



ASX ANNOUNCEMENT 21 June 2005

Operations Update

Boyne River -2 core hole encounters 50 metre coal seam and immediate gas flow of 60,000 CFD

The Directors of Arrow Energy NL [Arrow] are pleased to advise that following positive early results from Boyne River drilling near Gladstone and the Clarence-Moreton Basin drilling near Ipswich and Brisbane, Arrow now has the potential for two additional significant gas field projects outside its current gas development and appraisal projects in the Surat Basin at Kogan North and Tipton West.

An update on Arrow's recent field operations is as follows:

ATP 679 (PLA 206) – Boyne River (Arrow 100%)

The Boyne River -2 core hole has been drilled to a total depth of 780 metres and tested. The well intersected 95 metres of net coal including one continuous coal seam over 50 metres thick starting from 550 metres. This latter seam was flow tested and produced 2200 barrels of water per day (BWPD) and immediately flowed gas at 60,000 cubic feet per day (60 mcf/d). This was an exceptional result, both in terms of seam thicknesses and flow rates from a small diameter core hole and suggests high potential rates for wells drilled and completed for production.

Given the exceptional results of the flow test and the early analysis of the gas desorption results to date, Arrow plans to drill one or more production wells as a pilot on the field in the third quarter of 2005.

Boyne River-2 is only 60 km from Gladstone, Queensland fastest growing industrial gas market and is an appraisal of the 2004 discovery, Boyne River -1, which exhibited 70 metres of net coal with similar flow test results.

ATP 641P – Silverdale Discovery (Arrow 100%)

A drill rig has been moved back to the Silverdale -1 location in ATP 641P where 24 metres of coal and a gas flow of 200,000 cfd was recorded. The objective is to under-ream and properly flow test the prospective coals recently flow tested in the exploration hole.

Early results from coal cores taken from the Peak Crossing-1 core hole drilled 17 kilometres to the east of Silverdale in the Clarence-Moreton basin indicate the potential for high and most likely saturated coal seams in the area.

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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 flowed 200,000 cfd of dry gas and will likely be capable of higher production rates following planned under-reaming. Given its location adjacent to gas markets, early commercialisation of the project is possible.

PL 194 – Kogan North Development (Arrow 50%, CS Energy 50%)

Development drilling continues with the two drilling rigs on site at the Kogan North project. To date nineteen wells have been drilled and completed and operations are advanced on four further wells.

Two wells are now on production to start the initial field dewatering process. A third is being added this week and another batch of wells will be brought on at the beginning of July. The two wells are being brought on gradually but are already producing around 1,000 BWPD at low pump speeds.

Construction and installation of the gas and water gathering systems is continuing on schedule.

Construction of the three compressors to be used at the Central Gas Processing Facility (CGPF) has been completed in the US and they are ready for load-out and shipping to Australia.

Overall, the project is still on schedule for an October 2005 delivery of first sales gas.

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 30-35 well project will be for the purpose of supplying 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 is to spend up to \$10.8 million towards the Kogan North Development Project to increase their share of the project to 50%. The Australian Pipeline Trust (APA) is to fund the downstream processing facilities 100% and to toll the Kogan North gas through these facilities.

Arrow estimates its 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 50% working interest. APA will operate the Central Gas Processing Facility.

PL 198 - Tipton West Field (Arrow 80%, Comet Ridge 20%)

Appraisal well Tipton -17, located approximately 4 km north of the main producing wells of the Tipton West pilot, has recently been completed. The well has been logged and shows 12 metres of net coal in the four upper seams of the Walloon coal section. The well will be brought on stream in the near future and should lead to additional 2P reserves being added to the Tipton West Field

The Tipton pilot has continued to perform well with a peak rate of over 1 million cfd. Subsequent to this rate being achieved, two pilot wells have been shut in for work-overs and will be brought back on stream shortly.

Project Background:

The Tipton West Pilot (TWP) is located in the Surat Basin approximately 20 km south of the township of Dalby in Queensland. Arrow recently announced reserves certification on the Tipton field by Netherland, Sewell and Associates of Dallas, Texas. The certification resulted in 1P, 2P and 3P reserves of 61 PJ, 143 PJ and 2028 PJ respectively. The field currently has gas sales Memoranda of Understanding (MOU) with customers ERM/Babcock & Brown, BP and Ergon Energy for a total of 123 PJ at an initial rate of 10.2 PJ p.a. Financial close for the project is scheduled for September this year with first gas sales approximately 12 months later.

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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