



ASX Announcement

22 November 2010

Chairman's Address to Annual General Meeting

Ladies and Gentlemen, it's a pleasure to welcome you to Bow Energy's 2010 Annual General Meeting.

This year's exploration has positioned us as the holder of one of the largest uncommitted 3P gas reserves in Queensland.

During the past financial year we recorded a 256% increase in 3P certified reserves and more recently, increased our 2C resource by over 230%. Importantly, these gas reserves and resources are strategically located approximately 250km west of Gladstone, which is set to host Queensland's export LNG industry along with growing domestic gas markets.

Gladstone's position in the CSG to LNG story has become clear with Federal Government approval of BG's and Santos' LNG projects, State Government approval of Origin's LNG project, and BG announcing Final Investment Decision for its project last month. These developments attest the creation of a gas energy hub in Gladstone and the opportunities Bow has to unlock the value of its resources.

The extent of this opportunity is reflected in the targets Bow has set for calendar year 2011. In addition to increasing our 3P reserves target to 6,200 petajoules, our primary focus will be to deliver commercial gas flows across multiple gas fields, this being a pre-requisite in achieving our 2P reserves target of 1,250 petajoules by the end of next year.

A recent Wilson HTM broker report commented: "Bow has a substantial and growing reserve position, with sufficient scale to support infrastructure development to deliver this gas to Gladstone".

A third party study has identified over 13 Trillion Cubic Feet of gas in place across Bow's CSG projects and our efforts will continue to be directed to proving and developing this resource.

Over the year, weather has unfortunately delayed operations with over 30% lost drilling time due to wet weather. Operations in wet weather can have safety issues and Bow, as always, is concerned about the safety of our people and contractors working under these conditions.

In addition to the safety issues, there have been many times over the past year where it has been physically impossible to get equipment on and off site due to ground conditions. Hence, some of our operations are behind where we would like them to be at this stage.

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With respect to the activities we have been able to undertake, our early initial drilling in the Blackwater field indicated natural permeability in several shallow coals. Based on this data we obtained initial 2P reserves to support the Blackwater Power Project. We then embarked on a multi-well development in this area, initially with a three well pilot program with simple, and relatively inexpensive, completions.

Whilst subsequent pumping of these wells did produce gas immediately at low flow rates, the rate of gas flow increases were not quick enough to confidently predict when we would achieve early commercial gas flows.

Our ongoing exploration core drilling and analysis have demonstrated high gas contents and high gas saturations for the majority of our coals. Given this, the only technical risk for commercial development remaining is achieving commercial gas flows and of course entering gas sales agreements. Continued reserve certification drilling and permeability testing during the year demonstrated there was variable permeability of the coals with most coals being in the lower permeability range as are most coals in the Bowen Basin, and it became clear that to achieve commercial gas flows, the majority of our coal reservoirs in the Bowen Basin will require permeability enhancement completion methods, as is also the case with most fields in the northern Bowen Basin.

Accordingly we are now focussed on implementing permeability enhancement completion methods, including two multi-well frac pilots and a lateral well pilot at Blackwater. These completion methods have been successful in obtaining commercial gas flow rates from coals in adjacent and other CSG areas in the Bowen Basin.

However these operations have also been subject to several delays over the past few months due to wet weather creating little or no access to job sites and unsafe working conditions. Even today our field operations are currently shut down due to high rainfall and storms over the last few days.

Despite the field operation setbacks due to weather, in addition to the initial three-well simple completion pilot, Bow has two multiwell frac pilots and a vertical production well which intersects our lateral pilot well awaiting completion and pump testing.

If all goes to plan, Bow will have four pilot projects pumping and testing early in 2011 with preliminary results expected late in the first quarter of 2011. Additional permeability enhancement pilots and lateral drilling programs are also planned for various other locations around our Bowen CSG fields through 2011 with the aim of achieving commercial flow rates across multiple fields and achieving our 1,250 petajoules 2P end of 2011 reserve targets. As this work progresses, we will be able to optimise the varying completion methods to facilitate the most cost effective methods of commercially extracting our gas.

We are acutely aware of the current environmental and multiple land use challenges facing our industry and we are committed to working with relevant groups in finding the right

outcomes. To this end, Bow has been engaging with and will continue to engage with all stakeholders to ensure their reasonable concerns are met along with ours.

A lot of the land above our gas reserves and resources in our northern Bowen Basin tenements is dominated by coal mines and leases. For this reason, surface access issues are dominated by reaching commercial arrangements with the owners of those mines and leases as well as landholders and other stakeholders.

Bow has carried out, and continues to carry out, hydrological studies within its CSG fields which to date have indicated that our drilling in our Bowen Basin tenements will have very low impact, if any, on non-coal aquifers or water tables. Furthermore, we anticipate that our operations in the northern Bowen Basin will have a much lower environmental water risk as these projects do not overlay the Great Artesian Basin.

In parallel with developing our upstream reserves, we are pursuing multiple development strategies including export LNG, domestic gas sales and electricity generation.

Bow believes its reserves are well positioned to supply the significant estimated reserves shortfalls for the major export LNG projects already announced, as well as the potential to participate in a new stand-alone export LNG project.

The domestic gas markets also offer many opportunities and we have identified significant demand for long-term gas via Gladstone.

Putting a price on carbon is high on the political and social agenda worldwide, including Australia, and this will result in increased demand for lower carbon emitting fuels such as natural gas. This is already resulting in gas-fired electricity generation trending from supplying peaking demand towards intermediate and ultimately base-load electricity generation.

While demand for power will continue to grow unabated, the most inefficient of the existing coal-fired power plants already being slated for closure, and serious questions exist as to whether any of that demand will be supplied by new coal-fired generation. For this reason Bow is actively pursuing opportunities to meet Queensland's power needs.

As an example, our 30MW Blackwater Power Project, which started construction last August and aiming to be commissioned in the middle of 2011, should be a step forward in facilitating emission reductions and growing electricity demands.

We also have the capacity to expand to develop an extra 200MW near Blackwater, where the grid is expected to be short on physical generation capacity.

The company's achievements would not have been possible without our skilled and experienced staff. This year has seen our team supplemented at the executive level, with the appointments of Vic Palanyk as our COO and Peter Harbison, as our CFO. At an operational

level, Bow has also appointed experienced and skilled technical, land, environmental and operational compliance staff.

To drive the company's expanding business, we will continue to expand our skilled team as required. Rest assured that they are working diligently and cost effectively, at times under difficult conditions, to achieve our immediate goals of commercial gas flows across multiple gas fields and our gas reserve targets to facilitate commercial development of our gas fields.

This month we strengthened our financial position by completing an equity capital raising of \$48.4 million, which was supported by new and existing Australian and international institutional investors. Combined with cash on hand, this will fund activities targeted to deliver commercial gas flows, early cash flow from electricity sales, gas reserves of 6,200 petajoules 3P and 1,250 petajoules 2P by end of 2011 across Bow's 100% owned Bowen Basin CSG fields and most importantly multiple pathways to commercial development of our CSG fields.

We also have a share purchase plan capped at \$30 million currently on offer which will give all Bow shareholders at our record date the opportunity to purchase up to \$15,000 worth of Bow shares at the same price as the institutional investors paid.

Gas is already part of Australia's cleaner energy future, and I believe Bow is in an excellent position to capitalise on this rapidly growing trend, and in the rapidly growing internationally demand for LNG exports to the Asia-Pacific region.

Thank you for your attendance today and I look forward to reporting our 2011 achievements at next years AGM.

Howard Stack
Chairman

For and on behalf of the Board
Duncan Cornish
Company Secretary
Bow Energy Ltd