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Massive benefits from LNG Proposal

Papua New Guinea's window of opportunity to sell Liquefied Natural Gas would not stay open indefinitely, an Australian gas expert has warned.

Competition from the very large gas fields in Australia's North West Shelf could be expected to seek the same Asian and North American markets as PNG was targeting.

The earliest Australian sales would probably be available between 2013 and 2015.

That was why PNG had to get its own quantities of gas onto the market by 2012, Dr Jack Hamilton said today.

Dr Hamilton is the CEO elect of Liquid Niugini Gas Ltd, a consortium formed by InterOil, Merrill Lynch, the world's third largest investment bank and actively involved in gas marketing and trading and Pacific LNG. Liquid Niugini Gas has built a team of LNG experts with more than 100 years of LNG development experience.

The company has completed pre-engineering studies and is moving to have a gas plant at Napa Napa near Port Moresby ready to ship nominally nine million metric tonnes of LNG each year from 2012.

The gas supply will come from InterOil's Elk discovery and other potential fields identified in Gulf Province.

An independent report by Focus Economics has identified very large economic benefits to Papua New Guinea.

The project could provide 20 percent of total PNG gross domestic product by 2020.

At its peak of production, this one gas project could contribute K3.5 billion directly to PNG GDP.

A total of K75 billion to K110 billion could be expected in direct in-country benefits, with between K40 billion and K60 billion going direct to Government.

"The figures are far bigger than revenue from oil or any other resource development yet seen in PNG, and they stem from just this one project.

"Gas from Hides and other Southern Highlands gasfields is not included in the supply plans for the Napa Napa project, leaving plenty of gas to under-pin further gas projects, if other developers wish to go it alone.

"But the very essence of this development is timing," Dr Hamilton said.

"I have spent many years at the heart of the NW Shelf gas exploration and production industry, and I know there are five or six very large gas projects underway in WA with start up dates from 2013 onwards.

"Papua New Guinea will face stiff competition from these projects, but we have one advantage if we get our gas into production sooner."

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Gas projects require a very big capital investment and a long life of customer sales.

“I think we have all seen what happens to a gas project if the partners and the customers spend too much time talking about it, and arguing over prices.

“Papua New Guinea has spent a lot of time and money on a pipeline that went nowhere, and I urge the government and the industry to work together, not in competition, to get PNG gas into the Asian and North American markets while there are still customers with unfilled supply contracts.”

“Apparent deliberate leaking of mis-information from the Project Agreement negotiations is not sending signals of welcome for the investors behind Liquid Niugini Gas, who are poised to make this large investment in PNG. The objective of all aspects of Government should be to work with all proponents to develop LNG, not try and pick a winner.”

“Liquid Niugini Gas is ready to go, the market will not wait forever,” Dr Hamilton said.

Liquid Niugini Gas: Background information

Shareholders

- InterOil Corporation
 - Built and operates the only refinery in PNG
 - Operates the major downstream wholesale and retail oil products business in PNG, holding approximately 70% market share
 - Largest onshore exploration licence holder in PNG with a fully funded multi-well exploration and appraisal program focussed on obtaining LNG supply
- Merrill Lynch Global Commodities
 - A major player in physical gas markets
 - Has existing US and European gas financial trading volumes of 57 billion cubic feet per day and a physical volume in excess of 8 billion cubic feet per day
- Pacific LNG Operations Ltd
 - Institutional investor specialising in energy related companies and projects
 - Manages capital committed from institutions and high net worth individuals
 - Principals bring over three decades of collective investing experience in the energy sector through a variety of economic conditions

Scope of Liquid Niugini Gas's planned LNG/LPG condensate plant

- The planned capacity of the plant is nominally 4.5 million tons per annum as a single processing train, with the option to increase to 9 million tons per annum and two processing trains, subject to gas availability

- Interface with InterOil refinery facilities (land, power, water, jetty, tankage, and other key infrastructure)
- To be located at Napa Napa, adjacent to the InterOil refinery in Port Moresby in the Konebada Petroleum Park
- A 36 inch feedgas pipeline will be built from the InterOil Elk gas field to Napa Napa (to transport 1,600 mmscfd). Gas will be compressed at the ELK field for the transfer
- An NGL extraction plant will process wet gas feedstock at the Napa Napa site, producing ethane, and LPG. These products will be available for export
- LNG to be shipped in all cargo sizes up to and including Qmax vessels
- Integrated jetty operation with the InterOil refinery
- Shipping will be controlled but not owned

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