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FOR IMMEDIATE RELEASE

Arrow Executes LNG Agreement With Liquegas Energy using Coal Seam Gas from Daandine Field

The Directors of Arrow Energy N.L. ("Arrow") are pleased to advise that Arrow has reached agreement on the terms and conditions for the supply of gas from Arrow's Daandine field to AGR Group company, Liquegas Energy Pty Ltd ("Liquegas"), for use as feedstock to their proposed Liquefied Natural Gas ("LNG") plant.

The agreement establishes a commercial framework for Arrow to supply Coal Seam Gas ("CSG") from its Daandine field into the LNG plant which will be located on land currently owned by Arrow at Daandine. The parties will now proceed towards finalizing a Gas Sales Agreement within the next month.

Arrow's agreement with Liquegas is initially for 2 petajoules per annum over a period of 15 years with first gas supply expected to be during the first half of 2009. The LNG produced from this plant will be targeted to customers in Southern Queensland and Northern NSW.

In its September 2006 strategy document Arrow highlighted that it was targeting additional gas markets outside of the current gas to power generation market – and that was to include looking at the potential for the use of gas to produce Gas to Liquids ("GTL"), Compressed Natural Gas ("CNG") and small scale LNG. As recently announced, Arrow has now completed a GTL pre-feasibility study and is commencing a CNG study. This agreement with Liquegas completes progress on the third leg of the strategy.

Arrow Energy's CEO Nick Davies said that "Whilst this is only a small step in the development of a new market, it is a highly important and significant one that we believe will be the birth of a whole new industry. This agreement will not only provide a basis for further development of the Daandine field but will also contribute to a new and important gas supply alternative in Queensland".

Mr Davies said "We are encouraged by the initiative and commitment shown by Liquegas and we believe that the demand for LNG has the potential to support significant growth. We also believe that there is an untapped opportunity for LNG in the Australian and Asian markets".

Liquegas is part of the AGR Group, the Norway based oil technology and services group with a worldwide reputation for providing innovative and environmentally responsible solutions to the international petroleum industry and with established operations in Australia through its recent purchase of Upstream Petroleum Pty Ltd and Peak Group Asia Pacific Pty Ltd.

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