

ASX Announcement



19 February 2010

Arrow Energy awarded licence for Surat Gladstone Pipeline.

Arrow Energy Limited (ASX:AOE, Arrow) moved a step further in plans to deliver the world's first coal seam gas (CSG) to liquefied natural gas (LNG) export facility after receiving the green light to develop the Surat Gladstone Pipeline.

The Queensland Government has awarded Arrow's wholly-owned subsidiary Surat Gladstone Pipeline Pty Ltd a Petroleum Pipeline Licence (PPL 144) to develop a 470km buried high-pressure steel gas transmission pipeline between Arrow's CSG operations near Dalby in the Surat Basin and the proposed Fisherman's Landing LNG plant.

In a series of firsts, Arrow is the only company to have been awarded a licence for a gas pipeline between the Surat Basin and Gladstone to date. In addition, the Fisherman's Landing LNG project is the only CSG to LNG project to have received Queensland Government approval for its Environmental Impact Statement.

The Surat Gladstone Pipeline will extend north-west from Dalby to Chinchilla before travelling north through the Banana Shire to Gladstone. See pipeline route in the attached map.

The pipeline will initially deliver around 90 PJ of coal seam gas per year to the Fisherman's Landing LNG plant to meet a proposed export contract for 1.5 million tonnes per annum (mtpa) of LNG. The addition of mid point compression will take the pipeline capacity to 3.4mtpa, further addition of full looping of the pipeline will expand capacity to 6.8 mtpa.

It is anticipated that construction of the pipeline will start in 2011, with first gas supplied to the Gladstone LNG Plant at Fisherman's Landing in late 2012. The capital cost of the pipeline project is yet to be finalised but remains within prior guidance of circa \$550 million. The pipeline construction project has been through a competitive tender process and is now in an early contractor involvement phase with two proponents under consideration. The pipeline will be built under a Design and Construct contract in which Arrow will directly source and supply the steel pipe.

The Project will make a significant contribution to the local, regional, state and national economies, both in the construction phase and through its operational life. It will also provide employment, business and industry opportunities benefiting the wider economy.

Arrow Energy Chief Executive Officer Nick Davies said the pipeline licence was a major achievement.

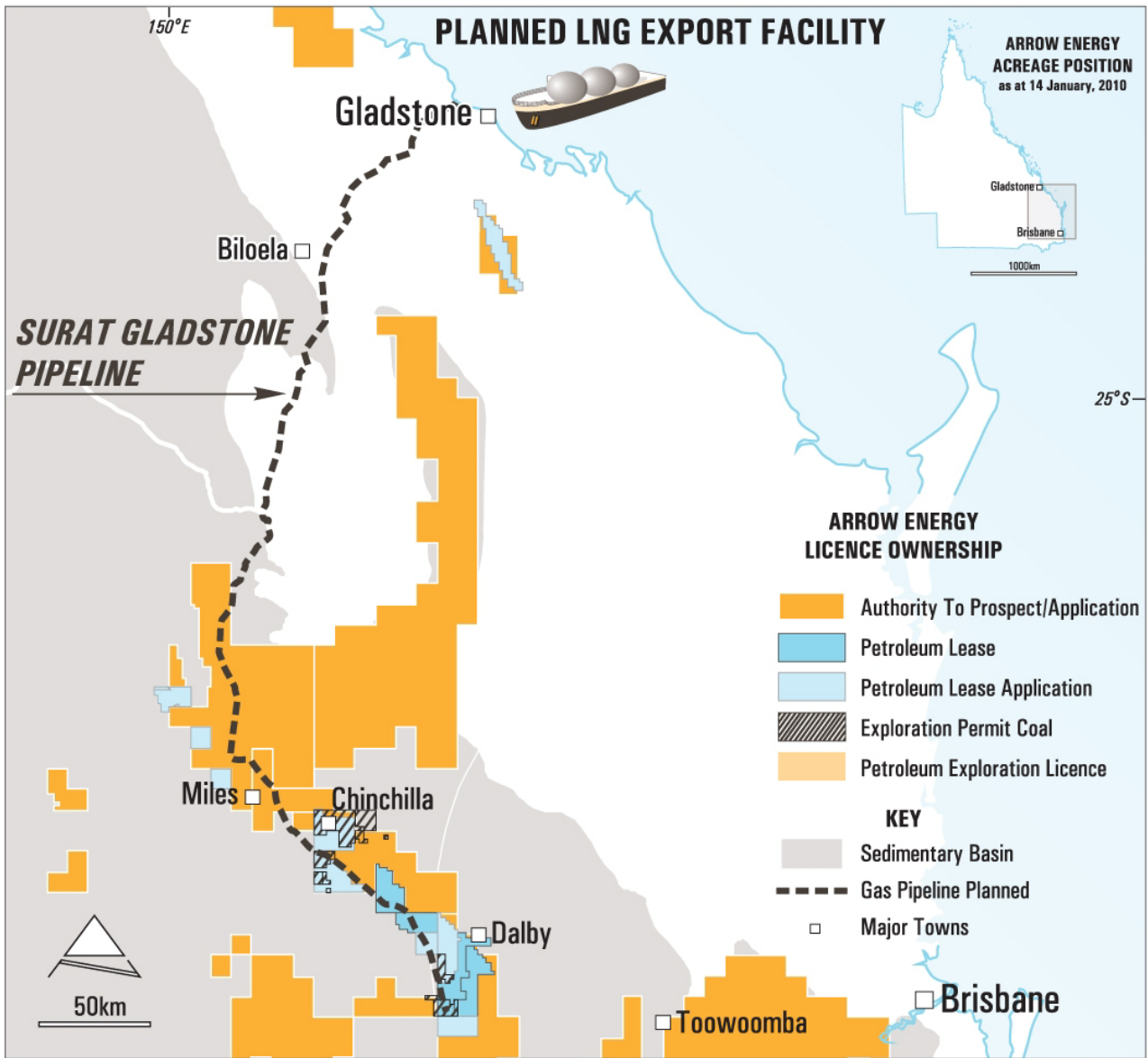
"Our gas field development in the Surat Basin is progressing according to schedule, we have an agreement to acquire the Fisherman's Landing LNG project and now the pipeline connecting the two projects has received government approval," Mr Davies said.

"Arrow is well placed at every stage to make the world's first CSG to LNG shipment in 2012 a reality," he confirmed.

ENDS

For and on behalf of the Board

Paul Marshall, Company Secretary



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