars going forward. Origin will report project and non-project costs in aggregate each half year.

The two-train project economics are robust with a break-even oil price⁶ of US\$35 per barrel over the project life to cover all estimated project costs and project finance debt service obligations. An oil price⁶ of US\$50 per barrel from July 2011 extending over the project life will allow Origin to recover its weighted average cost of capital on its estimated cash injection into Australia Pacific LNG.

Deferral of contingent FID payment

FID for the second LNG train has triggered the deferral of the second contingent FID payment by ConocoPhillips to Australia Pacific LNG. This payment was previously due to Australia Pacific LNG at the time a FID for the second LNG train was approved and would have seen Origin's funding for Australia Pacific LNG reduced by US\$500 million. Similar to the treatment of the first contingent FID payment, the payment will now be made when ConocoPhillips achieves an agreed economic return on its investment in Australia Pacific LNG, including its acquisition cost.

Origin's funding of Australia Pacific LNG

On 24 May 2012, Australia Pacific LNG confirmed a US\$8.5 billion project finance facility. After taking into account the project finance facility and the payment of Sinopec's additional equity subscription monies to Australia Pacific LNG, Origin's remaining funding requirement for its 37.5 per cent share of Australia Pacific LNG⁷

⁴ Bloomberg forward foreign exchange rates as at 21 June 2012. Lower AUD costs at FID2 relative to FID1 in July 2011 not visible due to rounding.

⁵ Bloomberg forward foreign exchange rates as at 1 December 2010.

⁶ Real oil price; from FID1 (July 2011) over the estimated life of the project.

⁷ Percentage interest assumes Sinopec's 25 per cent subscription completes.

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for the period from 1 July 2012 to first production from both LNG trains is approximately A\$3.6 billion⁸.

This funding requirement is expected to be met from Origin's existing undrawn debt facilities and cash resources which currently total around A\$4.6 billion⁹ and which is more than sufficient to fund Origin's commitments to Australia Pacific LNG, meet short-term maturing debt obligations and maintain a prudent liquidity buffer. Some of Origin's debt facilities mature within the period to first LNG from the second train and will be replaced as required. Any dilution of Origin's interest in Australia Pacific LNG below 37.5 per cent will improve this funding position.

Ends

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About Origin Energy

Origin Energy (ASX: ORG) is the leading Australian integrated energy company focused on gas and oil exploration and production, power generation and energy retailing. A member of the S&P/ASX 20 index, the company has around 5,600 employees and is a leading producer of gas in eastern Australia. Origin is Australia's largest energy retailer servicing 4.4 million electricity, natural gas and LPG customer accounts and has one of the country's largest and most flexible generation portfolios with more than 5,310 MW of capacity, through either owned generation or contracted rights. Origin's strategic positioning and portfolio of assets provide flexibility, stability and significant opportunities for growth across the energy industry. Through Australia Pacific LNG, its incorporated joint venture with ConocoPhillips and Sinopec, Origin is developing one of Australia's largest CSG to LNG projects based on Australia's largest 2P CSG reserves base.

In New Zealand, Origin is the major shareholder in Contact Energy, the country's leading integrated energy company, operating geothermal, thermal and hydro generation facilities and servicing electricity, gas and LPG customers across both the North and South islands. Origin also operates several oil and gas projects in New Zealand and is one of the largest holders of petroleum exploration acreage in the country.

Origin has a strong focus on ensuring the sustainability of its operations, is the largest green energy retailer in Australia and has significant investments in renewable energy technologies.

For more information go to www.originenergy.com.au.

About Australia Pacific LNG

Australia Pacific LNG Pty Limited is an incorporated joint venture between Origin, ConocoPhillips and Sinopec. The Australia Pacific LNG project includes the development of Australia Pacific LNG's substantial coal seam gas resources in the Surat and Bowen Basins, a transmission pipeline, and a multi-train LNG facility on Curtis Island, near Gladstone. www.aplng.com.au

Important Information

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action taken on the basis of the information.

⁸ Based on current Australia Pacific LNG cost estimates for project and non-project activities.

⁹ As at 31 May 2012.

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Media Release

4 July 2012

Australia Pacific LNG second train approved

The Australia Pacific LNG Board today announced it had approved the development of a second 4.5 million tonne per annum (mtpa) production train for its world-class coal seam gas (CSG) to liquefied natural gas (LNG) project on Curtis Island off Gladstone, in Queensland.

The second stage Final Investment Decision includes the further development of related upstream gas gathering and processing infrastructure as well as the formal approval for Bechtel to commence construction of the second production train.

Australia Pacific LNG Chief Executive Officer, Page Maxson said, "Today's announcement is an important milestone for the Australia Pacific LNG project, and is the final step in the approvals process for our 9.0 mtpa coal seam gas to liquefied natural gas project.

"Substantial progress has already been made on our project in the gas fields, along the pipeline and at the liquefaction facility; and with this final approval in place, we are on track to supply our customers with a cleaner-burning and reliable energy source," Mr Maxson said.

The cost of the full two-train CSG to LNG development is estimated to be A\$23 billion, which is consistent with the US\$20 billion cost estimate given at the announcement of the first stage Final Investment Decision in July 2011.

Construction on Curtis Island commenced in May 2011, with site works and development on schedule for the project's first LNG exports to begin mid-2015. Exports from the second LNG train are expected to commence in 2016.

The Australia Pacific LNG project currently employs 4,000 people, mostly in Queensland, and will create 6,000 construction jobs and 1,000 operational jobs for the ongoing operation of the project.

"We are focussed on ensuring Queensland benefits from this project through the creation of opportunities for suppliers and contractors, and to date we have spent more than \$2.3 billion with local companies," Mr Maxson said.

Australia Pacific LNG's investments through its Social Impact Management Plan will provide significant contributions to the further development of regional capabilities in areas such

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as education, health and business development. These contributions will also help in developing social infrastructure such as affordable housing and airport upgrades.

In April 2011, Australia Pacific LNG and Sinopec Corp. signed a sales agreement for 4.3 mtpa of LNG for 20 years from mid-2015 and a Subscription Agreement in which Sinopec Corp. subscribed for a 15 per cent equity interest in Australia Pacific LNG. The first train of the project was sanctioned in July 2011, followed by the signing of a binding agreement with Kansai Electric in November 2011 for the sale and purchase of approximately 1.0 mtpa of LNG for 20 years from 2016.

Australia Pacific LNG has a leading CSG reserves base in Australia and a current domestic production that provides more than 40 per cent of Queensland's natural gas requirements.

With the taking of FID2, the agreement for Sinopec to subscribe to increase its equity interest in the Australia Pacific LNG joint venture from 15 per cent to 25 per cent is now unconditional with completion due to occur shortly.

For further information please contact:

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Background

About Australia Pacific LNG

Australia Pacific LNG Pty Limited is an incorporated joint venture between Origin Energy Limited (37.5%), ConocoPhillips (37.5%) and Sinopec (25%). The Australia Pacific LNG project includes the development of Australia Pacific LNG's substantial coal seam gas resources in the Surat and Bowen Basins, a 530 km transmission pipeline, and a multi-train LNG facility on Curtis Island, near Gladstone. The Australia Pacific LNG project was sanctioned in July 2011 for an initial LNG production train and infrastructure to support a second train. www.aplng.com.au

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