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Freeport LNG and Macquarie Create Strategic Partnership for LNG Liquefaction Project

- **New facilities to liquefy and export up to 1.4 Bcf/day of natural gas through four liquefaction trains**
- **Growth demand in global energy markets and abundant U.S. natural gas supply support a Gulf Coast LNG export facility**
- **Ideally located for natural gas export**
- **Competitively priced LNG to be delivered into international growth markets**
- **Freeport LNG and Macquarie Energy to jointly market liquefaction capacity**
- **Promotes regional and local economic development and job creation**
- **Existing infrastructure will expedite development process; commercial operations expected in early 2015**
- **Regulatory approval filings to be submitted before year-end**

HOUSTON, NOVEMBER 22, 2010 — Macquarie Energy, the North American energy marketing and trading arm of Macquarie Group (Macquarie) (ASX: MQG), and Freeport LNG Expansion, L.P. (Freeport LNG) today announced an agreement to jointly develop and market liquefaction capacity at Freeport LNG's existing LNG import terminal near Freeport, Texas. The [proposed liquefaction facility](#) will be capable of liquefying up to 1.4 billion cubic feet per day (Bcf/d) of natural gas and will create a world-class bi-directional import/export LNG terminal.

The Freeport LNG import terminal commenced commercial operations in June 2008 with capacity to unload and vaporize approximately 2.0 Bcf/d (gas equivalent) of LNG. 1.65 Bcf/d of the terminal's import capacity is sold under long-term terminal use agreements. However, due to low natural gas prices in the U.S. relative to global LNG markets, all Gulf Coast LNG import terminals have seen significant underutilization. While forecasts that natural gas prices will remain relatively low in the U.S. do not bode well for import terminals, the price differential has opened up an opportunity to make the U.S. a leading exporter of natural gas.

"Recent developments in shale gas technology have transformed the U.S. gas market. The U.S. has developed significant natural gas resources and is able to meet projected domestic demand with a surplus for a long time to come," said Nicholas O'Kane, Senior Managing Director and Global Head of Macquarie Group's Energy Markets Division.

"Exporting attractively priced gas as LNG from the U.S. will help encourage continued domestic production, balance global market dynamics and offer global buyers a stable, attractively priced fuel supply alternative."

Worldwide growth in both LNG demand and supply is forecasted to continue, with the rate of demand outpacing supply. The majority of the demand growth is expected to be driven by Asia, with other emerging markets further underpinning the overall global demand growth.

"The terminal is located in one of the largest gas producing regions in the world, is near two large natural gas trading hubs – the Houston Ship Channel and Katy Hub – and has access to the extensive US pipeline network," added O'Kane. "Additionally, with the anticipated opening of the Panama Canal to LNG ships in 2014, cargoes being exported out of Freeport will have shorter access into Asia, making it easier to meet regional demand."

According to Michael Smith, Freeport LNG's Chairman and CEO, "not only is this project an extremely important opportunity for Freeport LNG, Macquarie, and Freeport LNG's existing customers, it will also deliver substantial benefits to the U.S., Texas and the local region."

Fully built out, the liquefaction project will require over \$2 billion of direct investment. This will create over 1,000 construction jobs over a 2-3 year construction period. Further, the incremental natural gas exploration and production required to supply the project will create over 20,000 permanent jobs and will benefit the local and U.S. economy by over \$3.6 billion per year.

"The U.S. has been on the cutting edge of developing techniques to economically produce natural gas resources in recent years," said Smith. "There is a significant opportunity to improve the nation's balance of trade and reduce global greenhouse gases by supporting conversion from coal and fuel oil to clean-burning natural gas. For Freeport LNG and its existing customers, this project offers the chance to utilize investments that, under current market conditions, are significantly underutilized."

"For Macquarie," said O'Kane, "this project represents a significant opportunity to participate in a market that has historically been closed to all but the major oil and gas companies. It is easy to get excited about the overall potential of the project."

Joint Development and Marketing

Under the joint development and marketing arrangements, Macquarie and Freeport LNG will exclusively market at least 50% of the liquefaction capacity. Freeport LNG will be offering 50% of the capacity to its existing customers. To the extent Freeport LNG's existing customers choose not to contract for liquefaction capacity, the entire capacity will be jointly marketed with Macquarie. Freeport LNG will lead development of the new facilities, including obtaining governmental approvals, and will be the sole owner and operator of the facility. Macquarie will take the lead in all upstream and downstream arrangements. Macquarie is contributing towards the development costs of the project and the two companies will share in the upside from the marketing effort.

New Liquefaction Facilities

The proposed liquefaction facility includes four liquefaction trains, each with approximately 330 MMcf/day of liquefaction capacity. The existing infrastructure at the Freeport LNG terminal, combined with Freeport's plan to use medium-size liquefaction trains, will enable a much quicker commercial development. A single train of capacity is an economically viable project, and additional liquefaction capacity can be added in manageable increments in response to market demand. Commercial operations are expected to start in early 2015, upon receipt of necessary governmental approvals.

"We are excited that Macquarie has decided to join us in the development and marketing of the Freeport LNG's liquefaction capability," said Smith. "This isn't an agreement to agree. This is a fully detailed arrangement whereby Macquarie is making a very significant commitment of money and resources. These arrangements allow us to develop the liquefaction project faster and offer contractual arrangements to potential customers which Freeport LNG could not have done alone. Macquarie is one of the largest natural gas marketers in North America and also operates on a global scale in both energy and in financial services. They understand the opportunity here and have the right contacts and client relationships to develop this project. They are the right partner for this project and we are very excited to have them on board."

Globally, Macquarie is active in various energy markets including physical and financial markets across natural gas, power, natural gas liquids, LNG, physical oil and crude oil intermediaries. Macquarie provides a wide range of physical and financial products to help clients manage risk.

In North America, Macquarie Energy is ranked as the fourth largest marketer of wholesale natural gas.

Approvals and Process

Freeport LNG expects to file for an export license with the Department of Energy in December and shortly thereafter start the approval process with the Federal Energy Regulatory Commission (FERC).

"Freeport LNG has an existing FERC authorization to construct an expansion of the import terminal, and a portion of the liquefaction project is under that authorization," said Charles Reimer, Freeport LNG's President. "The project will be located entirely within the footprint of our existing plant. We will still go

through the entire review and approval process for the new facilities, but having an existing permit gives us a high level of confidence that the required approvals will be obtained in due course. We've been through the FERC process three times now and, while rigorous and thorough, it is a fair and necessary process."

The government approval process is expected to take around two years, leading to an early 2015 start-up.

About Freeport LNG

Freeport LNG Expansion, L.P., is a wholly owned subsidiary of Freeport LNG Development, L.P. Freeport LNG Development owns and operates a liquefied natural gas regasification terminal located near Freeport, Texas. The terminal started commercial operation on June 12, 2008. Freeport LNG Development has four limited partners: (1) Freeport LNG Investments, LLLP, an entity owned by Michael Smith, which owns a 20% limited partnership interest; (2) ZHA FLNG Purchaser, LLC, a wholly owned subsidiary of Zachry American Infrastructure, LLC, which owns a 55% limited partnership interest; (3) Texas LNG Holdings, LLC, a wholly owned subsidiary of The Dow Chemical Company, which owns a 15% limited partnership interest; and (4) Turbo LNG, LLC, a wholly owned subsidiary of Osaka Gas Co., Ltd., which owns a 10% limited partnership interest. Freeport LNG Development has one general partner that manages the company, Freeport LNG-GP, Inc., which is owned 50% by an individual, Michael S. Smith, and 50% by ConocoPhillips Company.

About Macquarie Energy

Macquarie Energy is the North American energy marketing and trading arm of Macquarie Group, specializing in short- and long-term energy supply, asset optimization and management, hedging solutions, sophisticated risk management tools, and structured transactions for various natural gas and electricity producers, utilities, industrial users and other energy sector participants in North America.

About Macquarie

Macquarie Group (Macquarie) is a global provider of banking, financial, advisory, investment and funds management services. Macquarie's main business focus is making returns by providing a diversified range of services to clients. Macquarie acts globally on behalf of institutional, corporate and retail clients and counterparties.

Macquarie Group Limited is listed in Australia (ASX: MOG) and is regulated by APRA, the Australian banking regulator, as the owner of Macquarie Bank Limited, an authorized deposit taker. Macquarie's approach to risk management is long-standing. Strong risk management practices are embedded in business unit management with central oversight of credit, market, funding, compliance and operational risk. These, together with committed, quality staff are key drivers of Macquarie's success.

Founded in 1969, Macquarie operates in more than 70 office locations in 28 countries. Macquarie employs approximately 15,500 people and has assets under management of over \$US307 billion (\$A317 billion) (as of September 30, 2010).

For further information, please visit www.LNGistheFuture.com or contact:

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