

ASX Announcement



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Liulin reserve certification and drilling results

Liulin CSG Chinese Reserve Certification

Arrow Energy Limited (ASX:AOE, Arrow), is pleased to announce that the the Chinese Ministry of Land and Resources ("MOLAR") has formally registered the reserves certification for a section in the Liulin Coal Seam Gas ("CSG") block.

Fortune Liulin Gas Company ("FLG"), 35% owned by Arrow Energy International, ("AEI"), completed an application for MOLAR reserves certification in late 2009. This application was in respect of seams 3, 4 and 5 in a northern section of the Liulin block covering 72 square kilometres (representing only 39 per cent of the block area). The MOLAR certificate, now formally issued, states that the Gas in Place in these seams in this section of the Liulin block is 196 PJ of which 100 PJ are categorised as economically recoverable.

The AEI net share of the certified Gas-in-Place is therefore 34 PJ. AEI has options to increase its stake in FLG to 75% over time, which would result in AEI owning a greater net share of the certified Gas-in-Place. AEI believes that the MOLAR reserve certification represents only a portion of the ultimate total reserve, as certification has yet to be carried out for other seams and for other sections of the Liulin block.

In China reserves certification by MOLAR is an important and necessary step in the commercialization of a CSG prospect as it allows preparation of and application for an Overall Development Plan ("ODP") leading to full field development. Reserves certification for other sections of the block and ODP preparation are planned to take place during 2010 and 2011.

AEI understands that this is the first time that a non-Chinese company has been involved in a successful application for certification of CSG reserves in China since a new Chinese certification system was introduced in 2003. Domestic Chinese reserves certification is a separate process to that of international reserves certification which was obtained in October 2009 from Netherland Sewell & Associates Inc. Further exploration and appraisal activity aimed at securing international reserve certification upgrades is planned during 2010 and 2011.

Liulin CSG Drilling Update

Through their joint shareholding in FLG, Fortune Oil and AEI are currently drilling two lateral wells in the northern section of the Liulin block and are testing a new 5-well vertical pilot in the southern section.

FLG's activities on the Liulin block are alongside those of the government partner China United Coalbed Methane Corporation Ltd. ("CUCBM"). The partners share the joint objective of demonstrating a gas production capacity of 1.85 PJ per year from the 45 vertical and 5 lateral production wells drilled across 2009 and 2010.

The results so far of the current drilling campaign are promising. Notably, after 7 days of pumping water (dewatering) from the latest CUCBM funded lateral well, gas flow has reached a level of 140 Mcf/d (148 GJ/d) and continues to rise.

Simon Potter, CEO and MD of AEI said "This is a very promising development for our Chinese operations and bodes well for further drilling and certification success".

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