

BG GROUP



BG Group

Second Quarter and First Half 2010 Results

28 July 2010

Introduction: Chris Lloyd, Head of Investor Relations

Good afternoon ladies and gentlemen and welcome to BG Group's second quarter results.

During the course of this conference call, Frank Chapman, Chief Executive, will take you through the quarter's key business highlights, and then Ashley Almanza, Chief Financial Officer, will look at the financial results. After this we will take questions.

During this presentation we'll be focusing on our Business Performance as highlighted in our results statement. We will also be making various forward-looking statements. Factors that could cause our actual results to differ materially from the results we currently expect are identified in detail in the statement issued today.

Thank you, and now over to Frank.

Frank Chapman, Chief Executive

Good afternoon, ladies and gentlemen.

You'll've now seen the results statement, so let me begin by spending a few moments taking you through the main points.

We've reported good results for the Second Quarter. Total operating profit of more than \$1.5 billion dollars was up 6% year-on-year, and earnings per share of 26.6 cents were up 19%.

In Exploration and Production, revenue and other operating income grew 19% during the quarter, reflecting higher realised oil, liquids and international gas prices. Total operating profit before the exploration charge is up by some 20%.

During the quarter, we had further appraisal success in the Santos Basin, offshore Brazil, and production from our first permanent production facility on Tupi is expected later this year. The Tupi Alto well was our seventh consecutive success on the Tupi accumulation in the Santos Basin, and has confirmed the extended presence of light oil.

We also announced further joint venture agreements with our US shale gas alliance partner, EXCO, acquiring a 50% interest in more than 650 thousand net acres on the Huron and Marcellus shales in the Appalachian Basin. We also acquired further prospective properties on the Haynesville and Bossier shales.

These transactions provide critical mass to BG Group's US upstream gas business. In the one year since entering this play, our total net US shale gas reserves and resources have risen to more than 1.3 billion barrels oil equivalent.

Beyond these existing ventures, we announced last month our entry into a new play for BG Group: a farm-in to three blocks offshore southern Tanzania. This is a prospective new gas-prone play with significant resource potential. The three blocks cover more than 27 thousand square kilometres, equivalent to about 125 typical UKCS blocks. We plan to begin our exploration programme in Tanzania before the end of the year.

Turning now to LNG, where there was another strong performance for the quarter, with total operating profit up 16% to 540 million dollars.

On the LNG growth agenda, we continue to make good progress with the Queensland Curtis LNG facility in Australia. Environmental approvals continue to advance, having passed the significant milestone of Queensland state approval, and with work underway to provide the additional clarification sought as part of the Federal approval process.

Just two and a half years after entering Australia, our total net reserves and resources are now 2.9 billion barrels oil equivalent. Furthermore, QCLNG is underpinned by long-term Asia-Pacific LNG sales contracts for up to 9.5 million tonnes of LNG per annum. Under these contracts, we expect aggregate sales of around 180 million tonnes of LNG – and on a predominantly oil-indexed basis.

So, with continued progress in the approvals process, with engineering and procurement progressing, with major contract awards pending, and with both ends of the gas value chain now firmly anchored, we remain on track to sanction QCLNG later this year.

In Transmission and Distribution, total operating profit fell by 8% to 174 million dollars, reflecting the timing of gas cost recovery at Comgas.

In our Power Generation segment, we announced earlier this month the sale of Premier Power Limited in Northern Ireland. The transaction is expected to complete in the second half of 2010.

Finally, the Board has approved an interim dividend of 9.82 cents per share which, in line with the Group's existing policy, is half the 2009 full year dividend.

And now over to Ashley for a more detailed look at the financials.

Ashley Almanza, Chief Financial Officer

Thank you Frank; and good afternoon ladies and gentlemen.

I'll start as usual with the E&P segment. Unless otherwise indicated, all of my comments relate to the second quarter rather than the half-year.

Revenues were 19% higher than last year, reflecting generally higher commodity prices, partially offset by a 2% fall in production volumes.

The lower production volumes reflect the extent and phasing of our well work-over and maintenance programmes. Production volumes in the first six months are 2% higher and this is consistent with our expectation of slight growth for the full year.

Our average gas price increased by 16% as our international realisations benefited from higher oil and Henry Hub prices. Our UK gas realisations were lower reflecting the profile of our contracted sales. In addition, as a result of planned maintenance, we had limited gas to sell on a spot basis.

Unit operating expenditure rose to \$7.77 per barrel of oil equivalent. The increase reflects our planned maintenance programme and the impact of higher commodity prices on both tariffs and royalties. As I mentioned in the first quarter, if prices remained above our reference conditions of \$70/bbl, then we'd expect full year opex to rise to around \$7.25 per boe.

Our exploration charge this quarter included a \$255 million dollar write off for the Mandarin well in Norway. 78% of this cost will be refunded in cash under the Norwegian tax rules.

As Frank mentioned we have entered a major new play offshore Tanzania and we expect to start drilling later this year. To reflect this and our programme in the US, we are increasing our gross exploration expenditure guidance for the full year to \$1.7 billion dollars with about half of this to be expensed.

For the E & P segment as a whole, operating profit before exploration expense rose by 20% - in line with revenues. After the exploration charge which included Mandarin, operating profit rose by 2%.

In our LNG segment total operating profit for the second quarter was \$540 million dollars. Shipping and marketing operating profit of \$478 million dollars was up by 16% reflecting higher realised prices. Our share of operating profit from liquefaction activities was \$81 million dollars, in line with 2009.

Overall the performance of the LNG segment in the first six months means that we now expect 2010 full year operating profit for the segment as a whole to be at the upper end of our guidance of \$1.8 billion to \$2.0 billion dollars.

Turning now to Transmission and Distribution: Total operating profit for the T&D segment fell by 8% to \$174 million dollars, reflecting the timing of gas cost recovery at Comgas. The recovery of gas costs was \$61 million dollars lower this year and excluding this timing difference, profit for the segment rose by 46% reflecting strong revenue growth in Brazil and India.

In the Power segment, total operating profit fell by \$32 million dollars to \$42 million dollars, reflecting the disposal of our interest in Seabank Power in the UK, the disposal of the Group's power plants in the USA and the phasing of revenues and costs in our Italian power business. In July we signed an agreement for the sale of Premier Power Limited for a total consideration of approximately \$150 million dollars. You will need to adjust your full year operating forecast to take account of the latest disposals.

For the Group as a whole, operating profit of \$1.5 billion dollars was 6% higher than last year. Earnings per share increased by 19% to 26.6 cents per share, reflecting the increase in operating profit together with lower finance costs and a reduced effective tax rate.

Net finance income of \$19 million dollars for the quarter included currency gains of \$71 million dollars, reflecting exchange rate movements on treasury balances. For the first six months net finance income included foreign exchange gains of \$122 million dollars. After adjusting for these FX gains, the underlying net finance cost for the first six months was \$121 million dollars which is a reasonable indication of the run rate we expect for the second half of the year.

We now expect the Group's effective tax rate for the full year to be 41% and the second quarter's tax charge includes an adjustment to reflect this tax rate for the first six months of the year.

Cash generated by operations increased by 57% to \$2.3 billion reflecting the impact of higher commodity prices on revenues and a lower level of working capital in our E&P and LNG businesses. Capital investment of \$2.8 billion in the quarter included \$1.2 billion on our shale gas

acquisitions in the USA. Our expected full year organic capital investment remains at \$7.5 billion. Adding our US shale acquisitions and Tanzanian farm-in, total capex for the year is expected to be approximately \$9.1 billion. In considering our total net investment you will also want to allow for the proceeds on agreed disposals which amount to about \$1 billion. We ended the quarter with gearing of 17%.

In line with our established policy the Board has approved an interim dividend of 9.82 cents per share, which is half of the 2009 full year dividend. As previously announced the dividend will be paid in sterling, using the average exchange rate over the past 3 days. This will amount to 6.35 pence per share.

That concludes my remarks and now Frank and I will be pleased to take your questions.

Q&A Session

Theepan Jothilingam,

Morgan Stanley:

Thank you, good afternoon gents.

A few questions actually, first of all could you just give a little bit more colour on the timeline for first oil at Tupi, what remains in terms of the key deliverables? Secondly just on the exploration programme for H2 if you could maybe point out any of the highlights, I know you're mentioned Tanzania and in particular I was wondering what sort of play type you see Tanzania and what type of - sort of prospect sizes you're drilling for?

And lastly just in terms of a disposal programme, you've been pretty explicit and delivered on that; is there anything else in the portfolio, particularly in the upstream that you'd consider disposing of? Thank you.

Frank Chapman:

Okay a timeline for Tupi, of course the FPSO is on schedule and we're expecting this to arrive around the end of October onto location and after that time of course we're into tying in operations and - you know start up operations. So commissioning and start up operations with well stream fluid.

So things are going pretty well I would say and we're quite happy about the programme so far.

Tanzania play types, a wide variety of play types actually, some of them more well defined than others. Very significant resource potential in what is a virgin basin. Quite encouraged by on trend discoveries in the locality, four such discoveries so far in - adjacent Mozambique onshore and so on. So, quite optimistic, a material play. Target markets of course alongside some domestic, modest domestic is if we can find material gas discoveries and of course this is a predominantly gas prone play, but that we don't know either for sure at present; but the markets obviously will be Indian and Pacific Ocean and all of the key markets in both those basins.

So that's as much as I can say at present. We've got a first stage programme of three exploration wells, 4000 square kilometres of seismic, we hope to commence the first exploration well before the end of this year. Our partners Ophir will be operating with a lot of BG support the first two wells and BG will assume the operatorship after the second well. So that's a little bit about Tanzania.

Disposal programmes, you know our practice is to keep the portfolio under review and when we've made a decision and progressed something then we share the details at that point.

Theepan Jothilingam,
Morgan Stanley:

Thanks Frank.

Paul Spedding, HSBC:

Afternoon. If I can ask my standard as to whether you can give us any guidance on how demand patterns are playing out in the various key markets? I'd also be interested in whether you're seeing any evidence of any increasing demand for spot cargos, within the Asian market in particular?

Frank Chapman:

Spot cargos, I mean clearly as we've indicated our earnings picture is predominantly underpinned by trades that we've already locked in over the period, '10, '11 and '12. So this guidance that we've given isn't contingent upon changes in the spot market or additional things in the spot market. I mean contrary to the commonly held view that the market is very long gas you will see from our trading results that we're managing actually to perform well in what is generally being described as a well supplied market. I don't think really I probably want to go further on that one.

Demand patterns in the main markets, I think we said last year very clearly that we expected quite a variable picture across the globe with recovery occurring at different paces in different markets and I think we are actually seeing just that. You know, we're seeing in some of our T&D markets a little bit more demand coming back. In other areas like Kazakhstan which is supplying Russia, which is supplying Europe it's a very much weaker picture.

So as predicted in February pretty uneven and pretty indeterminate I would say at present in terms of the overall pattern going forward. I think we still have the view that as we work our way through '12 and '13 and this current crisis that we will see once again strong demand growth emerging in gas and in particular the LNG market. That's about all I've got Paul for you on those couple of questions.

Paul Spedding, HSBC:

That's fine, thanks.

Michael Alsford, Nomura:

Good afternoon gents. Two questions if I can, just on Brazil? Maybe could you give us a bit more colour on the news flow we could expect from Brazil, obviously outside of the Tupi development? Can you maybe talk a bit about the wells going down and the timing on those? And then just secondly, just possibly an update on negotiations in Kazakhstan and around Karachaganak, please? Thanks.

Frank Chapman:

I'll ask Ashley to take the Kazakhstan one in a moment. But the well's going down at the moment, I mean there's obviously an emphasis on appraisal and now development drilling for Tupi so we're increasingly now drilling development wells. We're also doing appraisal wells in Iracema and we're planning further drilling and testing on both Guara and Carioca. We're also drilling a well at the moment called Macunaima which is in BM-S 10 and that well is at the 20 inch casing level, about 3500 metres at present - depth, relative to a target in the high 5000s. So that's to look out for in the coming weeks and months.

Of course as we said earlier this year, we did through the last part - throughout last year and continuing again this year to collect a quite significant amount of data and for the most part I would say that these reservoirs look very positive relative to earlier assumptions. And, we're busily assimilating all of that information and have a large work programme ongoing at present which we hope to conclude by the end of the year.

So that's really what's going on in terms of news flow.

Ashley Almanza:

Michael on Kazakhstan I'm pleased to say that discussions continue to be constructive and that all parties, all the partners and the Republic continue to look for and prefer an amicable negotiated resolution of our disputes outside of the arbitration process. So we continue to meet regularly, the discussions are constructive. You won't be surprised to hear me say I'm sure that it wouldn't be appropriate for me to comment on the particulars of that discussion. But I remain hopeful that we will reach a positive negotiated settlement in due course.

Michael Alsford, Nomura:

Okay thank you very much.

Frank Chapman: I think it's also fair to say that we've journeyed quite a distance since January of this year in terms of the nature and the tenor of the discussions and I think that's all cracking in quite a positive direction.

Ashley Almanza: I'd agree.

Hootan Yazhari,

Bank of America, Merrill Lynch:

Hi there gentlemen, two questions if I may? First of all, starting with the LNG markets; you alluded to the fact that the markets look a little bit stronger than people had initially been expecting. Are you aggressively marketing further volumes, especially on your Australian assets, on the back of this strength, and to what success if so?

And the second question I had was regarding the progress on the Federal environmental permits you need to make in FID, and when we can expect an FID, and whether there are any other hurdles you want to overcome before taking that final investment decision? Thank you.

Frank Chapman:

I just want to pick up one thing on the LNG, which is, you used the phrase aggressively, I would say that we are actively rather than aggressively marketing. I mean having put away this 180 million tonnes of aggregate expected demand from the current contracts we don't need to be aggressive, but we are active and we are finding good counter parties that want to have the dialogue and who are expressing interest.

So we will continue to build our book and with the flexibility that we have in our portfolio we have the facility of course to supply customers from the existing, 12/13 million tonne portfolio, even before Australia comes on stream. And this provides us with the flexibility to take on new customers, term customers against a prospect of still further extension of the very significant reserves base that we have in Australia underpinning, the prospective third train.

So that's a sort of picture, marketing - we're absolutely at it, I think the team has done an outstanding job in capturing all of this demand in a relatively short period and they're still out there and they're still doing their journeymen's job.

Ashley, do you want to add anything?

Ashley Almanza:

The only thing I'd add to that is to keep in mind that this is demand led, of course we're active and any transaction requires a willing buyer and a willing seller, but it's demand led. The buyers are also coming to us; they differentiate between projects that look viable and can offer flexibility from the general schedule of proposed projects and happily they identify BG's projects as those they can rely on to deliver supply.

So this is demand led and the only other comment I'd make is we have continued throughout this period of strong supply in the short term, we have continued to see good demand for long term supplies from the early/middle part of the decade which - reinforces our view that the market will be supply constrained in that timeframe.

Frank Chapman:

Yes, it's not just BG that thinks the market's growing, a lot of the customers have come to that conclusion as well and that's why they're in the market buying for '12, '13, '14, '15 - you know they're buying for those years, new long term contracts commencing in that timeframe.

Moving on if I may to Australia the process with the Federal approvals, of course we were waiting for the environmental approval and what's called the Coordinator General's Report from Queensland State. That was a very significant milestone that we passed recently. The report was handed to the Federal Government and they have come up with a series of questions, which is part of the normal process. They're all

questions which are dealt with already within the EIS, that's still in the public domain of course. And what we are in the process of doing is providing clarifications that they've requested and we're confident that we will be able to provide those clarifications.

Now as I mentioned earlier in my remarks, of course we've got the engineering and procurement progressing, we've got the major contract award with Bechtel and other major contract awards pending. We have the large resource position, the customer end of it tied down, we've got the financial wherewithal to do it and we know what we're doing, we know how to do this.

So once the environmental approvals final hurdle is crossed we will take sanction of the project and I do expect that sanction to occur before the end of the year.

Hootan Yazhari,
Bank of America, Merrill Lynch:

Fantastic, thank you gentlemen.

Gordon Gray, Collins Stewart:

Thanks, afternoon gentlemen. Two quick ones please. If you could just give me, firstly, a little bit more rationale for your exit from Oman? And secondly, in the context of the recent deals you've done in the US, whether you can tell us about whether you think there's been a change, or what degree of change to the ultimate production capability of those assets is? Thanks.

Frank Chapman:

Oman exit, basically we drilled seven wells there and all of these wells encountered gas and condensate and in economic quantities. Really the decision boils down to, to what extent will this play be finite, can we find more of this stuff around it - around this existing appraised discovery? And what are the margins like? That it's economic for sure, it meets our hurdle rates, but how does this stack up against other opportunities that we've got in the portfolio? And we

concluded that it's in our best interests actually to acknowledge that this is a good play and it's a successful exploration and appraisal play, it wasn't quite as material as we thought it would be and decided to put it down.

It's a multi tcf play, no doubt about that, but there's better economic returns to be had elsewhere in our portfolio, that itself has changed of course dramatically in - or significantly in recent years. So you know a hard decision actually. You know we've had good relationships out there, done extremely well, would have loved to have stayed in many respects but the right economic decision is actually to put Oman down and move on.

I'm sorry Gordon your second question was?

Gordon Gray, Collins Stewart: What I was saying is that back in February you were talking about 100,000 barrels a day capability from your US assets.

Frank Chapman: Oh yeah, well look what I wanted to do is I wanted to have some more time to work on our plans. I mean we have of course an outline plan when we make these acquisitions we know what we're trying to achieve. But I'd like to come back to you if I may at the strategy presentation next year and give you a much fuller answer to that question in terms of the anticipated production build up and production levels in the 2015 timeframe, which is what you're referring to.

Gordon Gray, Collins Stewart: Sounds good, thanks.

Frank Chapman: Okay thanks. But I mean obviously we're delighted, you know one year in to now be sitting on 8 TCF reserves and resources, you know potential and more to go for in the sense of what we can get out of our existing acreage. We're pretty happy with that and believe we now have critical mass.

Gordon Gray, Collins Stewart: Thank you.

Oswald Clint,

Sanford Bernstein:

Yes, thank you. Maybe back on the US shale gas assets actually. I'm just curious to know, given a lot of the other operators seem to be either reducing the number of wells drilled, or perhaps focusing on the condensate liquids rich wells in particular, and you've talked about being at the end of the cost curve there. I just want to understand that that's still the case and are you still managing to shield yourself from perhaps some of the challenges that other operators are experiencing over there at the moment?

And the second one, I'm just curious, on the LNG market again, as to whether you view or could see the Middle East becoming a credible or an interesting LNG demand market going forward? Thank you.

Frank Chapman:

Yeah, the key to our whole US shale gas play is that we have to be at the low end of the cost curve because there's quite a lot of this stuff and it's not going to be any good having gas if it's at the higher end of the cost curve. So we're very, very focused on acquiring these opportunities at a low unit cost. Opportunities which themselves have a low unit cost for development and operations. So we're still there, we gave some P/I indications, P/I curve indications. In February we said we had an economic breakeven at \$3 a million btus, we remain of that view.

In terms of safety, of course this is paramount, we know there have been one or two incidents, there was one actually last week involving an oil well, it seems to get swept up in the gas story as well. But of course like in all other things that we do we are deploying the highest standards both operationally and in terms of asset design and of paramount importance to us, the number one priority is that we operate safely. And the US setting and the shale gas setting is no exception.

The Middle East, LNG markets - absolutely; I mean we carried in this quarter I believe one cargo to the Middle East. We wouldn't have thought so long ago that South America and the Middle East would have been significant potential LNG markets, they are now. And I think this is a very fair indicator of the sort of out of the box thinking you need to engage in as you contemplate the shape of the LNG market in the future. I think LNG is going to grow strongly as we said before and I believe there's a great deal more potential for LNG trade beyond even BG's projections.

Ashley Almanza:

Oswald, if I can just add a couple of things to Frank's comments on the US shale. First is obviously the well that - the incident that Frank referred to was not in our portfolio. And secondly I think you were also asking a question about the impact of the general price environment on our programme. Since we're at the low end of the cost curve and in any event prices have picked up our programme is not affected.

Oswald Clint,
Sanford Bernstein:

That's great, thank you very much.

Lucy Haskins,
Barclays Capital:

Hi, two questions please. Ashley, I think you indicated at the strategy update that although unit costs have been moving up this year, they would be moving - perhaps back down again into next. Are you still confident that will be the case? And also in the past you've very helpfully actually given us an indication of where E&P capacity is in the quarter, even if volumes may be slightly different. So I wondered if you had that number for 2Q?

Ashley Almanza:

On unit costs, yes I still anticipate that as we get through the ramp up of new production and through this well work over and maintenance programme which is greater in extent and

intensity than it normally is that costs will trend back down.
So no change for my view there.

Frank Chapman: On capacity - I think Lucy's question is if everything operated at its capacity today how much could we produce?

Lucy Haskins,
Barclays Capital: Yes.

Frank Chapman: I think really if I take the best daily production from each of the assets and add it together, you know from the beginning - from say the first six months of this year the number would probably be between 750 and 800,000 barrels a day, something of that order.

Lucy Haskins,
Barclays Capital: That's lovely thank you.

Jon Rigby, UBS: Yes, thank you. Just a couple of questions; on the production profile, it looks like your liquids is unusually hit this quarter. Is that likely to recover going forward or is there a specific reason for that? Could you expect the profile to look broadly the same between liquids and nat gas? The second just on the FX effects, is this a feature and can we expect it to be a feature of your accounts going forward now you've moved towards a US dollar reporting currency?

Ashley Almanza: Let me take both of those Jon. Liquids is a feature of the - what you see in the mix is a feature of the maintenance programme. So a particularly heavy maintenance programme in the UK and in Karachaganak, so that's affected our liquids and I would expect that to come back as we get through that in the third quarter.

Is this an ongoing feature? Yes, it does make predicting net finance costs a little tricky. It does to some extent reflect the

change in reporting currency because of the functional currencies of subsidiaries across the Group; but no I don't expect it to be an enduring feature. I think that this will work its way out of the system as the subs catch up with the Group.

Jon Rigby, UBS:

So it would make the change somewhat odd, wouldn't it, if you just introduced more volatility to your earnings statement?

Ashley Almanza:

It certainly wasn't anywhere in our list of objectives, yeah.

Jon Rigby, UBS:

Okay thanks.

Kim Fustier, Credit Suisse:

Good afternoon gentlemen, just two questions please. Firstly on Brazil, we've observed very high flow rates recently for Franco. Now I appreciate you cannot comment on Petrobras' intentions, but are you concerned at all that Franco might be prioritised in the development timelines over some fields in BM-S 9, and perhaps also Iara? And secondly, it seems that consolidation in the Australian CBM industry could be a real possibility. If it happened, would it change your own position in the pecking order of the various CBM projects, and would you seek to further cooperate maybe with the other players? Thank you.

Frank Chapman:

The Franco flow rates of course are - this information is emerging. Of course we're under a declaration of commerciality timeline for Tupi right now which is coming at us at the end of this year. So from the end of this year the development lease period will start ticking and all of us, Petrobras included are extremely focused on maximising the production - from this lease within the licence period. There's both a very sound economic reason to do that and there's a good faith obligation placed on Petrobras as operator to achieve that on behalf of the partnership.

I actually don't see anything happening at the moment that would make me believe that we're doing anything other than

trying to maximise the recovery during the licence period. Franco of course is considerably earlier in the process and indeed Petrobras have a lot more time in fact to do their appraisal work, do their extended well testing, shoot their development seismic and all of the things that we've been doing since the discovery of Tupi over the last four or five years. So that's where we are with that question.

On consolidation - you know I'll come back to some remarks I made earlier on; we have no plans in Australia for consolidation at present. You know as I said earlier we have the reserves, we have the markets, we have the financial wherewithal, we know what we need to do and how to do it and really we've got the momentum. So there's no need for us to go for consolidation, irrespective of what the other parties do there is no reason why we need to do that. We're on the way, we do not want to disrupt our programme right now to start doing feed studies again and joining two sites together and all that stuff. We're on our way and the name of the game now to maximise value is to realise this project in the shortest timeframe and to add further trains.

Ashley Almanza: Just to add a couple of comments to what Frank said. Firstly on Brazil, important to remember that Tupi and Guara have also exhibited very high flow rates.

Frank Chapman: Yes.

Ashley Almanza: So there's no reason in principle why you would move to accelerate Franco or any other field when you've got very high flow rates on fields which are further ahead in the development phase.

On consolidation - the other part to your question, if another project, or other projects decide to consolidate that won't change the peaking order. If anything ...

Frank Chapman: You'd delay them more ...

Ashley Almanza: Exactly.

Frank Chapman: I mean if you put - if you'd done a feed study for a given scheme and then you decide actually you're going to do that scheme you're going to put two sites together you can't just run with the same utilities layout, the same loading jetty layout, you know if you're going to get the synergies and the value of amalgamation you've got to roll those things together. So you have to stop the clock on what you're doing and start again. And so anyone doing that at this stage has to find value in the proposition - in a net present value sense which is greater and offsets the loss of NPV by delay.

Now of course some of the proponents haven't sold much LNG at present, we don't have that problem. We also do not have a reserves problem. So you know, we are very much in a space that we've created for ourselves, ready to go, we've got the momentum, we need to get this final Federal approval, which we're in the process and we're confident we're going to get through that and when we do we will activate all of these elements that I mentioned earlier on which are ready to go.

Kim Fustier, Credit Suisse: That's great thank you.

Thierry Bros, Société Générale: Good afternoon. I have one further question on LNG. The LNG you're selling for 2010 to 2012 is mostly termed out, but there is some flexibility volume. So therefore, your profit guidance that you mentioned in February, you said 1.8 billion to 2 billion for 2010, '11 and '12, are we going to see this - can we see this as too conservative, not only for 2010, but also for 2011 and '12?

Frank Chapman: You're teasing us now Thierry, I can see that.

Thierry Bros, Société Générale: I'm trying, I'm trying.

Ashley Almanza: I'll leave it to you to decide how you see it, but Thierry what I'd say is that we're only half way through the year and it is right to say that we now expect to be at the top end of the guidance for the current year. But no change to '11 and '12, we've still got a bit further to run before we can give you an update on 2011, 2012.

Thierry Bros, Société Générale: Okay, all right I've tried, thank you.

Lucas Herrmann,
Deutsche Bank: Thanks very much, Frank, Ashley good afternoon.

Lucas Herrmann,
Deutsche Bank: Well you know, Ashley has kind of got a single job now, so you know my question is kind of invalid and you've ruined the one of the last few quarters.

Frank Chapman: We did that for you.

Lucas Herrmann,
Deutsche Bank: Well that's very kind of you; I'm pleased to see it anyway. Look, a couple of quick ones. Firstly in terms of the time it's taken so far to gain approval for QGC LNG, what's that done in terms of the timing of start up? If I go back to the initial acquisition, I think you were talking end '13, beginning '14, clearly you've done a huge amount of background work, planning etc, etc, drilling is obviously not delayed in any way. So what happens with timelines with start up, assuming that you get approval by the end of this year and you take FID by the end of this year?

And just following on, I mean given the amount of activity that looks as though it may be taking place in Australia around LNG, your temptation must be to take FID on a third train as well, relatively soon after the first two have been announced

so that your constructors, etc, can just roll from one to the next. Is that a sensible observation or thought?

Frank Chapman:

First off, beginning of 2014 remains a target, remains the plan I should say for that. So we're okay with maintaining that. I think actually we also need to recognise that the process that we've gone through is actually very rapid, you know we've ...

Lucas Herrmann,
Deutsche Bank:

Yeah, I agree entirely.

Frank Chapman:

You know we've gone from stepping into the country two and a half years ago to where we are today that's - you know warp speed. You know the younger people on the telephone won't know what warp speed is, they've missed all of that stuff that I enjoyed in my youth. So this is really very fast progress. So we don't feel as if we're lagging behind in any way; I mean we're making good progress.

In terms of a third train, as I said earlier on in response to another question we are out there actively marketing and we will oversell the number of seats on the first two trains as it were. And you know at the same time I think we are drilling this year, something like 48 exploration wells in completely virgin plays if you like, or for BG new areas - so this is as distinct from appraisal wells in the Surat we're drilling quite a lot of exploration wells, particularly in the Bowen basin, which number I think in total I want to say 43 or 48 I can't recall. And of course that's all focused on proving up more resource for the third train.

Now the other aspect really of potential resource for the third train is what actually happens with the reserves base in the Surat as we start to produce it. This is a play where you have coals and a lot of interbedded sands and the degree to which the interbedded sands contribute to the reserves is still a factor that we need to study and assess as we produce areas

of the field. And there's the potential there for seeing more production from the existing areas, but we will need some more production history before we can make a conclusion on that.

So yes, I think it's fair to say that we are very clearly focused on the next phases of QC LNG, we're exploring, we're selling and we're also ensuring that we make ourselves aware of all of the other ways of extracting value, once you've got an up and running LNG plant you can make yourself available to buy at the well head or process for a fee other people's gas. So the option for doing some of that as we optimise our own exploration programme exists as well.

So these are the factors that we will work on and I have to say I happen to be very, very optimistic. You know when we stepped into Australia with an idea of about 7 plus tcf of gas and you know in this short period we've now got 17.3 tcf and we've got all this acreage, I have to say I feel reasonably optimistic that we're not at the end of the creaming curve just yet.

Lucas Herrmann,
Deutsche Bank:

Thanks very much Scotty.

Frank Chapman, Chief Executive

Thank you for your questions.

Finally, I would like to recap the main highlights:

- we have reported good results for the Second Quarter;
- earnings per share were up 19%;
- we've had further appraisal success on Tupi, where production from our first permanent production facility is expected later this year;

- in Australia, we remain on track to sanction the QCLNG project later this year; reserves and resources now stand at 2.9 billion boe
- we've substantially increased our US shale gas interests to more than 1.3 billion boe; and
- the Board has approved an interim dividend of 9.82 cents per share.

Thank you for taking part in the conference call today. I would like to remind you that we will be announcing our Third Quarter results on the 2nd of November. Thank you once again, and goodbye.