

Media release

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Arrow enters FEED for substantial Surat asset expansion

Arrow Energy today announced that it will undertake the front-end engineering design (FEED) phase for a proposed major expansion of its Tipton gas project 30km west of Dalby in Queensland's Surat Basin.

Arrow Energy CEO Qian Mingyang said the project involved a significant upgrade of existing facilities, and would more than double production capacity from Tipton to more than 80 TJ/d.

"This project continues the development of the Arrow resource which will see more gas in the market," Mr Qian said.

The project followed a recent \$600M+ investment by Arrow in its Surat Basin infrastructure, comprising the \$500M Daandine expansion project (commissioned in late 2016) and commencement of a \$100M+ Produce the Limit (PtL) project earlier this year, to expand capacity at its Daandine and Tipton fields.

The Tipton expansion FEED contract would be awarded within weeks through the company's engineering master service agreement.

"The planned expansion of Arrow's Tipton operations is expected to involve 90 new wells in the initial phase and another 180 wells over the next 25 years - along with new gathering lines, an upgraded water treatment facility and four new compressors," he said.

"The PtL project is well under way, and will enable Arrow to run existing compression facilities to their maximum design limits, increasing our current Surat production by up to 30 per cent."

Together, the expansion projects (Daandine, PtL and Tipton) would bring Arrow's Surat gas production to more than 170 TJ/d, for both domestic and export use. They represent a strong commitment by Arrow to the development of its Surat Basin reserves despite challenging economic conditions.

Mr Qian said that after FEED was complete, Shareholders would consider a Final Investment Decision.

He said that in addition to these expansion activities, collaboration with industry proponents would be important in bringing Arrow's sizeable gas reserves into the east coast gas market.

"I am expecting that we will reach agreement on a path to market for the majority of Arrow's Surat Basin gas reserves later this year."

-ENDS-

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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.

Background points:

- 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.
- The Tipton expansion FEED process focuses on the detailed technical requirements for the project, providing more clarity around costs. It produces a basic engineering design package, which is the basis of detailed engineering and construction and commissioning activity.
- After the de-bottlenecking project currently under way, the Daandine central gas processing facility (CGPF) will be able to process up to 80 TJ/d (terajoules per day); currently running 55 TJ/d
- The Tipton CGPF processes up to 33 TJ/d; potentially increasing by 48 TJ/d to 81/day after the Tipton expansion.
- The project costs provided are the estimated value of project spends to the early 2020s.
- Gas from Arrow's Surat facilities will be used for domestic and export purposes.
- Gas supply arrangements (GSAs) and the status of collaboration discussions are commercial-in-confidence.
- Arrow has an Engineering Master Services Agreement with the CACJV - Clough Amec Foster Wheeler & China Petroleum Engineering Joint Venture.
- Investment decisions (i.e. FID) and the timing of them are matters for Shareholders.

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, and now delivers almost 20 per cent of Queensland's gas supply from its five CSG fields in the Bowen and Surat basins, in central and southern Queensland respectively. The company is working to meet domestic and international demand for cleaner burning fuels through gas supply.

Arrow is owned by a joint venture company between Shell and PetroChina (50/50).