

Media Release

26 November 2008



FOR IMMEDIATE RELEASE

Arrow Energy on target for big year despite challenging market conditions.

Key Points

- Solid first quarter, robust production increases across all operating fields
- Growing revenues despite challenging market conditions
- Resources rival the North West Shelf
- Continued growth in key Asian markets

Arrow Energy (ASX:AOE) Managing Director and Chief Executive officer, Nick Davies, said today the company had made considerable progress over 2008 but was looking forward to an even better year despite challenging market conditions.

Speaking at Arrow's 2008 Annual General Meeting in Brisbane, Mr Davies said the company was continuing to grow production across its four operating fields ahead of a planned liquefied natural gas project due to commence exports from Gladstone in 2011.

"In the medium-term, strong production growth will continue to be used in higher margin activities such as power generation and industrial sales," Mr Davies said.

"The 450MW Braemar 2 Power Station near Dalby is also due for completion early next year and will bring the company's total net electricity generation capacity to 370MW at a time when electricity sales and prices in Queensland remain strong," he said.

Resources rival North West Shelf

Mr Davies said the company had access to over 80,000km² of coal seam gas acreage of which 90 percent was yet to be explored.

"We've come a long way but we're only just getting started. We will continue to develop our vast upstream acreage which has gas resources to rival the North West Shelf," Mr Davies said.

"The total gross coal seam gas resource on Arrow tenements is estimated at around 70.5 trillion cubic feet (TCF). Even if only half of this resource base can be economically developed then there is sufficient stock for LNG exports of over 20 million tonnes per annum," he said.

International Growth

Mr Davies said Arrow's international expansion plans were progressing well and that the company was realising its vision of creating the first global coal seam gas company.

"In India, eight wells of a 39-well program have been completed while an eight-well drilling program will begin in Vietnam in December in a highly prospective coal seam gas tenement area in the Hanoi basin.

"We have also recently signed a couple more agreements in China where first drilling is targeted for the second quarter of 2009.

"Each Asian country that we're targeting has the potential to be at least as large as our Australian operation within the next seven years," he added.

Outlook for the current financial year

Speaking about the company's outlook, Mr Davies was projecting another record year in FY2009.

"Despite challenging global market conditions, the demand for coal seam gas remains strong. We are well positioned to build on the firm base that we have created and the partnerships that we have forged," Mr Davies said.

"We have a world-class team, an Asia-Pacific wide alliance with Shell, substantial footholds and assets in four Asian countries, a healthy financial position and are fully funded for the next three years. The best is yet to come," he said.

ENDS

For further information contact: Mr Nicholas Davies, Chief Executive Officer, Phone +61 7 3105 3400
Media release issued by Gareth Quinn, PR & External Affairs Manager, Phone +61 7 3105 3476