

Arrow Gas For Export Market In Multi-Billion Dollar LNG Export Deal

Arrow Energy will supply gas to a new liquefied natural gas (LNG) export facility planned for Queensland's Port of Gladstone in a multi-billion dollar deal that has the potential to more than double Arrow's forecast production.

Chief Executive Officer, Nick Davies, said Arrow had signed a heads of agreement with LNG International Pty Ltd (LNGI), supported by the world's largest independent owner of LNG transportation, Golar LNG Limited and a high investment grade Japanese LNG buyer.

He said under the agreement, Arrow proposes to supply 55 PJ per annum for 12 years from late 2010, with an option for another 55 PJ per annum from as early as mid-2011, subject to a second LNG train being developed. "The first stage of the facility is designed to produce around 1 MMtpa of LNG with an option to expand to 2 MMtpa", Davies said.

"Arrow's gas will be supplied at a base price with an upside linked to oil prices, providing the company with significantly higher prices than gas priced for electricity generation. This

is the breakthrough we've been looking for and planning towards over the past 15 months."

He said Arrow's strategy has been to seek a viable export project for its coal seam gas (CSG) from the east coast that would give it exposure to oil pricing and to help break out of the low gas price environment caused by the wide availability of coal. Currently forecasting production of a net 60 PJ of gas by 2010, Davies said Arrow's strategy had been building up its resource position in preparation for the groundbreaking deal.

"Last year's merger with CH4 Gas Limited, the investment and farm-in to Pure Energy Resources Limited Bowen Basin CSG acreage and the \$265 million investment by Sweden's Energy Infrastructure Group AB in our acreage were all designed to get us a critical mass of reserve certification options aimed at supplying the Port of Gladstone so that we could export gas as either LNG, CNG (compressed natural gas) or GTL (gas to liquids)," he said.

Davies said Arrow also has the option to aggregate the gas supply from multiple

sources, including joint venture parties, which will provide the impetus for development of Arrow's Bowen Basin, coastal Queensland and Pure Energy joint venture coal seam gas holdings plus associated major pipeline infrastructure.

Discussions are currently underway with relevant authorities regarding a likely facility location in the Gladstone Port area. "Arrow is drawing up a 2008 financial year exploration and appraisal programmes targeting net 2P (proved and probable) reserves of 1,500 PJ, with a target for gross un-contracted reserves that could access the Port of Gladstone, of around 1,100 PJ during the year", he said.

"That reserve level would be more than adequate to meet the needs of the first LNG train, with any additional reserves required for the second LNG train to be added in the 2009 financial year. The significant field development that will follow on immediately from this reserve certification program is also being assessed for implementation in the 2009 and 2010 financial years." ■