



# 2009 FINANCIAL RESULTS PRESENTATION





# PRESENTATION AGENDA

- **Overview of 2009 Financial Results**
  - Operational Highlights
  - Key Financial Information
- **Basker-Manta-Gummy (“BMG”) Project**
  - 2P Reserves Downgrade
  - Future Plans
- **2009 Scorecard**
- **2010 Strategy**
- **2010 Objectives**



# 2009 RESULTS SUMMARY

- Reported loss of US\$115.4 million (after tax)
  - Includes BMG impairment, hedging loss and an impairment reversal
- Underlying business performed broadly in line with expectations
  - Normalised profit of US\$3.7 million (after tax)
  - Production within guidance (10,034 BOEPD)
  - Net operating cashflow ~US\$100 million
  - Development expenditure <US\$100 million
  - Exploration expenditure <US\$10 million
  - Operating costs US\$17.73/BOE (guidance was US\$15.00/BOE)
- Strategic and operational achievements
  - Net cash position of US\$18 million
  - Expenditure levels controlled
  - Asset portfolio rebalanced (Angola farm out and BMG sale)
  - BMG and Zhao Dong drilling programmes completed on budget
- Operational disappointments
  - BMG production below expectations
  - BMG reserves downgrade



# OPERATIONAL HIGHLIGHTS

## PRODUCTION

- 3.7 MMBOE (10,034 BOEPD)
- Production decreased 9% compared to 2008
- 99% of production was oil

## DEVELOPMENT

- Zhao Dong facilities installation and drilling completed
  - on schedule and within budget
- BMG drilling and workover programme completed
  - on schedule and within budget
- Beibu Gulf project ODP technical section completed

## EXPLORATION

- Castanha-1 exploration well in Angola

## HSEC

- Strong performance over 2.5 million man-hours
  - LTIFR of 0.4 (versus industry average of 1.3)\*
  - TRIR of 1.2 (versus industry average of 6.4)\*
- Single LTI on Crystal Ocean FPSO during dry dock
- No significant environmental incidents
- Strengthened community engagement
  - Mid-West Life Education sponsorship in WA
  - Ongoing engagement in China and Africa

\* APPEA industry averages as at end 3Q 2009.



# 2009 FINANCIAL HIGHLIGHTS

	(US\$M)	Comment
Sales Revenue	204.5	<ul style="list-style-type: none"> <li>• 99% of revenue from oil sales</li> <li>• Average realised oil price of US\$56.88/BBL</li> <li>• 44% from China; 30% from Australia; and 23% from UK</li> </ul>
Trading Profit	35.4	<ul style="list-style-type: none"> <li>• Production costs of US\$64.9 million (US\$17.73/BOE)</li> <li>• Amortisation of US\$91.0 million (US\$24.84/BOE)</li> <li>• Chinese Government special taxes of US\$6.8 million</li> </ul>
Net Loss After Tax	(115.4)	<ul style="list-style-type: none"> <li>• Impairment charges of US\$82.2 million (before tax)</li> <li>• Exploration expense of US\$7.1 million (before tax)</li> <li>• Derivative loss of US\$36.9 million (before tax)</li> </ul>
Normalised Net Profit After Tax	3.7	<p>Excludes</p> <ul style="list-style-type: none"> <li>• effects of Nexus and BMG sales</li> <li>• after tax impairments of US\$88.8 million</li> <li>• after tax unrealised hedging loss of US\$30.4 million</li> </ul> <p>Includes</p> <ul style="list-style-type: none"> <li>• exploration expense of US\$7.1 million</li> </ul>
Net Cash	17.9	<ul style="list-style-type: none"> <li>• US\$49.2 million debt offset by US\$67.1 million cash</li> </ul>
Net Operating Cashflow	98.2	<ul style="list-style-type: none"> <li>• Gross cash flow generated from operations of US\$138.5 million before;</li> <li>- Income taxes US\$47.0 million paid;</li> <li>- Finance costs US\$7.4 million paid; and</li> <li>- Derivatives received of US\$12.7 million</li> </ul>
Exploration & Development Expenditure Incurred	72.2	<ul style="list-style-type: none"> <li>• Exploration expenditure incurred of US\$8.5 million</li> <li>• Development expenditure incurred of US\$63.7 million</li> </ul>
Equity Capital Raised	76.6	<ul style="list-style-type: none"> <li>• US\$55 million from institutional placement of 88.2 million shares at A\$0.78/share</li> <li>• US\$21.6 million from share purchase plan of 36.9 million shares at A\$0.71/share</li> </ul>



# KEY FINANCIAL SUMMARY

	2009	2008
Production (MMBOE) – working interest	3.66	4.03
% Government Share of Production	4.7	5.0
Sales Volume (MMBOE)	3.61	3.90
Oil & Gas Sales Revenue (US\$M)	204.4	356.8
Operating Cash Flow (US\$M)	98.2	182.5
Averaged Realised Oil Price (US\$/BBL)	56.88	92.06
Production Costs (US\$/BOE)	17.73	10.98
Amortisation (US\$/BOE)	24.84	29.83
Exploration & Development Expenditure Incurred (US\$M)	72.2	191.4



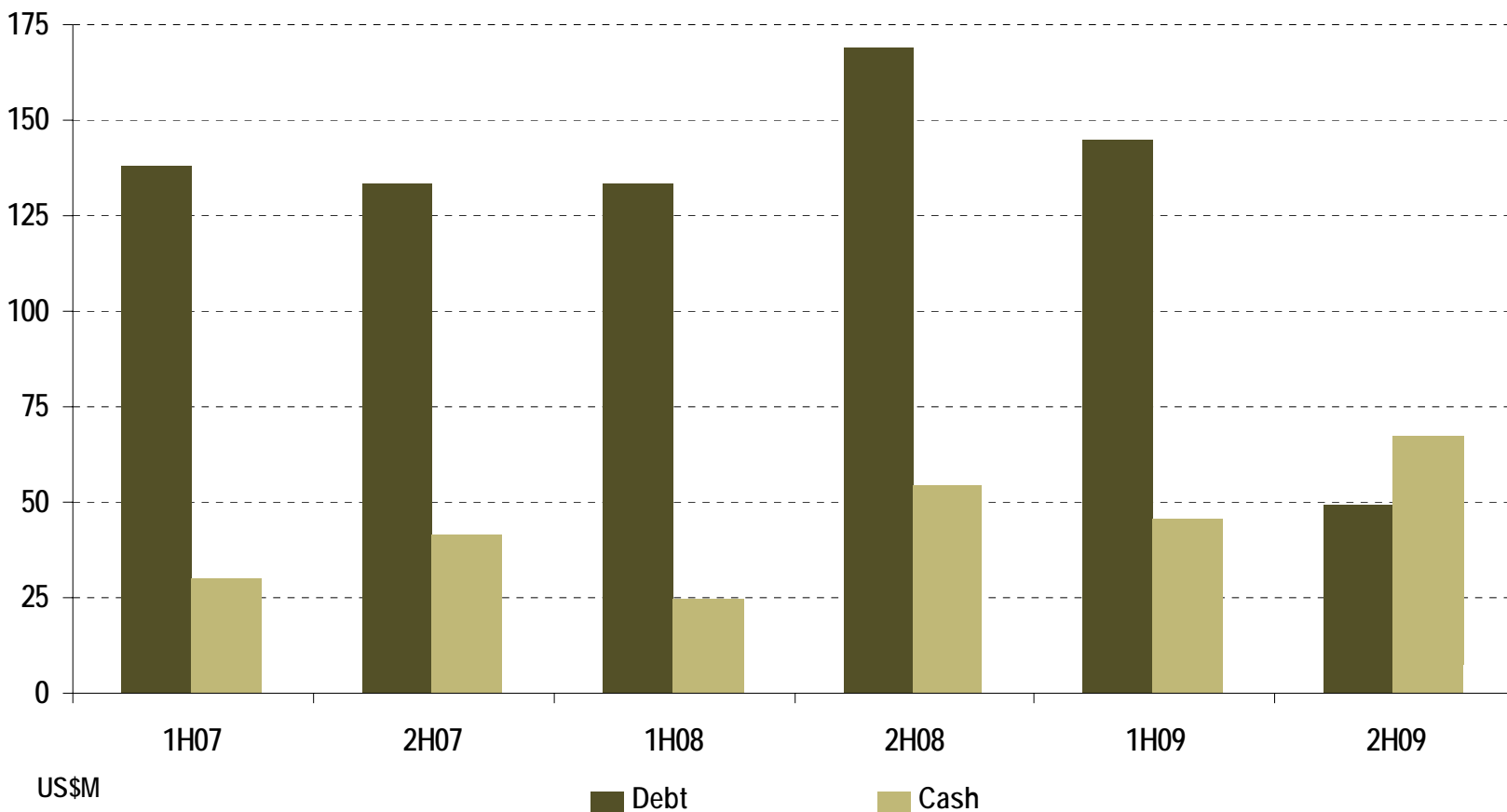
# NON-CASH IMPAIRMENTS

## **Total asset write downs of US\$82.2 million before tax due to:**

- BMG impairment of US\$98.8 million as a result of a downward revision of Remaining 2P Oil Reserves to 0.9 MMBBL (net)
- Chinguetti impairment of US\$10.1 million as a result of an increase in restoration costs and 0.2 MMBBL (net) decrease in 2P reserves
- Zhao Dong 2008 impairment reversal of US\$26.8 million (US\$20.1 million after tax) as a result of improved oil prices



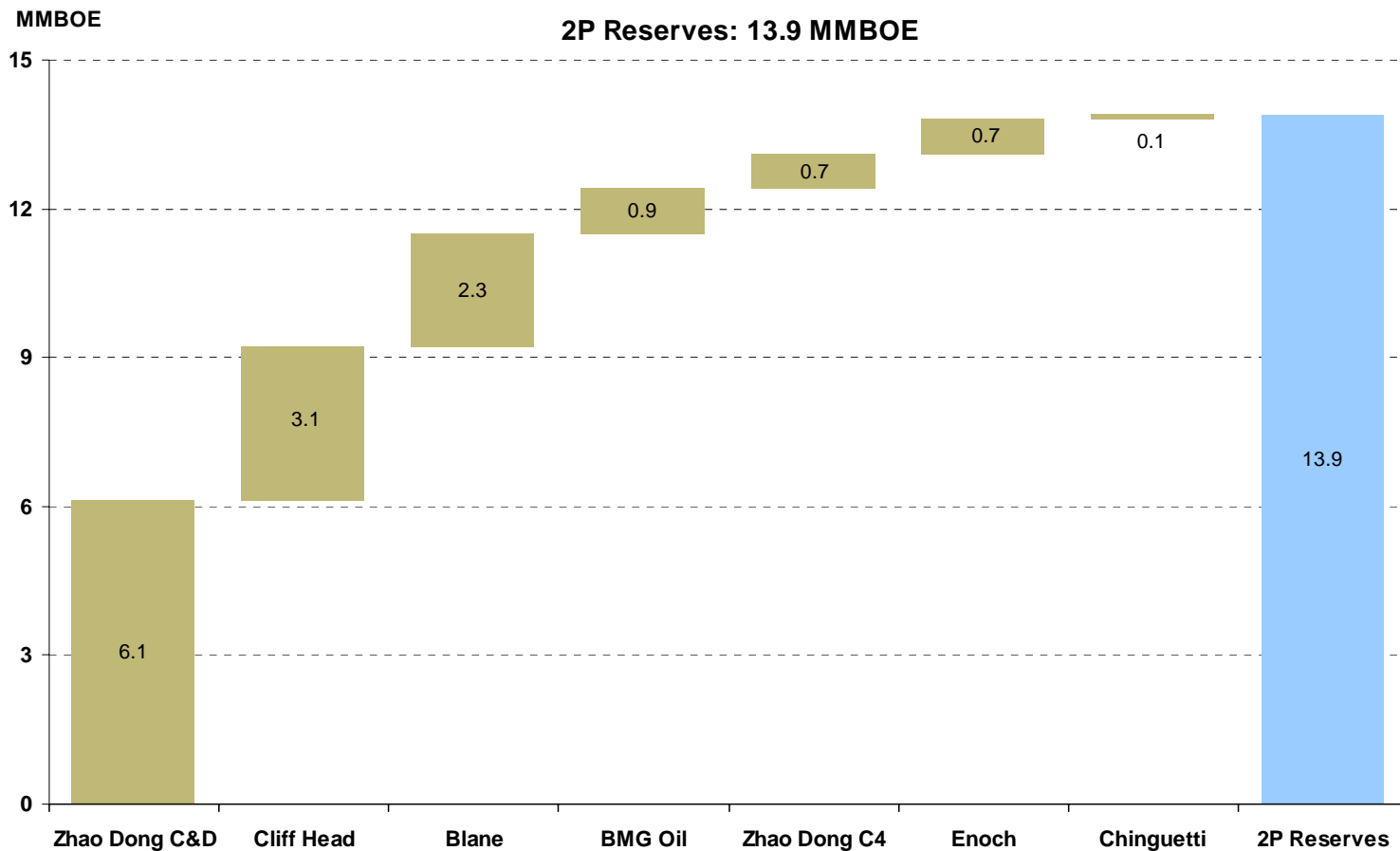
# DEBT POSITION



- Balance sheet recapitalised and net cash of US\$17.9 million at year end
- Debt facility of US\$90 million available (US\$49.2 million drawn at year end) and matures in August 2011



# 2P RESERVES



- Year end 2P Reserves of 13.9 MMBOE (over 99% oil)
  - 49% located in China; 29% located in Australia
- Year end 2P Reserves downgrade of 4.7 MMBOE mainly due to BMG
- 5.2 MMBBL to be booked as 2P Reserves on Beibu Gulf FID approval



# HEDGING POSITION

	BRENT OIL PRICE SWAPS	
	Volume	Weighted Average Brent Price USD/BBL
2010	1,206,984	67.67
2011	875,997	63.71
	2,082,981	66.00

- Hedging strategy consistent with prior periods and regularly reviewed:
  - Majority of production remains exposed to oil price changes
  - For specific transactions, development projects and high capex periods
- 15% of total remaining 2P Reserves hedged
- Year end hedge book mark-to-market position was US\$32.8 million liability
- P&L hedge loss of US\$36.9 million includes
  - Unrealised loss of US\$30.4 million
  - Realised loss of US\$6.5 million
- Realised cashflow of US\$12.7 million



# PROFIT & LOSS

	2009 (US\$M)	2008 (US\$M)
Sales	204.5	358.2
Trading Profit	35.4	163.8
EBITDAX + Impairments	86.6	312.3
Exploration Expense	(7.1)	(112.7)
EBITDA + Impairments	79.5	199.6
Impairments (before tax)	(82.2)	(376.9)
EBIT	(94.3)	(298.5)
NPAT	(115.4)	(278.4)
Adjustment for significant items (after tax)		
Unrealised Derivative (Gains)/Losses	30.4	(51.1)
Loss on sale Nexus shares	5.6	-
Profit on sale BMG 10%	(5.7)	-
Impairment of assets (post tax)	88.8	290.7
Normalised NPAT	3.7	(38.8)



# CASH FLOW

	2009 (US\$M)	2008 (US\$M)
Opening Cash	54.3	41.4
Net Cash from Operating Activities	98.2	182.5
Net (Repayments)/Advances from Borrowings	(120.0)	35.0
Net Proceeds from Share Issue	74.3	-
Investment Activities:		
Development Expenditure	(87.8)	(77.0)
Exploration Expenditure	(11.4)	(115.8)
Proceeds from 10% sale BMG	32.3	-
Proceeds from sale Nexus shares	18.5	-
Other	8.7	(11.8)
Closing Cash	67.1	54.3



# BALANCE SHEET

	2009 (US\$M)	2008 (US\$M)
Cash Assets	67.1	54.3
Capitalised Exploration Expenditure	16.1	14.7
Oil and Gas Assets	244.6	366.6
Interest Bearing Debt	(49.2)	(168.7)
Net Deferred Tax (Liability)	(26.9)	(50.4)
Derivative Asset /(Liability)	(32.8)	14.1
Provisions	(46.5)	(33.4)
Net Other Asset/(Liabilities)	(4.6)	10.10
Total Equity	167.8	207.3



## BMG: REPORTED 2P RESERVES

- Gross Remaining 2P Reserves at 31 December 2009 of 3.1 MMBBL
  - Based on a field life ending December 2011
  - Independent review completed by RISC
- Oil in place (OIP) in the Basker reservoir reduced by <10%
  - Compared with year-end 2008 model
- Recoverable reserves estimate based on preliminary results from the new integrated Basker full field simulation model
  - Joint Venture is yet to review
- Reservoir simulation is complex, with a number of factors affecting estimated reserves:
  - Multizone reservoir
  - Well performance
  - Interaction of wells and reservoir zones
  - Facilities performance
  - Facilities constraints (sub-sea manifold, riser system and FPSO)
  - Field operating costs
  - FPSO contract terms
  - Economic cut-off production rate

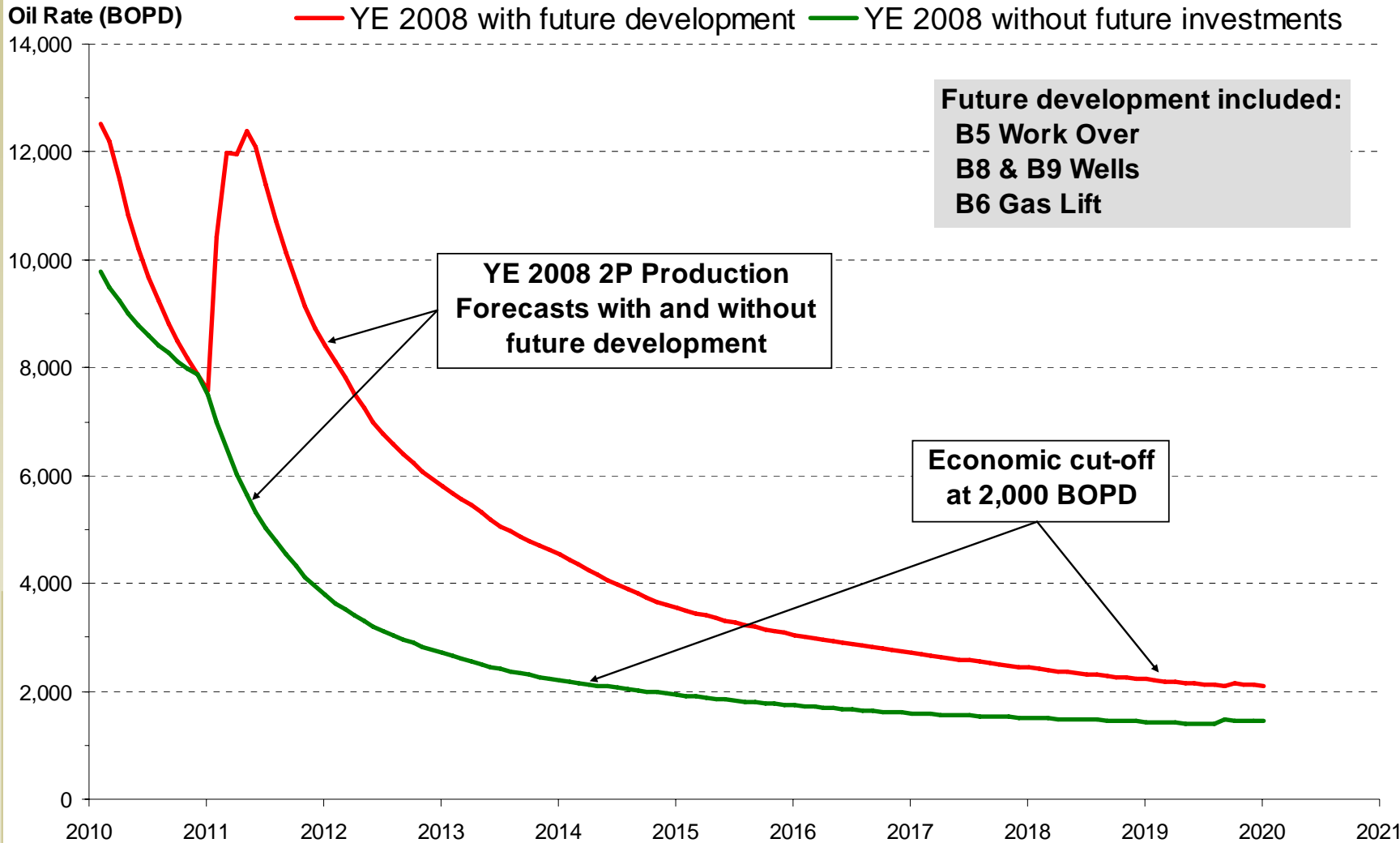


# BMG: ECONOMIC PRODUCTION THRESHOLD

- Forecast economic production cut-off has increased
  - From 2,000 BOPD at year-end 2008
  - To 2,800-2,900 BOPD presently
- Operating cost forecast has increased in US\$ terms:
  - >10% higher due to direct cost increases
    - Including additional subsea maintenance and inspection
  - Approximately 20% higher due to stronger A\$
    - US\$0.70 to US\$0.90
    - Impact on A\$ denominated costs

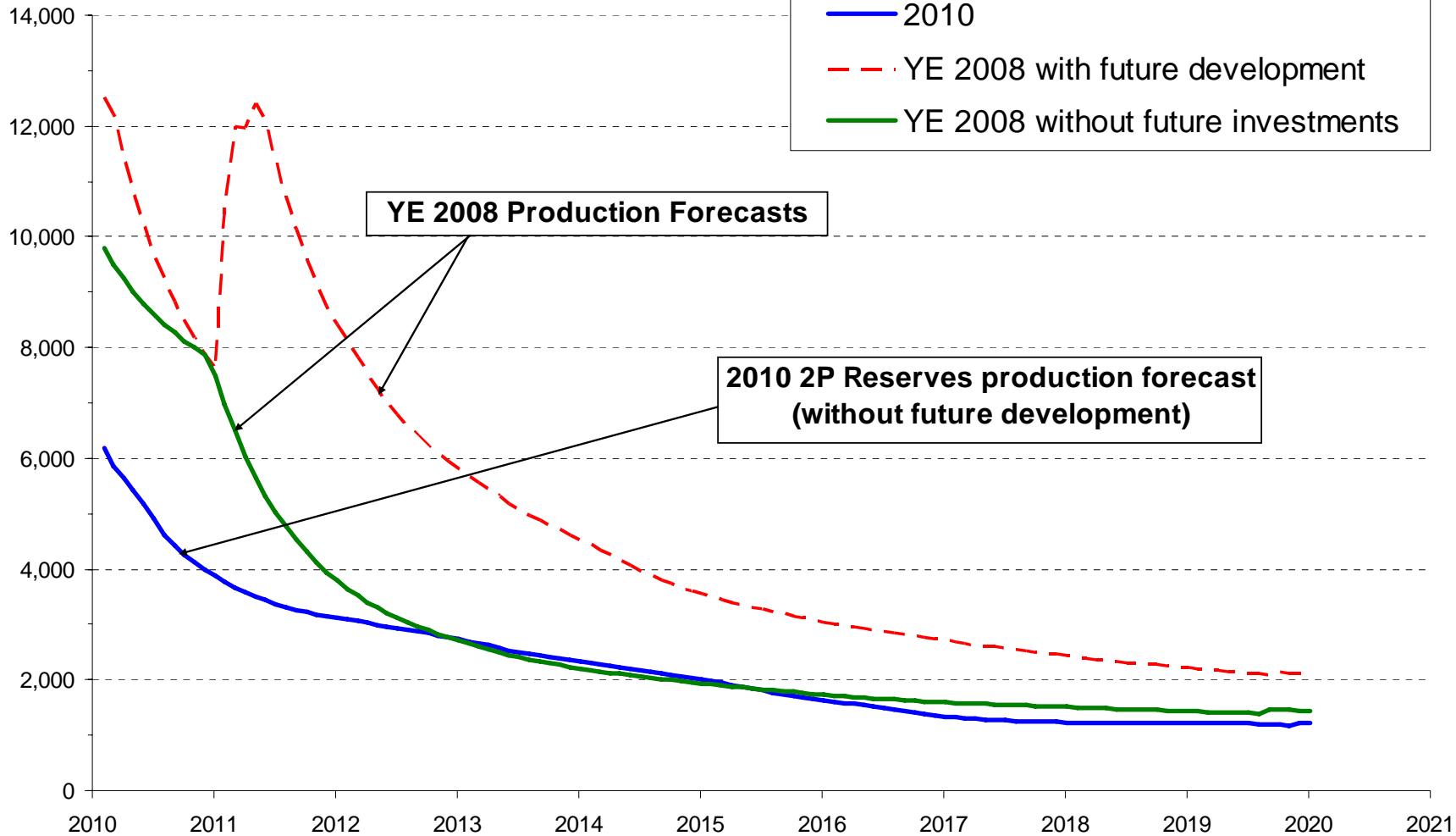


# BMG: YEAR-END 2008 PRODUCTION FORECASTS (Adjusted for 2009 Production)



# BMG: YEAR-END 2008 PRODUCTION FORECAST and 2010 PRELIMINARY PRODUCTION FORECAST

Oil Rate (BOPD)

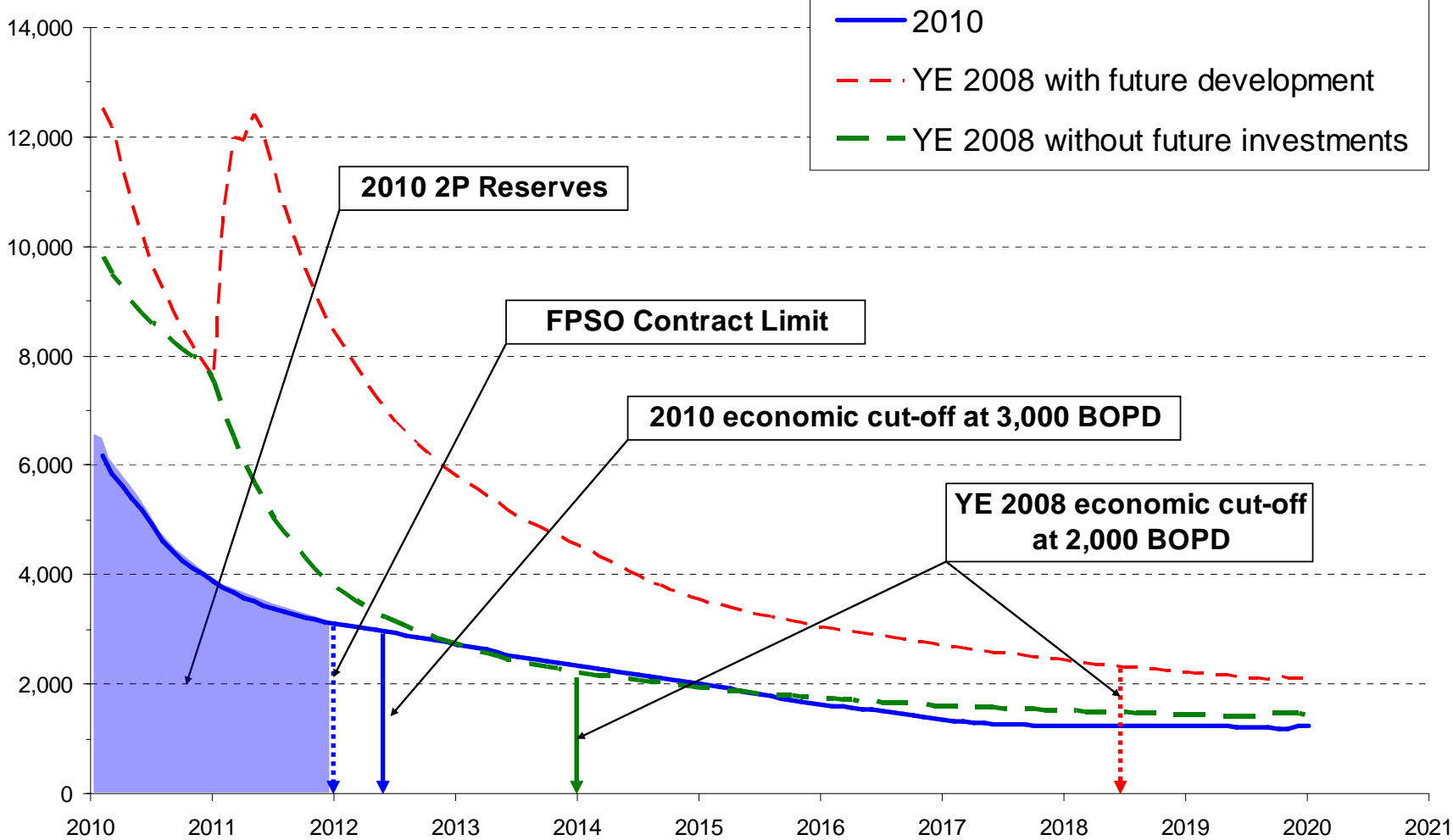


Note: YE 2008 production forecasts adjusted for 2009 production

# BMG: YEAR-END 2008 and 2010 PRODUCTION FORECASTS



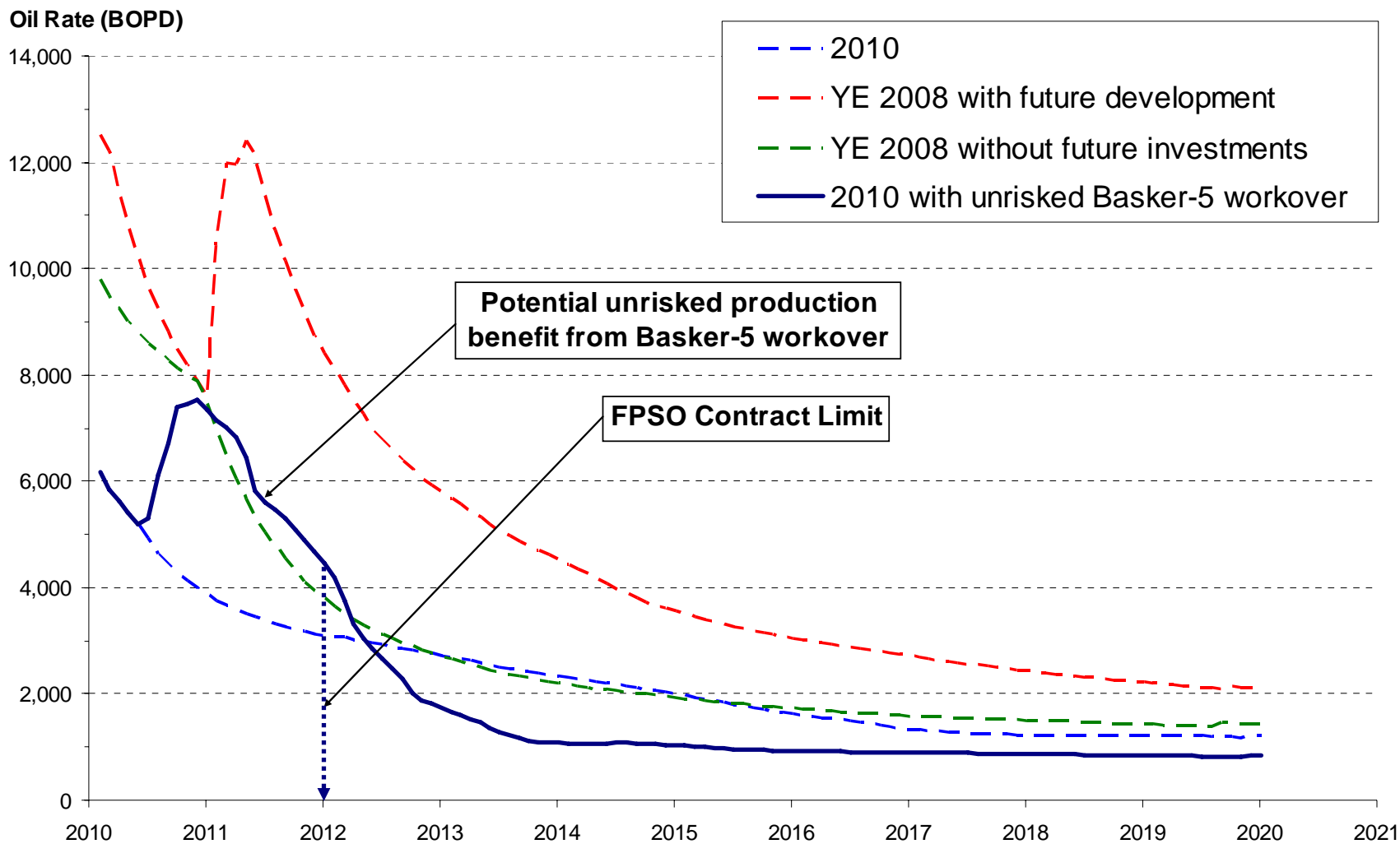
Oil Rate (BOPD)



Note: YE 2008 production forecasts adjusted for 2009 production



# BMG: PRODUCTION FORECASTS INCLUDING BASKER-5 WORKOVER (UNRISKED POTENTIAL)



Note: YE 2008 production forecasts adjusted for 2009 production



## BMG: FUTURE PLANS

- Continue to safely produce field at optimum production rate
- Evaluate development opportunities to improve commercial oil recovery, including:
  - Basker-5 workover
  - Basker-8 well
  - Basker-9 well
  - Basker-6 gas lift
- Evaluate opportunities to develop gas resource
- Conduct review to address
  - Reserves evaluation process
  - Management of the BMG asset since acquisition



# 2009 SCORECARD

Deliver Operating Budget	<ul style="list-style-type: none"><li>✓ Production within guidance (lower end of range)</li><li>✓ Control development and exploration expenditure</li><li>~ Operating costs contained (per BOE increased due to BMG)</li></ul>
Exploit Existing Reserve Base	<ul style="list-style-type: none"><li>✓ Zhao Dong facilities installation and drilling programme</li><li>✓ Cliff Head workovers (CH-10 and CH-6)</li><li>✗ BMG Phase-1 oil project production</li></ul>
Pursue Growth Opportunities	<ul style="list-style-type: none"><li>✓ Beibu Gulf project ODP technical section completed</li><li>~ Beibu Gulf project commercial negotiations: ONGOING</li><li>✗ BMG Phase-2 gas project progressed: UNDER REVIEW</li></ul>
Strengthen Balance Sheet	<ul style="list-style-type: none"><li>✓ Successful equity capital raising</li><li>✓ Net cash position at year end</li></ul>
Rebalance Asset Portfolio	<ul style="list-style-type: none"><li>✓ Sale of 10% participating interest in BMG</li><li>✓ Angola farm out</li><li>✓ Assessing opportunities in SE Asia-Australasia</li><li>~ Reduce exposure in African permits: ONGOING</li></ul>



# 2010 STRATEGY

## **Despite BMG set backs, the Board and Management remain focused on the existing strategy**

- Increase value of the business
  - Increase reserves and resource base
  - New business development
- Exploit reserve and resource base
  - Maximise production
  - Commercialise resources
- Leverage operating and technical capabilities
  - Business process improvement
  - Focused portfolio management
- Balance and manage risk
  - Financial
  - Operating
  - Resource
- Steward resources and focus on financial performance
  - Pro-active capital management



# 2010 OBJECTIVES

## Deliver Operating Budget

- Production of between 8,000-9,000 BOEPD
- Development and exploration expenditure <US\$80 million (excluding further BMG development)
- Contain and control operating costs
- Maintain excellent HSEC record (aim for zero LTI in 2010)

## Exploit Existing Reserve Base

- Zhao Dong drilling to maintain production at 2009 levels
- Pursue further Cliff Head workover opportunities

## Pursue Growth Opportunities

- Beibu Gulf project FID and commencement of development
- Conclude BMG review
- Reserve replacement opportunities

## Increase Exploration Activity

- Finalise drillable prospects in WA-351-P, Carnarvon Basin
- Farm out and drill Aleta-1 prospect offshore Equatorial Guinea
- Potential Castanha appraisal well & acquire seismic in Angola
- Acquire seismic in offshore Mozambique Channel permits

## Rebalance Asset Portfolio

- Reduce exposure to Africa through farm outs
- Increase presence in SE Asia-Australasia focus area



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