

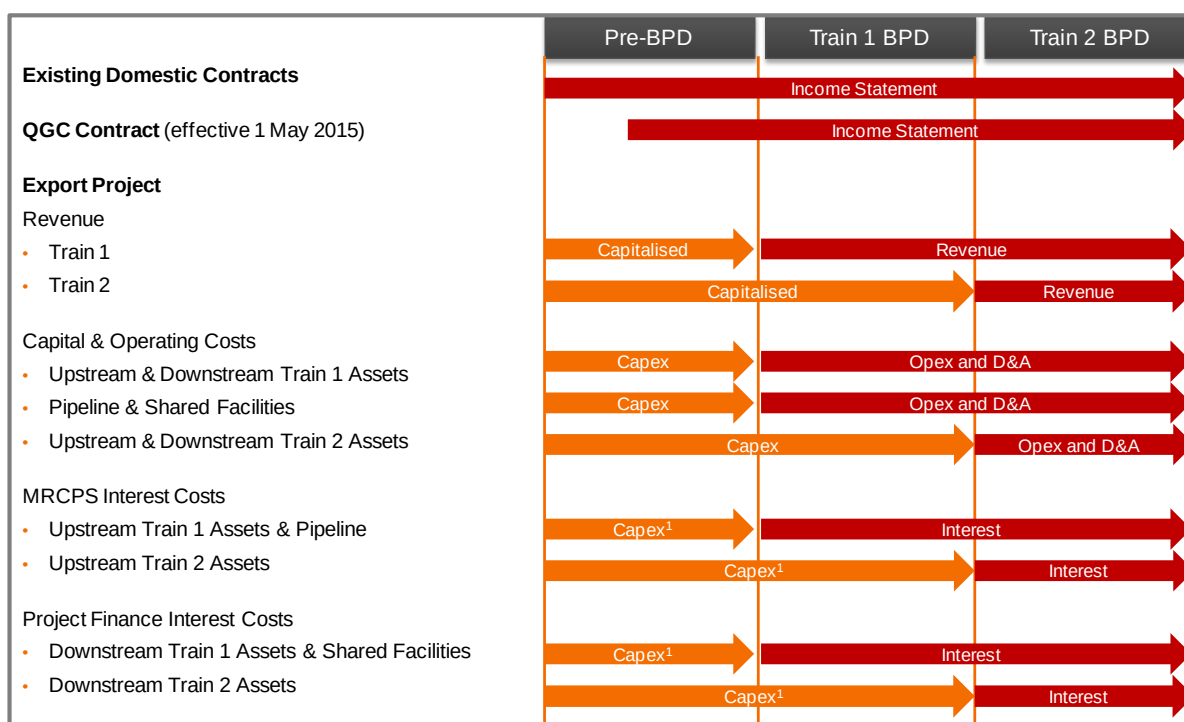
31 July 2015

Australia Pacific LNG

Accounting treatment during transition from construction to operations

APLNG Accounting Treatment

- Revenue, operating cost and depreciation will continue to be recognised in the Income Statement for existing domestic contracted volumes
- QGC contract has commenced
 - o Revenue, operating costs and depreciation relating to this contract has been recognised in the Income Statement from 1 May 2015
- The Bechtel Performance Date (BPD) for each Train is defined as when the Train is ready to be used as management intended. It is expected that this would be achieved 3-4 months following first cargo.
- From the BPD for Train 1, the Income Statement will reflect:
 - o Revenue from Train 1
 - o Operating costs and depreciation of Upstream Train 1 Assets and Downstream Train 1 Assets, the Pipeline and all Shared Facilities
 - o Project Finance interest expense attributable to the funding of Downstream Train 1 Assets and Shared Facilities
 - o MRCPS interest expense attributable to the funding of Upstream Train 1 Assets and the Pipeline
- From the BPD for Train 2, the Income Statement will reflect all of the above, as well as:
 - o Revenue from Train 2
 - o Operating costs and depreciation of Upstream Train 2 Assets and Downstream Train 2 Assets
 - o Project Finance interest expense attributable to the funding of Downstream Train 2 Assets
 - o MRCPS interest expense attributable to the funding of Upstream Train 2 Assets
- The asset base for APLNG as at 31 December 2014 was A\$34.5 billion, consisting of approximately:
 - o 55% Upstream, of which 22% relates to downhole assets and 78% relates to remaining Upstream Assets
 - o 7% Pipeline
 - o 38% Downstream, of which 42% relates to Trains and 58% relates to Shared Facilities
- Depreciation to be applied to assets based on the following methodology:
 - o Upstream downhole assets amortised on units of production based on 2P reserves, together with the estimated future development expenditure required to develop those reserves
 - o All remaining assets depreciated on a straight line basis over their estimated useful lives:
 - Average 28 years for Upstream Assets (excluding downhole assets)
 - 30 years for Pipeline
 - 30 years for Downstream (Trains and Shared Facilities)
- Tax expense is calculated using a Prima Facie Corporate Tax Rate of 30%. Adjustments to Prima Facie Tax Expense arise mainly due to the foreign currency translation of foreign denominated tax bases and will result in an effective tax rate which is different to the Prima Facie rate.



1 Applied to the relevant asset base

Origin Accounting Treatment

- Origin equity accounts for its 37.5% share of APLNG
 - o Origin's Underlying EBITDA incorporates 37.5% of APLNG's Underlying EBITDA
 - o Origin incorporates 37.5% of APLNG's Underlying ITDA (comprising MRCPS and Project Finance interest expense, depreciation and amortisation and tax expense) in "Underlying share of interest, tax, depreciation and amortisation of equity accounted investees"
 - o As a result, Origin's Underlying EBIT incorporates 37.5% of APLNG's Underlying NPAT
- There are a number of APLNG related items which are currently excluded from Origin's Underlying Profit which will be recognised in Underlying Profit:
 - o From the BPD for Train 1, Underlying Net Interest Expense will incorporate
 - Origin's interest expense incurred on APLNG cash contributions in the same proportion as APLNG is recognising
 - Origin's MRCPS interest income in the same proportion as APLNG is recognising
 - o From the BPD for Train 2, Underlying Net Interest Expense will incorporate
 - All remaining Origin interest expense and MRCPS interest income
- MRCPS
 - o While the APLNG project is under construction, APLNG capitalises MRCPS interest expense. MRCPS interest income received by Origin is excluded from Underlying Profit
 - o From the BPD for each Train, APLNG will begin to recognise the associated MRCPS interest expense for that train in the Income Statement. Origin will recognise its 37.5% share of the APLNG MRCPS interest expense within Underlying EBIT. This will be partly offset by the MRCPS interest income that Origin will recognise in Underlying Net Interest Expense.
- The following APLNG related items will continue to be excluded from Origin's Underlying Profit
 - o Origin's foreign currency and fair value movements on derivatives and debt related to APLNG
 - o APLNG's foreign currency translation impact of foreign denominated tax bases, and
 - o Tax expense related to the above two items

	Pre-BPD	Train 1 BPD	Train 2 BPD
Significant Items (SI)			
• Origin MRCPS interest income			
• Train 1 Assets, Shared Facilities & Pipeline	SI	Underlying Profit	
• Train 2 Assets	SI		Underlying Profit
• Interest expense associated with APLNG funding			
• Train 1 Assets, Shared Facilities & Pipeline	SI	Underlying Profit	
• Train 2 Assets	SI		Underlying Profit
• Pre-production costs unable to be capitalised	SI	Underlying Profit	
• FX on translation of foreign denominated tax base (after tax)		SI	
• FX and fair value movements on derivatives and debt related to APLNG (after tax)		SI	

Glossary:

2P	proved plus probable reserves
APLNG	Australia Pacific LNG Pty Limited – an incorporated Joint Venture between Origin, ConocoPhillips and Sinopec
BPD	Bechtel performance date
Capex	capital expenditure
CSG	coal seam gas
D&A	financial accounting depreciation and amortisation
Downhole Assets	all subsurface capital expenditure incurred including producing areas of interest , exploration & evaluation assets, and development assets
Downstream Train 1 Assets	The first liquefaction train on Curtis Island off the coast of Gladstone, processing up to 4.5 million tonnes of LNG per annum
Downstream Train 2 Assets	The second liquefaction train on Curtis Island off the coast of Gladstone, processing up to 4.5 million tonnes of LNG per annum
FX	foreign exchange
ITDA	Interest, tax, depreciation and amortisation
LNG	liquefied natural gas
MRCPS	Mandatorily Redeemable Cumulative Preference Shares is the mechanism by which shareholders of APLNG provide funding for the CSG to LNG project. Interest on the MRCPS is paid to shareholders twice per annum based on fixed interest rates per tranche
Opex	operating expenditure
Pipeline	530km gas transmission pipeline from the gas fields to an LNG facility on Curtis Island off the coast of Gladstone
QGC	Queensland Gas Company
QGC contract	QGC contracted sales following commencement of commercial operations at QCLNG
Train	4.5 mtpa downstream liquefaction plant
Shared Facilities	LNG shared facilities including the power generation facilities, water, power, sewage utilities infrastructure, control room, LNG storage and loading facilities (including storage tanks, loading lines and arms, jetty and docks), buildings, helipads, communications facilities, land and water rights and other facilities and infrastructure to be developed on Curtis Island
SI	significant item - Items impacting Profit which do not align with the manner in which the Managing Director reviews the financial and operating performance of the business
Upstream Train 1 Assets	Upstream assets associated with supplying gas to Train 1 including CSG wells, water and gas gathering pipelines, Gas Processing Facilities, Water Treatment Facilities power and communications infrastructure, and office and administration facilities
Upstream Train 2 Assets	Upstream assets associated with supplying gas to Train 2 including CSG wells, water and gas gathering pipelines, Gas Processing Facilities, Water Treatment Facilities power and communications infrastructure, and office and administration facilities