



# **Proud of our past Confident of our future**

**Chairman's Address  
Annual General Meeting**

**20 November, 2009**

## The fundamentals underlying Arrow Energy are strong

- CSG – preferred market sector
- Arrow – advantaged position in CSG
- Focus – singular specialist focus in CSG
- Strategy – clearly defined strategic framework
- Execution – capability to translate plan into action

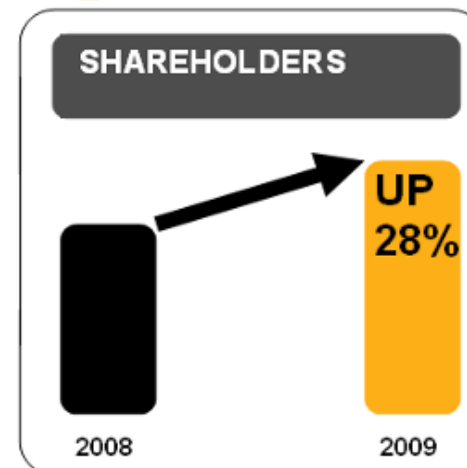
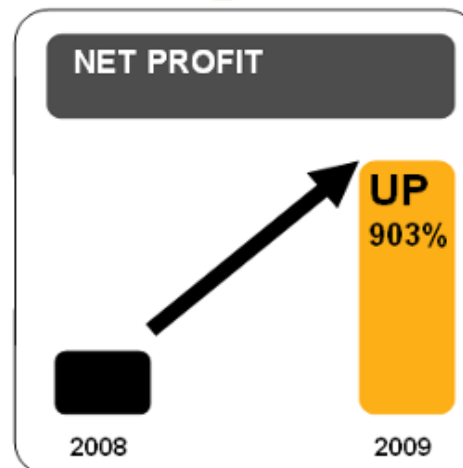
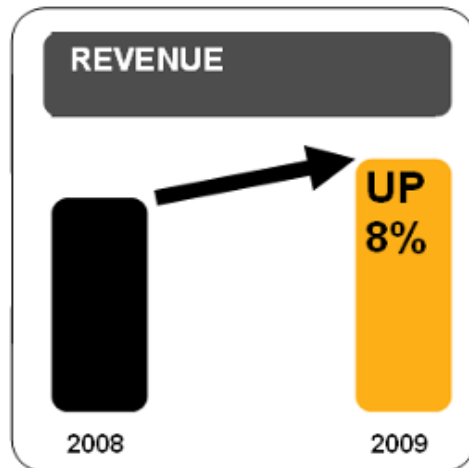
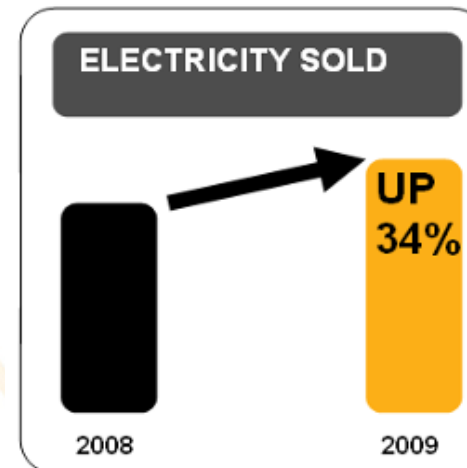
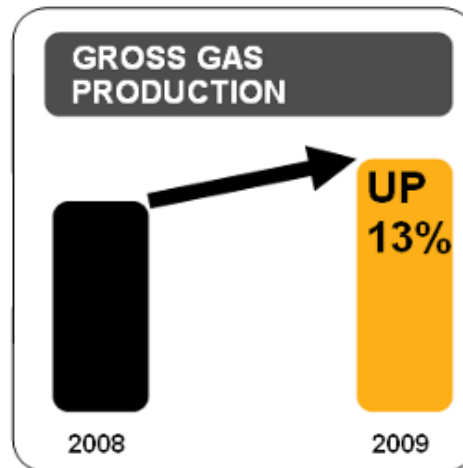
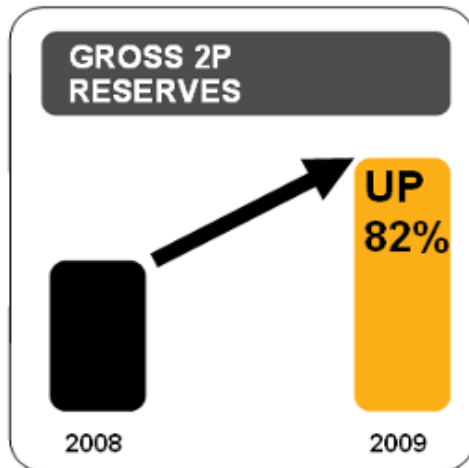
*Arrow – defined by our vision not the downturn*

# Arrow TODAY

- ASX top 100, vertically integrated, specialist CSG company
- 500 people, 8 offices, 6 countries
- Huge acreage and net gas in place
- Rapidly growing power generation
- Advanced participant in LNG industry
- Wide portfolio of quality international acreage
- Domestic and Asia-wide alliance with Shell
- Top level strategic partners
- Robust financial position

***Arrow – poised to meet rising demand for cleaner energy***

# 2009 Report Card



*Arrow – continues to build proven track record*

# A year of achievement

## SHELL TRANSACTION

Shell, one of the world's largest companies, invests in Arrow's future in a deal worth up to \$1 billion.



## NQ PIPELINE SOLD

NQ Pipeline sold for \$205 million to Victorian Funds management.

\$102.5 million banked.

## PURE ENERGY INVESTMENT SOLD

Arrow accepted BG's offer of \$8.25 per share.

\$215 million banked.



## ACQUISITION OF TIPTON WEST

Arrow acquired Beach Petroleum's 40% interest in Tipton West.

Shell purchased 12% of acquired interest for \$99 million.

## BRAEMAR 2 COMMISSIONED

Arrow and ERM power commenced operation of the Braemar 2 Power Station in June.



## DRILLING IN 4 ASIAN COUNTRIES

Indian drilling program continues. Arrow starts drilling in China and Vietnam during FY09. Drilling starts in Indonesia in November.

***Arrow – adding shareholder value through strategic action***

# In 2010 we will...

- 1 FOCUS** as specialist CSG company.
- 2 OPTIMISE** our competitive advantage in CSG.
- 3 EXECUTE** focused strategies.
- 4 SHOWCASE** our Australian operations.
- 5 ADVANCE** LNG plans with certainty.
- 6 LEVERAGE** our end to end value chain.
- 7 CREATE** shareholder value internationally.
- 8 BUILD** our powerful alliances.
- 9 EXCEL** as corporate citizens.
- 10 OWN** individual performance and accountability.

*Arrow – will continue to follow a disciplined focused path*

# FOCUS as specialist CSG company



- Security of energy supply a global concern
- Carbon challenged world - government and community action
- Likelihood of price increases – growth, carbon pricing, LNG
- Asia Pacific economic powerhouse – demand forecasts strong
- CSG increased role in energy mix

***Arrow – fundamentals shaping boundaries are positive***

# OPTIMISE our competitive advantage in CSG

- Prolific domestic resource base
- Over 90% still to be certified for reserves
- Two significant reserves upgrades in 2009
- Target – increase 2P reserves by 1000 PJ each year
- Domestically – launched largest exploration program in our history
- Internationally – delivering on 2007 strategic plan
  - identify tenements, large potential, dynamic growth markets

***Arrow – has a uniquely advantage position in CSG***

# EXECUTE focused strategies

**To date** → travelled clear and disciplined path namely:

- Acreage acquisition
- Reserve certification
- Project development
- Margin growth
- International expansion
- Leveraging value chain

## 2010

1. Aggressively grow upstream reserves and production
2. Achieve excellence in Australian operations
3. Improve margins - through vertical integration
4. Replicate our Australian model – China, India, Indonesia, Vietnam
5. Maintain a healthy financial position

***Arrow – strategies clear and grounded in reality and fundamentals***

# SHOWCASE our Australian operations



- Arrow already world leader in horizontal drilling
- 2010 - redefine economics of extraction
- Strategic alliance with Shell - global best practice
- Adopting the concept of 'Lean Manufacturing'
- Pursuing improvements to safety, margins, quality

*Arrow – operating costs coming down and will continue to do so*

# ADVANCE LNG plans with certainty



- Integral part of high margin strategy conceived in 2006
- LNG has potential to be Australia's most valuable export
- Arrow well placed to be first to export LNG from CSG
- Two-pronged LNG strategy based out of Gladstone
  1. Mid-scale at Fisherman's Landing
    - Brownfield site enabling accelerated development
    - Capacity to scale up to meet operational and marketing needs
    - Toyota Tsusho announced as ultimate buyer
  2. Large-scale on Curtis Island
    - Supply gas into Shell's facility
    - Shell – global leader in LNG
    - Likely first production 2014/15

***Arrow – strategically well positioned in  
Australia's ground-breaking LNG industry***

# LEVERAGE our end to end value chain



- Ambitious explorer to integrated energy company
- Value chain delivers higher overall gas realisations
  - Owns assets, contracts and highly strategic pieces of infrastructure
  - Owns gas reserves, pipelines, power stations and supply contracts to owned assets, third party generators and industrial processes
  - Derives high margin growth through investment in merchant gas and pipeline business, electricity production through Braemar 2 Power Station and other downstream opportunities
  - Planning approval to build major gas pipeline from Bowen Basin to Gladstone and development plans between Surat and Gladstone.

***Arrow – driving excellence and synergy across value chain embedded in our uniquely competitive model***

# CREATE shareholder value internationally

- Our immediate objective is clear and powerful  
To repeat and surpass the success and scale of our Australian business in each of China, India, Indonesia and Vietnam
- Objective based on strong fundamentals whilst realistically addressing challenges
  1. Region an economic powerhouse of 2.7b people
  2. Lucrative energy hungry markets with high demand/supply imbalance
  3. High gas prices and likely positive future trends
  4. Established infrastructure, supportive governments and corporates
  5. Arrow's brand status as technical partner of choice
  6. Specific in-country experience of our team in partnership with Shell

***Arrow – has the capability and resolve to create shareholder value both domestically and internationally***

# BUILD our powerful alliances



- Arrow actively seeks out collaboration opportunities and seeks to be a partner of choice
- We gain competitive advantage through leveraging complementary skills and interest
- Existing highly effective strategic relationships are:

**Domestically** creating linkages with respected companies – AGL Energy, CS Energy, ERM Power, Anglo Coal.

**Internationally** with iconic national energy companies – PetroChina, GAIL India, Pertamina, PetroVietnam.

**Landmark** Australia/Asia wide alliance with Royal Dutch Shell – global and LNG leader with decades of experience in Asia/Pacific.

*Arrow – our culture and capability is guided  
and enhanced by collaboration*

# EXCEL as corporate citizens

- Passionately embrace our responsibility with respect to safety, the environment, land management, cultural heritage, community relations.
  - Safety – launched Target Zero
  - Environment – exemplary compliance plus value-add innovation
  - Land Owners – relationship based on trust and transparency
  - Cultural Heritage – embrace our duty of care
  - Host Communities – deliver practical benefits
- Queensland – clean energy security, significant royalty payments, drought proofing communities, creating jobs

***Arrow – long term commercial success is in lockstep with its leadership as a corporate citizen***

# OWN individual performance and accountability

- Arrow defined by authentic culture based on individual ownership
- Transitioned to medium sized operating company whilst retaining positive small company values
- Injected globally competitive talent across all disciplines
- Entrepreneurial and strategic leadership now matched by execution capability
- Seamless integration of outstanding Shell secondees
- Fit for purpose and readily accessible Board

***Arrow's human thread is capable, cohesive, competitive***

## In Summary

- CSG industry thematics positive
- Arrow advantaged position in CSG
- Following disciplined focused strategic path
- Execution now a core capability
- Profitable domestic strategy in place
- Building first specialist global CSG company

*‘Proud of our past – Confident of our future’*

The main logo and slogan for arrowenergy. The word "arrow" is in orange, "energy" is in black, and "go further" is in black below it. A large, stylized arrow icon is positioned above the "energy" part. The background features faint, light orange outlines of the arrow shape.