



A large, stylized, blue 'Q' graphic that incorporates a black and white photograph of an oil rig structure, creating a circular frame around the rig's components.

QUARTERLY  
REPORT ENDED  
30 SEPTEMBER 2011

EXPLORING,  
DEVELOPING,  
GROWING



## ASX: BOW

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# 1. Performance Review

## Board Recommended Offer of \$1.52 per share from Arrow Energy:

On September 26, the Board of Bow unanimously recommended the Arrow Energy cash offer of \$1.52 per share (Offer), in the absence of a superior proposal arising and subject to an Independent Expert concluding that the Offer is in the best interests of Bow Energy shareholders.

The price of \$1.52 per share represents:

- A premium of 72% to the closing price of \$0.885 on 19 August 2011, the last trading day prior to the announcement that Bow had received an indicative proposal from Arrow; and
- A premium of 58% to the three month volume weighted average price prior to 19 August 2011.

The Board and its advisers completed a review of all Bow's options to maximise shareholder value, which included Bow remaining an independent ASX listed company and further developing its assets, introducing joint venture partners and change of control transactions. The Board concluded that a change of control transaction with a cash consideration would immediately crystallise significant value for shareholders, without the execution risk and significant funding requirements associated with the execution of Bow's development plans.

## Operations:

Bow Energy is focussed on coal seam gas (CSG) and conventional oil development in Australia. The company is pursuing multiple channels to develop and market its gas fields including domestic power generation, domestic gas supply for industry, and export liquefied natural gas (LNG) markets via Gladstone.

Bow's pilot production wells in the Blackwater CSG Field within the Rangal coal measures are showing encouraging production trends with several of them showing increasing gas flows, increased water flow rates and good down hole pressures. These production pilots are spread across the gas reserves base at four separate geographical locations in Bow's 100% owned Comet Block.

Bow's 100% owned tenements contain over 5,000 PJ of certified gas reserves and contingent resources at various stages of certification, which include 2,480 PJ of 3P reserves and 605 PJ of contingent gas resource in the Comet Block and 1,916 PJ of contingent gas resource in the Norwich Park Block. The delivery of successful pilot wells is an important element for upgrade from 3P to 2P gas reserves.

Achievements for the September quarter include Bow reaching agreement to farm-out four Central Eromanga Basin oil exploration tenements to Real Energy Corporation Pty Ltd (Real) subject to Real raising sufficient capital by 31 December.

Under the arrangement up to six oil wells may be drilled, and if successful, cased and suspended to earn-in to the tenements with a minimum commitment of at least four wells and 500 kilometres of 2D seismic in the first two years. Bow will retain 32.5-50% equity post farmin. The farm-out will allow Bow to focus on developing its CSG assets.

## 2. Arrow Energy Cash Offer

On 22 August Bow announced that Arrow Energy Holdings Pty Ltd had made a non-binding conditional proposal to acquire all Bow Energy shares at \$1.48 per share by Scheme of Arrangement ("Scheme"). On 26 September Arrow Energy firmed their offer to \$1.52 per share through a Scheme of Arrangement.

The Board of Bow unanimously recommends that shareholders vote in favour of the Scheme, in the absence of a superior proposal arising and subject to an Independent Expert concluding that the Scheme is in the best interests of Bow shareholders.

Each Bow Director intends to vote in favour of the Scheme, and/or procure that the voting rights which the Director has control over are voted in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Bow shareholders.

Bow Energy Chairman Howard Stack commented "The Board has completed a thorough review of Bow's options to maximise shareholder value that included Bow remaining an independent ASX listed company and further developing its assets, introducing joint venture partners and change of control transactions."

"The conclusion the Board reached is that a change of control transaction with a large cash takeover premium is in shareholders' best interests and allows for the crystallisation of Bow Energy's long term value proposition without needing to address risks associated with the funding and execution of our development plans."

Chief Executive Officer of Bow Energy, Mr John de Stefani added; "Bow has developed its coal seam gas assets successfully to a point where the involvement of a major player is ultimately required to best take the projects to the next step. Arrow is also attracted to the quality of Bow's staff and I am proud of the role our staff has played in the growth of the company to date".

**The Scheme is subject to a number of customary conditions precedent, including:**

- Acquisition approvals, including Foreign Investment Review Board ("FIRB") approval in Australia, and customary regulatory approvals in the People's Republic of China ("PRC");
- An Independent Expert Report concluding that the Scheme is in the best interests of Bow Energy shareholders;
- Bow Energy shareholder and court approvals for the Scheme;
- No person obtaining a relevant interest in 15% of Bow's share capital;
- Cancellation (or exercise) of all existing Bow options; and
- No Bow regulated events and/or material adverse changes

### Scheme Implementation Timetable

Event	Target Date
Scheme Booklet lodged with ASIC	Late October 2011
Dispatch of Scheme Booklet	Late November 2011
Bow Energy Scheme Meeting	Mid to Late December 2011
Court Hearing to Approve Scheme	Mid to Late December 2011
Scheme Implementation Date	Mid-January 2012

Note: All dates shown are indicative and subject to change

## 3. Coal Seam Gas Projects

### Blackwater CSG Field

ATP 1025P – Reserves upgrades continue

Bow Energy 100% ownership

At the time of this report 2,480 PJ of 3P and 148 PJ of 2P of gas reserves and 605 PJ of contingent resources have been certified in the Comet and Blackwater CSG Fields located in Bow's 100% owned Comet Block. Bow has been focussed on pilot production well testing in the Blackwater CSG Field with the aim to determine future drilling and completion techniques for optimal field development.

Currently eight pilot production wells are pumping in the Blackwater CSG Field, two are lateral wells and the remainder are fraced wells. Lateral BWP 39 intersected approximately 560 metres of coal while the other lateral well BWP 37 intersected 50 metres of coal.

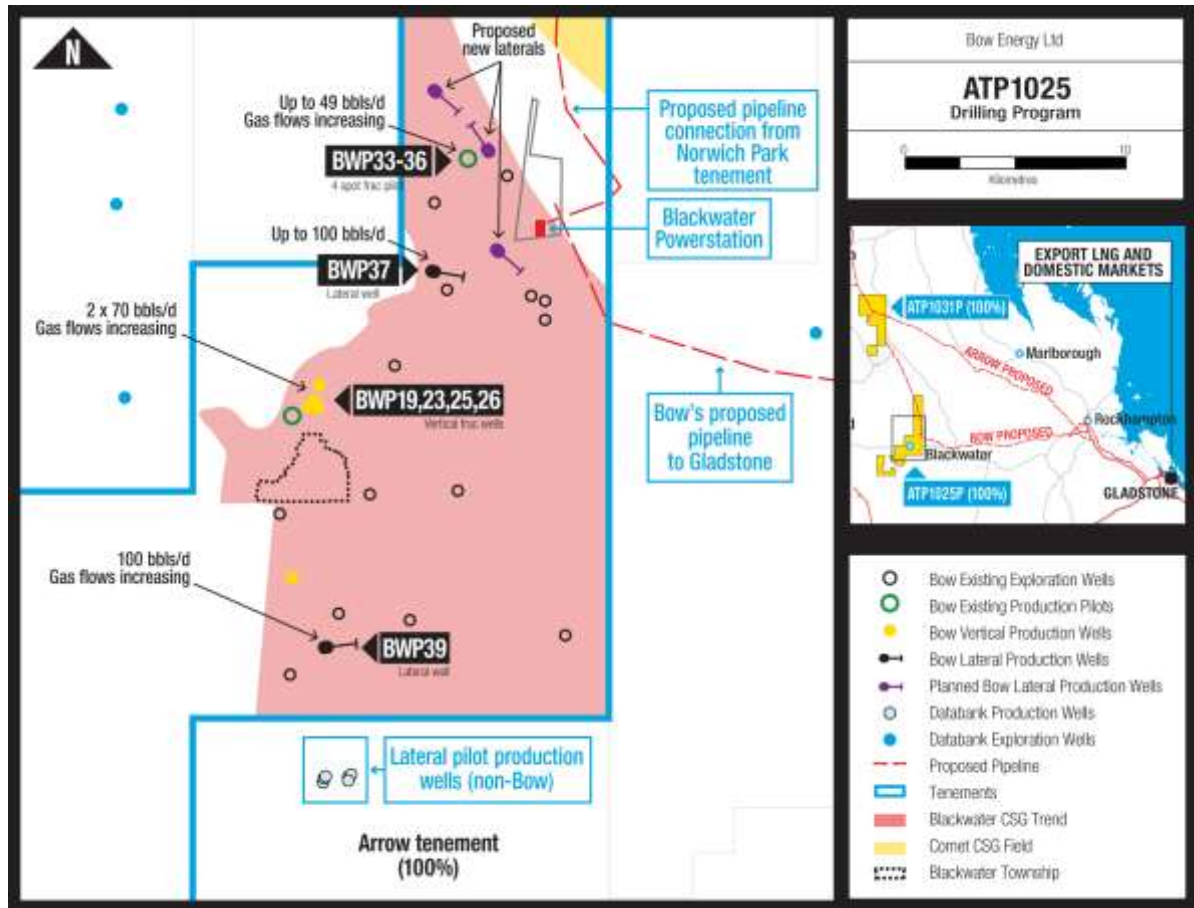
Of the eight pilot wells on pump, five including the most recent lateral well BWP 39, are showing positive production trends and early gas flows. Dewatering flow rates have generally increased and following gas breakout, the gas pressure in the wells is building with several wells flowing gas at increasing rates. These wells are spread over 25 kilometres and located at four different geographical locations in the Blackwater CSG Field.

Water production from BWP 39 is being maintained at approximately 100 barrels per day (bbls/d) and measured gas flows have exceeded 100,000 standard cubic feet/day (scf/d) to date.

Subject to final analysis Bow believes that a combination of lateral and vertical fraced completions is likely the most efficient and economical completions strategy for the Blackwater CSG Field.

Bow's approach in drilling future lateral wells is to use seismic data to assist in sub-surface identification of coal seam continuity and avoid intersecting major faults. As part of this approach, a 50 km 2D seismic acquisition program was completed during the quarter and designed to high grade locations for lateral drilling production pilots in the field. Once processed, at least two further lateral pilot production well locations will be selected for drilling.

## Multiple pilots in progress at Blackwater CSG Field





## Norwich Park Projects

ATP 1031P – Initial reserves certified

Bow Energy 100% ownership

Drilling and appraisal activities in the Norwich Park block have been substantially delayed in 2011 due to the lingering effects of the summer floods and the complexities arising from the new Queensland Government Land Access Code.

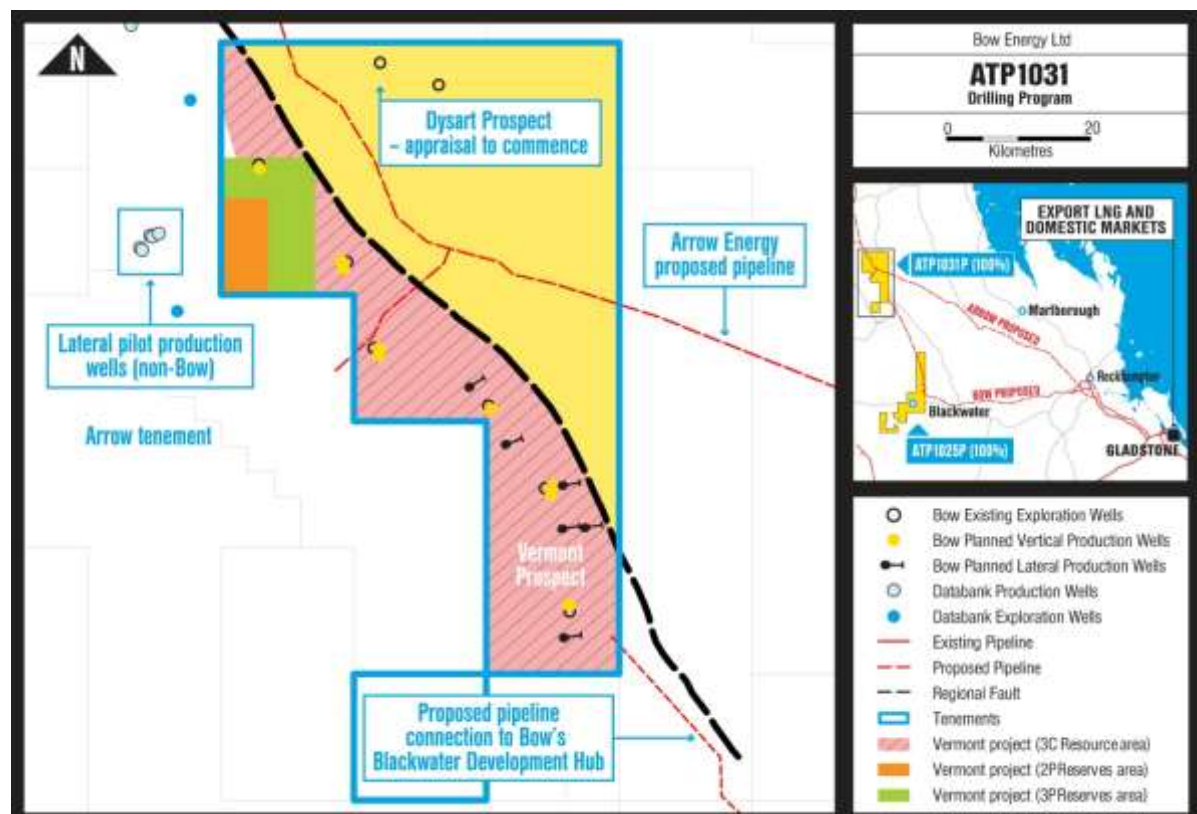
Following the positive early results of the BWP 39 lateral well in the Blackwater CSG Field, Bow is planning up to six lateral production wells on the Vermont CSG Field to systematically target the conversion of certified gas resources in the field to 2P gas reserves. Subject to land access a pilot production drilling program is now not expected to commence at the Vermont CSG Field until early 2012.

The Vermont program is planned to replicate the Blackwater pilot program with more focus on lateral drilling which is being used successfully on other Bowen Basin CSG fields.

Currently the gas reserves and resources in ATP 1031P are only in the Vermont CSG Field. A further three core holes are also planned to be drilled within ATP1031P in 2012 to fully evaluate the gas potential of the Dysart Prospect within this tenement. The Dysart results are expected to increase ATP1031 resources above those currently defined on the Vermont CSG Field.

## Norwich Park Block has 6.6 Tcf Gas in Place

(35 PJ of 2P, 163 PJ of 3P and 1,916 PJ of contingent resources certified in Vermont CSG Field)





## Comet CSG Field

ATP 1025P

Bow Energy 100% ownership

While drilling activities are being concentrated in the Blackwater CSG field, Bow continues to negotiate overlapping tenure agreements with coal parties as required in the Comet CSG field.

## Gunyah Project

ATP 1053 – Awaiting minister approval to grant

Bow Energy 100% ownership

Bow is currently waiting for formal granting of the tenement from the Queensland Government after finalising all relevant documentation, including a Conjunctive Ancillary Agreement (between Bow and the Wulli Wulli People) and the State Deed (all parties including the Queensland Government). The Conjunctive Ancillary agreement captures the significant requirements for CSG exploration and production such as cultural heritage management plans. Bow cannot carry out any exploration or appraisal work in this permit until it is granted.

## Bandanna Project

ATP 805

Bow Energy 100% ownership

Located 70 kilometres north-west of Santos's Fairview CSG Field, the Bandanna CSG project targets Bandanna Coal Measures interpreted to occur at depths between 200-1000 metres. Bow is planning to drill one exploration core hole in the Bandanna prospect in 2012. No field work was conducted in the September quarter.

## Don Juan Project

ATP 771P / ATP 593P

Bow Energy 55% ownership

The Don Juan CSG Project is a joint venture between Bow and Senex Energy (Operator and 45% interest) targeting the Walloon Coal Measures (including the Juandah and Taroom coal seams).

The Don Juan CSG project includes ATP 771P and ATP 593P and is located in the western Surat Basin about 40 kilometres north of Roma, adjacent to and west of BG Group's Lacerta CSG field. All certified reserves to date (55PJ 2P and 109 PJ 3P net Bow) are within ATP 771P. The joint venture plans to drill two exploration core holes in ATP 593P late 2011.

## 4. Reserves Position

Bow has one of the largest uncontracted gas reserves in Queensland. These gas reserves are located 250 kilometres from four planned export LNG plants in Gladstone. Bow has 100 percent ownership of 13.8 Tcf of Gas In Place potential across these tenements.

Certification of reserves in Norwich Park occurred in the June quarter and further reserves were confirmed in the Blackwater field in July 2011.

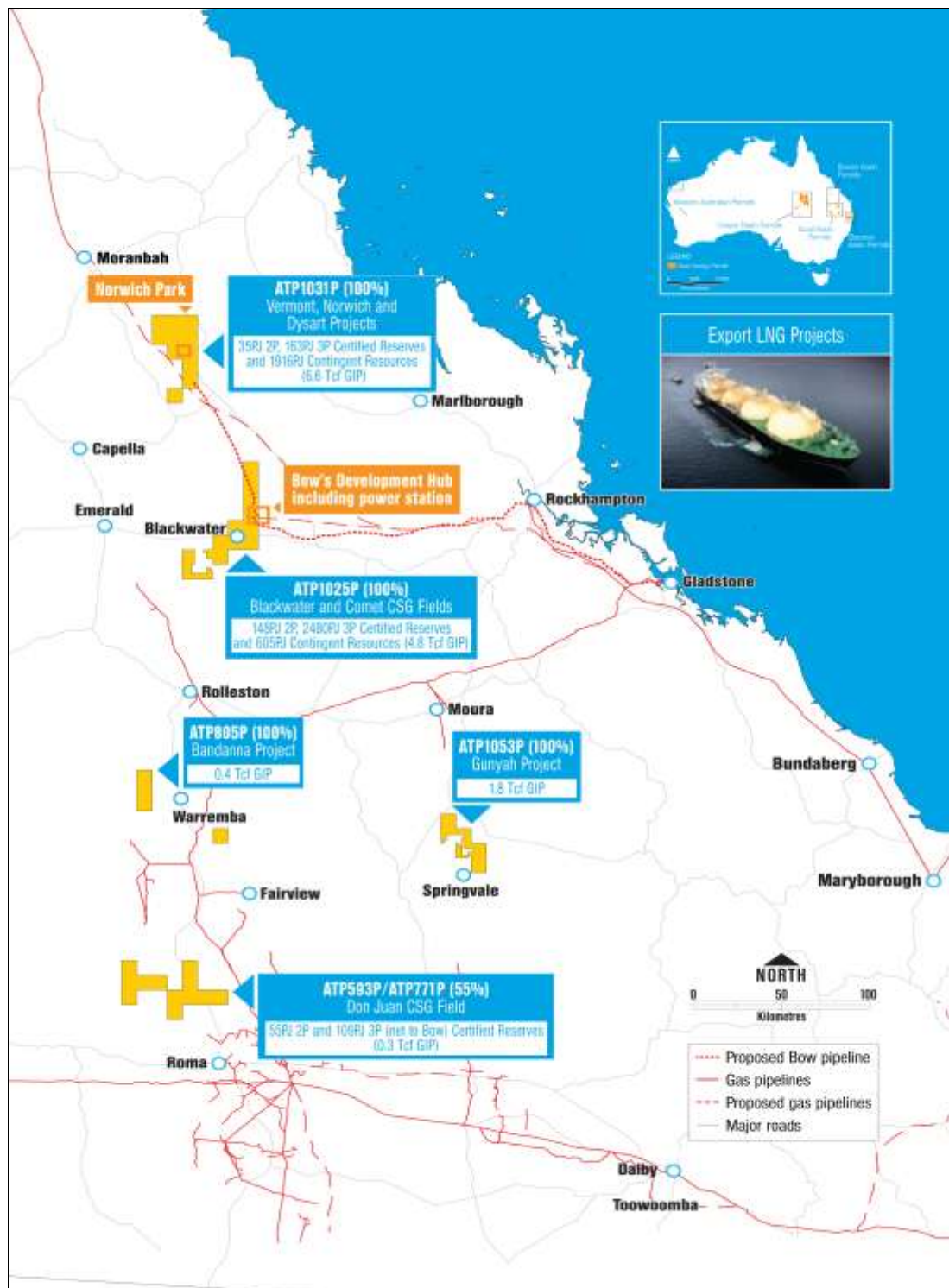
Bow continues to draw confidence from its current pilot production program and expects to achieve its target of 6,200 PJ of 3P reserves and 1,250 PJ of 2P reserves.

Bow's current gas reserves and gas reserves targets are summarised below.

Project (all 100% unless stated otherwise)	Current Certified Reserves/Resources			Current Funding to Deliver Reserve Targets <sup>1</sup>	
	Contingent Resources (PJ net to Bow)	3P Reserves (PJ net to Bow)	2P Reserves (PJ net to Bow)	3P Reserves (PJ net to Bow)	2P Reserves (PJ net to Bow)
Blackwater and Comet CSG Fields (ATP1025P)	605	2,480	148	2,467	535
Norwich Park Tenement (ATP1031P) – includes Vermont CSG Field and Dysart Prospect	1,916	163	35	3,000	660
Gunyah Project (ATP 1053)	-	-	-	600	-
Bandanna Project (ATP 805)	-	-	-	-	-
Don Juan Project (Bow 55%)	-	109	55	133	55
<b>Total Reserves/Resources (net PJ to Bow)</b>	<b>2,521</b>	<b>2,752</b>	<b>238</b>	<b>6,200</b>	<b>1,250</b>

1. As a result of delays from rain and floods earlier this year and land access delays further testing and appraisal work, particularly in the Norwich Park tenement, is now scheduled in the 2012 calendar year.

## 5. Tenements Map



*Bow's CSG Tenements in Queensland showing Current Net Reserves (Resources)*

## 6. Conventional Oil and Gas Projects

### Cooper Basin

#### ATP 752P – Cuisinier appraisal drilling exceeds expectations Bow Energy 15% ownership after farmin work completed

The Cuisinier oil field is located in the onshore Cooper Basin, Queensland, in ATP 752P where Bow holds a 15 percent interest.

The Cuisinier 1 (CN-1) discovery well began production in May 2010 and has cumulatively produced over 100,000 barrels of oil to 31 July 2011. The well's daily productive capability continues to be in excess of 350 barrels of oil per day (bopd).

Two appraisal development wells, Cuisinier 2 (CN-2) and Cuisinier 3 (CN-3) and an exploration well, Barta North 1, were cased as potential oil wells over the past six months. CN-2 was drilled approximately 450 metres northeast of CN-1 and encountered three separate pay sands in the Murta sandstone to a depth 28 metres below the base of perforations in Cuisinier 1. CN-3 was drilled approximately 700 metres southwest from CN-1 and showed apparent log pay in two Murta zone sandstones.

Cuisinier-2 was placed on production July 18, results to date indicate the well is capable of initial production rates of up to 210 bopd.

Cuisinier -3 was placed on production August 20 from the upper Murta sandstone which is capable of producing at initial production rates of up to 60 bopd.

#### **Barta North-1 Oil Discovery:**

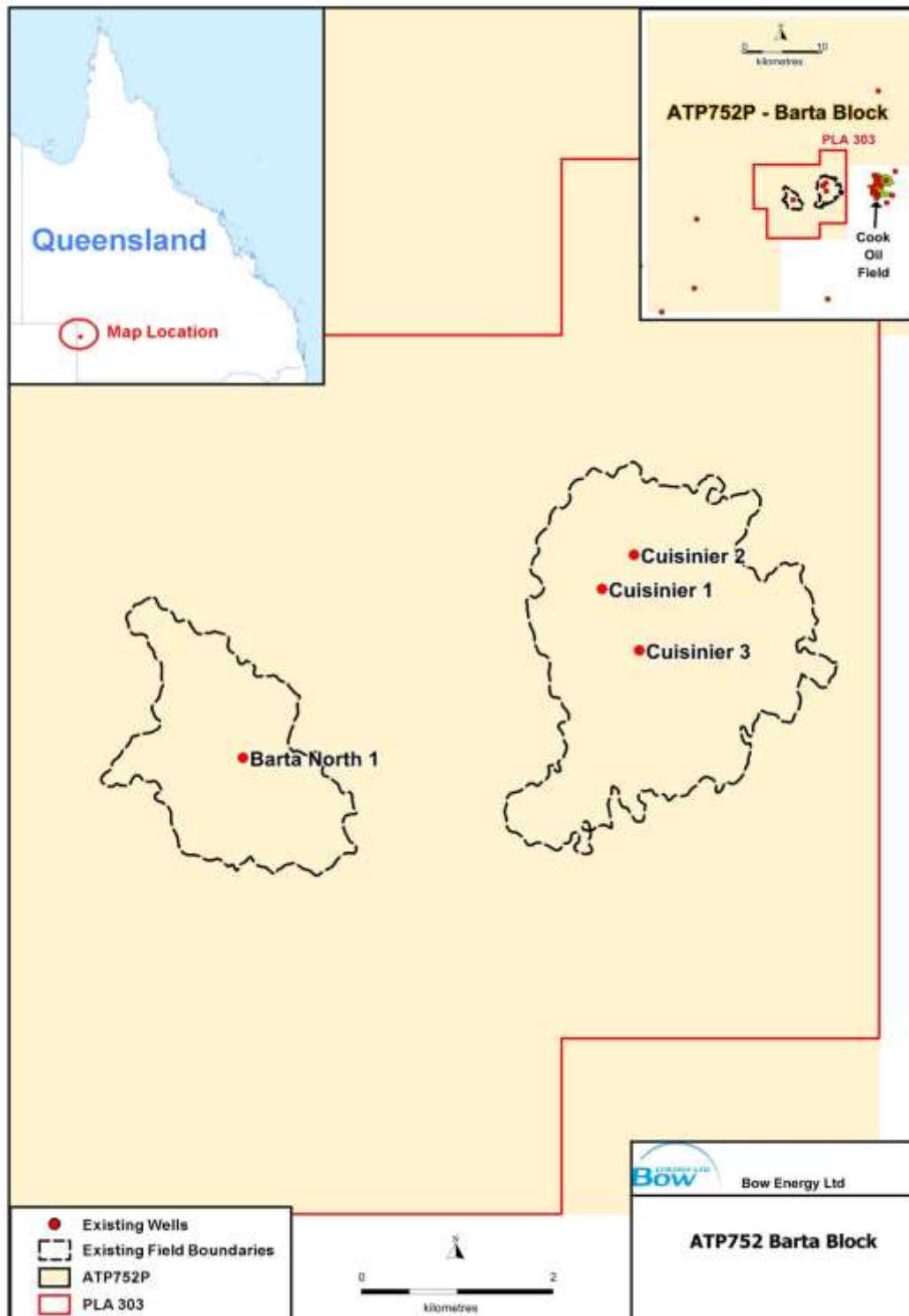
An exploration well, Barta North 1, was drilled during November 2010 approximately five kilometres southwest of Cuisinier-1 on what was mapped as a separate structure. The well was perforated over six metres in the Upper Murta zone. The well has been completed as a pumping oil well and facilities connection options are currently being reviewed.

Initial results indicate potential for the well to produce at initial rates around 90 bopd. The true extent of the oil discovery is not yet known as Barta North-1, like the wells drilled to date in the Cuisinier oil field, did not intersect an oil/water contact within the upper Murta sandstone.

#### **Sampdoria-1**

The Sampdoria-1 oil exploration well has been plugged and abandoned after reaching a depth of 1,823 metres in the Toolachee Formation. Shows were recorded in the Murta Formation and Hutton Sandstone and a Drill Stem Test was conducted across the show at the top of the Hutton Sandstone. The test recovered 2.8 barrels of mud-cut formation water.

Sampdoria-1 is located approximately 4 kilometres to the north east of the Genoa oil. The primary targets were sands of the basal Birkhead Formation and Hutton Sandstone with secondary targets in the McKinlay Member and Namur Formation. Bow is free carried in this program and as such will not be responsible for any expenses relating to this well.



## Central Eromanga Basin

#### ATP 794P, ATP 794P Barcoo Block, ATP 809P, ATP 944P and ATP 948PA (Bow Energy 65-100% ownership)

On 10 August Bow reached agreement with Real Energy Corporation to farm-out four Central Eromanga Basin oil exploration tenements (subject to Real Energy raising sufficient capital by 31 December 2011). Bow is fully carried on the program and retains 32.5% to 50% equity post farmin.

The farm-out to Real Energy is consistent with Bow's strategy in maximising value of its assets and will allow Bow to focus on developing its Coal Seam Gas (CSG) resources.

Real Energy will be the operator and will fund 100% of the drilling and any pre-drill work required to mature drilling prospects.

Up to six oil exploration wells may be drilled, and if successful, cased and suspended to earn-in to the tenements with a minimum commitment of at least four wells and 500 kilometres of 2D seismic in the first two years.

#### Surat Bowen Basins

No activity has been undertaken this quarter.

#### Clarence-Moreton Basin

No activity has been undertaken this quarter.

#### Carnarvon Basin Activities

WA-261-P

Bow 10% ownership

A 3D seismic program was shot and processed over the permit to detail the Chamois oil field and high grade other prospects for potential drilling. Focus will be on interpreting the seismic over the coming months the view to coming up with potential drilling locations.

EP 325

Bow 11.1% ownership

No activity has been undertaken this quarter.

## 7. Power Generation Project

### Construction Completed On Blackwater Power Project

Bow announced in August 2010 the commencement of construction on Bow's 100 percent owned 30MW gas-fired Blackwater Power Project, located approximately 15 kilometres north-east of the town of Blackwater in central Queensland. The project will be supplied with CSG from Bow's adjacent Blackwater CSG Field.

Civil, construction, mechanical and electrical and pre-commissioning works have now been completed. Due to delays in gas delivery and securing power line easements, commissioning is currently scheduled for second quarter 2012.



*Blackwater Power Project (July 2011)*



## 8. EIS for Bowen Basin Development

Bow has commenced an Environmental Impact Statement (EIS) to ensure that the company meets all environmental regulatory approvals for all upstream development activities within ATP 1025P (Blackwater and Comet projects) and ATP 1031P (Norwich Park projects) as well the construction of two high pressure gas transmission pipelines:

- a pipeline linking ATP1031P to ATP 1025P, approximately 110km (straight line) in length; and
- a gas transmission pipeline connecting Blackwater to Gladstone (Mt. Larcom compressor station) via Rockhampton, approximately 250km in length.

The EIS is now expected to be submitted during first quarter 2012.

Bow has obtained a Pipeline Survey Licence (PSL 51) for the corridor from Blackwater through to Gladstone (via Rockhampton). The company is finalising a route selection study (including identification of a preferred alignment) for the Norwich Park to Blackwater Gas Hub (in ATP 1025P) gas pipeline. This section of pipeline will provide a link between CSG reserves in ATP 1031P and the Blackwater to Gladstone pipeline.

An application for a PSL has been submitted to the regulatory authority for the Norwich Park to Blackwater pipeline route and is pending approval.

## 9. Planned Activities for Next Quarter

- Continue appraisal and pilot production activities to target improved gas flows
- Progress the EIS for the Blackwater to Gladstone gas pipeline infrastructure including the Norwich Park to Blackwater pipeline and the field development areas
- Progress the Scheme implementation requirements for the Arrow Energy recommended offer

## 10. Important Notes

### Competent Person Statements

**MHA** – The estimates of gas reserve and resources for the Blackwater Block (ATP 1025P), Comet Block (ATP 1025P) and Don Juan CSG Field (ATP 771P) has been prepared by MHA Petroleum Consultants, LLC (MHA ) in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. The reserve statement has been compiled by Mr Timothy L Hower Chairman of MHA, together with personnel under his supervision. Mr Hower, who has over 28 years industry experience, and MHA have consented to the inclusion of the technical information contained in this report in the form and context in which it appears.

**MBA** – The estimates of gas in place estimates for the Norwich Park (ATP 1031P), Gunyah Block (ATP 1053P) and Bandanna Project (ATP 805P) has been prepared by Mr Doug Barrenger of MBA Petroleum Consultants Pty Ltd (MBA). Mr Barrenger has more than 25 years of experience in the petroleum industry and 10 years of experience in the coal seam gas industry.

**NSAI** – The estimates of gas reserves and resources tabulated (ATP 1031P) has been prepared by Mr John Hattner of Netherland Sewell and Associates Inc ('NSAI'), Dallas, Texas, USA. Mr Hattner is a full-time employee of NSAI, is a qualified person as defined under ASX Listing Rule 5.11 and has consented to the use of the reserves and resource figures as tabulated in this report.

**Bow** – Other technical information contained herein is based on information compiled by the Company's Chief Operating Officer, Vic Palanyk, who has over 30 years' experience in the petroleum industry and over 15 years in CSG.

# 11. Corporate Information & Directory

## DIRECTORS

Howard Stack (Non-Executive Chairman)  
 Ron Prefontaine (Executive Director)  
 Nicholas Mather (Non-Executive Director)  
 Stephen Bizzell (Non-Executive Director)

## EXECUTIVES

John De Stefani (Chief Executive Officer)  
 Vic Palanyk (Chief Operating Officer)  
 Peter Harbison (Chief Financial Officer)  
 Duncan Cornish (Company Secretary)

## SHAREHOLDER ENQUIRIES

Link Market Services Ltd manages Bow Energy Ltd's share registry.

If you would like to monitor your shareholding online, you can do so by visiting Link Market Services Ltd's website,

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and following the instructions.

For issuer-sponsored shareholders, if you change address, or if you have any other queries regarding the details of your shareholding, please contact the Company's share registry directly:

Link Market Services Ltd  
 ANZ Building, Level 19  
 324 Queen Street, Brisbane QLD 4000  
**Phone:** 1300 554 474

## ISSUED CAPITAL

Bow Energy Ltd has the following securities on issue:

Ordinary shares on issue at 30 September 2011: 352,129,161

Outstanding options at 30 September 2011:

- 9.8 million (unquoted) 50c options expiring 7/11/11;
- 16.4 million (unquoted) employee options (various exercise prices and expiry dates)

## AUSTRALIAN SECURITIES EXCHANGE ("ASX")

ASX Code: BOW (Ordinary shares)  
 S&P ASX 200 Index

## INTERNET ADDRESS

All Company announcements, reports and presentations are posted on our website [www.bowenergy.com.au](http://www.bowenergy.com.au)

If you would like to receive news releases by email, please send us an email to [info@bowenergy.com.au](mailto:info@bowenergy.com.au) or register your details on our website.

## AUSTRALIAN BUSINESS NUMBER

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 Electronic copies and more information are available on Bow's website [www.bowenergy.com.au](http://www.bowenergy.com.au)