

ASX ANNOUNCEMENT
26 October 2005

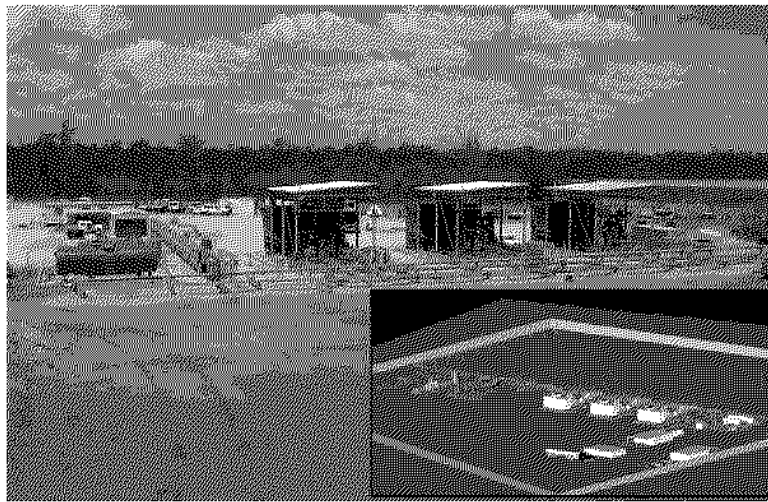
Operations Update

The Directors of Arrow Energy NL [Arrow] advise the following operations update.

PL 194 – Kogan North Development

[Arrow 50%, CS Energy 50%]

The installation of the Central Gas Processing Facility (CGPF) is close to completion. Layout and construction of the compressors, dehydration unit and metering skid are complete and the CGPF is now in the pre-commissioning phase.



The 30 initial development wells have now been drilled and completed. An additional well has been drilled and completed and one further well is also planned. Of these, nine (9) wells are on pump and producing average flow rates of approximately 3000 barrels of water per day (bwpd) per well. The overall water level of the field is being drawn down, gas flow has commenced and is in the early stages of ramping up. The field development activities have been undertaken within budget.

Construction of the evaporation dam is complete.

The majority of the surface gas gathering pipeline network has been commissioned.

Following pre-commissioning, the CGPF will enter full commissioning phase once field gas rates exceed 3 million cubic feet per day (the rate required for the compressor commissioning).

The lateral pipeline connecting the field to the Roma to Brisbane gas pipeline has been constructed and the 'hot tap' connection completed.

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Project Background:

The Kogan North CSG Project is located in the Surat Basin approximately 40 km west of the township of Dalby in Queensland.

The development of this 31 well project will enable the supply of 4 PJ of gas per annum for 15 years to CS Energy's Swanbank 'E' power plant, located near Ipswich in south east Queensland. Gas will be transported to Swanbank via the Roma to Brisbane Pipeline.

Queensland Government owned CS Energy has spent \$10.8 million towards the Kogan North Development Project to increase their share of the project to 50%. The Australian Pipeline Trust (APA) is funding the downstream processing (CGPF) facilities 100% and will toll the Kogan North gas through these facilities.

Arrow's share of the total Kogan North development capital of approximately \$25 million will be approximately 10%.

Arrow is the Operator of the Kogan North CSG Project and retains a 50% working interest. APA will operate the Central Gas Processing Facility.

PL 198 - Tipton West Project

[Arrow with 100%, with agreement to farm out 40% to Beach Petroleum]

Two of the three wells comprising the Tipton North mini pilot, located 4 km to the north of the original Tipton West pilot are now on stream and the third will be put on pump within the next couple of days (weather permitting).

The three wells comprising the Tipton South mini pilot have been drilled and completed. Dam construction has commenced. The operations are currently waiting on weather to clear in order to bring in the workover rig (to run pumps in the wells) and to complete the dam construction.

Project Background:

The Tipton West Project is located in the Surat Basin approximately 20 km south of the township of Dalby in Queensland. Arrow has previously announced reserves certification on the Tipton West field by Netherland, Sewell and Associates of Dallas, Texas. The certification resulted in 1P, 2P and 3P reserves of 25 PJ, 124 PJ and 2028 PJ respectively. The field currently has a Gas Sales Agreement (GSA) with Braemar Power Project (ERM/Babcock & Brown) for up to 13.3 PJ per annum for 15 years and a GSA with Ergon Energy for 3.9 PJ per annum for 15 years. Additionally Arrow has a Memorandum of Understanding (MOU) with BP for 15 PJ over 5 years.

Arrow has an agreement with Beach Petroleum for Beach to earn a 40% interest in the project by funding \$35 million of the upstream development costs. Financial close for the project is scheduled for later this year with first gas sales approximately 12 months later.

ATP 790 / PLA 230 Daandine Project

[Arrow 100%]

The Daandine-3 production test well has been completed and is on stream. The well is currently pumping at 1600 bwpd and is producing over 100,000 cubic feet per day of gas. Reserve certification is in progress.

Project Background:

ATP 790P lies immediately to the south of the Kogan North project. Application has been made for a Petroleum Lease (PLA 230) over portion of ATP 790P in order to progress the project. Arrow is in advanced stages of planning for a power generation project to be fuelled by gas from the tenement, known as the Daandine field. A number of activities have recently been completed. In particular:

- a Power Purchase Agreement with NSW retailer Country Energy has been executed;
- a Build, Own, Operate and transfer Heads of Agreement has been signed with Alinta Limited and;
- a connection agreement with grid operator Ergon Energy is under negotiation.

It is planned to complete financial close on the project in November 2005 with first electricity sales in August 2006.

ATP 676 Dundee Project

[Arrow 100%]

Arrow has commenced drilling on the three (3) well Dundee production pilot (Dundee-3 well is currently at TD and is being logged). A dam has been constructed in preparation for flow from the three production wells.

ATP 641P – Silverdale Discovery

[Arrow 100%]

The Silverdale-3 well was drilled in September. This was a core hole to test for gas contents in the area. A similar coal section was found to that present in Silverdale-1. Desorption tests on the core are currently in progress.

Project Background:

Silverdale-1 is the first CSG exploration well drilled in the Laidley Sub-basin of ATP 641P. It is located near the town of Boonah, approximately 50 km southwest of Brisbane. The well had a high flow rate of dry gas on a short test. Given its location adjacent to gas markets, early commercialisation of the project is possible.

ATP 644P Mt Lindesay-4

[Arrow 100%]

This well was drilled to test productivity of the coals discovered in Mt Lindesay-1 well. A similar coal section was found to that present in Mt Lindesay-1 but natural flow did not occur. The company is now carrying out additional technical work to review the options for stimulation of these coals.

The current extensive Clarence-Moreton Basin exploration program including Silverdale, Mt Lindesay, Kalbar, Peak Crossing and Wild Horse drillholes, is designed to test the possible extent and producibility of the various prospects within this highly promising basin.

For and on behalf of the Board of Directors

JPK Marshall

Company Secretary

This announcement has been approved by the board of Arrow and the technical information herein has been provided by a consultant (Dr R W Day) with more than 25 years experience in petroleum exploration.

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