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PURCHASE BY AGL OF INTEREST IN MORANBAH GAS PROJECT

CH4 Gas Limited ("CH4") has noted the recent announcement by The Australian Gas Light Company ("AGL") of AGL's intention to acquire a 50% interest in the Moranbah Gas Project ("MGP") and related assets from BHP Billiton ("BHP").

AGL is intending to acquire, subject to financial close, a 50% interest in the MGP for $US68.7 million ($A93 million) plus further currently undisclosed contingent amounts.

CH4 currently holds the remaining 50% of the MGP, is the Operator of the MGP, and has 50 year exploration, marketing and development rights to the broader area of ATP364P, which comprises in excess of 6,000 km^2 of the Bowen Basin Coalfields in Queensland. On completion of the current merger between Arrow Energy N.L. ("Arrow") and CH4, this will be owned by the merged company, which will continue as the operator of the MGP which is the largest operating coal seam gas project in Australia with annual production of 16 petajoules.

The merger between Arrow and CH4 announced on 4 May 2006 will see the combined entity become Australia's largest independent coal seam gas company in terms of market capitalisation and contracted gas sales.

Commenting today, CH4 Chief Executive Officer Andrew Purcell said "CH4 sought to acquire the additional 50% interest itself as we believe that the MGP is a great project and that the ATP has enormous potential. Subject to the completion of the transaction, we look forward to AGL's active participation, using the extensive technical and marketing experience within AGL, in further developing the substantial Bowen Basin assets for the Joint Venture,"

Mr Purcell went on to say "CH4 shares AGL's enthusiasm about the growth potential of the Queensland gas market. This investment by AGL further substantiates the growing contribution of the coal seam gas industry to future energy supplies in Queensland".

The sale of the 50% interest by BHP to AGL is subject to review of relevant documentation, including in relation to compliance with the relevant pre-emption arrangements, and the giving of formal consent by CH4 to the transfer of the joint venture interest prior to the sale being able to be completed. This review and consent process is yet to commence.

For further information call:

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