ARC ENERGY

ASX RELEASE

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From: Eric Streitberg

Re: Redback 1 gas exploration well update

ARC Energy Limited advises that at 0600 hours WST the gas exploration well Redback 1 operated by Origin and located in the onshore Perth Basin Production Licence L11 was finalising wireline logging prior to setting cement plugs.

Wireline logs and pressure measurements recorded over the past few days have indicated that the elevated gas readings and faster drill rates noted while drilling in the primary objective Wagina Formation are related to a fractured zone. Analysis of the data indicates that this zone is unlikely to be capable of sustainable commercial flow rates. Due to the high temperature and pressure in the zone of interest, open hole drill stem testing of the well is not possible and the well would have to be cased prior to testing. The wireline log results are not considered sufficiently encouraging to justify this additional cost.

It is therefore intended that Redback 1 will be plugged and suspended in a manner that will allow the well to be re-entered and sidetracked to an alternative bottom hole location if future studies warrant further investigation of this area of the permit.

Participants in L11 and Redback 1 are as follows:

Origin Energy Developments Pty Limited*	67.00%
ARC Energy Limited **	33.00%

*a wholly owned subsidiary of Origin Energy Limited
** via the wholly owned subsidiary AWE (Perth Basin) Pty Ltd

Managing Directors comments

"The Redback 1 well was drilled on a type of geological structure which had not previously been tested in the Beharra Springs area and is one of a number of downthrown fault closures adjacent to the Beharra Springs fault. One of the reasons for drilling Redback 1 was to test this geological concept and if it had been a commercial success it would have helped confirm another new play fairway in the Perth Basin.

Whilst it is therefore disappointing that the concept didn't work as we had hoped, there are several conventional structural targets remaining in the permit which are of lower risk than Redback, and one of these is likely to be the next target drilled in the permit.

The ability for ARC to take a portfolio approach to exploration in the Perth Basin after the recent equity purchases from Hardman and AWE means that the current gas exploration program has

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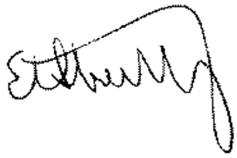
been able to be structured to include wells with a range of risks and rewards. The current drilling of the Xyris 1 well with the Century 11 rig in L1/L2 to the north of Beharra Springs, and the production testing of the Hovea 2 well which commenced earlier in the week, illustrates the momentum of the gas exploration program."

Yours faithfully
ARC Energy Limited



ERIC STREITBERG
Managing Director