



# TAX TRANSPARENCY REPORT

for the year ended 31 December 2018

## > About Arrow

Our company, Arrow Energy Holdings Pty Ltd (Arrow), is an integrated coal seam gas (CSG) company that explores and 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. The volume of our production equals about one-quarter of Queensland's annual gas demand. We are working to increase our gas supply to meet demand for cleaner fuels, with a vision to be Australia's most competitive and innovative onshore gas company.

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' and 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, two 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	2018 \$'000
Payroll tax	4,946
Land tax	166
Royalties	11,214
Fringe benefits tax	754
<b>Total</b>	<b>17,080</b>





## › 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 2018 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	2018 \$'000
Accounting loss per statutory accounts	(752,404)
Tax at the Australian tax rate of 30%	(225,721)
Discount unwind on shareholder loans	75,897
Prior year and other sundry adjustments	347
De-recognition of deferred tax assets	149,477
<b>Income tax expense</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.

### Income Tax

Arrow is not required to pay income tax due to the company incurring a tax loss for the year ended 31 December 2018. 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	2018 \$'000
Accounting loss per statutory accounts	(752,404)
<i>Permanent differences</i>	
Discount unwind on shareholder loans	252,989
Sundry adjustments	438
<i>Temporary differences</i>	
Fair value on derivatives and investments	(23,135)
Accounting provisions (including rehab)	(32,791)
Unrealised foreign exchange	395,002
Fixed assets adjustments	(43,539)
Other adjustments	(2,854)
<b>Taxable income/(loss)</b>	<b>(206,294)</b>
<b>Income tax payable</b>	-

**Arrow Energy**  
Level 39, 111 Eagle Street  
Brisbane QLD 4000 Australia  
Telephone +61 7 3012 4000  
[www.arrowenergy.com.au](http://www.arrowenergy.com.au)

**Disclaimer**

While Arrow Energy Pty Ltd has endeavoured to ensure that all information provided in this publication is accurate and up to date at the time of publication, it takes no responsibility for any error or omission relating to this information. Furthermore, the information provided shall not constitute financial product advice pursuant to the Australian Financial Services Licence held by Arrow Energy Pty Ltd's related body corporate. To the maximum extent permitted by law, Arrow Energy Pty Ltd will not be liable for any cost, loss or damage (whether caused by negligence or otherwise) suffered by you through your use of this publication. © Arrow Energy Pty Ltd March 2019