

Media release

Friday 1 December 2017

Arrow Energy agrees deal for Surat Basin reserves

Queensland company, Arrow Energy, has today agreed one of the largest gas supply deals on Australia's east coast, to bring to market its significant gas reserves in southern Queensland.

The 27-year deal between Arrow and the Shell-operated QCLNG joint venture, will commercialise the majority of Arrow's gas reserves in the Surat Basin (approx. 5 trillion cubic feet (TCF)), where the company has produced gas for more than a decade.

Arrow Energy CEO, Qian Mingyang, said the company's equal shareholders, PetroChina and Shell, had approved Arrow's execution of a binding Gas Sales Agreement (GSA) following 18 months of detailed work on upstream collaboration agreements.

"The deal offers long-awaited infrastructure collaboration in the natural gas industry, creating better cost efficiencies and enabling us to bring this gas to market in a challenging investment climate," Mr Qian said.

"Collaboration between the parties will see use of existing QGC-operated infrastructure such as gas compression, processing and transmission infrastructure as well as water transport and treatment facilities. Utilising existing upstream infrastructure will reduce impacts to landholders and to communities."

Mr Qian said phased development activity would commence from the expansion of Arrow's Tipton fields, near Dalby, and build to new development areas from around 2021.

The current Queensland total gas supply is ~1,450PJ/yr (4,000TJ/d), of which Queensland residential and industrial demand is approximately 178PJ/yr.*

"Collaboration will accelerate first gas production to approximately 2020, bringing an additional 240 petajoules per year (PJ/yr) or 655 terajoules per day (TJ/d) of gas to the Queensland market at peak production," Mr Qian said.

In addition to state benefits, the deal is expected to bring economic stimulus for local communities through flow-on employment and procurement opportunities, infrastructure contributions and investments in community programs.

The project will create around 1000 new jobs - 800 during peak construction and around 200 ongoing operational roles.

In 2018, Arrow will invest more than \$3.9 million in life-saving social programs including the doubling of specialist heart services to regional Queenslanders through the iconic Heart of Australia program, as well as new Indigenous education programs.

Arrow Energy is continuing to progress development options in the Bowen Basin in Central Queensland where it operates one of the oldest and geographically largest domestic gas projects (Moranbah Gas Project, owned jointly with AGL Energy) for electricity and industrial uses.

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Notes to the Editor: Pronunciation of (Mr) Qian is "Chen". In line with Chinese naming conventions, Qian is the CEO's surname.

Additional information:

- Arrow has supplied coal seam gas from the Bowen Basin (central Queensland) since 2004 and from the Surat Basin (southern Queensland) for domestic use since 2006.
- Arrow recently invested more than \$500M in the Daandine Expansion Project (commissioned in late 2016) and commenced a \$100M+ Produce the Limit (PtL) project earlier this year, to expand capacity at its Daandine and Tipton fields (PtL will increase current production by 30%).
- An Environmental Impact Statement for Arrow's Surat Gas Project received State Government approval on 25 October 2013 and Federal Government approval on 20 December 2013. Since that time, and in a sustained low oil price environment, Arrow has continued to investigate the best monetisation options for its gas including pursuing collaboration discussions with other companies.

* ACCC: Gas Inquiry 2017-2020 - September 2017 Interim Report

Arrow Energy Pty Ltd

Arrow Energy is an integrated coal seam gas (CSG) company. Arrow explores and develops gas fields, produces and sells CSG and generates electricity. Arrow has been safely and sustainably developing CSG since 2000 and supplying it commercially since 2004. The company is working to meet demand for cleaner burning fuels through gas supply.

Arrow is owned by Shell and PetroChina (50/50).

QCLNG is an unincorporated joint venture between Shell, CNOOC and Tokyo Gas.