

7 August 2007

ASX Limited
PO Box H224
Australia Square NSW 1215

Dear Sirs

ARROW ENERGY NL – SHARE PURCHASE PLAN

The attached documents will be mailed today to all eligible shareholders of Arrow Energy NL.

Shareholders will be entitled to participate in the Share Purchase Plan which opens 8 August 2007 and closes 29 August 2007.

Yours faithfully



K J Parker
Company Secretary
Arrow Energy N L

Arrow Energy NL

ACN 078 521 936

Level 13, 10 Eagle Street BRISBANE QLD 4000

GPO Box 5262, BRISBANE QLD 4001

Telephone: 61-7-3105-3400 Facsimile: 61-7-3105-3401 Email: info@arrowenergy.com.au

For personal use only



THIS IS AN IMPORTANT DOCUMENT AND SHOULD BE READ IN ITS ENTIRETY

6 August 2007

Dear Shareholder

On behalf of the Board of Directors of Arrow Energy N.L. ("Arrow" or "the Company"), I would like to invite you to participate in Arrow's Share Purchase Plan ("SPP") which was announced on Monday 18 July 2007.

The SPP provides all shareholders registered on Arrow's share register as at 7.00 pm on Wednesday 1 August 2007 with an opportunity to purchase up to \$5,000 worth of new shares in Arrow at an attractive discount to the prevailing market price. The Board has structured the SPP to encourage our loyal, smaller shareholders to apply for and increase their participation in Arrow.

It is only existing shareholders registered on Arrow's share register as at 7.00 pm on Wednesday 1 August 2007 who are afforded the opportunity to participate in the SPP. Shareholders not registered as at that date will not receive an offer under the SPP.

The SPP is to be completed as part of Arrow's current capital raising program, and follows the successful completion of a placement raising \$125 million, which was heavily oversubscribed.

The timetable for the SPP is provided below.

Eligible shareholders are entitled to apply for between \$1,000 and \$5,000 in new shares in Arrow, in \$1,000 increments, under the SPP.

The issue price of the SPP shares will be the lower of:

- the issue price for the placement (being \$2.35 per share); and
- the price calculated as the placement discount (of approximately 4.9%) applied to the Volume Weighted Average Price ("VWAP") for a period of 10 ASX trading days subsequent to the close of the SPP, commencing on or about 5 September 2007.

The SPP is underwritten to the extent of \$25 million by Wilson HTM Corporate Finance and Citi, who acted as Joint Lead Managers of the recently completed placement.

Arrow reserves the right to limit the amount raised under the SPP to \$50 million. A final decision on this will be made by the Board on or around the closing date of the SPP.

The proceeds of the combined SPP and placement will raise a minimum of \$150 million (before offer costs) and will be used by Arrow to build rapidly on its successful business model to

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deliver further growth in returns to shareholders, through funding of:

1. Continued exploration, appraisal and development of Arrow's considerable Australian CSG acreage to benefit further from improvement in the east coast gas market, targeting:
 - 2P net reserve target of 1,550PJ by end FY2008;
 - 2P net reserve target of 5,000 PJ by end FY2012; and
 - Approximate finding cost of \$0.03/GJ.
2. Development of additional gas for export options including the recently announced LNG project.
3. Development of international assets in key Asian growth markets with leading in-country development partners.

The terms and conditions of the SPP are outlined in the enclosed document. By making an application to purchase shares under the SPP, you will have agreed to be bound by those terms and conditions.

The right to participate in this offer under the SPP is available exclusively to persons who are registered on Arrow's share register as at 7.00 pm on Wednesday 1 August 2007 and whose registered address was in Australia, New Zealand or any other jurisdiction in which it is lawful for Arrow to offer Shares under the SPP (Eligible Shareholders).

To enable you to properly consider the offer under the SPP, set out below is a brief history of the trading price of Arrow's shares on the ASX over a variety of periods:

Period	High	Low	Weighted Average
2 August 2007	\$ 2.92	\$ 2.78	\$ 2.86
10 trading days to 2 August 2007	\$ 3.04	\$ 2.56	\$ 2.69
One month to 2 August 2007	\$ 3.04	\$ 2.36	\$ 2.64
Three months to 2 August 2007	\$ 3.17	\$ 1.81	\$ 2.57

Source: IRESS

Investors should be aware that shares are a speculative investment and that the market price of the shares may change between the Opening Date and the date of issue of the shares. This means that the subscription price you pay for the shares under the SPP may exceed the market price of the shares at that time. The Company does not make any assurance as to the market price of the shares and there can be no certainty that shares in the Company will trade at or above the subscription price following their issue. Shareholders should seek their own financial advice in relation to this offer and their participation in the SPP.

Participation in the SPP is entirely at your discretion but the SPP is non-renounceable which means you cannot transfer your right to purchase shares under the SPP to anyone else.

On the basis of the issue price of shares under the SPP, the Directors highly recommend the SPP to shareholders.

The application period will close at 5.00pm (Sydney time) on Wednesday 29 August 2007. Therefore, if you wish to apply for any shares under the SPP, you should follow the instructions outlined in the attached Application Form so payment is received at our Share Registry by that date.

The full timetable for the SPP is as follows :

Event	Date
Announcement Date	Wednesday 18 July 2007
Record Date	7.00 pm AEST Wednesday 1 August 2007
Dispatch of SPP Documentation To Eligible Shareholders	Tuesday 7 August 2007
Opening Date of the Offer	Wednesday 8 August 2007
Closing Date of the Offer	Wednesday 29 August 2007
Issue of Shares under the SPP	Thursday 20 September 2007
Application for Quotation of the SPP Shares on ASX	Thursday 20 September 2007
Dispatch Date for Holding Statements	Monday 24 September 2007

The above timetable is indicative only. Arrow reserves the right to vary any of the key dates above, including the Closing Date and the Issue Date, without further notice. Any changes to the timetable subsequent to the date of this letter will be advised to the market via release to ASX.

I look forward to you participating in Arrow's Share Purchase Plan.

For and on behalf of the Board of Directors.



Kerry J Parker
Company Secretary

For personal use only



ARROW ENERGY N.L.

ABN 73 078 521 936

TERMS & CONDITIONS OF SHARE PURCHASE PLAN

DEFINITIONS

In this Plan, unless the context otherwise indicates:

Application Form means the application form distributed with these Terms and Conditions;

Application Amount means the total amount payable by an Eligible Shareholder who applies for Shares under the Plan based on the Subscription Price for the total number of Shares applied for by that Eligible Shareholder;

Arrow or the Company means Arrow Energy N.L. ABN 73 078 521 936;

ASX means the Australian Securities Exchange Limited;

Board means the Board of Directors of Arrow Energy N.L.;

Class Order means ASIC class order CO 02/831 dated 17 September 2002 as amended or supplemented from time to time;

Eligible Shareholders means those Shareholders who satisfy the conditions set out under the heading "Eligibility to Participate" below;

Listing Rules means the official listing rules of the ASX (as amended from time to time);

Market Price has the same meaning as defined in the Listing Rules;

Offer or Issue means a non-renounceable offer of up to \$5,000 worth of ordinary fully paid shares in Arrow (at the Subscription Price) to Eligible Shareholders under the Plan;

Plan means the Arrow Energy N.L. Share Purchase Plan approved by the Board and as amended from time to time;

Record Date means Wednesday 1 August 2007;

Shareholders means those persons or entities that hold ordinary shares in the issued capital of Arrow;

Shares means new ordinary shares in Arrow to be issued pursuant to the Plan;

Shortfall means any Underwritten Shares not taken up by Eligible Shareholders under the Plan;

Subscription Price means the subscription price of the Shares which will be the lower of:

Arrow Energy NL

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GPO Box 5262, BRISBANE QLD 4001

Telephone: 61-7-3105-3400 Facsimile: 61-7-3105-3401 Email: info@arrowenergy.com.au

- \$2.35 per share; and
- the price being an amount equal to 95.1% of the Volume Weighted Average Price for a period of 10 ASX trading days, commencing on or about 5 September 2007 (VWAP) (that is, the price calculated at a 4.9% discount to the VWAP);

Terms and Conditions means the terms and conditions set out herein;

Underwriters mean Wilson HTM Corporate Finance Limited and Citigroup Global Markets Australia Pty Limited; and

Underwriting Agreement means the agreement between the Underwriters and the Company in relation to the underwriting of this Plan;

Underwritten Amount means twenty five million dollars (\$25,000,000); and

Underwritten Shares means the number of Shares equal to the Underwritten Amount divided by the Subscription Price.

ELIGIBILITY TO PARTICIPATE

Those shareholders of Arrow that will be eligible to apply for Shares under the Plan must:

- be recorded in Arrow's register of shareholders at 7.00pm on the Record Date; and
- have an address in Australia or New Zealand or in any other jurisdiction in which it is lawful and practical for Arrow to issue the Shares (in the reasonable opinion of the Board).

The Offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer.

In the event that a trustee or nominee is expressly recorded in Arrow's register of Shareholders as holding shares on account of another person (Beneficiary) on the Record Date:

- the Beneficiary is taken to be the registered holder in regard to those shares; and
- any application for the issue of shares or certification for the purposes of paragraph (c)(v) of Schedule B of the Class Order by, and any issue of shares to, the trustee or the nominee, is taken to be an application or certification by, or an issue to, the Beneficiary.

TERMS OF THE OFFER

The Offer will be open on and from 9.00am (Sydney time) on Wednesday 8 August 2007 (Opening Date) until, subject to the discretion of the Board, 5.00pm (Sydney Time) on Wednesday 29 August 2007 (Closing Date).

The Board reserves the right to close the Offer at any time prior to the Closing Date and/or extend the Closing Date without further notification.

In response to the Offer, Eligible Shareholders may only apply for between \$1,000 and \$5,000 in new shares in Arrow, in \$1,000 increments.

All Offers for Shares under the Plan are non-renounceable.

Participation in the Plan by Eligible Shareholders is entirely optional and subject to these Terms and Conditions.

APPLICATIONS FOR SHARES

Eligible Shareholders wishing to apply for Shares under the Plan must:

- if paying the Application Amount by cheque or bank draft:
 - complete the Application Form;
 - arrange payment for the Shares by cheque or bank draft in the manner specified on the Application Form; and
 - forward the completed Application Form and payment for the Application Amount to Arrow's Share Registrar at the addresses specified on the Application Form, to reach such addresses by no later than 5.00pm (Sydney time) on the Closing Date; or
- if paying the Application Amount by BPAY[®], make payment of the Application Amount for the number of Shares sought to be applied for by using the BPAY[®] facility details of which are set out on the Application Form with payment to reach Arrow's Share Registry by no later than 5.00pm (Brisbane time) on the Closing Date. By paying the Application Amount by BPAY[®], the Eligible Shareholder will be deemed to have completed an Application Form for the number of Shares the subject of the Application Amount and the Eligible Shareholders should not return the Application Form.

All application monies will be deposited into an account and any application monies received in respect of any applications rejected by the Board shall be refunded by Arrow without interest.

The Board reserves the right to reject any application for Shares (in whole or in part) including (without limitation) if, in the reasonable opinion of the Board:

- an Application Form is not correctly completed; or
- the applicant is not an Eligible Shareholder; or

- For personal use only
- the issue of those Shares would contravene any law or the Listing Rules; or
 - the exact payment for the Shares applied for is not received; or
 - it believes the issue of those Shares may result in a person receiving shares with an application price totalling more than \$5,000 in any consecutive 12 month period under the Plan or other similar arrangement; or
 - to accept the application in full would have the effect of exceeding the maximum offer of Shares under the Plan, as may be set by the Board;
 - if the applicant has not otherwise complied with the terms of the Plan.

The Board reserves the right to allocate fewer, or no, Shares than an Eligible Shareholder applies for under the Plan, including, without limitation, in the event that the Plan is oversubscribed.

If there is a consolidation or re-organisation of the issued share capital of Arrow prior to the Closing Date, the maximum number of Shares to be issued pursuant to and in accordance with the Plan shall be consolidated in the same ratio as the issued capital of Arrow.

ISSUE OF SHARES

The Directors of Arrow reserve the right to issue such number of Shares under the Plan as is permitted under Listing Rule 7.2, Exception 15 without Shareholder Approval. In such circumstances, the Company intends to accept subscriptions for Shares on a “first come, first served” basis.

Arrow intends to issue the Shares under the Plan on or about 20 September 2007 (Issue Date). Arrow reserves the right to vary the Issue Date without further notice in the event that the Closing Date is varied.

Arrow intends to issue the Shortfall Shares to the Underwriters in accordance with the terms of the Underwriting Agreement on or about 20 September 2007 (Shortfall Issue Date). Arrow reserves the right to vary the Shortfall Issue Date without further notice including where the Closing Date has been varied.

The allocation of Shares will be determined by the Board at its sole discretion.

In the event that the Offer under the Plan is not fully subscribed, the Board of Arrow reserves its right to issue Shares in excess of the maximum \$5,000 worth of Shares specified in this Plan (Additional Issue), to any person (whether or not such person is an Eligible Shareholder) so long as the Additional Issue:

- (a) satisfies section 708 of the Corporations Act 2001 (Cth); and
- (b) any approval of Shareholders to the Additional Issue which is required under the Listing Rules or the Corporations Act is obtained.

Arrow will apply to ASX for quotation of the Shares issued under the Plan and the Additional Issue (if any) within the period prescribed in the Listing Rules.

SUBSCRIPTION PRICE

The subscription price of the Plan shares will be the lower of:

- \$2.35 per share; and
- the price being an amount equal to 95.1% of the Volume Weighted Average Price for a period of 10 ASX trading days commencing on or about 5 September 2007 (VWAP) (that is, the price calculated at a 4.9% discount to the VWAP).

Accordingly, the Subscription Price will represent a discount of at least 4.9% to the Volume Weighted Average Price for Arrow's Shares for a period of 10 ASX trading days commencing on or about 5 September 2007.

The Shares are a speculative investment and the Market Price of the Shares may change between the Opening Date and the Issue Date. This means that the Subscription Price you pay for the Shares may exceed the Market Price of the Shares at the Issue Date. The Company does not make any assurance as to the Market Price of Shares and there can be no certainty that Shares in the Company will trade at or above the Subscription Price following the Issue Date. Shareholders should seek their own financial advice in relation to this Offer and participation in the Plan.

No brokerage, commissions, stamp duty or other transaction costs will be payable by Eligible Shareholders in respect of an application for, and an issue of, Shares under the Plan.

The Company may pay brokerage and other commissions in respect of any subscriptions procured by the Underwriters in accordance with the terms of the Underwriting Agreement.

NON-RESIDENTS

Eligible Shareholders who are not residents of Australia should consult their professional advisers as to whether any formalities need to be observed (either by them or Arrow) to enable them to apply for Shares. It is the responsibility of such Eligible Shareholders to obtain all necessary approvals so they may legally apply for Shares. The return of a completed application form and cheque or bank draft, or the forwarding of payment using BPAY® from a non-resident Eligible Shareholder will be taken by the Company to constitute a representation and warranty by that Eligible Shareholder that all relevant approvals have been obtained and that the Company may legally offer the Shares to that Eligible Shareholder.

GENERAL

The Board may change or terminate the Plan at any time prior to the Issue Date. In the event that the Board does so, it will advise the ASX. Any omission to give notice of changes to, or termination of, the Plan, or the non-receipt of any such notice, will not invalidate the change or termination.

If the Plan is withdrawn, all application monies will be refunded. No interest will be paid on any refunded application monies.

In addition to any rights of the Board to reject applications as set out in these Terms and Conditions, the Board also reserves the right to allocate fewer, or no, Shares than an Eligible Shareholder applies for under the Plan if the Board believes that the allotment of those Shares would contravene any of the Listing Rules or the Corporations Act 2001 (Cth). In any such case, excess application monies will be returned to the relevant applicant(s). No interest will be paid on application monies so returned.

Arrow may settle in any manner it deems appropriate, any disputes or anomalies which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any applicant or application of shares. The decision of Arrow will be conclusive and binding on all persons to whom the determination relates.

Arrow reserves the right to waive compliance with any provision of the Plan terms and conditions.



ABN 73 078 521 936

Share Purchase Plan Application Form

Offer closes 5:00pm (AEST) on Wednesday, 29 August 2007

This is an important document. Should you have any questions about its contents please seek independent financial advice.

Record Date: 1 August 2007

Close Date: 29 August 2007

Issue Date: 20 September 2007

Application for Shares

I/we wish to apply for the number of fully paid ordinary shares set out below in accordance with the terms and conditions of the Share Purchase Plan 2007 ("SPP") of Arrow Energy NL (AOE). By returning this form to AOE's Share Registry (or in the absence of returning this form but electing to participate in the SPP and make payment via Bpay®), I/we agree to be bound by the SPP Rules and AOE's Constitution (Constitution), and certify that the aggregate of the application price for the shares the subject of this application, and, any other shares in the class applied for by me/us under this SPP (including those the subject of any other application), or any similar arrangement in the 12 months prior to the date of issue, does not exceed A\$5,000. AOE reserves the right to vary the closing date for the offer.

AOE may settle in any manner it thinks fit, any disputes or anomalies which may arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any applicant or application for shares and the decision of AOE will be conclusive and binding on all persons to whom the decision relates. AOE reserves the right to waive compliance with any provision of the SPP Rules, subject to the compliance with the Corporations Act, the ASX Listing Rules and ASIC Class Order 02/831.

Lodgement Instructions

If you are located in Australia please forward the completed Application Form in the reply paid envelope provided. Other shareholders must forward it to the postal address set out below. The completed Application Form should be torn off below and forwarded with your payment to reach the Company's share registry by **5:00pm (AEST) on Wednesday, 29 August 2007**. If you are returning your Application Form by post, you should allow sufficient time for collection and delivery by postal services. The postal acceptance rule does not apply. Your form cannot be faxed to the Company's share registry as a cheque payment must be attached to your Application Form.

Mailing Address: Link Market Services Limited, Arrow Energy Share Offer, Locked Bag 3415, Brisbane QLD 4001, Australia; **or**

Delivery Address: Link Market Services Limited, Arrow Energy Share Offer, Level 12, 300 Queen Street, Brisbane QLD 4000 (**Please do not use this address for express post mailing**)

Make sure you send your Application Form and cheque allowing enough time for mail delivery, so Link Market Services Limited receive them on or before 5:00pm (AEST) on Wednesday, 29 August 2007.

If you need help in completing this Share Purchase Plan Application Form, please contact the Registry on +61 2 8280 7731 for overseas holders and 1800 129 431 for Australian holders between 8:30am and 5:00pm (AEST) Monday to Friday.

This offer is non-renounceable – No Signature is required

Return Application Form (below) and cheque or bank draft in the envelope provided.

Offer Closes: 5:00pm (AEST) on Wednesday, 29 August 2007.

Please detach this tear-off slip and return with your cheque

Pin
cheque(s)
here
(do not
staple)



ABN 73 078 521 936



Billers Code: 333161

Ref:

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I/We wish to purchase shares:

<input type="checkbox"/>	A\$1,000	OR	<input type="checkbox"/>	A\$2,000	OR	<input type="checkbox"/>	A\$3,000	OR	<input type="checkbox"/>	A\$4,000	OR	<input type="checkbox"/>	A\$5,000
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I/We certify that the aggregate of the application price for the shares the subject of this application, and, any other shares in the class applied for by me/us under this Share Purchase Plan, together with amounts subscribed in any similar plan offer by Arrow Energy NL in the last 12 months prior to the date of issue, does not exceed \$5,000.

Payment Details (if paying by cheque or bank draft):

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Make your cheque or bank draft payable to "Arrow Energy NL – Share Offer Account"

Contact Details: Telephone Number – Business Hours

Contact Name (PRINT)

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Payment and Lodgement Details

Payment may only be made by Bpay, cheque or bank draft.

Cheques or bank drafts must be made payable to "Arrow Energy NL – Share Offer Account." To pay via Bpay please contact your participating financial institution.

Completed cheques and Application Forms should be returned using the reply-paid envelope provided. Alternatively, please mail or deliver to the address below. If paying by Bpay, you do not need to return the Application Form.

Mailing Address: Link Market Services Limited, Arrow Energy Share Offer, Locked Bag 3415, Brisbane QLD 4001, Australia; *or*

Delivery Address: Link Market Services Limited, Arrow Energy Share Offer, Level 12, 300 Queen Street, Brisbane QLD 4000 (***Please do not use this address for express post mailing***)

Make sure you send your Application Form and cheque allowing enough time for mail delivery, so Link Market Services Limited receive them on or before **5:00pm (AEST) on Wednesday, 29 August 2007.**

If you need help in completing this Share Purchase Plan Application Form, please contact the Registry on +61 2 8280 7731 for overseas holders and 1800 129 431 for Australian holders between 8:30am and 5:00pm (AEST) Monday to Friday.