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# No ties, says Arrow after record profit

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Energy

ARROW ENERGY has logged a record full-year profit after boosting production from its Queensland coal-seam gas fields and selling a 30 per cent stake in the fields to energy major Shell.

The company has also provided some competitive tension around its Gladstone liquefied natural gas plans with LNG and Shell, saying selling gas to those parties was a priority, but it had no obligation to do so and would do what was best for shareholders.

Arrow Energy, which is involved in two of five LNG plants slated for Gladstone, appeared to have had an underlying loss after tax due to LNG concept studies that could not be capitalised, according to Credit Suisse.

Chief executive Nick Davies was upbeat about the business and its prospects, which are heavily linked to its ability to shore up gas reserves to supply LNG projects.

“The underlying business is performing extremely well,” Mr Davies said.

This financial year would bring production and operating profit records, he said.

Investors will be firmly focused beyond this year, watching to see whether Arrow is able to secure enough gas reserves to underpin planned LNG plants, and whether oil giant Shell or another company makes a takeover bid.

Brisbane-based Arrow announced yesterday that net profit had jumped 885 per cent to \$366 million due to \$881m of asset sales in the year, including 30 per cent of its gas ground to Shell.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) rose 13 per cent to \$59.6m.

This year’s record operating profit and

production will be underpinned by the \$530m Braemar CSG-fired power station near the Queensland town of Dalby, opened yesterday, of which Arrow owns 50 per cent.

Mr Davies would not comment on speculation that Shell may make a bid.

He did not want to discuss Arrow’s reply to an ASX query this month saying it had been in change-of-control discussions but did not know if a proposal would eventuate.

“The main thing for us is that we’re extremely focused on delivering the (LNG Ltd) Fisherman’s Landing LNG project and then later (Shell’s) Curtis Island project,” Mr Davies said.

“But we will always be checking the market to see what the viable alternatives are.”

Arrow has signed a non-binding heads of agreement with LNG Ltd to supply the \$US500m Fisherman’s Landing plant.

It announced yesterday that it was spending more than \$300m on exploration in the next 18 months as it looked to shore up reserves for Shell’s much bigger, but much less developed, plans.

Arrow Australia chief executive Sean Scott said the company was deep in discussions with Shell and any talks with any other Gladstone LNG proponents were “conceptual”.

Arrow’s agreement with Shell was described as a “plain vanilla” joint venture that did not preclude the company from talking to other players.

On Fisherman’s Landing, Mr Scott said Arrow would always look a better commercial deal.

Arrow shares ended down 11c at \$4.52.