



# Tax Transparency Report

for the year ended 31 December 2019



## About Arrow

Our company, Arrow Energy Holdings Pty Ltd (Arrow), is an integrated coal seam gas (CSG) company that develops gas fields, produces and sells CSG and generates electricity.

We have been safely and sustainably developing CSG since 2000 and supplying gas commercially from the Bowen Basin in central Queensland since 2004 and from the Surat Basin in southern Queensland since 2006. We are working to increase our gas supply to meet demand for cleaner fuels, with a vision to be the most competitive and respected developer of unconventional gas value chains in Australia.

We are committed to protecting and promoting the social and environmental values of the communities in which we live and work. We contribute to our communities through providing employment, access to health services and educational support. We are committed to ensuring that any collaboration with our communities is positive and aligned with our values of lead, own, solve, integrate and respect.

As a responsible corporate taxpayer, we have elected to provide additional tax-related disclosures by adopting the Board of Taxation's Voluntary Tax Transparency Code (TTC). In this respect, Arrow seeks to disclose the requirements of a 'medium business'. Please note that the disclosures in this report have not been subject to an independent audit.

## Our contribution

We believe our contribution to the Australian community reaches beyond the tax-related information disclosed in this report. Our employees live in, and contribute to, regional economies in southern and central Queensland. Where possible, we also engage local contractors who provide Arrow with services for our projects.

In addition, we continue to contribute to the economy and the broader community through payments of various taxes and royalties to Australian governments. Arrow also remits GST and Pay As You Go Withholding to the Australian Taxation Office.

Direct payments made to Australian governments	2019 \$'000
Payroll tax	5,257
Land tax	168
Royalties	16,131
Fringe benefits tax	683
<b>Total</b>	<b>21,556</b>

## Petroleum royalties

From 1 July 2019 the Queensland State petroleum royalty rate increased from 10% to 12.5%. This rate increase has resulted in Arrow contributing additional dollars to the Queensland economy.

## Tax transparency

Arrow is an independent incorporated joint venture between Shell and PetroChina. Together with its wholly-owned Australian subsidiaries, Arrow is consolidated for both accounting and income tax purposes. As a consequence, these entities are treated as a single entity for income tax purposes and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Since formation, Arrow has incurred significant tax losses as a result of substantial investments in exploration and development. The nature of our business is that we must repeatedly and consistently incur large capital expenditure months and even years ahead of producing income from any gas well. Tax losses are carried forward and can be utilised to offset future taxable income, provided the loss carry forward rules under the Australian taxation law are satisfied.

Arrow had an effective tax rate of nil for the year ended 31 December 2019 as the company does not recognise any deferred tax assets in excess of its deferred tax liabilities. As a result, the net increase in deferred tax assets during the year is not recognised for financial reporting purposes.

Reconciliation of accounting profit/(loss) to income tax expense	2019 \$'000
<b>Accounting loss per statutory accounts</b>	<b>(866,927)</b>
<b>Tax at the Australian tax rate of 30%</b>	<b>(260,078)</b>
Discount unwind on shareholder loans	83,796
Prior year and other sundry adjustments	(2,758)
De-recognition of deferred tax assets	179,040
<b>Income tax expense</b>	<b>-</b>

## Petroleum Resource Rent Tax (PRRT)

PRRT liability is calculated on the taxable profit an entity makes from an interest in a petroleum project in a year of tax.

Arrow is currently not required to pay PRRT as the company's assessable receipts derived from its projects are not greater than the total undeducted expenditure in a year of tax.

From 1 July 2019 PRRT ceased to apply to onshore petroleum activities.

## Income Tax

Arrow is not required to pay income tax due to the company incurring a tax loss for the year ended 31 December 2019. A reconciliation of the accounting loss and estimated tax loss is shown in the table below.

Reconciliation of accounting profit/(loss) to income tax payable	2019 \$'000
<b>Accounting loss per statutory accounts</b>	<b>(866,927)</b>
Permanent differences	
Discount unwind on shareholder loans	279,320
Sundry adjustments	(261)
Temporary differences	
Fair value on derivatives and investments	29,607
Accounting provisions (including rehab)	(137,743)
Unrealised foreign exchange	35,810
Fixed assets adjustments	477,649
AASB 16 lease adjustments	(22,606)
Other adjustments	(1,516)
<b>Taxable income/(loss)</b>	<b>(206,667)</b>
<b>Income tax payable</b>	<b>-</b>





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