



SUNRISE UPDATE

JUNE 2002

As the Sunrise Gas Project field development approaches the end of the initial statutory environmental approvals phase and a review of the domestic gas market option is occurring, it is timely to provide an update on the project's current status.

ENVIRONMENTAL APPROVALS PROCESS

As part of the statutory environmental assessment process an Environmental Impact Statement (EIS) was submitted to the Commonwealth (through Environment Australia) and Northern Territory Governments for review on 15 December. The EIS was also made available for public review during an eight-week review period from 15 December 2001 to 9 February 2002.

To enhance the review process, a public display was held at Casuarina shopping centre on 19 January 2002.



On completion of the review period the project operator, Woodside, received submissions from the public, environmental interest groups and the Commonwealth, and the Northern Territory Governments.

Responses to these submissions are currently being prepared and will be submitted to the regulatory authorities, and members of the public that made submissions, in an EIS Supplement Document to be issued before 16 July 2002.

REVIEW OF THE DOMESTIC GAS MARKET

While processing liquified natural gas (LNG) offshore by way of a floating facility remains potentially the only economic way of developing what is a vast and remote gas field, Woodside is working with other Sunrise joint venturers to complete a domestic gas market review.

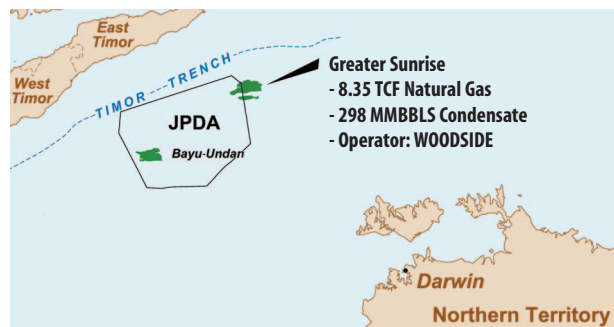
The review will examine if a domestic gas market is available to support a development decision that would be an alternative to the floating LNG concept and require an investment in excess of A\$5 billion for the Sunrise Joint Venture.

The domestic gas review will be undertaken and completed this year in readiness for the joint venture to select a final development concept and commence detailed engineering and design studies early next year.

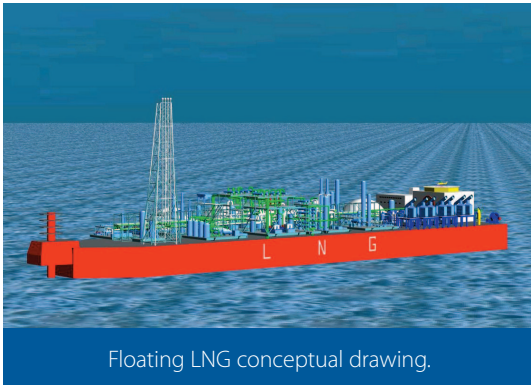
A SHORT PROJECT HISTORY

An abbreviated history of the options that have been actively considered for Sunrise gives an insight to the commitment of the joint venture in finding the right solution for what is a challenging development opportunity:

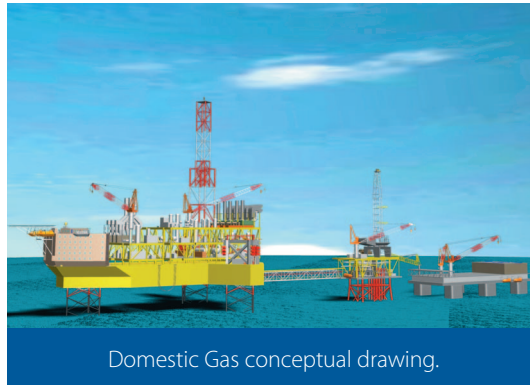
- ☀ In 1998 a proposal for an offshore platform and pipeline to Darwin to supply an onshore LNG plant was considered. However, problems with project economics and the collapse of Asian LNG markets due to the onset of the Asian economic crisis resulted in the shelving of this plan.
- ☀ During 1999-2000 a domestic gas case based on Methanex providing the foundation customer via its proposed Darwin methanol plant proved to be uncommercial and Methanex moved its plans to the North West Shelf.
- ☀ In 2000-2001 a cooperative pipeline with the Bayu-Undan project to supply domestic gas customers and re-emerging LNG markets through an onshore LNG plant looked attractive. However, Sunrise project economics for the onshore LNG proposal were not robust against volatile gas prices and the concept ultimately proved uneconomic.
- ☀ Towards the end of 2001 Shell tabled its floating LNG proposal for Sunrise and in March 2002, Shell Eastern (a subsidiary of Shell) confirmed it would be the Sunrise Venture's major LNG customer. Sunrise Joint Venture participant, Osaka Gas, also emerged as a potential LNG buyer and became aligned behind the floating LNG concept in April 2002.



THE SUNRISE GAS PROJECT DEVELOPMENT OPTIONS



Floating LNG conceptual drawing.



Domestic Gas conceptual drawing.

KEY ISSUES

Nearly \$200 million has so far been spent by the Sunrise Joint Venture Participants investigating the development potential of the gas resource.

Although a number of gas fields exist in the Timor Sea, they each have quite different characteristics in a number of areas such as gas volumes, costs, engineering requirements and treaty and political issues.

Sunrise was first discovered in 1974, but to this day it remains untapped.

Why? Among the major reasons are:

- ☀ It is in an extremely remote location where boundary issues have been in dispute.
- ☀ Sunrise contains around 8.35 trillion cubic feet of natural gas and 298 million barrels of condensate which is a light oil. It is much drier gas than other projects, including Bayu-Undan and the North West Shelf development in Western Australia.
- ☀ The field is spread out over a much larger area than Bayu-Undan. The Sunrise field area is 70km x 35km and in 140 to 800 metres of water. Drilling and development costs are subsequently higher and there is no chance of quickly offsetting these costs by firstly stripping and selling condensate.

Sunrise must therefore capture a gas market before the project can be started so it can be certain that the massive development costs can be recouped.

THE NEXT STEPS

Further evaluation of floating LNG by Phillips, Shell, Osaka Gas and Woodside will determine the potential of the LNG market to support the selection of a final development concept, due late this year or early next.

The recent commitment to a review of the domestic gas market will ensure that no stone is left unturned before the final decision is taken on whether the joint venture will ultimately support the floating LNG option or the supply of gas to the Australian mainland.



**The joint venture partners
in the Sunrise project
are the project operator
Woodside Energy Ltd
(33.44%),
Phillips Petroleum (30%),
Shell (26.56%) and
Osaka Gas (10%).**