



# Arrow shot at \$673m target

**Tony Grant-Taylor**

WHILE most of the resources sector is deep in the doldrums, Arrow Energy has confirmed the faith in Queensland's glamour industry of 2008, coal seam gas, with a \$673 million offer for Pure Energy.

In what will probably be the last major rationalisation of the local CSG industry, the Arrow offer, which it valued at \$5.40 a share, is \$2.70 a share cash and 1.21 Arrow shares for each Pure Energy security.

That valued Pure — whose independent directors have unanimously recommended the offer subject to a superior one emerging — at \$673 million, more than 80 per cent higher than its market capitalisation last week.

News of the bid propelled Pure's shares \$1.49, or 50 per cent higher, to \$4.47 yesterday while Arrow's fell 24¢, or 10.96 per cent, to \$1.95.

If successful the bid will

significantly expand Arrow's already extensive CSG assets, providing plenty of scope to service both domestic markets and its planned Gladstone liquefied natural gas plant, and perhaps other plants planned for Gladstone.

"The acquisition of Pure and the expanded acreage position it delivers is a logical move for Arrow and is consistent with our strategy to focus on project opportunities with gas resources capable of near-term development," Arrow managing director Nick Davies said.

It will also make Arrow — in the mould of Queensland Gas Company, which was recently acquired by Britain's BG Group — an even more attractive takeover target, with world oil giant Shell, already an Arrow partner, the obvious potential suitor some time down the track.

Arrow's Australian chief

executive, Shaun Scott, said yesterday the attraction for both Arrow's and Pure's shareholders was that the deal would hasten development of Pure's CSG areas.

Many are close to Arrow power stations or on the route of its planned pipelines from both Moranbah and the Surat Basin to Gladstone.

It would allow Arrow to get Pure's currently proved, probably and possible reserves at what Mr Scott said was 38¢ a gigajoule — a massive discount to the prices paid by international giants Petronas, BG and ConocoPhillips to buy into Queensland's LNG through Santos, QGC and Origin Energy respectively.

Arrow already owns 19.9 per cent of Pure and so will splash out only \$551 million to soak up the rest — with the \$269 million in cash required available from internal resources and the upcoming settlement of

its sale of 30 per cent of its exploration and production areas to Shell.

Shell also has a 15 per cent stake and has indicated it will accept the bid.

The bid is subject to Arrow gaining 90 per cent of Pure's equity.

## The deal

**Arrow Energy's takeover bid values Pure Energy Resources at \$673m**

**The offer values Pure shares at \$5.40**

**It comprises \$2.70 cash and 1.21 Arrow shares for every Pure share**

**Pure's shares rose \$1.49 to \$4.47 yesterday**

**Arrow's shares fell 24¢ to \$1.95**