ARROW Energy N.L.

ASX ANNOUNCEMENT – 29 September 2004

ARROW TO SPIN-OFF BOW ENERGY WITH CONVENTIONAL OIL AND GAS PORTFOLIO FOLLOWING CARNARVON BASIN FARM-IN

Arrow Energy NL subsidiary Bow Energy Ltd has reached agreement with Strike Oil Limited to earn a 10% interest in Exploration Permit TP/17 by funding 15% of the costs of the forthcoming Altostratus 1 well in the offshore Carnarvon Basin, WA.

Bow Energy

It is intended to separately list Bow Energy on the ASX and this interest will be one of Bow Energy's foundation assets along with Arrow Energy's interests in other conventional oil and gas prospects – including WA261P also in the Carnarvon Basin, Mt Lindesay (ATP644) and Pickabooba (PEL432) in the Clarence Moreton Basin, and ATP574 in the Surat Basin.

Bow Energy will raise seed capital prior to the drilling of Altostratus 1 and will be the subject of an IPO and ASX listing within the next 6 months. Arrow will distribute shares in Bow Energy to Arrow security holders by way of a return of capital.

The separation of Arrow's conventional oil and gas prospects into Bow Energy will enable Arrow to maintain the focus of its management and financial resources on the development of its considerable coal seam gas resources in Queensland whilst also unlocking the value for Arrow shareholders of Arrow's other project interests and provide shareholders with a direct interest in two separately listed companies. The separation will also provide greater flexibility to pursue further project opportunities.

Further information on the Bow Energy IPO including the record date for determining entitlements to the distribution of shares in Bow Energy will be provided in the coming weeks.

Altostratus Prospect

Altostratus 1 will test multiple targets at four different stratigraphic levels. The shallowest and principal target of the Altostratus 1 well, the Cretaceous *M.australis* Sand (Stag Sand), hosts the 55 million barrel Stag Oil Field (owned by Apache Energy and Santos) located 20km east north east of Altostratus. The mean recoverable oil potential in the *M.australis* Sand at Altostratus is 21 million barrels with a P10 upside of 48 million barrels. 3D seismic shows possible direct hydrocarbon indicators coincident with structural closure and a seismic amplitude response similar to that seen on 3D seismic over the Stag Oil Field.

The *M.australis* Sand overlies two sands in the Jurassic Athol Formation, the *C.halosa* and *N.gracilis* sands. The Athol Formation hosts the nearby Chamois, Oryx and Tusk oil

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discoveries. The mean recoverable oil potential in the *C.halosa* Sand is 16 million barrels with a P10 upside of 37 million barrels while the mean recoverable oil potential in the *N.gracilis* Sand is 12 million barrels with a P10 upside of 29 million barrels. The Triassic Mungaroo Formation is the fourth objective of the Altostratus 1 well with a P10 upside of 5 million barrels of oil recoverable.

The Altostratus 1 well, currently scheduled to spud around 5 November 2004 will be operated by Strike Oil and will use the Ensco 56 drilling rig. Bow's estimated costs for its share of the well and associated costs are approximately $515,000.

The Carnarvon Basin is currently Australia's most prolific oil and gas producing basin, dominated by major Australian and international oil companies. The basin is well serviced with oil and gas production infrastructure and has offshore drilling and production costs amongst the lowest in the country.

As part of the Altostratus farmin, Bow will also earn an option to farmin to a 10% interest in Strike Oil's TP/19 and EP421 permits in the Carnarvon Basin, 25 km south east of the Stag Oil Field. The operator, Strike Oil has outlined the Sharp Peak prospect with a mean recoverable oil potential of 41 million barrels and a P10 upside of 83 million barrels. Further seismic data acquisition is planned over this prospect during 2005 to mature to a drillable status.

Arrow currently holds a 10% interest in WA261P (which will be transferred to Bow) immediately to the north of TP/17 where the Chamois oil discovery may contain up to 4 million barrels recoverable in the *C.halosa* Sand. A successful discovery at Altostratus would enhance the potential to develop the Chamois discovery in WA261P. Vesta 1 is scheduled to be drilled in early 2005 and several other leads are evident within WA261P and are currently being worked up by the WA261P operator, Apache Energy. Arrow Energy took part in the drilling of the Ceres 1 well in WA261P last year which outlined prospectivity for oil in the Jurassic *C.halosa* sand unit.

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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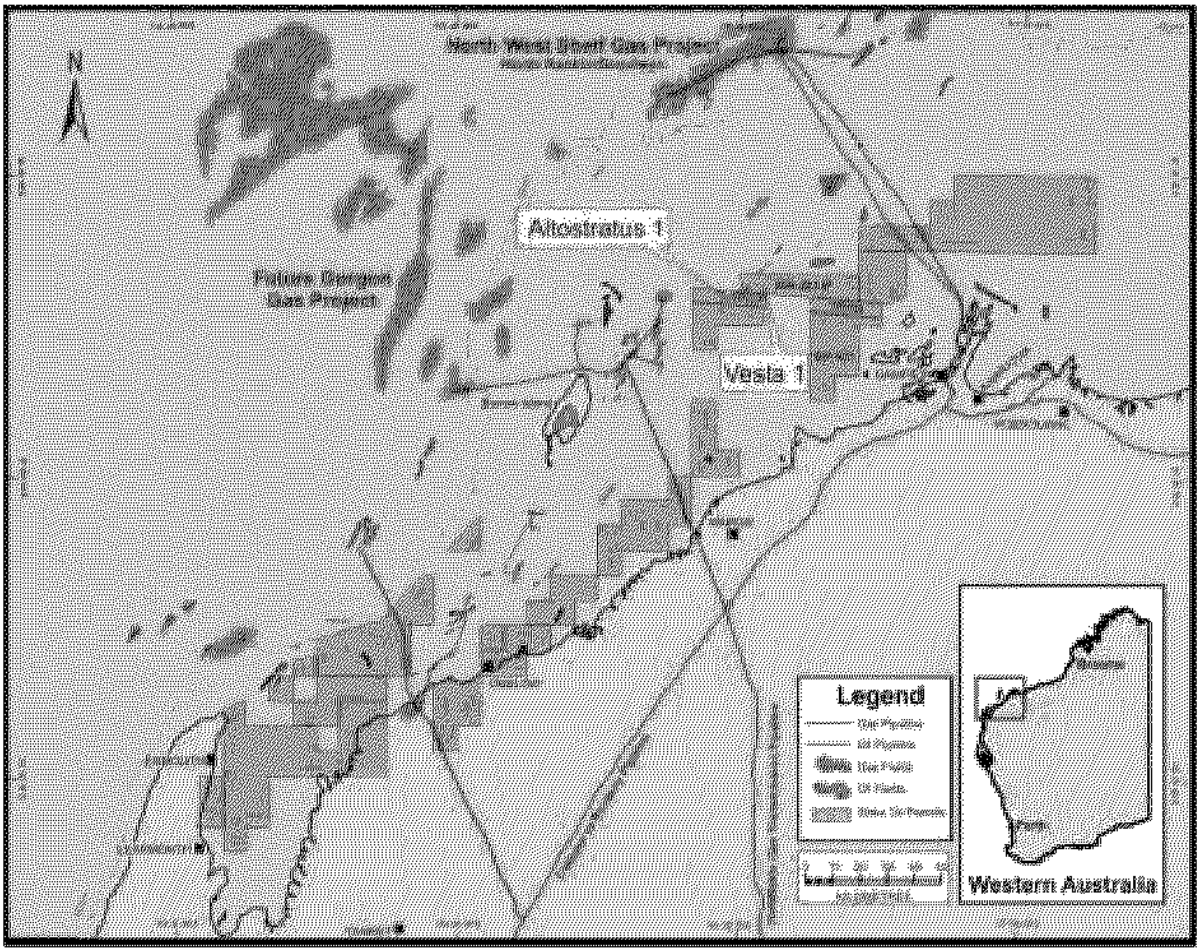
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