



Unconventional LNG Friend or Foe?

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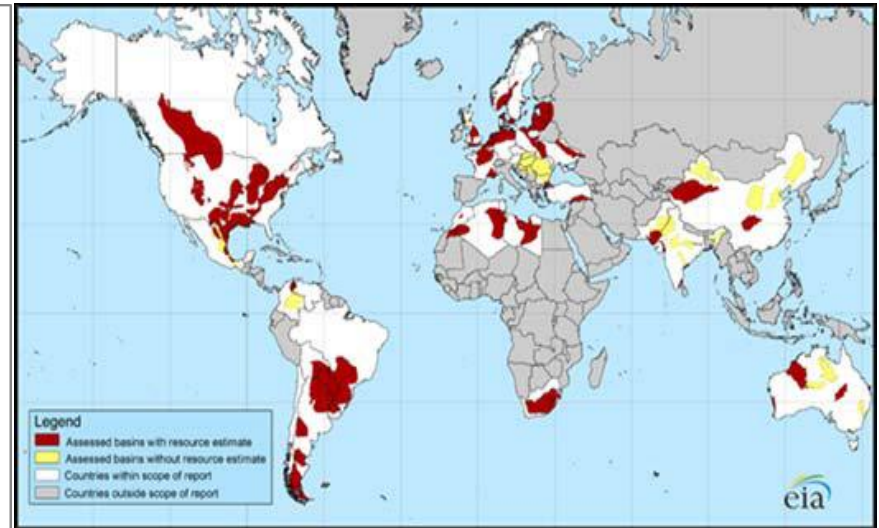
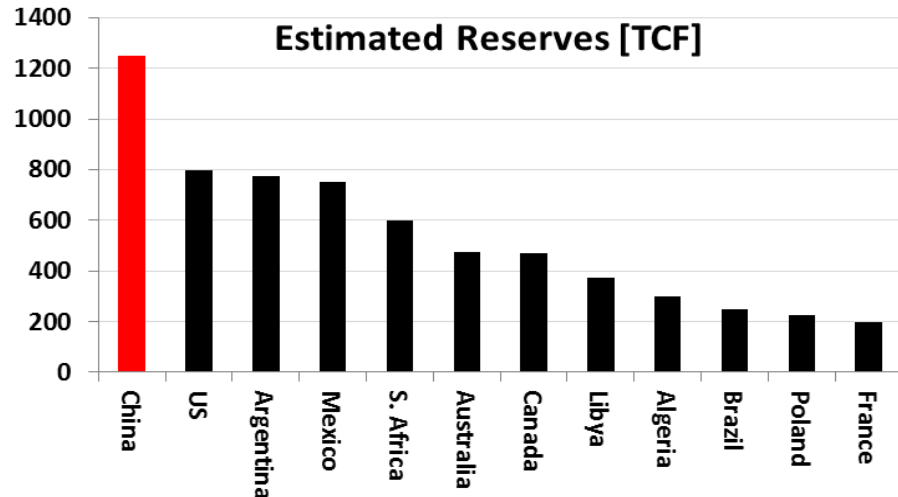
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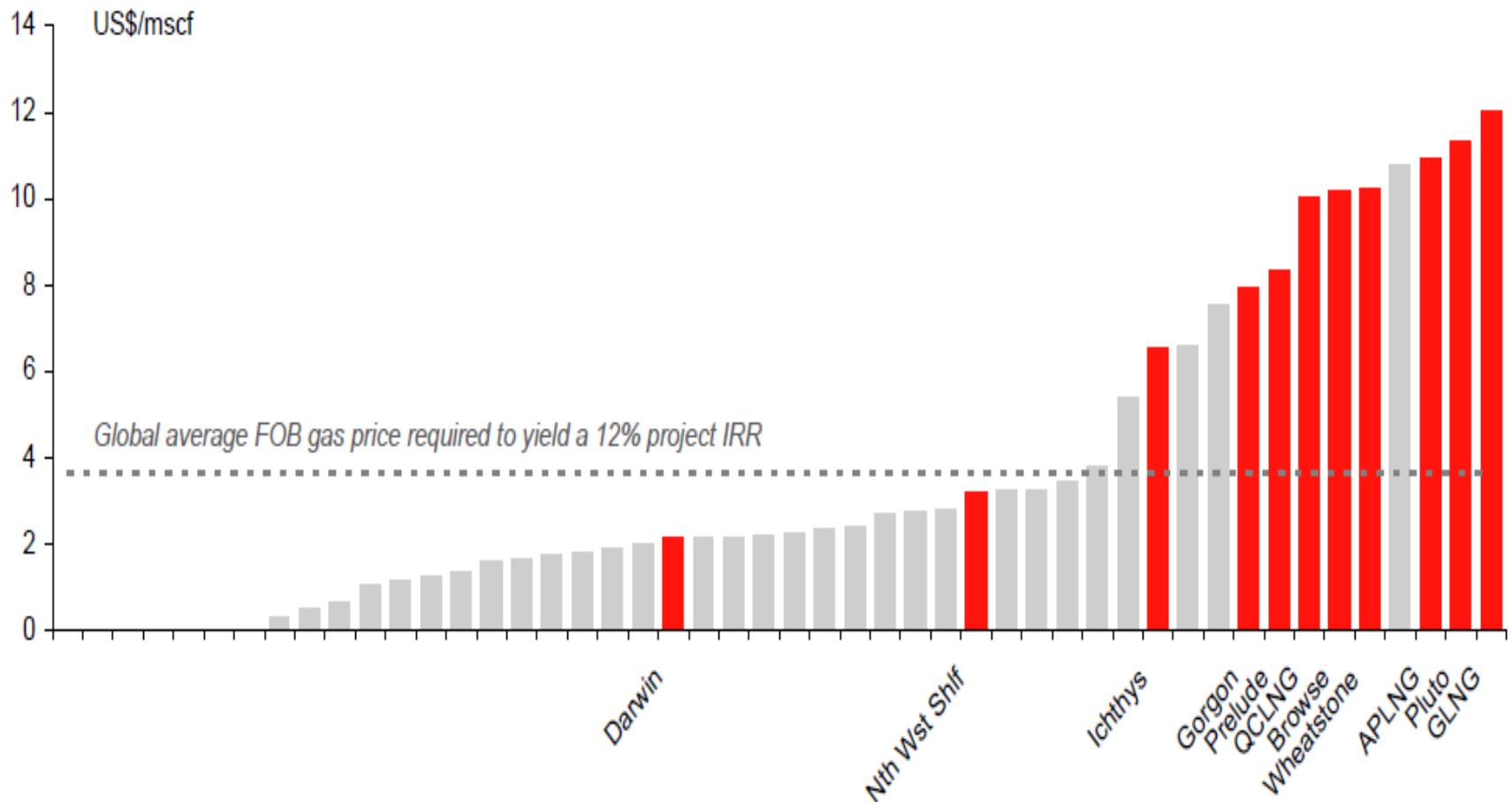
Staggeringly High Global Unconventional Gas Reserve Estimates



Source: EIA, Macquarie Research (USA), January 2012



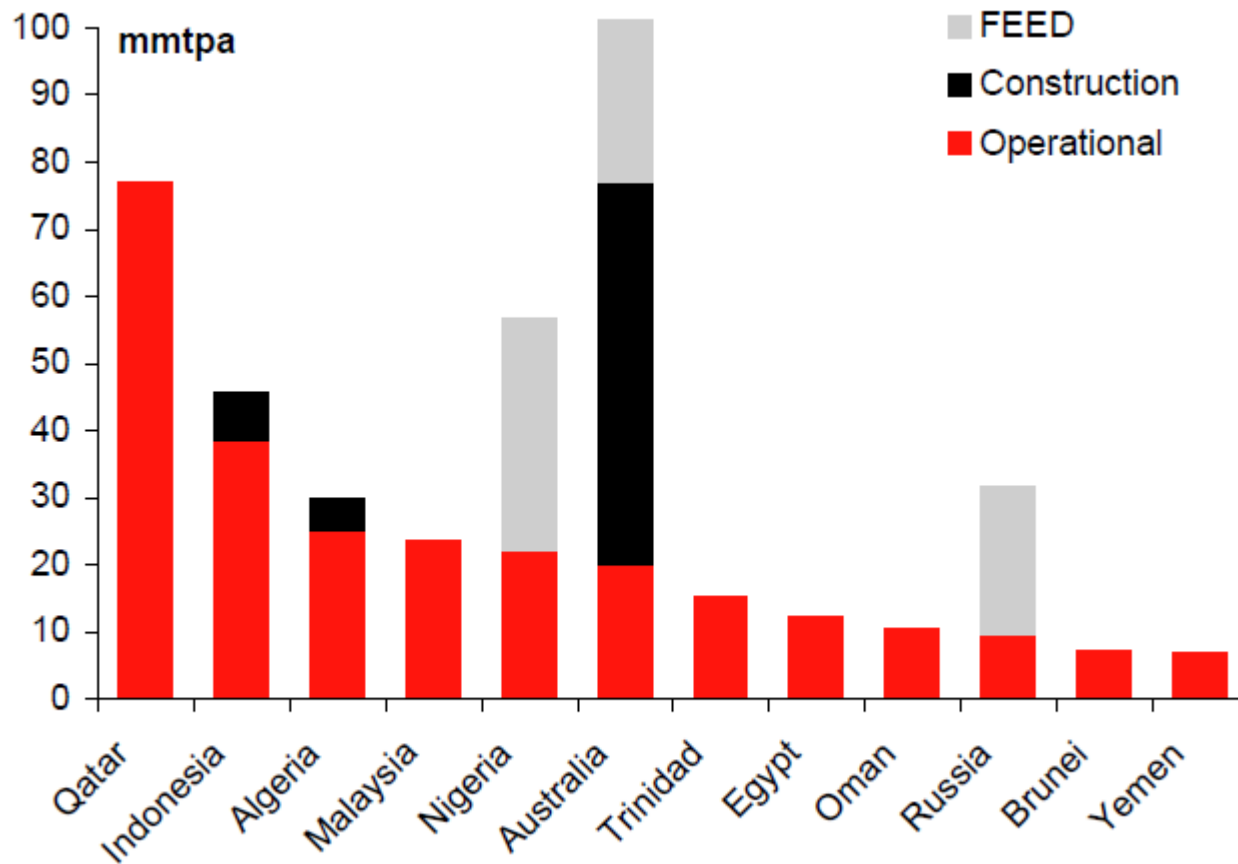
Why unconventional matters: Australian projects are already the highest cost



Source: Wood Mackenzie, Macquarie Research (USA) estimates, January 2012

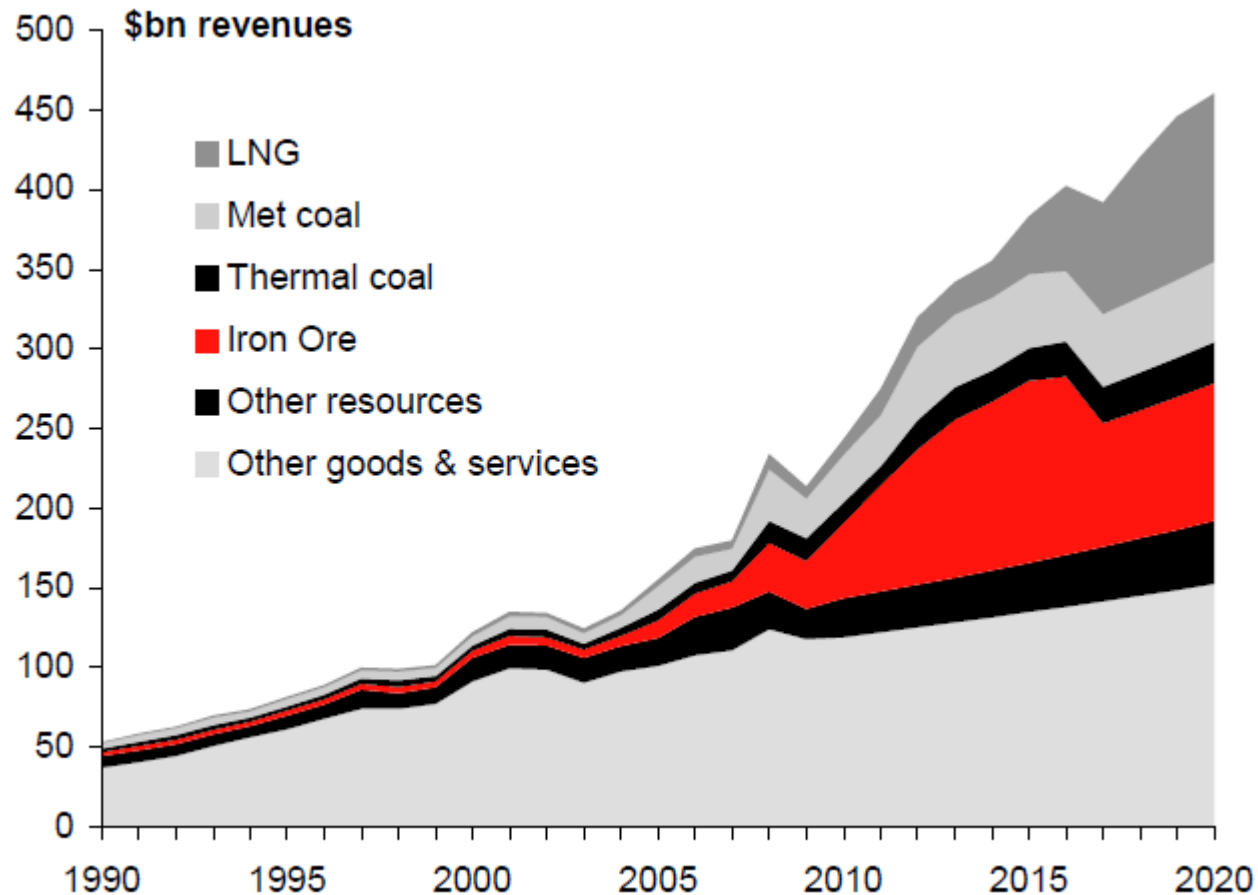


Australia could become the largest LNG producer in the





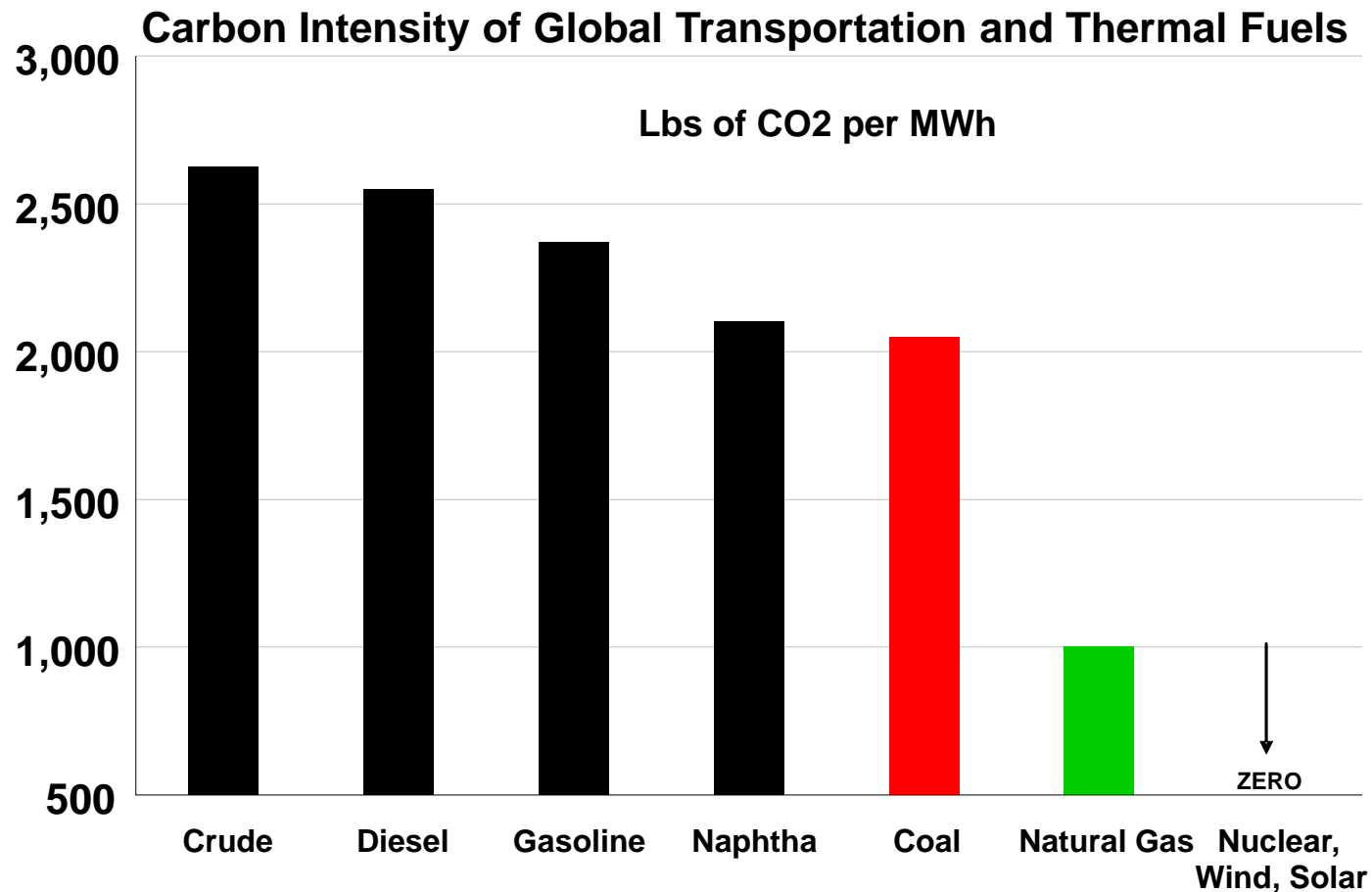
LNG revenues will quickly impact national revenue totals for Australia



Source: Macquarie Research (USA) estimates, January 2012



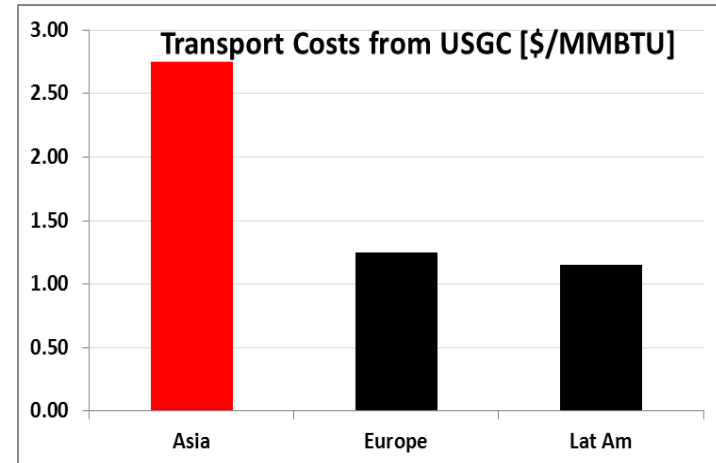
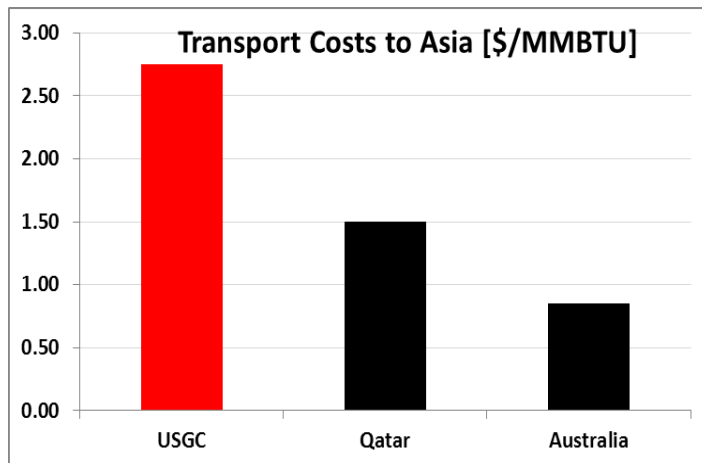
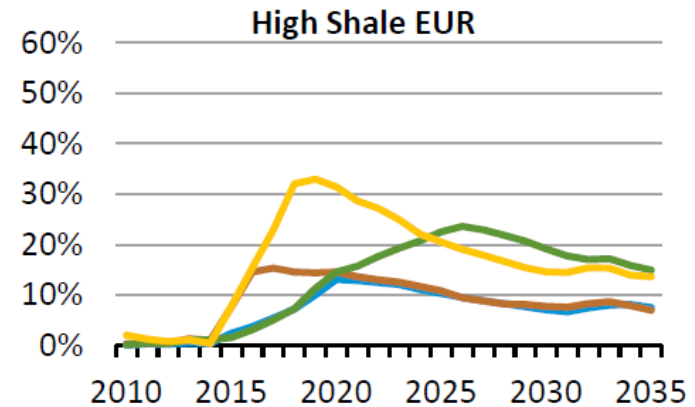
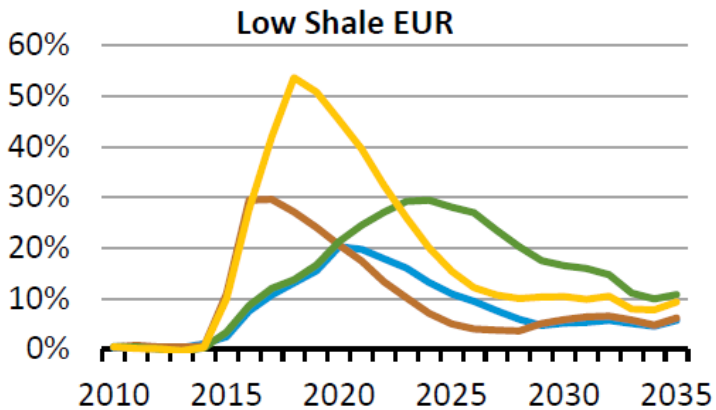
Natural gas is more socially responsible than any other bulk fuel



Source: EIA, Macquarie Research (USA) estimates, January 2012



U.S. Gas: Why Unconventional Matters: Shale scenarios / impact on U.S. gas prices



Source: Macquarie Research (USA) estimates, January 2012



Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand

Outperform – return > 3% in excess of benchmark return
 Neutral – return within 3% of benchmark return
 Underperform – return > 3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected <-10%

Macquarie First South - South Africa

Outperform – return > 10% in excess of benchmark return
 Neutral – return within 10% of benchmark return
 Underperform – return > 10% below benchmark return

Macquarie - Canada

Outperform – return > 5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return > 5% below benchmark return

Macquarie - USA

Outperform – return > 5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return > 5% below benchmark return

Volatility index definition*

This is calculated from the volatility of historic price movements.

Very high–highest risk – Stock should be expected to move up or down 60-100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40-60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30-40% in a year.

Low–medium – stock should be expected to move up or down at least 25-30% in a year.

Low – stock should be expected to move up or down at least 15-25% in a year.

*Applicable to Australian/NZ stocks only

Recommendation – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense

Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit /efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit /average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation
 *equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2011

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	56.59%	65.60%	54.55%	44.53%	75.28%	49.46%	(for US coverage by MCUSA, 10.53% of stocks covered are investment banking clients)
Neutral	33.45%	20.55%	38.96%	50.20%	22.47%	32.36%	(for US coverage by MCUSA, 10.96% of stocks covered are investment banking clients)
Underperform	9.96%	13.85%	6.49%	5.27%	2.25%	18.18%	(for US coverage by MCUSA, 0.44% of stocks covered are investment banking clients)

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