



## **ASX Announcement**

**21 November 2011**

### **Chairman's Address to Annual General Meeting**

Ladies and Gentlemen, it is a pleasure to welcome you to the 2011 Bow Annual General Meeting.

It has been a year of numerous achievements for the organisation but also a challenging twelve months in which to operate.

Like many other businesses, we have had to navigate the turbulence of the world economy and Australia's business environment, but over and above that we have had to deal with the increasing regulatory pressures and public scrutiny on the Coal Seam Gas industry. In addition to these challenges we had to contend with delays arising from the significant flooding that occurred in Queensland this year.

However, your Board, Management and the entire Bow team have worked hard to overcome these influences and challenges to maintain Bow's standing as a formidable player in the Australian energy sector. Which is, perhaps, confirmed by the Arrow proposal to which I will refer later. Bow is one of the largest holders of uncommitted 3P gas reserves in Queensland, and we continued to pursue multiple development paths for delivery of Bow's gas to both domestic and export markets.

These matters were interrupted by the receipt of an indicative, non-binding and conditional proposal by Arrow Energy on 19 August 2011 to acquire all of the shares in Bow for \$1.48 per share.

Upon receipt of the initial proposal by Arrow, your Board evaluated all options available to maximise the value of Bow's shares. This included remaining independent and further developing Bow's gas fields by introducing joint venture partners, attempting to solicit a superior proposal from another party, and negotiating with Arrow Energy to improve its proposal in parallel with those other initiatives.

Whilst it was certainly open to your Board to recommend that Bow should continue to remain independent and pursue the strategic business plans previously communicated to you, the Arrow Energy proposal necessarily required us to re-evaluate the significant risk in pursuing those plans against realising a defined cash value.

Accordingly, Bow provided comprehensive due diligence to Arrow Energy, but also to other parties we believed may have been interested, or who independently expressed interest following our announcement of the Arrow proposal. Our intent was to maximize interest in the time available, and to ensure that those parties who expressed interest had sufficient information to enable them to assess the value of Bow and decide whether to put forward an alternative proposal.

At the same time, negotiations were held with Arrow Energy to improve its proposal.

After balancing the risks of remaining independent against realising a defined cash value for our shareholders, and in the absence of any firm proposal from any party which performed due diligence, your Board decided that it should enter into a Scheme Implementation Agreement with Arrow Energy and recommend Arrow Energy's improved proposal of \$1.52 per share in the absence of a Superior Proposal.

As outlined in the Scheme Booklet, released last Thursday, the Offer of \$1.52 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.

Further detail on why your board is in favour of the Arrow proposal can be found in the released Scheme Booklet which will be mailed to all Shareholders today. The Scheme Booklet includes an Independent Expert's report by Grant Samuel & Associates Pty Limited (Grant Samuel) which considers that the Scheme is fair and reasonable and that it is in the best interests of Bow Shareholders, in the absence of a Superior Proposal.

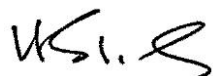
At the conclusion of the formal business before you today we will be happy to answer questions you may have about the Scheme we have put to you for your approval at the shareholder meeting called for that purpose on 21 December 2011.

Our Chief Executive Officer, John de Stefani, will address you on where we are operationally.

Finally, Bow would not be the company it is today without its staff and shareholders, and the support and of all stakeholders in the communities in which we operate.

To the entire Bow staff, whose jobs were made so much more difficult in 2011 with the extreme weather and the changing regulatory environment, I sincerely thank you for your efforts. To our shareholders, I would like to acknowledge your part in our success, which will now require you to weigh the merits of the Arrow Energy Proposal against the risks and benefits of remaining independent at the shareholder meeting called for 21 December 2011.

Thank you for your attendance here today, and I will resume the Chair at the conclusion of John's presentation.

A handwritten signature in black ink, appearing to read 'H. Stack', with a stylized flourish at the end.

**Howard Stack**  
**Chairman**

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