



21 December 2011

Chairman's Address to Scheme Meeting

As we advised shareholders at our AGM in November, 2011 had been a challenging and frustrating year in which to operate. Like many other businesses, we had to navigate the turbulence of the world economy and Australia's business environment, but over and above that we had to deal with the increasing regulatory pressures and public scrutiny on the Coal Seam Gas industry. In addition to these challenges the start of the year saw us contending with complications arising from the significant flooding that occurred in Queensland this year, and a significant slow down in the progressing of our plans.

The entire Bow team was, as you would expect, working hard to adjust its planning to overcome these new influences and challenges and maintain its standing as a formidable emerging player in the Australian energy sector, when after the close of business on 19th August 2011, Bow received an unsolicited, non-binding indicative offer by Arrow Energy to acquire all of the shares in Bow for \$1.48 per share.

The receipt of the initial proposal by Arrow, required your Board to re-evaluate the Company's position in light of the cash offer and evaluate all options available to maximise the value of Bow's shares. These options 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 to negotiate with Arrow Energy to improve its proposal in parallel with those other initiatives. We commenced this process with an open mind.

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, which we had been actively been pursuing, the Arrow Energy proposal required us to re-evaluate the significant risks in pursuing those plans against realising a defined cash value in what were very uncertain times. The stakes for our shareholders are very high in these circumstances and our duties as directors are elevated and are necessarily targeted on comparing the options as they exist at the date of the offer.

In essence, it became our duty to weigh the potential benefits and risks in pursuing our plans, against the certainty and benefits of a cash offer in these uncertain times.

To these ends Bow opened up comprehensive due diligence to Arrow Energy as part of our efforts to encourage them to increase their offer, and also to other parties we believed may be interested, or who independently expressed interest, to ensure that those other parties 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 in an endeavour to improve its proposal, and Arrow increased its offer to \$1.52 per share.

Although not required by law, as is usual in such circumstances where Boards lack the necessary specialist valuation expertise, your board commissioned Grant Samuel to perform an independent valuation of Bow to assist shareholders in their consideration of the Arrow offer.

After a careful balancing of the risks of remaining independent against realising a defined cash value for our shareholders, your Board decided that it should recommend Arrow Energy's improved proposal of \$1.52 per share in the absence of a superior proposal. Our detailed reasoning is contained in the Scheme Booklet which is before you.

As outlined in the Scheme Booklet:

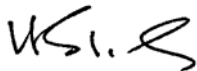
- The offer represents a premium of 72% to the closing price of \$0.885 on 19 August 2011, the last trading day prior to the announcement that Bow had received an indicative proposal from Arrow, and
- The Independent Expert Grant Samuel in its Report has concluded that the Scheme is fair and reasonable and in the best interests of shareholders.
- If the Scheme does not proceed, and no superior proposal emerges, the Bow share price is likely to fall.

Importantly, I can also confirm that no other proposal has passed in the four months which have emerged since the Arrow proposal was received, and this despite all the publicity surrounding the offer, and the extensive steps your Board took to facilitate due diligence for all parties who expressed interest in considering a competing offer.

Further detail on why your board is in favour of the Arrow proposal can be found in the released Scheme Booklet.

Voting for or against the Scheme is a matter for individual shareholders, based on their own views as to Bow's prospects and value, their expectations about future market conditions, and their individual circumstances including their risk profile, liquidity preference, investment strategy, portfolio structure, tax position and so on.

It is our job as your Board firstly to give you the opportunity to consider the proposal, and then to give you enough information and time to make an informed decision about it. We have done this by presenting you with the Scheme Booklet, which includes the Board's recommendation, and our reasons, together with the Independent Experts Report by Grant Samuel. We have also cautioned you to take your own advice if in doubt.



Howard Stack
Chairman

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