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Sydney Mining Club

Shaun Scott CEO (Australia) – Arrow Energy Ltd

2nd July, 2009

- An Australian Stock Exchange (ASX) top 100, vertically integrated, specialist CSG company operating in five countries
- Australian/Asian alliance with Shell
- JV Partnerships with some of Asia's leading companies
- Huge domestic acreage position over eastern Australian coal beds with over 8 TCF of gross 3P reserves
- Operating 20% of Queensland's gas supply together with 375 MW of net generation capacity
- Advanced plans for the world's first export CSG to LNG plant in Gladstone, on Fisherman's Landing and later, larger quantities from a proposed Shell world-scale 16 mtpa plant on Curtis Island
- Current cash level c. A\$400m

Gas Production

- Daandine Joint Venture
- Kogan Joint Venture
- Moranbah Gas Project
- Stratheden Joint Venture
- Tipton West Joint Venture

Electricity Production

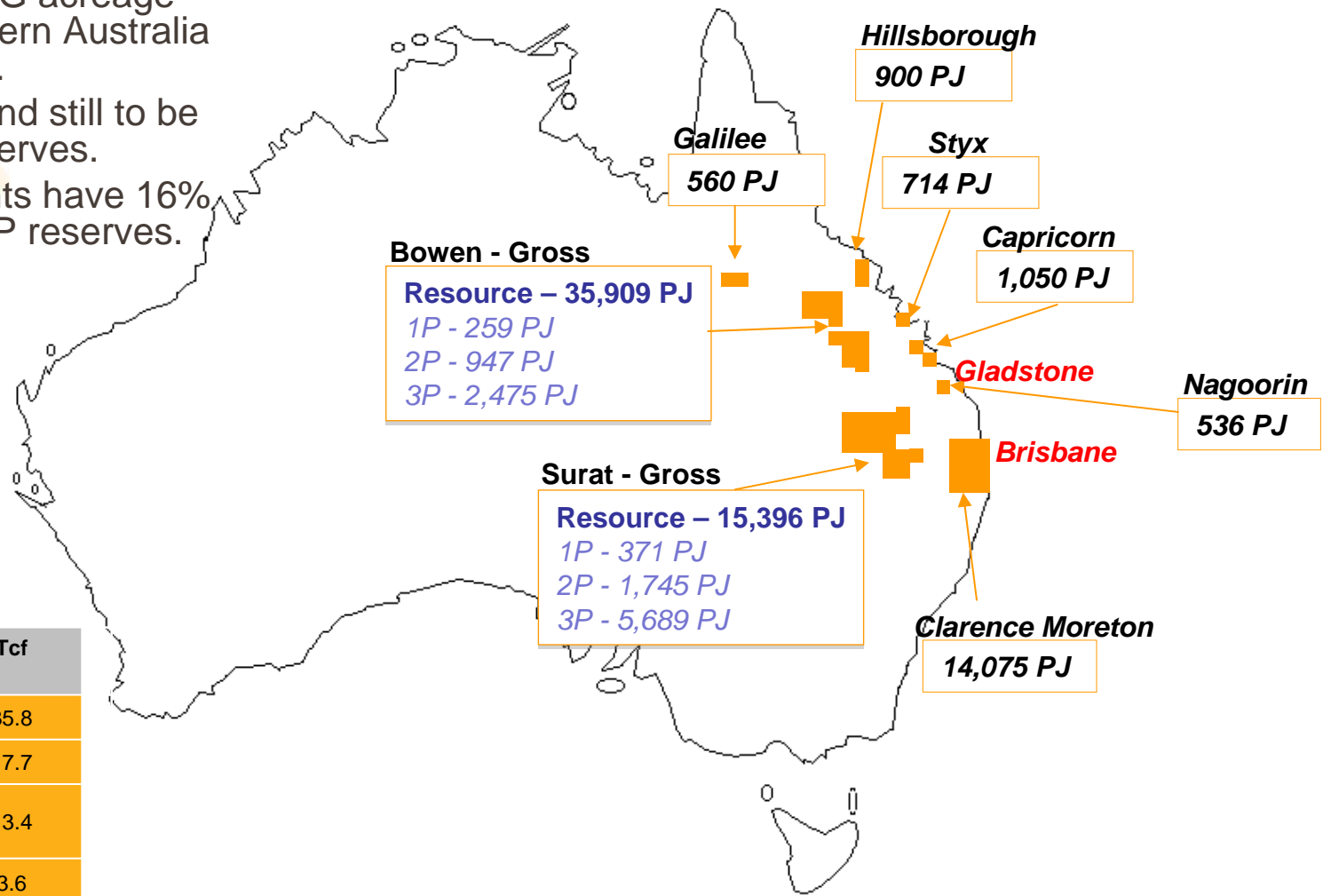
- Daandine Power Station 30 MW
- Townsville Power Station 240 MW
- Braemer 2 Power Station 450 MW



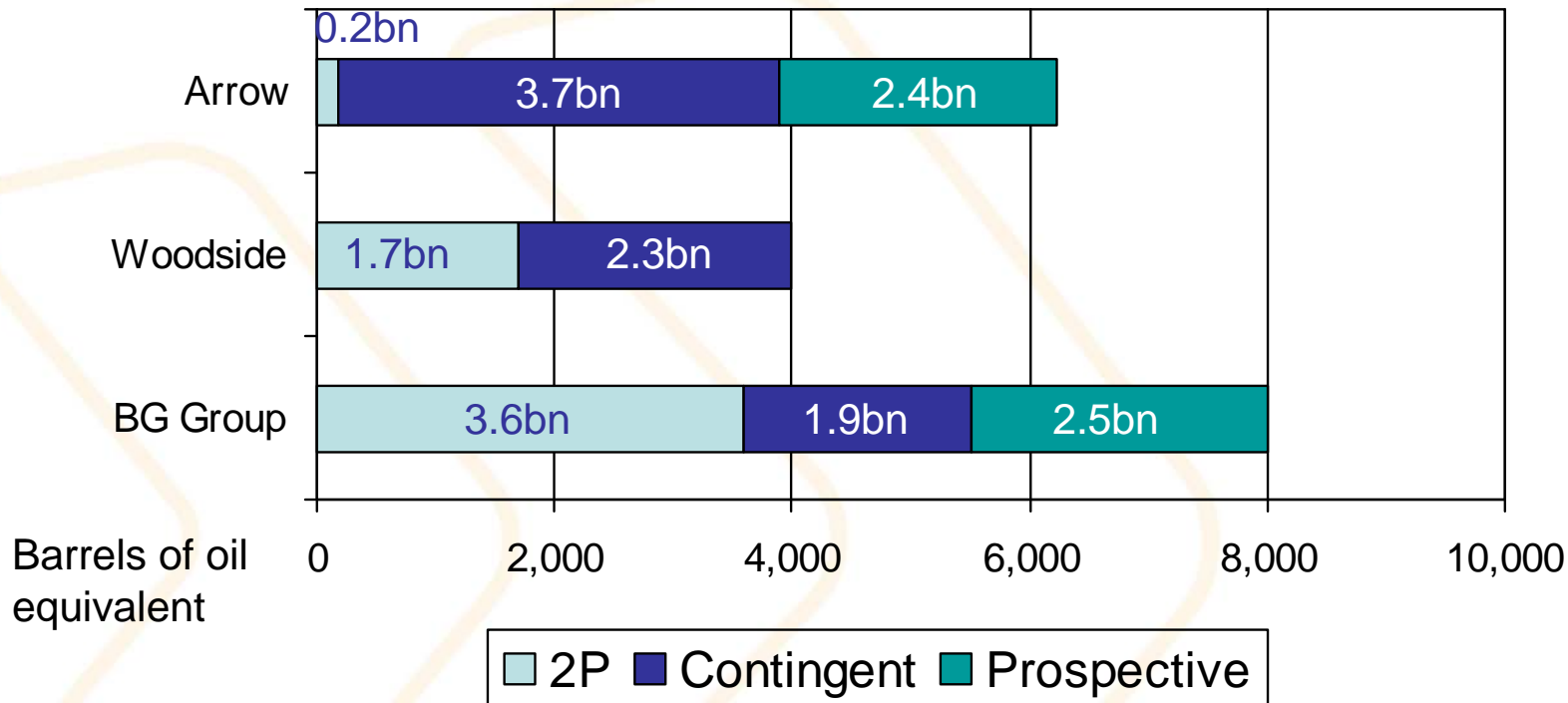
Downstream integration into power increases value capture.
Generation assets will consume LNG Ramp-up Gas

Arrow Energy - resources

- ❖ The largest CSG acreage position in eastern Australia >65,000 sq km.
- ❖ Over 90% of land still to be certified for reserves.
- ❖ Arrow tenements have 16% of east coast 3P reserves.



Gross Resources	
Area	Tcf
Bowen Basin	35.8
Surat Basin	17.7
Clarence Moreton Basin	13.4
Other	3.6
TOTAL	70.5



- Woodside attracted international equity investment over 20 years ago when it's reserves were similar to Arrow's today
- However, Arrow's contingent resource is already the same as Woodside's today...

Fisherman's Landing

- 2 x 1.5 mtpa (90 PJ p.a. each)
- First LNG by end 2012
- EIS completed April 2009
- Turn down to ~30 PJ p.a. rate
- Smaller size means must be low cost simple design with no “gold plating”



- FL site & low cost approach provide enablers for smaller scale plant
- Mainland location allows easy access for people, equipment and services
 - Minimal additional dredging required
 - Existing wharf can be modified to suit LNG
 - Reclaimed land

- IAS lodged and declare a State Significant Project
 - Up to 16mtpa from four LNG trains
 - The foundation LNG train will use 200 PJ p.a. for initial 20 years
 - “Shell has sufficient market access for the foundation LNG train, ...through its marketing activities and re-gasification positions across locations such as North Asia, India, Europe and North America”
 - First LNG production 2014 – 2015
- Shell and Arrow in discussions on utilising gas from joint venture tenements

Conventional Vs CSG for LNG

- Gas specification
 - + 96% to 98% CH₄ - Negligible CO₂
 - + Simplified front end of liquefaction trains
 - LNG heating value typically lower
- Capital costs
 - + Lower upstream to first LNG
 - Higher ongoing upstream
 - + Lower downstream
- Drilling
 - + Very simple completions
 - Number of wells required
- Production ramp up
 - Three to four times longer to drill and prepare vs a conventional field
 - Significant volumes of water to be managed
- Location
 - + CSG is onshore with relatively easy access to labour and services
 - + Gladstone is a relatively mature city with a skilled industrial workforce


Keys to success

- CSG is a manufacturing business
 - 1000's of wells to be drilled, completed and ultimately operated and maintained
 - we are adopting Lean Manufacturing and TPR practices
 - Lean and TPR have been successfully adopted by oil and gas companies like Aera Energy LLC
 - Aera currently operates more than 16,000 wells and drills more than 1,000 wells pa to produce approximately 30% of California's production
 - Lean Manufacturing is all about standardization, elimination of waste, reducing cycle and lead times to improve bottom line results in safety performance, margins, quality and production
 - TPR strategies target improved equipment reliability, increased production and reduced maintenance costs


Keys to success


- Ramp up gas management
 - CSG to LNG plants need to be designed to accommodate this as well as ongoing maintenance
 - Technical and commercial opportunities need to be developed
 - FL may provide an opportunity for other LNG projects to manage their ramp up gas
 - A CSG industry gas spec is critical
- Water management
 - We are aiming for beneficial use solutions and a series of options are being studied
 - We are open to aggregated solutions and are working together with industry via APPEA
- GFC
 - Represents a great window of opportunity

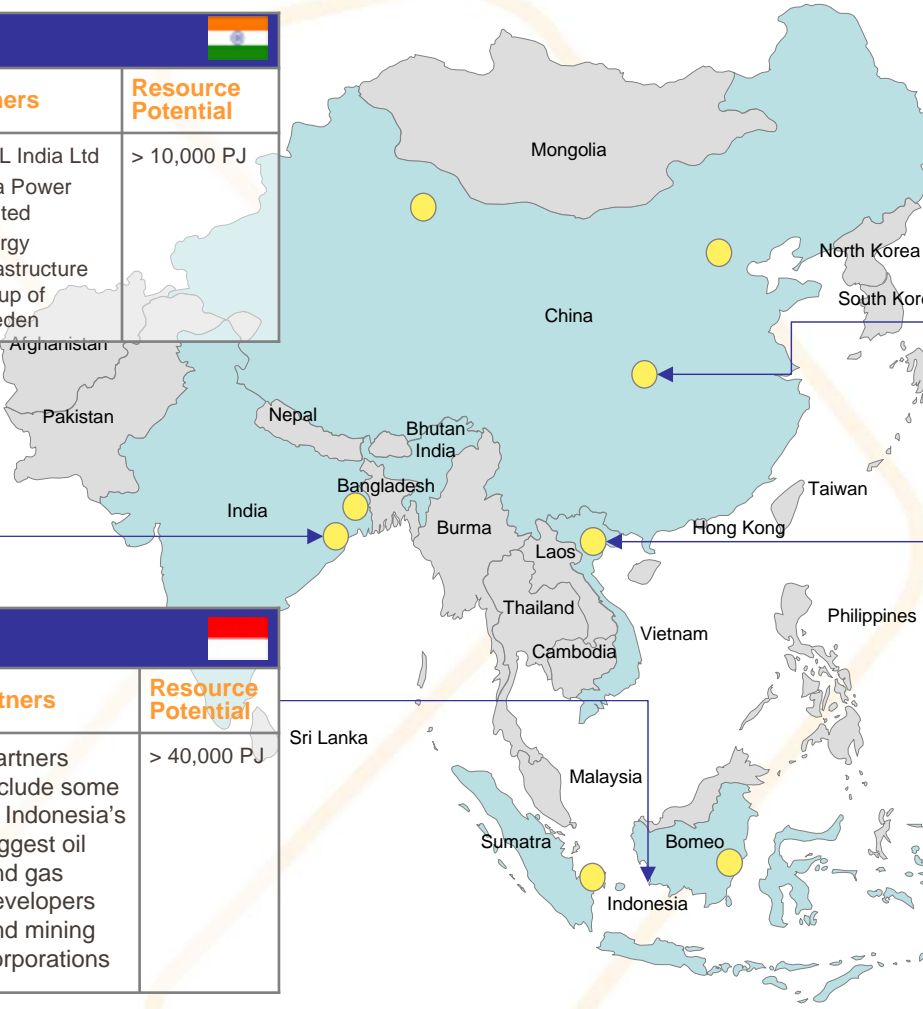
Significant international business


INDIA 		
Assets	Partners	Resource Potential
<ul style="list-style-type: none"> • 3 licence blocks • 39 well program underway • Other opportunities under review 	<ul style="list-style-type: none"> • GAIL India Ltd • Tata Power Limited • Energy Infrastructure Group of Sweden 	> 10,000 PJ

CHINA 		
Assets	Partners	Resource Potential
<ul style="list-style-type: none"> • Negotiating firm title on 8 preliminary agreements, including new exploration, mine de-gassing and farm-in to existing PSC's • CSG Interests in Ordos, Qinshu, Junggar basins and LiaoNing Province 	<ul style="list-style-type: none"> • Far East Energy Corp. • PetroChina • Bin County Coal • Shaanxi Binchang Mining Company • Shenyang Gas Company • Liaohe Petroleum Development Company (CNPC) 	>39,000 PJ

INDONESIA 		
Assets	Partners	Resource Potential
<ul style="list-style-type: none"> • 2 new PSC applications • 2 MOU's for JV's with established companies • 2 pending agreements with miners 	<ul style="list-style-type: none"> • Partners include some of Indonesia's biggest oil and gas developers and mining corporations 	> 40,000 PJ

VIETNAM 		
Assets	Partners	Resource Potential
<ul style="list-style-type: none"> • Hanoi Trough Onshore PSC, a highly prospective CSG tenement area in the Hanoi Basin 	<ul style="list-style-type: none"> • PetroVietnam 	> 1,000 PJ



 Indicates location of Arrow's principal activities

Conclusion

- Arrow has multiple value adding options
 - Power Generation
 - LNG - Fisherman's Landing & Curtis Island
 - International Portfolio
- CSG to LNG is technically & commercially viable
- CSG to LNG is operationally very different than the conventional LNG projects
- Recognising this difference and striving for Operational Excellence is the key to success

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* The reserves estimates used in this statement and throughout this presentation were compiled by Mr. John Hattner of Netherland, Sewell & Associated, Inc., Dallas, and Mr. Gregory Hueni of MHA Petroleum Consultants, Inc., Colorado, and are consistent with the definitions of proved, probable, and possible hydrocarbon reserves that appear in the Australian Stock Exchange (ASX) Listing Rules. Mr. Hattner and Mr Hueni are qualified in accordance with the requirements of ASX listing rule 5.11 and consent to the use of the reserve figures in the form and context in which they appear in this announcement.