

ASX ANNOUNCEMENT

17 February 2006

New Agreement Reached for Funding of Daandine Power Station

The Directors of Arrow Energy NL (Arrow) advise that a Heads of Agreement has today been signed with the Australian Pipeline Trust (APA) for APA to fund, own and operate the 27.4MW Daandine Power Station (DPS). This follows the termination yesterday of negotiations with Alinta Limited due to failure to reach resolution on some key commercial issues.

Under this agreement with APA the DPS, which is to be built on Arrow land adjacent to the Kogan North Central Gas Processing Facility (CGPF), will toll Arrow's Daandine gas. Arrow will retain ownership of the energy and associated green products created, which it will sell to Country Energy under the terms of the previously agreed Power Purchase Agreement. APA funded the construction of the Kogan North CGPF for Arrow.

Arrow and APA have agreed to target completion of documents and financial close of the DPS project for the end of this month with construction of the DPS to begin immediately afterwards.

Field development for Daandine is well underway with 7 of the 15 development wells drilled to date. The 100% Arrow owned Daandine field will supply approximately 2PJ per annum of gas over the 15 year life of the DPS project.

Arrow are very pleased to expand their partnership and working relationship with APA to another important piece of infrastructure and look forward to progressing this project to electricity sales before the end of this year.

For and on behalf of the Board of Directors

JPK Marshall
Company Secretary

For further information contact:

Stephen Bizzell or Nick Davies

Phone (07) 3105 3400

Fax: (07) 3105 3401

E-Mail: info@arrowenergy.com.au

Website: www.arrowenergy.com.au

Arrow Energy NL

ACN 078 521 936

Level 13, 10 Eagle Street, Brisbane QLD 4000, Australia

GPO Box 5262, Brisbane QLD 4001, Australia

Telephone: 07 3105 3400 Facsimile: 07 3105 3401 Email: info@arrowenergy.com.au