

# ASX Announcement



4 January 2009

## Project Restructure To Give Arrow LNG Production Ownership.

Leading Australian coal seam gas producer, Arrow Energy Limited (ASX:AOE, Arrow), will now own the liquefied natural gas (LNG) produced from the first LNG train of the proposed Gladstone LNG Plant at Fisherman's Landing under a revised Heads of Agreement (HoA) containing principles of a restructure executed with Liquefied Natural Gas Limited (ASX: LNG, LNG Ltd).

LNG Ltd have made exceptional progress in achieving project milestones during 2009 leaving only the commercial structure for final resolution. During discussions to convert the 17 February 2009 HoA between Arrow and LNG Ltd it became obvious that the most suitable commercial structure for Fishermans Landing involved Arrow owning the gas from initial production through to the point of LNG sale to the end user (Golar Energy/Toyota Tsusho). Under the revised proposal the project will be split into an optimised structure of "InfraCo" and "TrainCo".

InfraCo will be established as an unincorporated joint venture (UJV) between Gladstone LNG (51%), a wholly owned subsidiary of LNG Ltd, and Arrow (49%) to own, design and construct the LNG project infrastructure including the storage tank, jetty/ship loading and all related facilities and services (excluding the liquefaction train).

TrainCo will be 100% Arrow owned and will develop the first 1.5 million tonne per annum LNG train on land under a sublease from InfraCo. The LNG train will include gas pre-treatment and liquefaction facilities, and will utilise LNG Ltd's OSMR™ liquefaction technology under a technology licence and fee agreement. Arrow will source the gas for the LNG train from its fields in the Surat Basin and, subject to final agreed terms, will retain an option to develop an additional LNG train at Fishermans Landing.

An overall Project Director will be appointed with responsibility for the development from the Surat gas fields through to LNG loaded into a Golar Energy LNG ship at Fisherman's Landing.

The project remains on track for FID in the March quarter 2010 and to produce first LNG in late 2012.

Golar LNG Energy Limited will have the potential to participate as part owner of InfraCo and TrainCo.

Arrow Energy Chief Executive Officer Nick Davies said the new principles of agreement provide a better commercial structure to deliver the world's first coal seam gas to LNG export facility.

"Arrow has shared a strong relationship with LNG Ltd since May 2007 and both companies are committed to delivering the world's first coal seam gas to LNG shipment in 2012," Mr Davies said.

"Our new agreement provides the Fisherman's Landing LNG Project with greater certainty through the integrated development and ownership of the LNG process" he said.

**ENDS**

For and on behalf of the Board  
Paul Marshall, Company Secretary

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