

ASX RELEASE

Release Date: 1 September 2005

To: Australian Stock Exchange Ltd No of Pages: 2

From: Eric Streitberg

Re: Purchase of the Dongara Processing Facility

ARC Energy Limited is pleased to advise that it has today entered into an agreement with APT Parmelia Pty Ltd ("APT") to purchase the Dongara Processing Facility ("DPF") for a purchase price of approximately \$2.5 million. The DPF is a key upstream infrastructure asset in the northern Perth Basin and currently processes some 13 terajoules per day of gas from the 100% ARC owned Dongara Gas Field under a processing agreement between ARC and APT.

The DPF was constructed in the early 1970's with the commissioning of production from the Dongara Field and has produced at rates of up to 100TJ/day. It is the largest gas processing facility in the Perth Basin and provides gas separation, dehydration, and compression via four 1,000 hp gas turbine driven compressor units. It also has a central control facility and workshops, condensate storage and load out facilities and a water treatment and disposal system. The plant is situated on approximately eight hectares of freehold land which is included in the purchase.

ARC has also entered into a contract with Agility for them to provide operating services for the DPF for a period of up to two years. As part of the purchase, the complex contractual arrangements between ARC and APT which reflected the original purchase agreements with CMS Gas Transmission have been restated and considerably simplified.

Managing Director's comment:

"The acquisition of the DPF is something that has made a lot of sense for ARC for some time. With the settlement of the Midland Brick dispute now finalised, it is an ideal time for APT and ARC to rationalise the infrastructure ownership in the area and we feel it is a sensible outcome for both parties. The cost savings that will arise from this purchase are an added benefit, but the ability to operate and manage our own destiny with respect to the Dongara Gas Field and any other gas developments in the area is where the significant value can be added through this purchase. The DPF is in excellent condition and is an ideal central base for ARC's operations in the area. Together with the infrastructure assets already operated by ARC at Hovea/Eremia, Woodada, Xyris and Mt Horner and the non-operated interests in the Jingemia and Beharra Springs facilities, the Company now has interest in, or owns, all of the processing facilities in the Basin."

Yours faithfully

ARC Energy Limited

ERIC STREITBERG
Managing Director



Dongara Processing facility

Oil/condensate storage and loading

Three-stage gas compression

Central control facility, office and workshops

Primary fluid separation

Glycol dehydration

Well-testing and metering equipment

