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# INPEX Business Strategy and Two LNG Projects - Ichthys and Abadi

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INPEX CORPORATION

July 3, 2009

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## Agenda

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- Mid-to-long Term Business Strategies
- Gas Market
- Ichthys LNG Project
- Abadi LNG Project

This presentation includes forward-looking information that reflects the plan and expectations of the Company. Such forward-looking information is based on the current assumptions and judgments of the Company in light of the information currently available to it, and involves known and unknown risk, uncertainties, and other factors. Such risks, uncertainties and other factors may cause the Company's performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, without limitation:

- Price volatility and change in demand in crude oil and natural gas
- Foreign exchange rate volatility
- Change in costs and other expenses pertaining to the exploration, development and production

The Company undertakes no obligation to publicly update or revise the disclosure of information in this presentation (including forward-looking information) after the date of this presentation.

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## Mid-to-long Term Business Strategies

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Katsujiro Kida  
Director, Executive Vice President

## Awareness of The Business Environment **INPEX**

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- Recent international financial crisis and a decrease in energy demand
- Risks of rapidly and drastically fluctuating oil and gas prices
- Increasing priority of natural gas in response to environmental issues
- Increasingly intense competition for resources, mainly, among the major international oil and gas companies and the state enterprises in China and India
- Rising technical and economic hurdles as project sites shift towards frontier areas
- To replace reserves is necessary, but difficult to implement
- Escalated exploration and production costs and increased risks of production schedule delay



- The international business environment surrounding the upstream industry has been increasingly severe and uncertain
- Stable demand for natural gas/LNG in the long term

4

## Our Strength

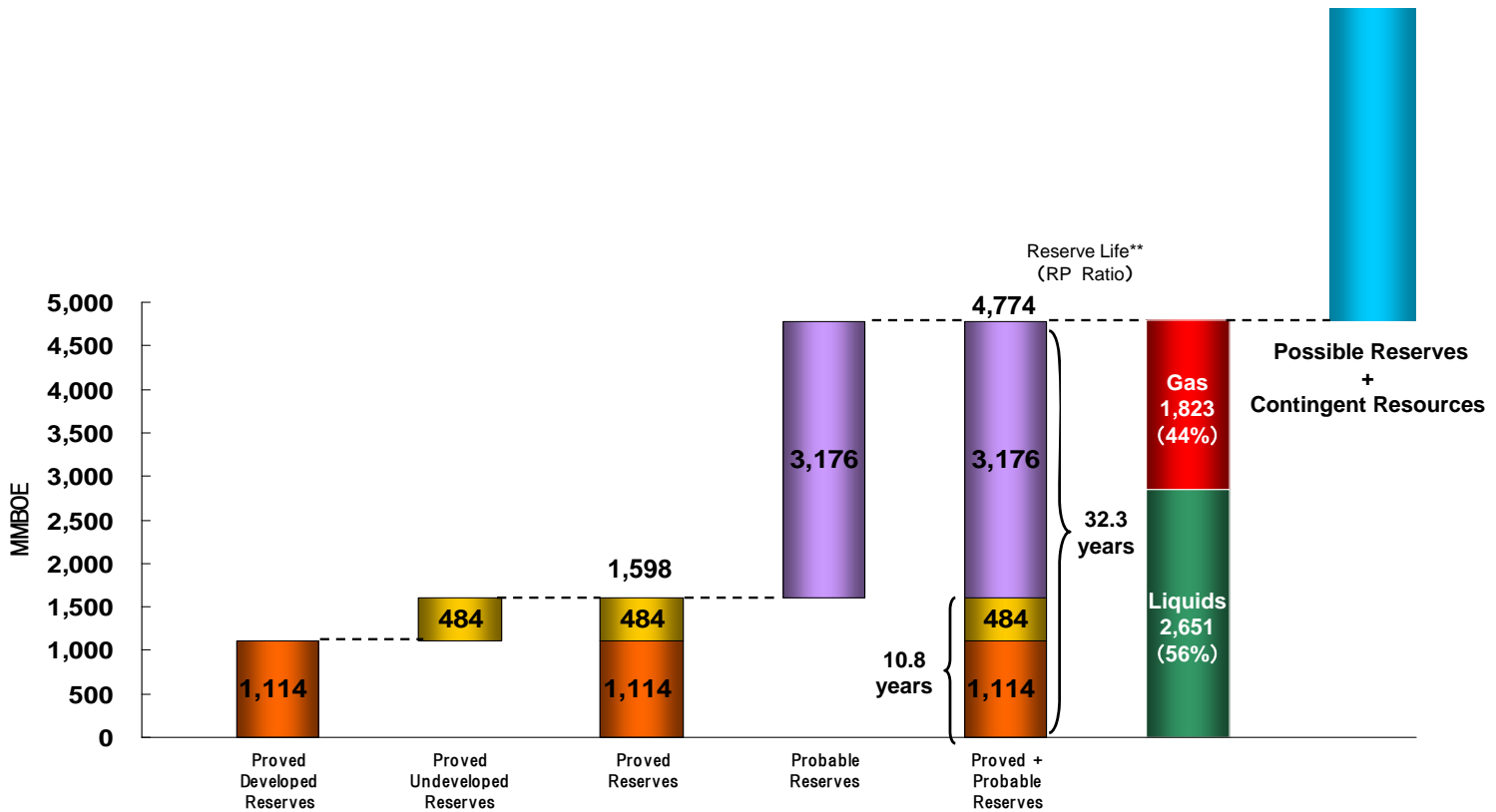
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**INPEX**

- Strong reserve/resource base
- Large-scale LNG projects as an operator
- Gas supply chain
- Strong financial position
- Financial scheme by governmental financial institutions in Japan

5

# Strong Reserve/Resource Base



\* Proved reserve volumes are based on the reserves report (preliminary) by DeGolyer and MacNaughton applying SEC regulations. Probable reserve volumes are based on the reserves report (preliminary) by DeGolyer and MacNaughton applying SPE/WPC/AAPG/SPEE guideline (SPE-PRMS) approved in March 2007. The volumes are the sum of proved reserves and probable reserves by SPE-PRMS after deduction of proved reserves by SEC regulations. Volumes attributable to the equity method affiliates are included.

6 \*\* Reserve Life = Proved (+Probable) Reserves as of March 31, 2009 / Production for the year ended March 31, 2009 (RP Ratio: Reserve Production Ratio)

## Mid-to-Long Term Objectives for Corporate Growth and Fundamental Strategies



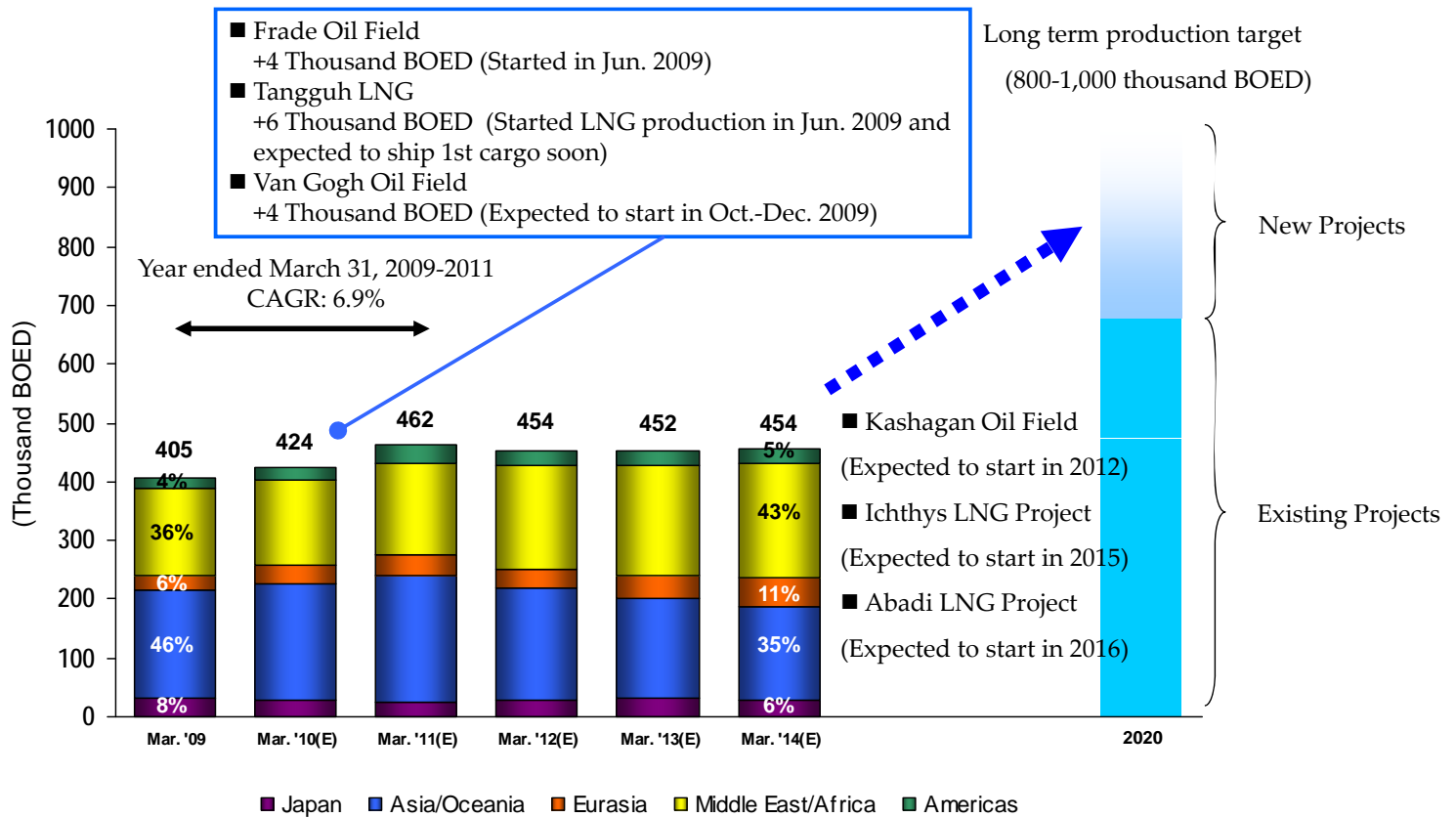
### Mid-to-Long Term Objectives for Corporate Growth

- Raise the daily production level up to 800,000 to 1 million barrels (crude oil equivalent) by 2020, and establish a firm position as a global independent upstream company with global competitiveness
- Maintain RRR to be over 100% in mid-to-long term
- Establish a gas supply chain with the upstream business of oil and natural gas remaining as our core business, as well as evolve into a company with other fortes besides oil and natural gas, supplying diversified energies
- Maintain financial health, empower corporate vitality, and increase corporate value

### Fundamental Strategies

- Sustainable expansion of our upstream business
- Establishment of a gas supply chain and proactive expansion of the gas business
- Evolvement into a company that offers diversified forms of energy

# Net Production\* Volume Projection



Note: Assuming oil prices (Brent) of \$52.5 in the year ending March 31, 2010 and \$60 in the March 31, 2011 or later in the light of the recent market conditions.

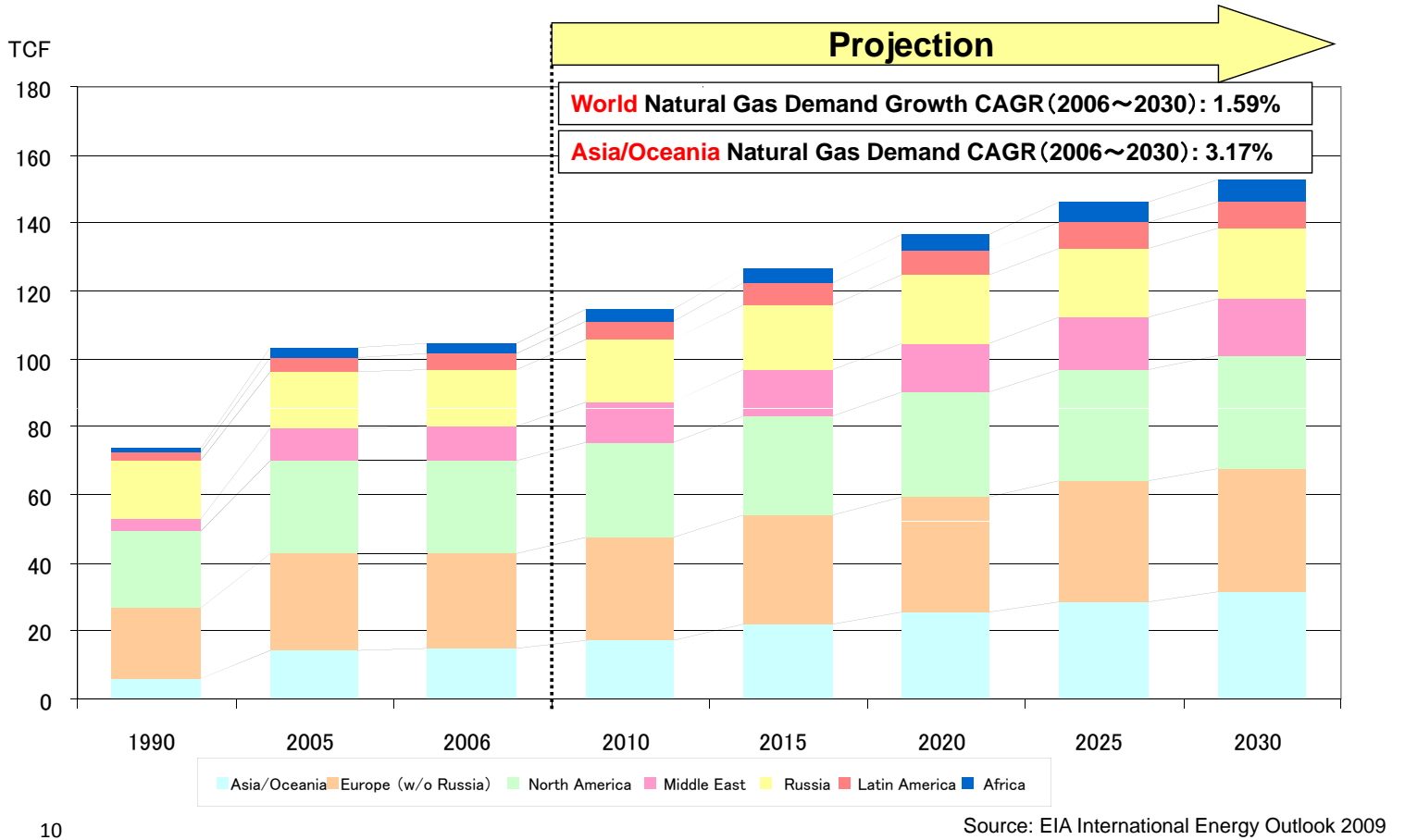
\* The production volume of crude oil and natural gas under the production sharing contracts entered into by INPEX Group corresponds to the net economic take of our group.



## Gas Market

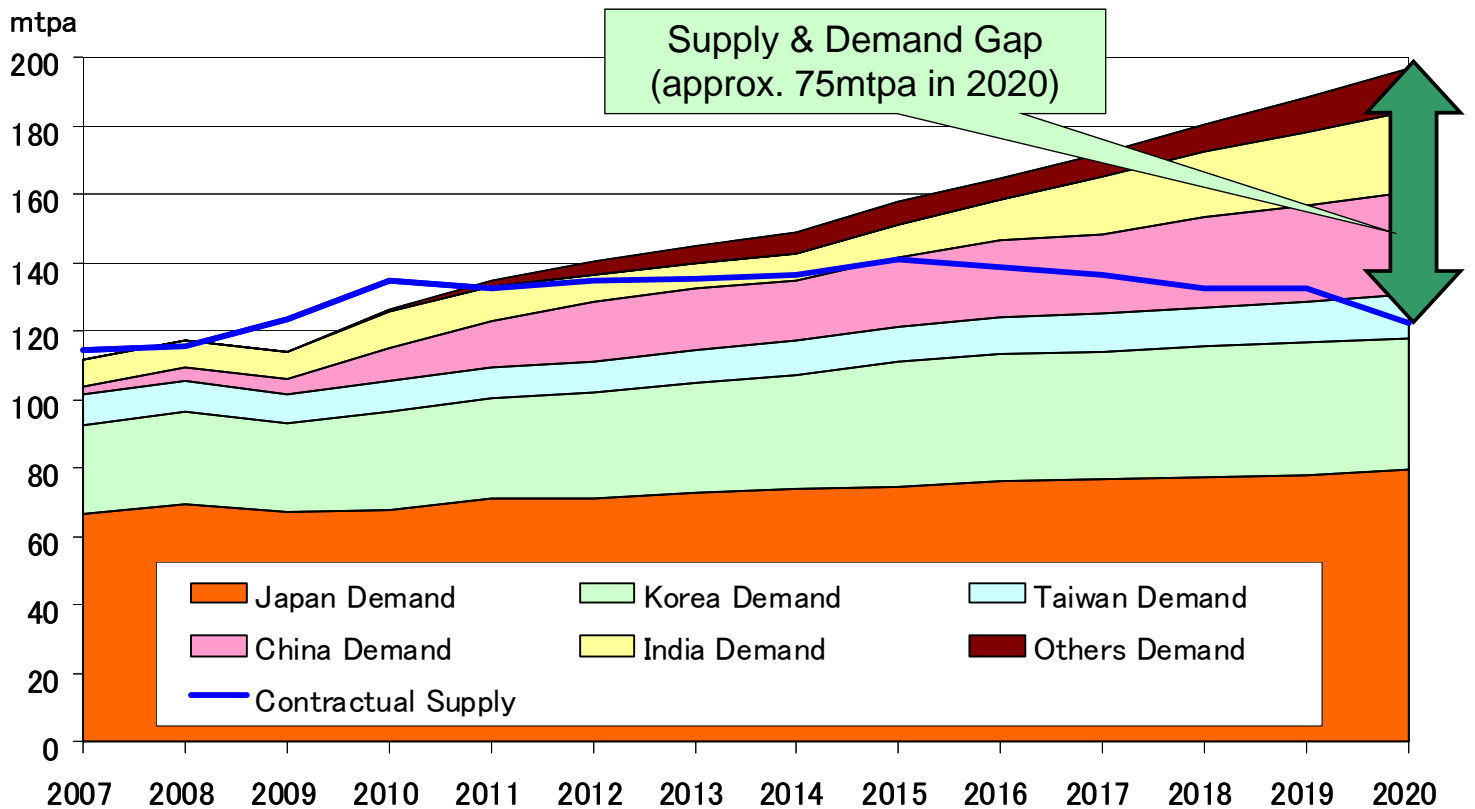
Katsujiro Kida  
Director, Executive Vice President

# World Natural Gas Demand Projection **INPEX**



10

# LNG Demand Projection in Asia **INPEX**



11

Source: Wood Mackenzie

# Asia Pacific New & Expanded LNG Projects **INPEX**

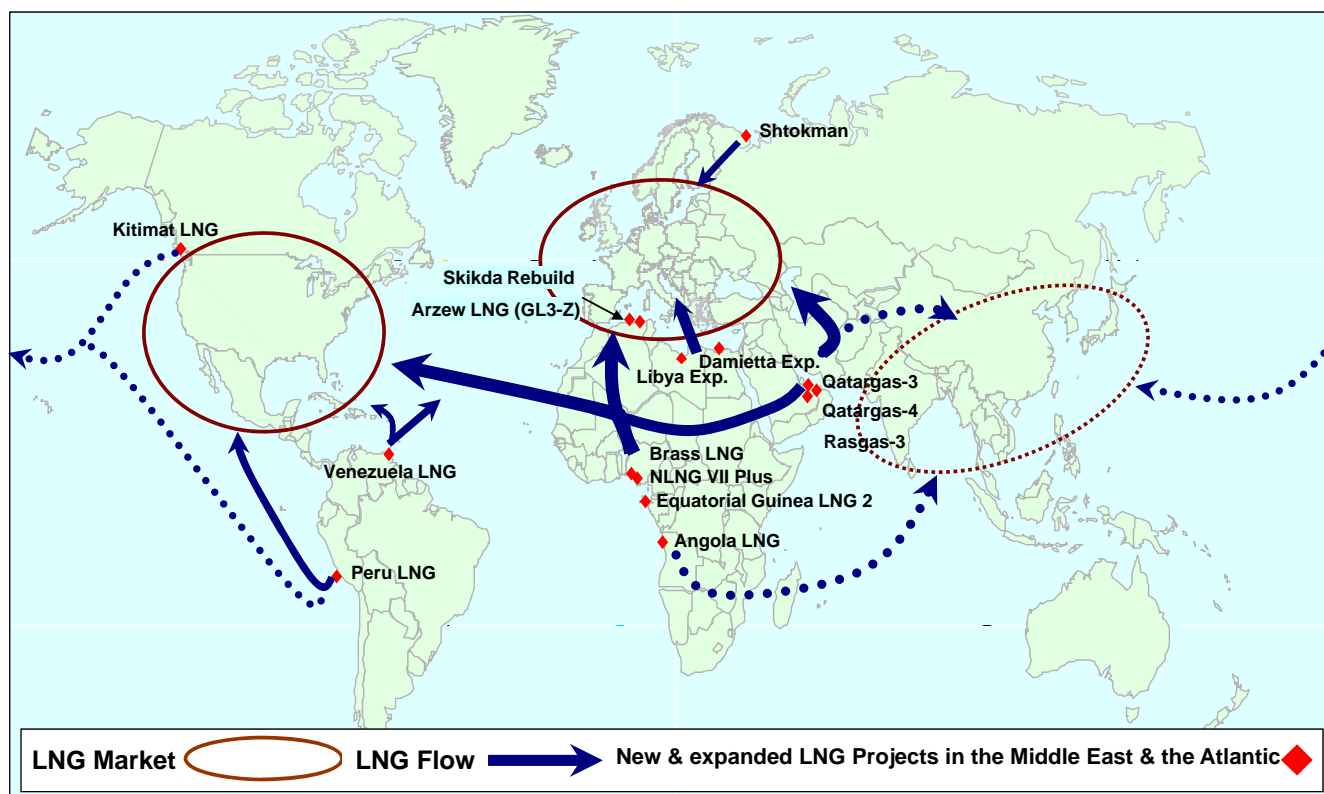
Startup from mid-2010s onward

Area	Project	Capacity (mtpa)
<b>&lt; Australia &gt;</b>		
	Australia-Pacific LNG	7.0
	Gorgon	15.0
	GLNG	3.5
	Gladstone LNG	1.5
	Ichthys	8.4
	Pluto Expansion	4.8
	QC LNG	7.4
<b>&lt; Other Asia Pacific Area &gt;</b>		
	Abadi	4.5
	Donggi Senoro LNG	2.0
	PNG LNG	6.3
	Sakhalin Expansion	4.8
<b>Total</b>		<b>65.2</b>

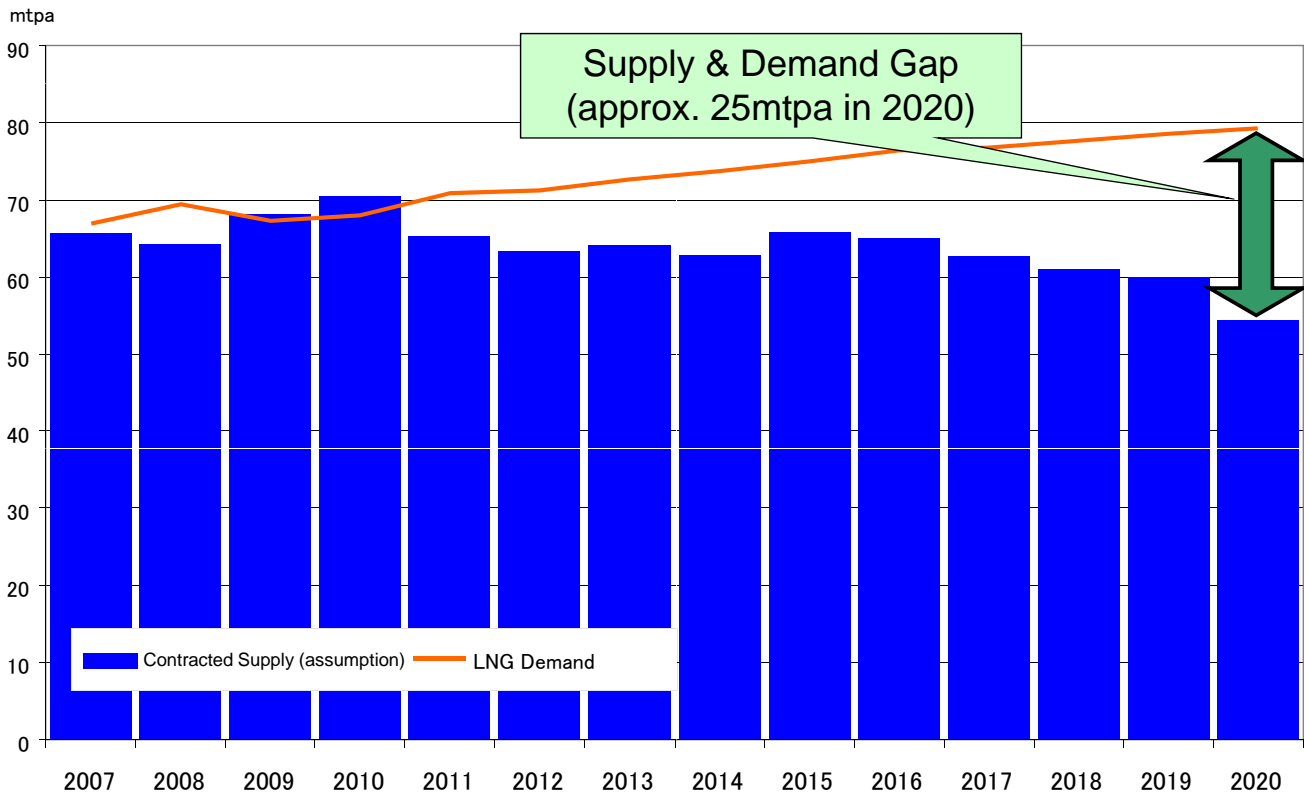
## LNG Market in the Middle East & the Atlantic



New LNG Supply for European & North American Market

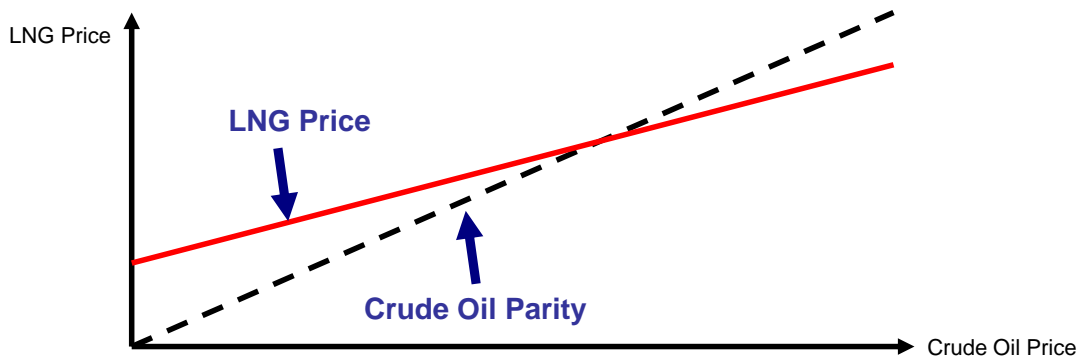


# LNG Supply & Demand in Japan



## LNG Price Formula

- Asian LNG Prices are generally linked to JCC (Japan Crude Cocktail)
- Indonesian LNG Prices are linked to ICP (Indonesian Crude Price)
- There is a time lag between the movement of crude oil and LNG prices: LNG prices are normally linked to JCC a few months before the date of LNG sale.



### LNG Price Formula

$$P(\text{LNG Price}) = A(\text{Slope}) \times \text{Index}(\text{ex. JCC}) + B(\text{constant})$$



- Japanese Electric and City Gas Companies are favorable buyers because of their longstanding track records as LNG users and stable financial status. In addition, supply to Japanese domestic gas market by utilizing our gas infrastructures consisting of Naoetsu LNG Receiving Terminal and pipeline networks and other Asian markets are also taken into consideration.
- Long-term LNG SPAs still have been predominant in Asia-Pacific LNG Market.
- INPEX leads the marketing activities for its operator LNG projects. Generally LNG is marketed to buyers jointly by project partners, unlike equity lifting in oil sales.

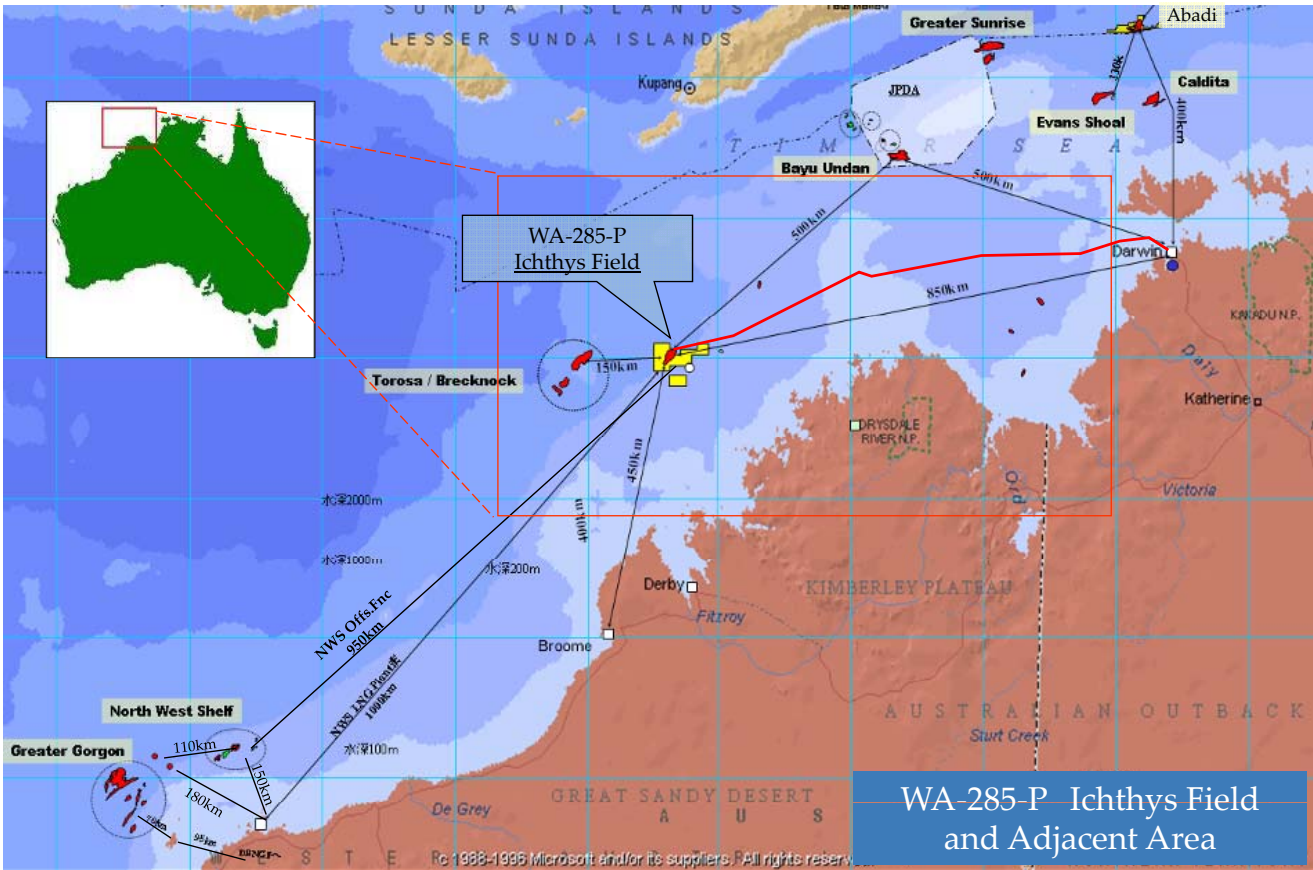
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## Ichthys LNG Project

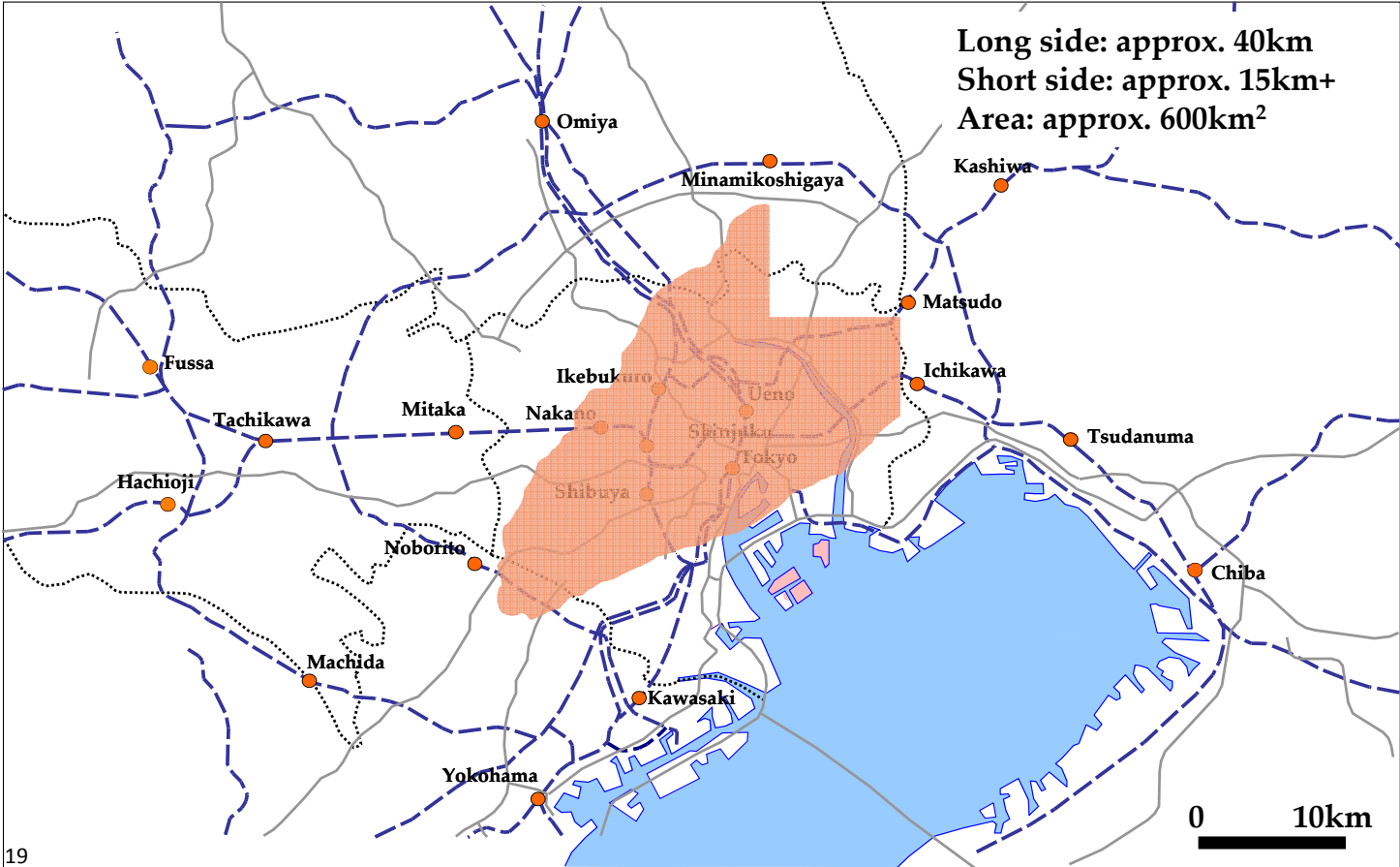
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Seiya Ito  
Director, Managing Executive Officer  
Senior General Manager, Ichthys Project Division

# Ichthys Project Location



# Extent of Ichthys Field



# Brief Summary of Permit



- Permit Holders: INPEX Browse, Ltd. (76%)  
TOTAL E&P Australia (24%)
- Term: 6 years + 5 years (Currently in 1st Extension Sep.6, 2004 - Sep.5, 2009)  
\* Primary Term was 6 years from 1998. Plan is to apply for 2<sup>nd</sup> Extension for 5 years.
- Location Block: 11 graticular blocks May 25, 2004 – May 24, 2008  
(Retention Lease application is currently under government evaluation.)
- Permit Area: 3,041km<sup>2</sup>(5,049km<sup>2</sup> at commencement in 1998)
- Minimum Work Obligations:

Primary Term	
Year	Minimum Work Obligations
1	4500km 2D Seismic/G&G
2	2 wells/G&G
3	1 well/G&G
4	1 well/1,200km <sup>2</sup> 3D Seismic/G&G
5	1 well/G&G
6	G&G

1 <sup>st</sup> Extension Period	
Year	Minimum Work Obligations
1	G&G
2	G&G
3	250km <sup>2</sup> 3D Seismic/G&G
4	G&G
5	1 Well/G&G

G&G: Geological and Geophysical Studies

20

# Exploration History



1998

Mar.: WA-285-P offered in the Australian Government's 1997 Offshore Exploration acreage gazette.

Aug.: Obtained Exploration Permit for the WA-285-P (Share 100%).

Dec.: Acquired 2D seismic with line length approx. 4,700km.

Mar. 2000 – Feb. 2001

1<sup>st</sup> Drilling Campaign of 3 wells (Dinichthys-1, Gorgonichthys-1, Titanichthys-1) encountered gas and condensate pools in each well.

May-Oct. 2001:

The structure was named 'ICHTHYS GAS AND CONDENSATE FIELD' after the 3D Seismic data acquisition / processing / interpretation.

Jun. 2003 - Feb. 2004:

2<sup>nd</sup> Drilling Campaign, 3 wells (Ichthys-1A, Ichthys Deep-1, Ichthys-2A/ST1) confirmed areal extension of the reservoir and its hydrocarbon pool.

Apr.2007 - Jun. 2008:

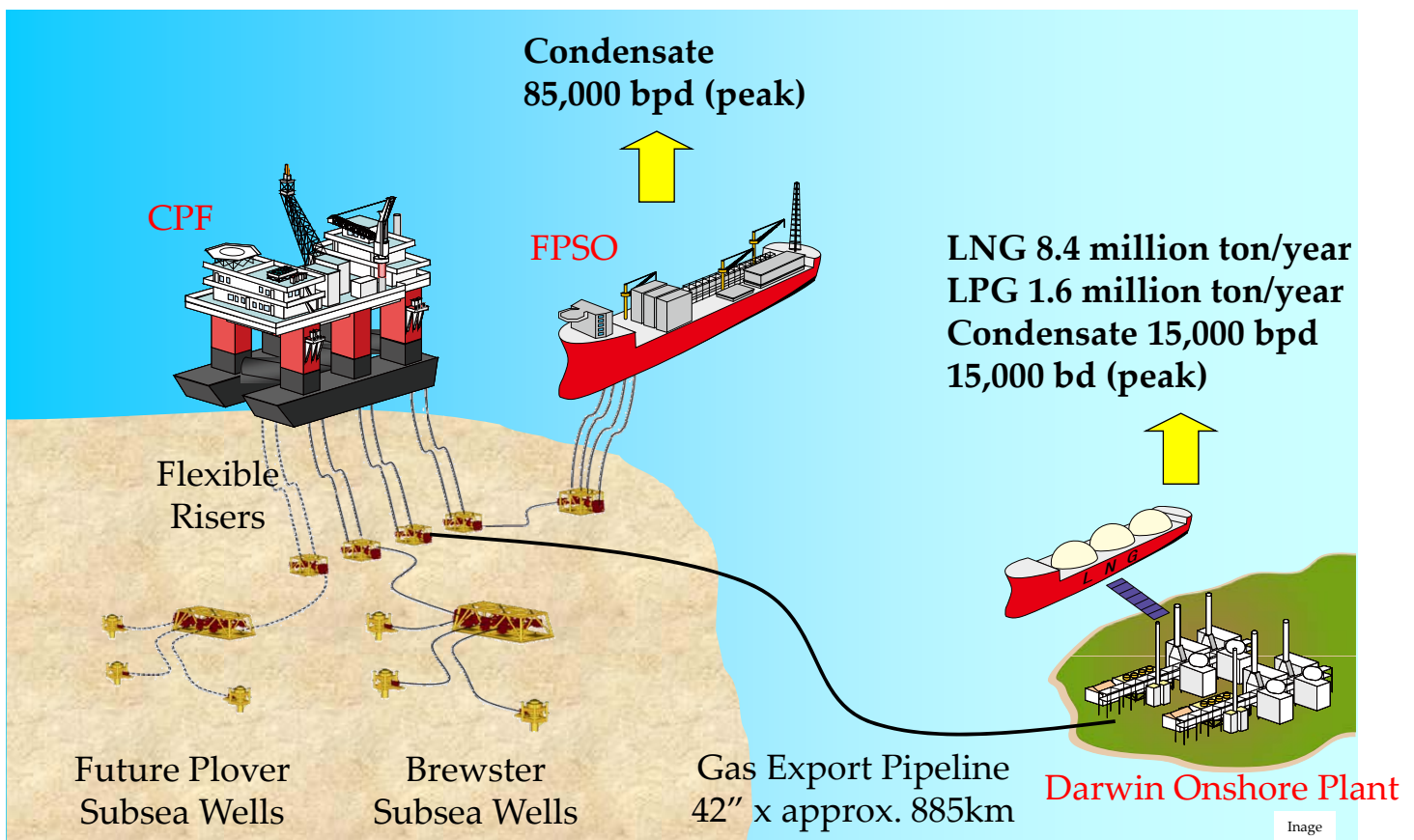
Drilled Dinichthys North-1, Ichthys West-1 and examined further areal extension of the Ichthys Gas and Condensate pool.

Note: Current reserve volume of Ichthys Field is estimated to be 12.8TCF Gas and 527 MM barrels of Condensate

21

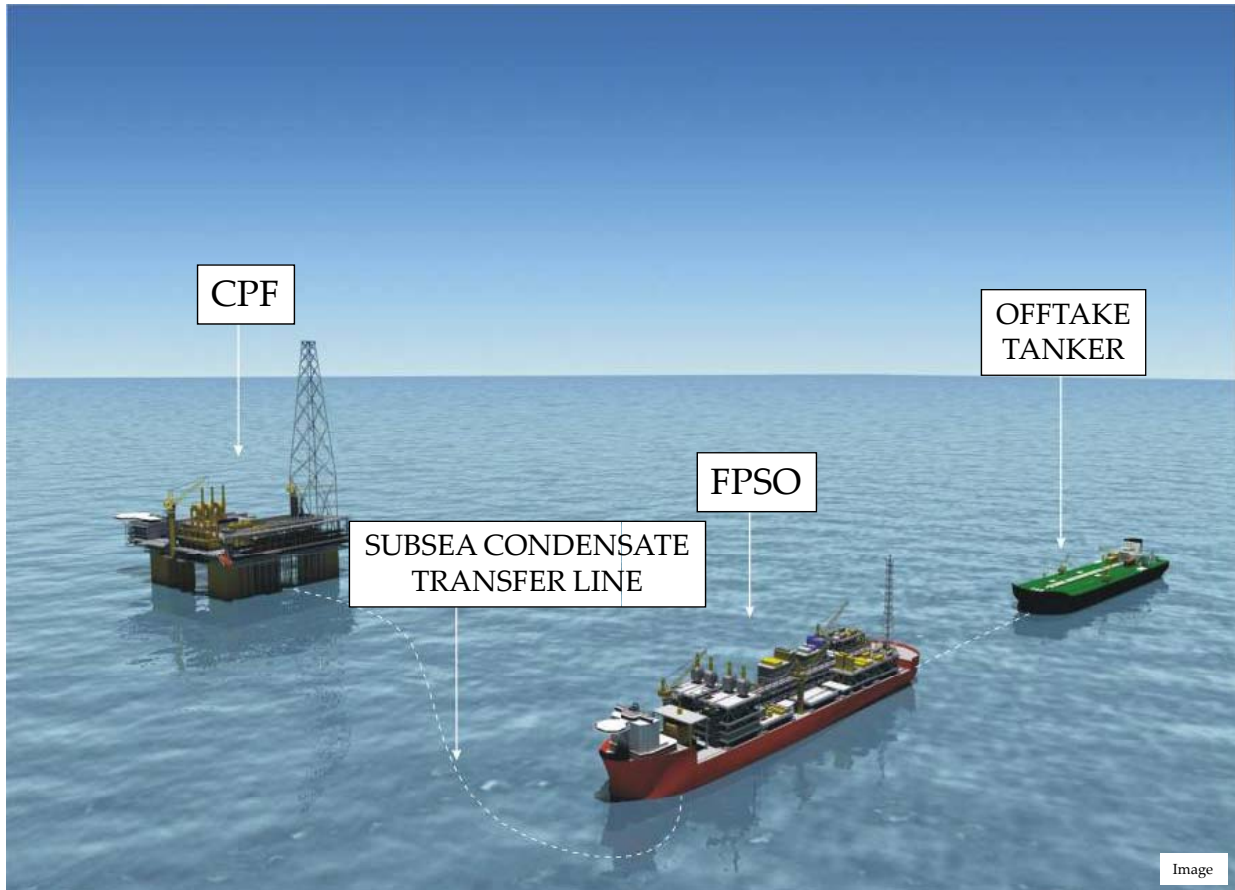
- LNG Production: approx. 8.4 million ton per year
- Condensate Production: approx. 100,000 barrel per day
- LPG Production: approx. 1.6 million ton per year
- Subsea Production Wells: 30 wells at Brewster, 20 wells at Plover
- Reservoir Depth: approx. 3,900m - 4,600m
- Subsea Production Facilities: Flow Line, Flexible Riser
- Offshore Production Facilities: CPF (Semi-submersible Type) + FPSO (Condensate Storage and shipping)
- Gas Export Pipeline: 42 inch
- Design Life: 40 years
- At Darwin Onshore Facilities, produce, storage, and ship LPG and LNG
- Storage Tank capacity:
  - LNG Tank :2 x 175,000m<sup>3</sup>(approx. 160,000 ton)
  - C3 Tank :1 x 90,000m<sup>3</sup> (approx. 40,000 ton)
  - C4 Tank :1 x 90,000m<sup>3</sup> (approx. 50,000 ton)
  - Condensate Tank :2 x 60,000m<sup>3</sup> (approx. 760,000 barrel)

## Overall Development Image

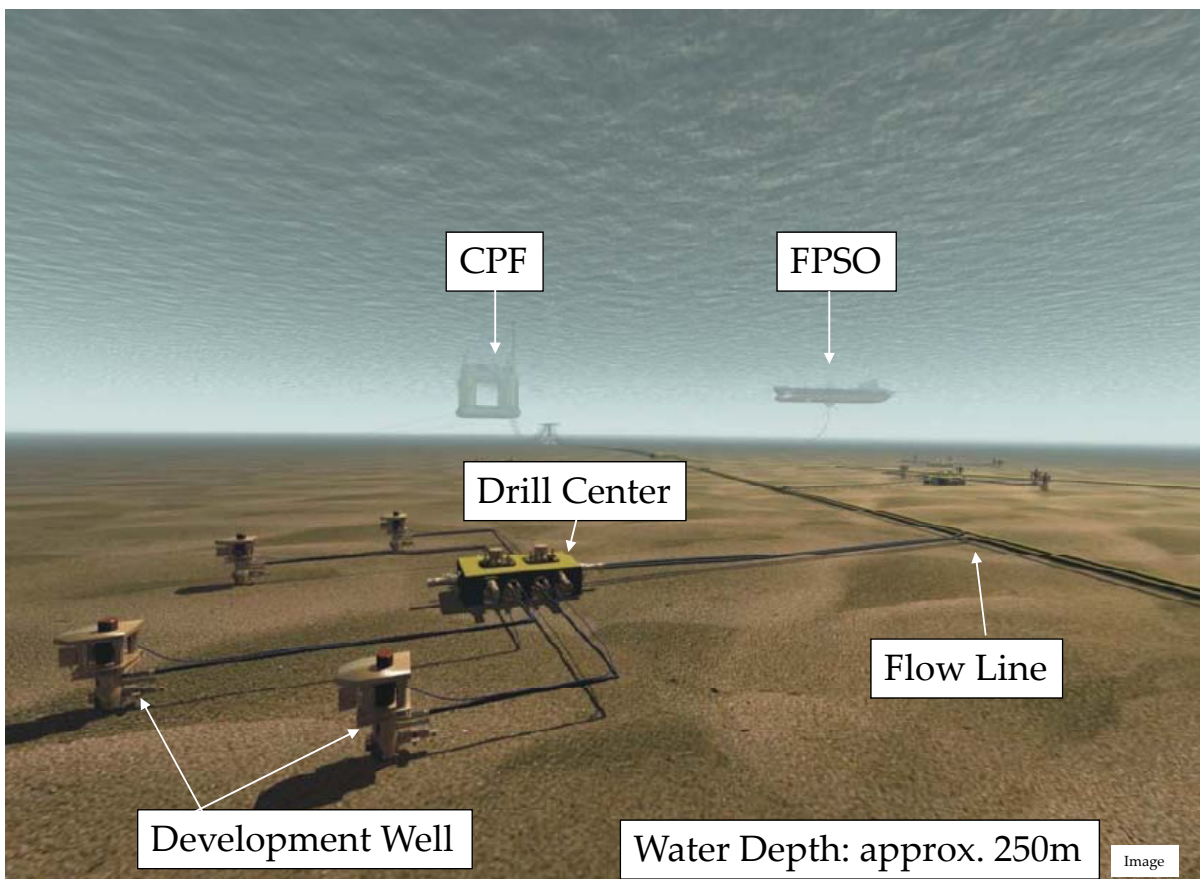


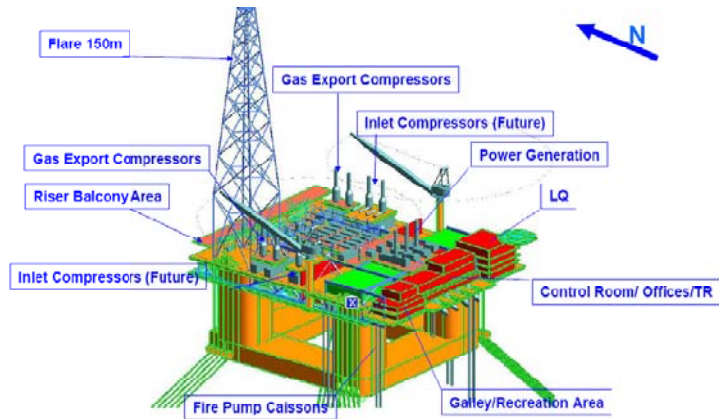


# Offshore Facility Layout



# Subsea Well and Infield Flowline





- 100m x 100m. One of the biggest size in the world (similar size to GOM Thunder Horse)
- Living Quarter (150 personnel capacity) will be installed in South side
- Flexible Riser will be installed in North side.

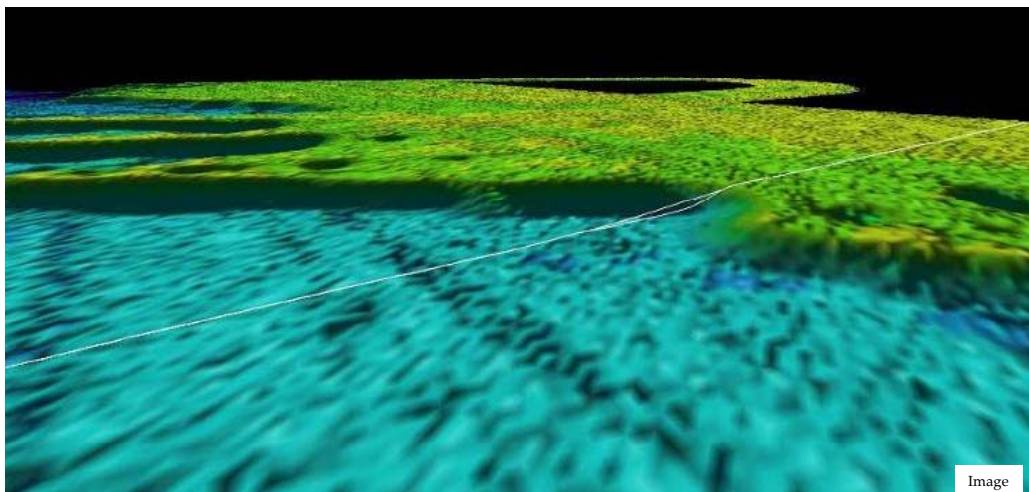


- 350mx58m
- Liquid from CPF will be transferred through Turret
- Storage Capacity : 1.2 million barrel
- Gas will be backed to CPF upon re-pressurized
- Living Quarter (150 capacity) will be installed

## Gas Export Pipeline

### ■ Specification

- Size and Thickness : 42" x 33.5 mm
- Length : approx. 885 km
- Allowable Pressure : 200 Bara
- Material : X65
- Total Weight : approx. 800,000 ton
- Water Depth at Route : approx. 250m - 0m





# LNG Plant Site Location I

## ■ Decided Onshore LNG Plant Site at Darwin

- Announcement was issued at Darwin date of 26<sup>th</sup> Sep. 2008
- Messrs. Martin Ferguson, Minister for Resources and Energy CW, Minister for Tourism and Paul Henderson Chief Minister NT attended



# LNG Plant Site Location II



# LNG Plant Layout



30

# Module Offloading Facility



31



# GHG (Greenhouse Gas) Management I *INPEX*

## ■ Situation in Australia

- Carbon Capture and Storage (CCS) Law (Offshore Petroleum Amendment (Greenhouse Gas Storage)) became effective in Nov. 2008
- CCS acreages released in Mar. 2009
- Carbon Pollution Reduction Scheme (CPRS: emissions trading scheme) bill passed House of Representatives on Jun. 4, 2009 and sent to Senate.
- CPRS bill to be voted in Senate in Aug. 2009
- Government expects CPRS to commence in Jul. 2011

## ■ INPEX Efforts

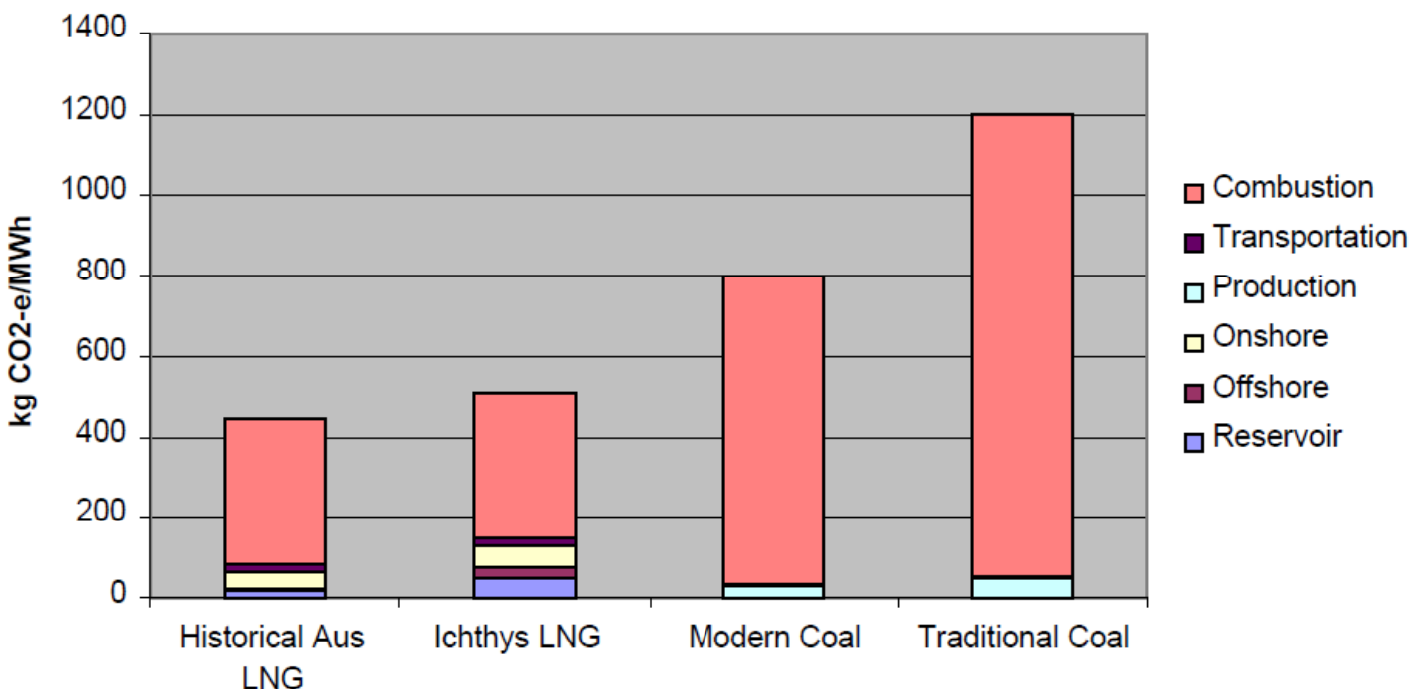
- Reduce GHG emissions from Onshore Liquefaction Plant
- Study measures to offset GHG emissions
  - Biosequestration, Geosequestration, Australian Emissions Units (emission permits) etc.

32

# GHG (Greenhouse Gas) Management II *INPEX*

■ Total emission of GHG : 280MMt/40years, 7MMt/year

■ Below shows CO<sub>2</sub> emission in kg per 1MWh electric generation



33

\* Historical Aus LNG : NWS, Darwin LNG

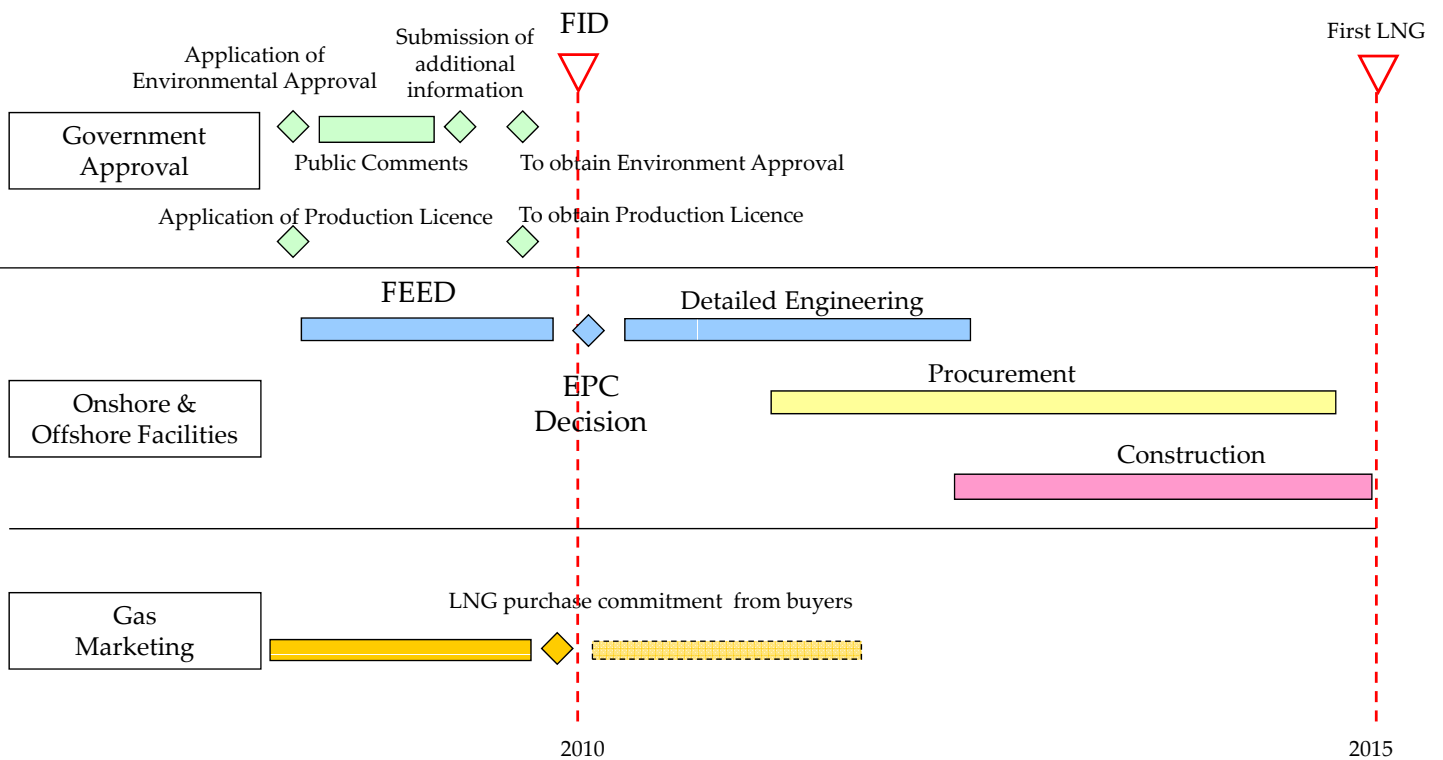


Djarindjin Signing Ceremony (April 2009)

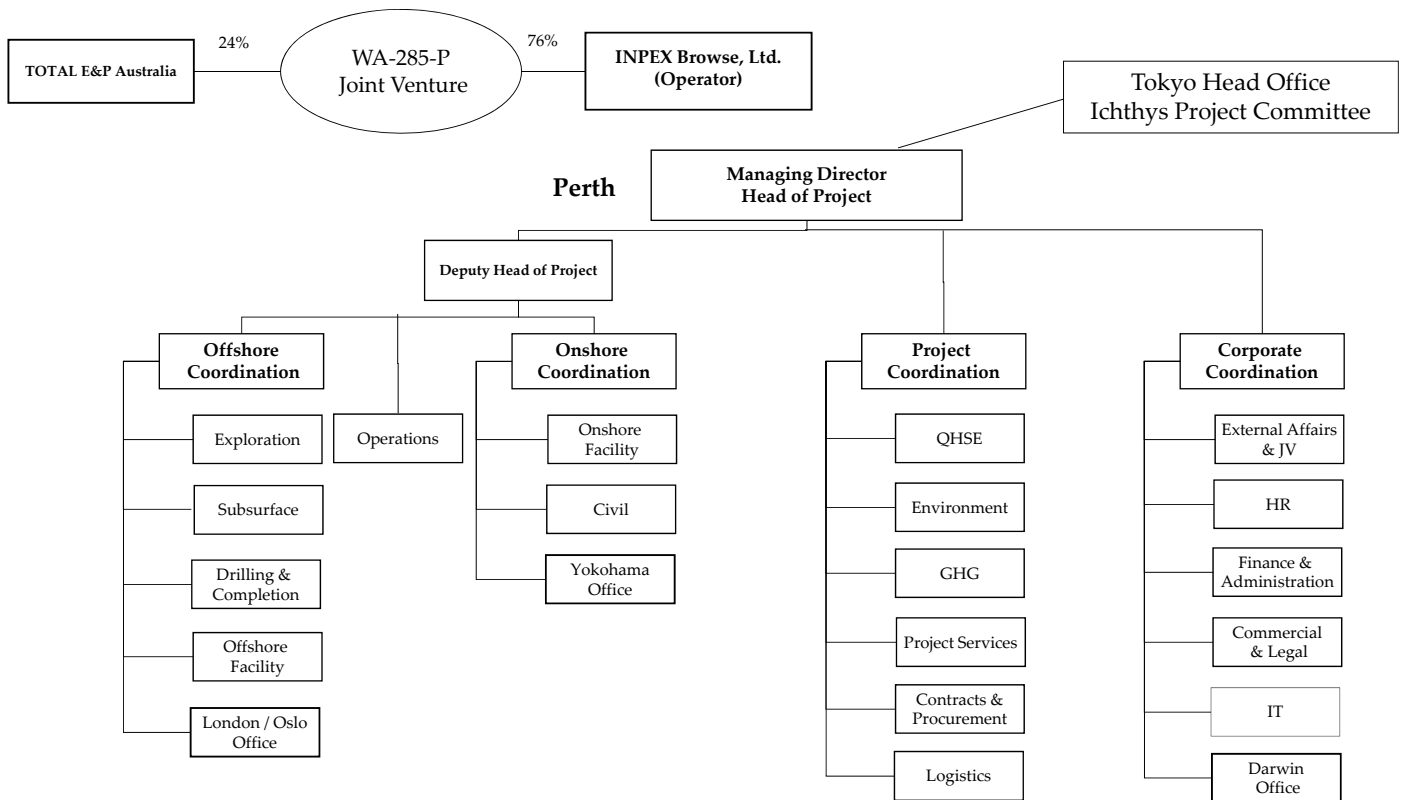
Fred's Pass Rural Show (May 2009)



## Development Schedule



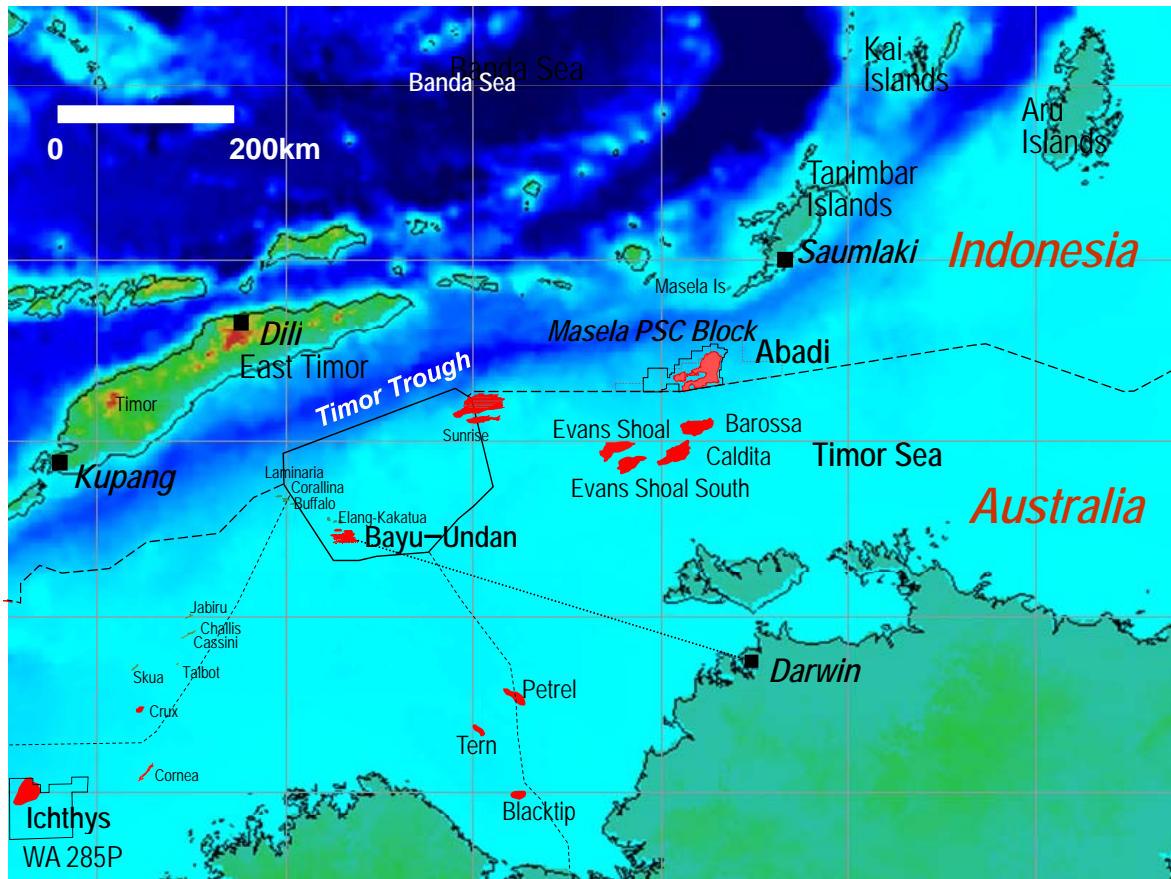
# Project Organization Chart



## Abadi LNG Project

Shunichiro Sugaya  
Director, Managing Executive Officer  
Senior General Manager, Masela Project Division

# Masela PSC Block



38

# Exploration Milestones

Nov. 16, 1998	PSC signed
Feb. – Mar. 1999	2D seismic survey (2,948km) by Marine Vessel Geco Rho
Oct. – Dec. 2000	Drilling of Abadi-1 by rig Energy Searcher
Jul. – Sep. 2001	3D seismic survey (2,060km <sup>2</sup> ) by Marine Vessel PGS Ramform Challenger
Mar. – Oct. 2002	1st appraisal drilling by rig Energy Searcher (2 wells)
2003 – 2007	Subsurface studies and development concept selection studies
May 2007 – Jul. 2008	2nd appraisal drilling by rig Ocean General (4 wells)
Sep. 2007 – Nov. 2008	Pre-FEED of Floating LNG



M/V Geco Rho



Energy Searcher



M/V PGS Ramform Challenger

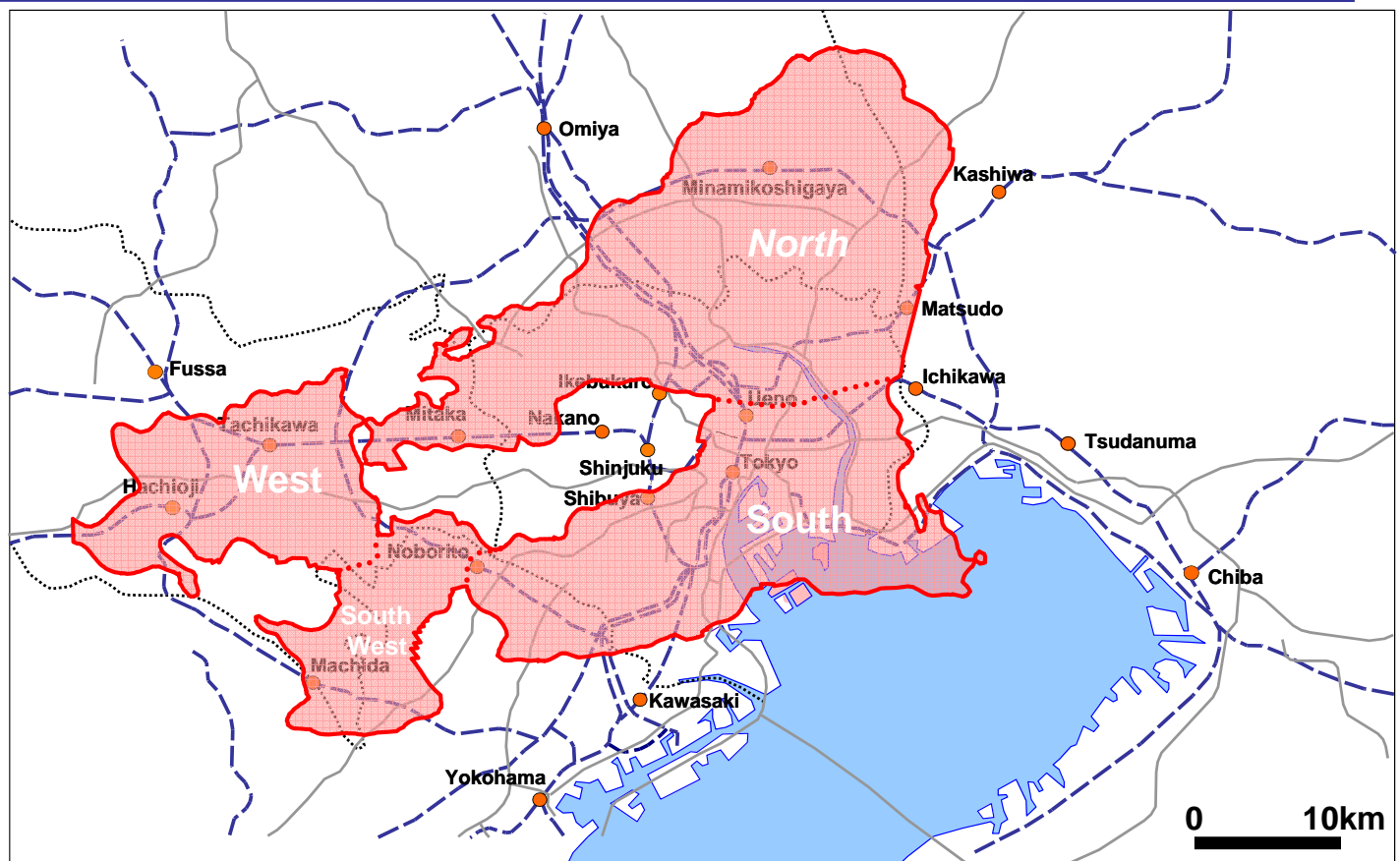


Ocean General

39



- Abadi Gas/Condensate Field
  - Water Depth: 400 - 800m
  - Reservoir Depth: 3,700 - 3,900m
  - Areal closure: more than 1,000km<sup>2</sup>
- Discovered gas and condensate in Abadi-1 exploration well in 2000
- Drilled 6 additional appraisal wells, and confirmed the extension of gas and condensate in the Abadi structure
- The gas reservoir pressures are plotted on the same line in the pressure vs depth plot which demonstrate the communication of the pressure between wells



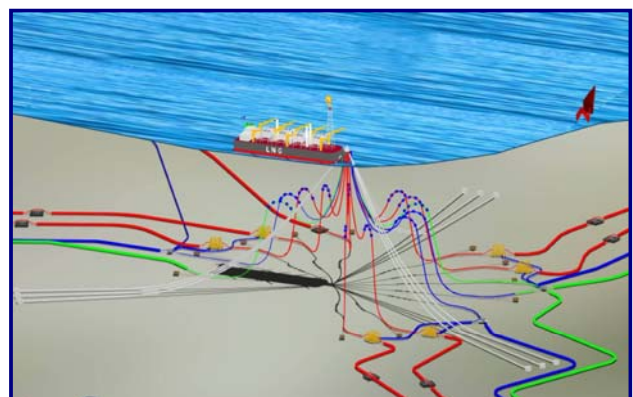
- Contractor: INPEX Masela, Ltd. (100%)
- Effective Date: Nov. 16, 1998
- Contract Period: 30 years
- Exploration Period: 10 years (proceed to Development and Production Period in case of commercial discovery)
- Contract Area : 3,221.3km<sup>2</sup> (already had done twice partial relinquishment from 5,725km<sup>2</sup>)
- Indonesian Participation:  
Obligation to propose the transfer of 10% interest to Indonesian company, which Indonesian Government designates after the discovery of commercial oil and gas field

## Plan of Development

- In Sep. 2008, INPEX submitted the POD of the Abadi gas field, and BPMigas approved it in principle.
- Approved Development Concept
  - Floating LNG
  - Initial development focusing on the North block
  - The LNG production of 4.5MTPA for more than 30 years
  - Condensate production of 13,000 bpd
  - Subsea production System
- Advantages of the FLNG development Option
  - Minimum Environmental Impact
  - Reduction in CAPEX, OPEX and abandonment work & cost
  - Possibility to reduce project lead time
- Schedule
  - Currently, working on the preparation for FEED
  - Production start-up expected in 2016



FLNG 3D Imaga Hull Size: 500m length × 82m width

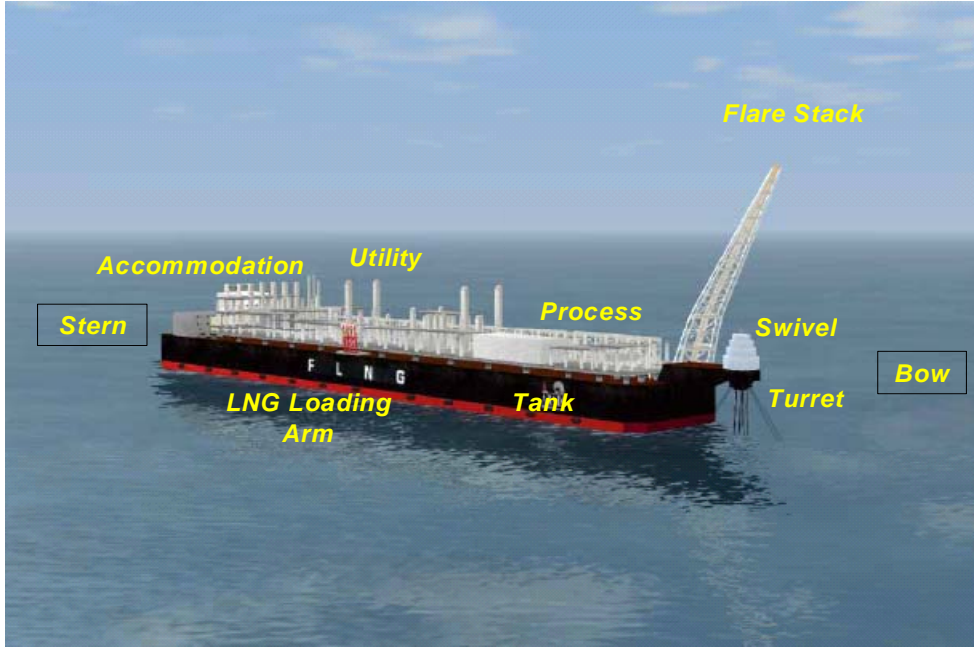


SUBSEA Image

# Floating LNG

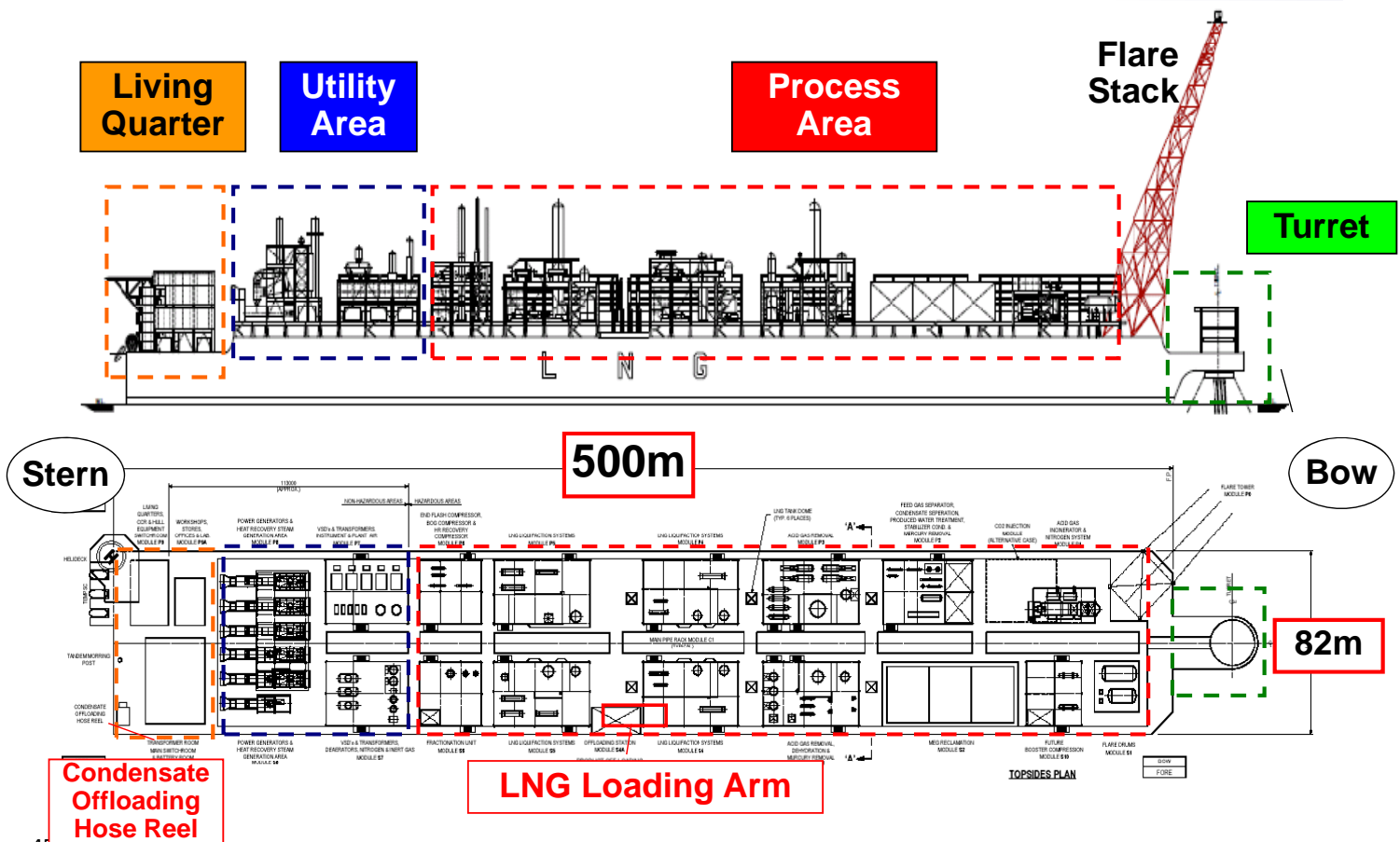
## Development Facilities

- Development Scheme : Subsea Production System + Floating LNG
- Development Well : 18 production wells (Directional Wells from 5 Drilling Center)
- Floating LNG : Loading LNG Plant, LNG Storage Tank, and Loading facility on conventional FPSO



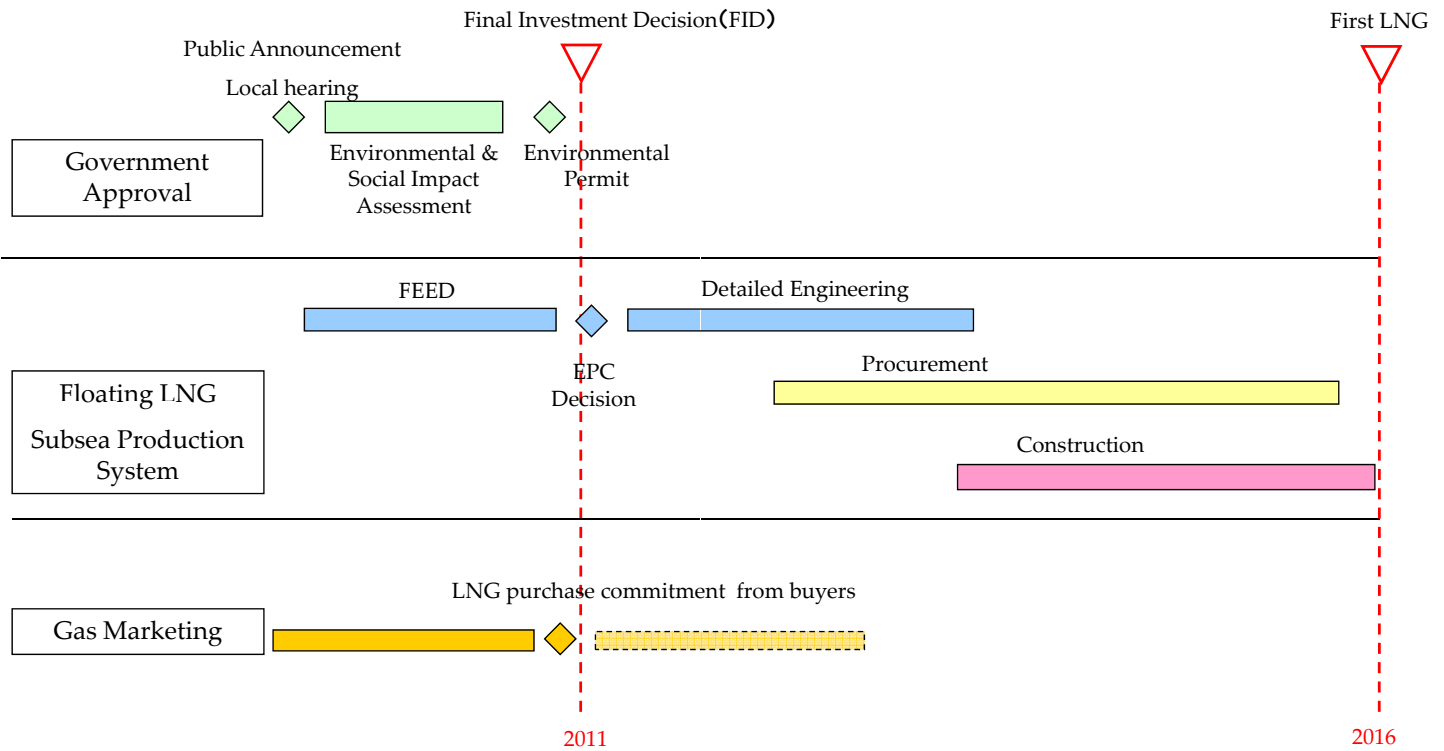
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## FLNG Layout



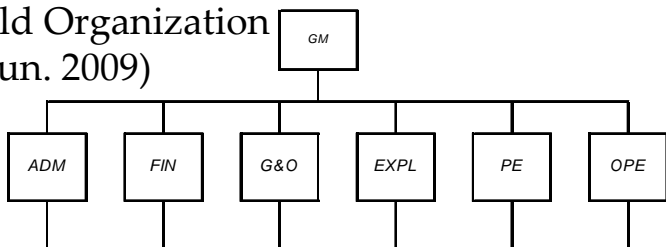
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# Development Schedule



# Organization of Project Implementation

## Old Organization (Jun. 2009)



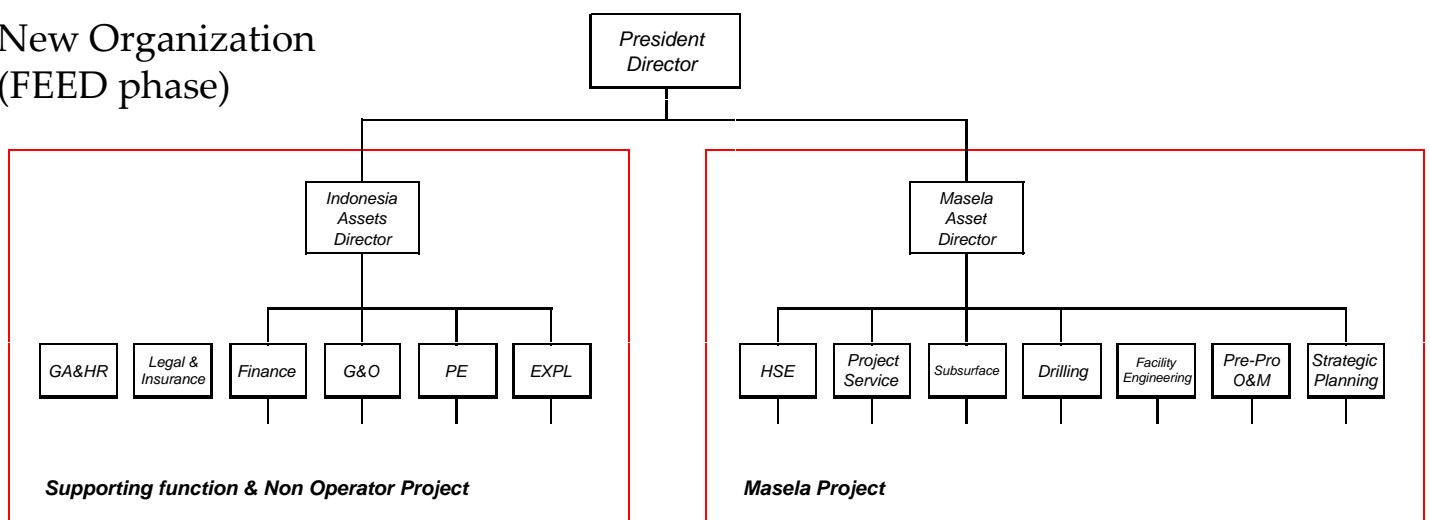
Total Manpower (as of Jun. 2009)

Expat: 27 (16)

National: 64 (36)

\* Figure in parenthesis is current manpower

## New Organization (FEED phase)



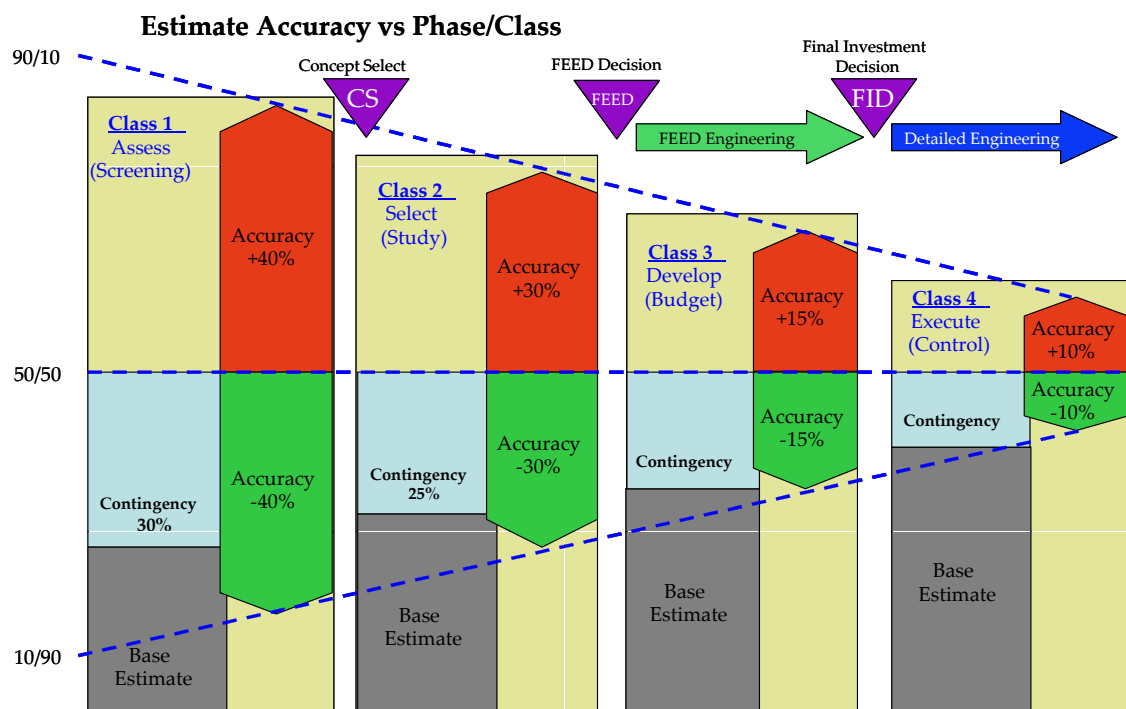


# Appendix

## Cost Calculation Accuracy

From FEED Phase to Development Phase

Phase/Class and Cost Calculation Accuracy



## Price Trends of Materials & Machineries **INPEX**

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- Monitoring price trends of materials, machineries, labor wages and various services based on the analysis of various cost data.
- Development budget which reflects the characteristics of the Project (statutory requirements, environmental requirements, etc.) will be calculated based on the optimization of the plant specification in line with the progress of basic design (FEED) , and, efficient tendering process of machineries, materials and services utilizing the contract strategy which matches the fixed specification.
- The international prices for engineering, materials, machineries, labor, steel, logistics, pipeline construction vessels, rigs and so on, are showing a declining trend since 3Q of last year up to now. Nonferrous metal prices declined by the end of last year but are currently showing a tendency to rise from the beginning of this year.
- According to CERA's statistics, the upstream development costs in the Asia-Pacific region for 1Q of 2009 has reduced 11% compared with half a year ago.

50

## Price Trends of Materials & Machineries, Rigs **INPEX**

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<Prices for Materials & Machineries, Labor Wages> (1Q/2009)

- Engineering, Machineries, Bulk Materials, Logistics: fallen 4 to 10% compared with 4Q/2008.
- On the other hand, lack of skilled labor in Australia is continuing and labor wages are on a rising trend.

<Steel Prices> (Spot price for 1Q/2009. Approx. 30% of Japanese steel mill products are dealt in the spot market.)

- All kinds of steel: fallen 30 to 40% compared with 3Q/2008.
- Hot Rolled Plates required for the Ichthys Pipeline: fallen over 40% from the peak period.

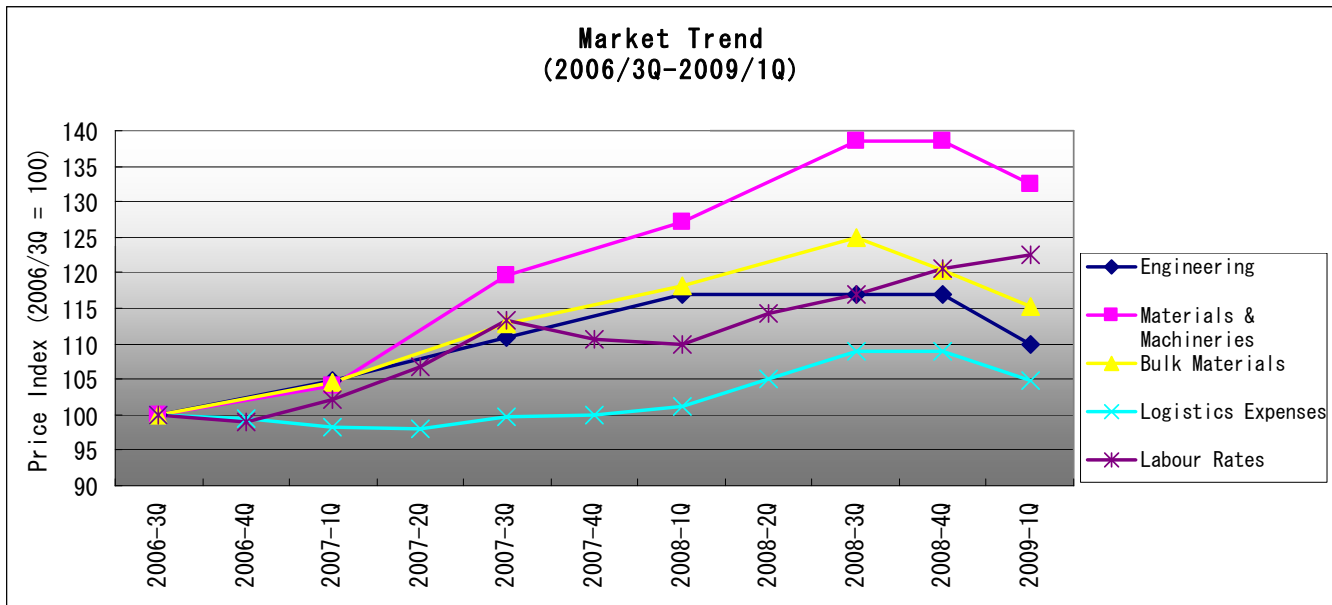
<Nonferrous Metal Prices> (LME forward price for 2Q/2009)

- Nonferrous metal prices have reached price bottom around the end of 2008 and come back to recovery trend to some extent now. Nickel, Copper, Aluminum are half of price range of 3Q/2008.

<Rig Rates> (1Q/2009)

- Rig rates are maintained in a high level position or rising trend . Especially, it is remarkable for floaters in West African shallow waters (0 - 3000ft) and mid/deep water.
- On the other hand, floater rates for Asia-Pacific shallow waters (0 - 3000ft) which will be related to Ichthys, are exceptionally positioned in declining trend.

51



52

## Condensate Marketing

### ■ Market:

- Condensate production of 1.85 million barrels per day and consumption of 1.07 million barrels per day in total Asia (Year 2007)
- Condensate production of 670 thousand barrels per day and consumption of 450 thousand barrels per day in Asia except the Middle East (Year 2007)
- 200 thousand barrels per day imported to Japan (Year 2008)
- Surplus condensate is mainly exported to U.S.A and Europe.

■ Buyers: Japan, South Korea, China, Taiwan, Singapore, Thailand, Indonesia etc.

■ Use: Petrochemical material, Refinery material

■ Price: Linked to price of Dated Brent, Dubai, and similar crude producing in the surrounding area

■ Contract Type: FOB or CFR

■ Contract Term: Annual term and Spot

53

## ■ Market

- U.S. is the largest LPG consumer in the world, while in Asia-Pacific, China, Japan and India are the main consumers in the order of consumption.
- Japan is the world largest LPG importer importing with about 14 million ton per year. It accounts for approximately 80% of total consumption in Japan. (2008)
- Main exporters are countries in the Middle East, while main importers are countries in the East Asia including Japan. About 30 million ton of LPG is supplied to East Asian countries, which corresponds to a half of world sea traded LPG volumes. (2008)

## ■ Buyers

- LPG wholesalers and some of Electric/City Gas companies are directly importing LPG in Japan.

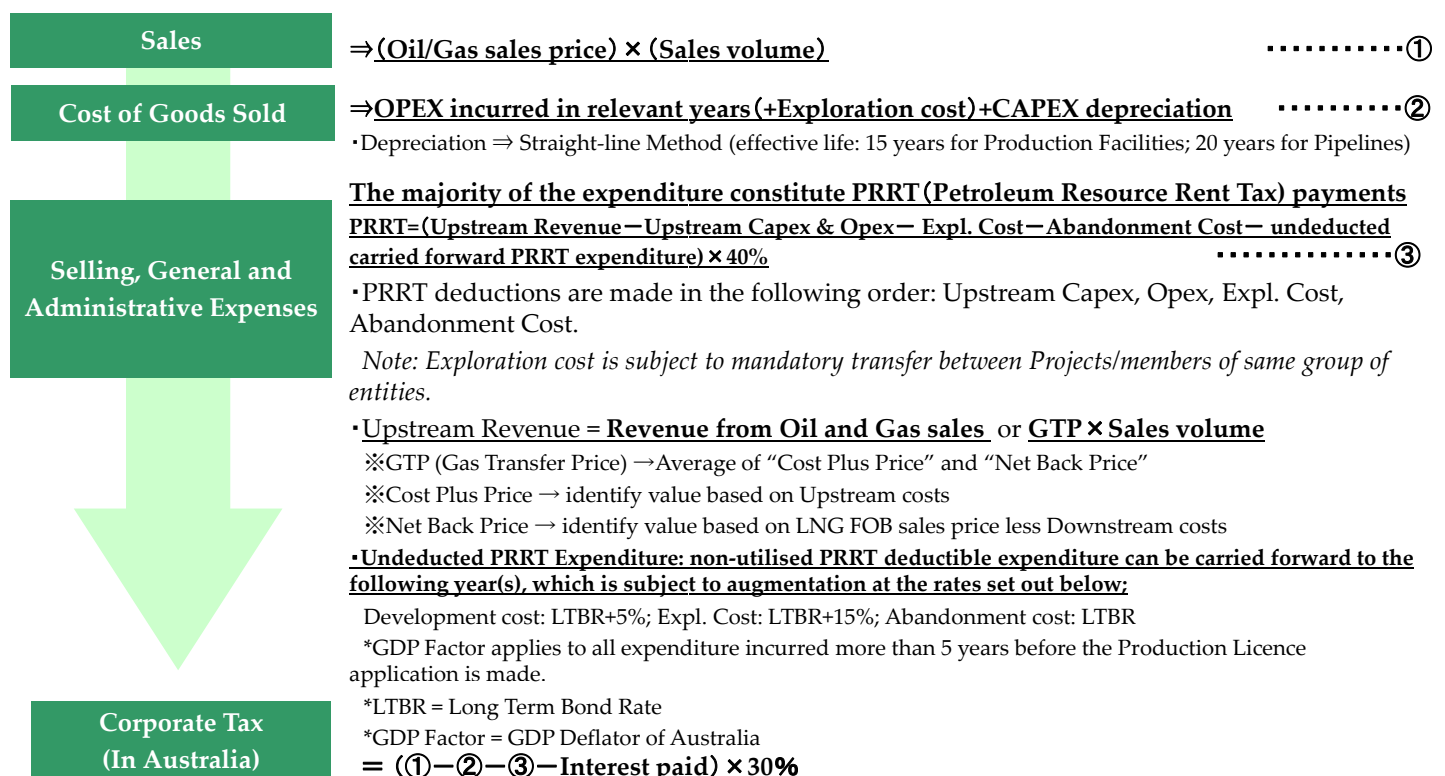
## ■ Price

- Saudi CP (Contract Price) is the extensively-used benchmark for world exported LPG Prices, made available in the beginning of each month by Saudi Aramco, national oil company of Saudi Arabia. Argus FEI (Far East Index, the averaged spot price in Far East) monthly announced by Argus is becoming another benchmark price for LPG in East-Asian market.

Source: Poten & Partners

54

# Taxation Scheme in Australia



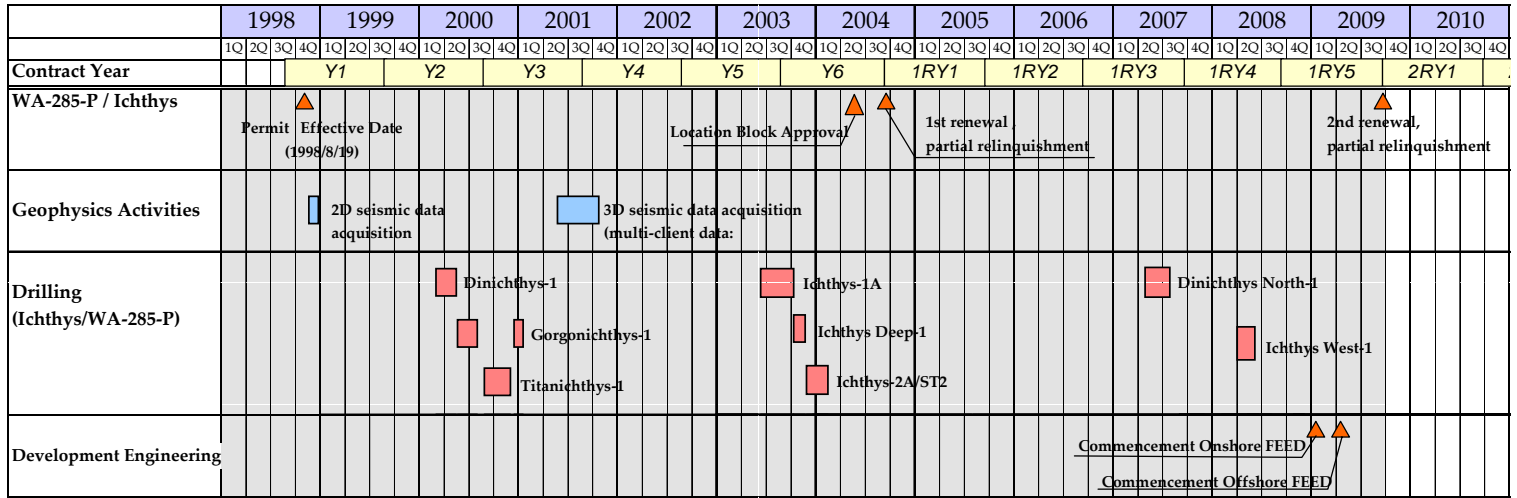
Note: Gas Transfer Price

“Gas Transfer Pricing” rules prevent taxpayers from setting arbitrary upstream gas sales price where both upstream and downstream interests are held by the same entity (or entities).

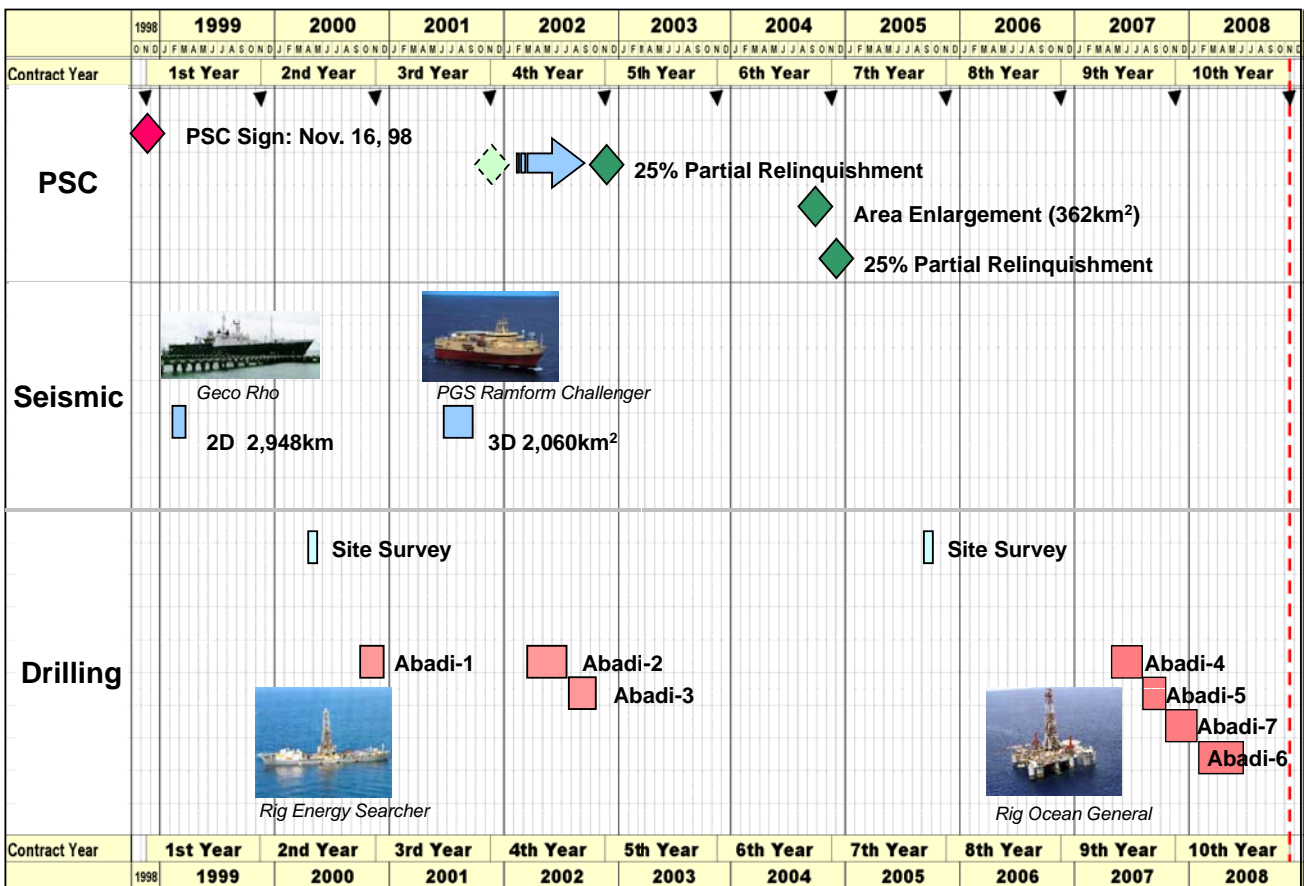
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# Ichthys Project History

INPEX Browse, Ltd.



# Abadi Project History



## Current Status of other Companies' FLNG **INPEX**

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- **FLEX LNG: LNG Producer (LNGP) (1.7 - 1.95 MTPA)**
  - Awarded Samsung a contract to build 4 Hulls
  - Complete FEED of Generic Design LNGP in the Q1 of 2009
  - Reviewing the projects in Nigeria, PNG, Trinidad and Tobago, Brazil etc.
  
- **Shell: Generic LNG-FPSO (3.5 MTPA)**
  - Reviewing to apply FLNG in Prelude Gas Field and Greater Sunrise Gas Fields
  
- **SBM: SBM's FLNG (2.5 MTPA)**
  - Complete FEED of Generic LNG-FPSO in the 2H of 2008
  
- **Höegh LNG: Höegh LNG FPSO (1.6 MTPA)**
  - FEED (May, 2008 – March, 2009), reviewing applicable gas field