

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **PetroChina circles Karoon's \$300m-plus Poseidon stake**
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Chinese state-owned giant, PetroChina, may extend its grip on one of the largest gas finds off the coast of Western Australia if it forges ahead with a potential **acquisition** of Karoon Gas's \$300 **million** plus **stake** in the Poseidon field.

PetroChina, the listed arm of **China** National Petroleum Corp, already controls a 20 per cent **stake** in the discovery, and is understood to be among a number of parties engaged in tentative discussions about a deal.

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A buyer will be confirmed within weeks with cash-strapped Karoon selling either a majority of its holding, close to 30 per cent, or exiting entirely.

UBS and Morgan Stanley have been advising the **company** and speculation circulated earlier this month about a prospective \$200 **million equity** raise aimed at shoring up the balance sheet.

However, Poseidon has drawn the interest of a handful of major **energy** players, including Perth-based Woodside, which is grappling with lacklustre growth in the wake of the abandoned Leviathan investment.

Royal Dutch Shell has also cast an eye over the field, which sits north-east of the Browse gasfields and was discovered by US heavyweight, ConocoPhillips, and Karoon back in 2009.

Shell holds 27 per cent of the Woodside-led Browse joint venture, in which PetroChina is also a participant, although the **company** recently pledged to be more rigorous on capital spending.

Another contender for Poseidon is the Thai **oil** and gas giant PTT, which is offloading its \$2 **billion** Montara gas project and its Cash and Maple gasfields off the coast of Western Australia amid a global trend among large players to pursue higher-growth prospects.

Yet PetroChina appears to have emerged as the strongest bidder.

A deal would likely entail approval from the Foreign Investment Review Board and ConocoPhillips would need to opt not to exercise its pre-emptive rights over the asset.

PetroChina forked out over \$270 **million** for one-third of the US major's **stake** and a play for another 30-odd per cent would take its holding in Poseidon to over 50 per cent.

If the **Chinese** giant decides to cement its grip, this would underscore the country's **energy** strategy is to own the source of its mounting **oil** and gas needs rather than assume an investment role along the lines of the Japanese approach.

The likes of Mitsui seem content to hold minority slices in large-scale assets, enabling them to monitor and oversee progress but absolving them of control.

CO cnpngc : China National Petroleum Corp | karoon : Karoon Gas Australia Ltd | pechin : PetroChina Company Limited

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RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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