

Media Release

3 June 2008

Des Houghton, Courier Mail



Arrow invests in Dalby's future.

Brisbane-based Arrow Energy has played a major hand in moving coal seam gas out of the shadows over the past five years. The company was first to sell coal seam gas from the Surat Basin and its four producing projects now account for more than 20 percent of the state of Queensland's overall gas production.

In the same way that Arrow has been a first mover in developing an alternative fuel to power Queensland's accelerating growth, the company is now leading the way in helping to ease the state's water crisis.

Three of Arrow's projects are located in the Surat Basin near Dalby which is currently experiencing one of its worst droughts on record. Dalby is struggling to obtain long term sources of water while local aquifers are depleting and have not been significantly recharged in over a decade.

Arrow draws water from coal seams deep underground below the local aquifer as part of the gas production process. This coal seam gas water has been filtered in carbon for generations and is about one-sixth the concentration of sea water.

Arrow Energy Chief Executive Officer (Australia), Shaun Scott said Arrow is committed to recycling this water for the benefit of the wider community.

Mr Scott revealed that Arrow was currently investing in eight projects centred on finding beneficial uses for coal seam gas water.

Current Arrow coal seam gas water recycling projects include:

1. Dalby Potable Water Supply (Reverse Osmosis plant upgrade)

Dalby Council, in conjunction with Arrow, has initiated the upgrade of an existing reverse osmosis plant at Dalby to treat coal seam gas water from its nearby gas fields at Tipton West, Daandine and Kogan North. The company plans to supply up to 5 ML per day to the plant which will then be available to supplement the town water supply.

The \$16 million plus plant is scheduled for construction in the second half of 2008 and is being jointly funded by the State and Commonwealth Governments, Dalby Town Council and Arrow Energy. Arrow will supply water produced from its coal seam gas operations to the plant at no cost.

2. Farming Irrigation

The development of a skid-mounted, re-locatable reverse osmosis (RO) plant is currently under construction at a grain property in Dalby owned by Arrow. The \$1.5 million plant is due for completion later this year and will initially treat up to 1.5ML of water extracted from our surrounding gas fields. The treated water will be used for crop irrigation. If this trial proves successful, the company expects to deploy this technology throughout its operations.

3. Salt Water Fish Farm

Arrow Energy, in conjunction with the Queensland Government's Department of Primary Industries and Fisheries (DPI) is currently conducting a research project to investigate the viability of farming salt water fish in its coal seam gas evaporation ponds. 15,000 fingerlings have been successfully raised over the past 18 months by the DPI in coal seam gas water. The fingerlings comprise Mulloway species. The trial is continuing but represents a promising opportunity to utilise the water for large scale aquaculture.

4. Beef Feedlots

The Guidelines to the Australian Water Standards specifies that raw water to be used for stock water should not contain salt greater than 8,000 ppm salt for non-pregnant beef livestock and 6,000 ppm for pregnant beef livestock. Up to 4ML of untreated coal seam gas water, which has a salt concentration less than 6,000 ppm, is currently being supplied to two local feedlots – Grassdale Cattle and Wambo Cattle.

5. Municipal Waste Water Treatment

Arrow is investigating the use of coal seam gas water as a replacement for potable water used in municipal sewerage treatment systems.

6. Coal Washing

Coal seam gas water drawn from Arrow's production fields in the Surat Basin are currently being used by Peabody's Wilkie Creek Coal Mine to wash coal.

7. Emergency Water Supply

Arrow is currently negotiating the supply of coal seam gas water to both the Braemar Power Station and Origin Energy Power Station (Kogan) for emergency fire fighting purposes. The water is to be contained within a pipe and emergency water storage tanks on site.

8. Power Station Cooling

Arrow is currently negotiating the supply of coal seam gas water to both the Braemar Power Station and Origin Energy Power Station (Kogan) for use in cooling.

Mr Scott said Arrow took its community and environmental responsibilities very seriously.

"We are committed to working with all stakeholders towards win-win outcomes as is evidenced by the multiple proactive project investments we are currently pursuing," Mr Scott said.

ENDS

For further information or photos, please contact:

Gareth Quinn, PR Coordinator, Arrow Energy, call +61 7 3105 3476 or email quinn@arrowenergy.com.au

www.arrowenergy.com.au