ASX RELEASE

Release Date: 5 September 2007
To: Australian Stock Exchange Ltd
From: Eric Streitberg
Re: Latest Corporate Presentation

Please find attached a copy of ARC Energy’s latest Corporate Presentation, as delivered to the Good Oil Conference in Fremantle today by ARC Energy Managing Director, Eric Streitberg.

The attached release will also be available on the Company’s website at:


For enquiries please contact:

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About ARC Energy Limited:
ARC Energy is one of Australia’s pre-eminent energy companies, owning and operating oil and gas interests in the Perth, Canning and Bass Basins and internationally. Listed on the Australian Stock Exchange with a market capitalisation of approximately A$450 million, ARC has an aggressive onshore and offshore exploration and development drilling program. It continues to drive increased shareholder value by the early adoption of innovative technical and commercial practices.
ARC’s strategy

Using our strengths: Our assets, people and operating capability, to become an internationally significant energy business

Money
Strong cash flow assets to drive growth

Upside from the assets
Perth Basin
BassGas
Canning Basin

Capability
Delivering cash flow
Delivering projects
Delivering corporately
2007 Financial results - oil and gas production

- Oil production continuing steady with predicted significant increase next year
- 2006/2007 production of 1.156 million barrels of oil (average 3,167 bopd) net to the Company

- Gas sales marginally lower for the year at 7,357 TJ’s (average 20.16 TJ/day)
- Gas trading activities increased with the increased demand and activity in the Western Australian gas market
- Contract renewals at price increases in the range of 45% to 50%
Financial results - Revenue

- Record Total Revenue of A$122.5 million
- Revenue dominated by oil (77%) of gross revenue
- Gas at 51% on an energy, or barrel of oil equivalent (BOE) basis
- Strengthening West Australian gas market expected to reduce the income/energy divergence in the future

![Gross Revenue (A$ million)]

Financial year ended 30 June

Financial results - cash flow

- High margin business
- Free cash from operations another record at A$72.5 million
- EBITDAW $69.35 million
- Year on year operating margins maintained at over 61%
- Business provides cash required for further expansion and development

![Cash from sale of oil and gas (A$ million)]

Financial year ended 30 June
Upside from the assets

Perth Basin overview

Perth Basin
Oil and Gas production from well established Fields.
High equities and operatorship
Extensive infrastructure ownership.
Current gross production from the Basin:
~ 18,000 bopd and 30 TJ/day
Excellent exploration and appraisal potential with recent oil and gas discoveries
Perth Basin appraisal and exploration

**Offshore**
- 100% offshore success rate in recent drilling program
- Frankland 1 a sweet gas discovery
  - Development options being reviewed
- Dunsborough 1 oil discovery: Likely to be economic and potentially as big as Cliff Head
  - Needs appraisal well
- Perseverance 1 - high CO2 gas discovery.
  - WA 325P and WA 327P relinquished due to high future work commitments

**Onshore**
- Drakea 1/2 oil discoveries opened new play type with modest oil pool discovery

**Appraisal Upside**
- Double current reserves

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Important Notice: The indicative resource potential shown in this table is unrisked. The estimates are based on the knowledge to hand at the time of this presentation and are subject to change as further data is obtained. There is no certainty that exploration prospects will contain hydrocarbons or that resources will be converted into reserves.

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Perth Basin exploration and potential

**Offshore**
- Core areas (ARC 30% to 100%)
  - Considerable additional potential but offshore requires 3D seismic to fully define targets
- WA 368P (ARC 50%)
  - Close to Perth in proven hydrocarbon system. 100 mmbbl Yngling prospect
- WA 226P (ARC 85%)
  - Northern part of the Basin - proven hydrocarbon system, early stage of exploration

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BassGas Project
Yolla Gas/Condensate Field
Operator: Origin Energy
ARC interest: 12.5%
Current gross production:
+60 TJ/day of gas and ~3,000 bbls/day of liquids
Central infrastructure point
Excellent exploration and appraisal potential

Bass Strait - appraisal and exploration upside
- Yolla upside from oil pool and field extensions
- Contract dispute settled - plant debottlenecking under review
- Immediate appraisal potential of +400 BCF from White Ibis, Trefoil and Aroo discoveries
- Recent 3D seismic over the existing discoveries gives high confidence of converting resources into reserves
- Additional structural prospects and higher risk stratigraphic leads
- Appraisal potential at least double existing reserves
- Subsequent farmin to T/44P provides additional leverage (40% of highly prospective area with option for additional 10%)
- Exploration unrisked potential +2 TCF of gas and good oil potential

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High Appraisal potential

Appraisal upside on both offshore projects and in Adelphi
Potential to double reserves in short term

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Canning Basin exploration

The Canning Basin has suffered from a lack of systematic exploration, not a lack of prospectivity
Why is that so?
A "perfect storm" of negative factors has resulted in an erroneous perception of the Canning Basin
- Low oil price and poor share market conditions
- Remoteness and lack of infrastructure
- Complex geology
- Long and difficult land rights resolution

THESE ARE NOW ALL BEHIND US!
Canning Basin exploration - oil price and share market collapse

**THE PERFECT STORM**
Low oil price and poor share market conditions
So the number of exploration wells falls off

![Graph showing oil price, US$ Oil Price, and All Ordinaries Index over time.](image)

**Canning Basin - remoteness and lack of infrastructure**

**THE PERFECT STORM**
Remoteness and lack of infrastructure

*Until two years ago Oil was marginally economic and Gas was uneconomic*

**OIL**
- With low oil prices -
  - A$20 per barrel trucking to Perth plus opex was often more than the oil price
  - This meant huge volumes (+50 mmbbls needed for economic success)

- This has all changed with +$70 oil.

**GAS**
- Gas prices were <$2.50/GJ
- There was no market for large volumes
- There was no material market outside the base NWS contracts
- The pipeline stopped at Dampier

- This has all changed with $5.00 gas, a freed-up market and the C-Gas development plan
Canning Basin - oil development

- Small discoveries commercialised by appropriate sized facilities at >50 bopd
- Oil trucked to Perth
- As production builds up, oil is trucked to Broome for export via existing facilities
- Larger volumes justify a pipeline to Broome

Initial commercialisation via ARC’s MEPS system:

- The Mobile Early Production System (MEPS) is an “oilfield on a truck”
- Quick and easy installation for early production
- MEP’s is designed to process up to 4,000 bbls of oil per day and 4,000 bbls of produced water per day
- ARC has an existing system and is duplicating this for Canning success

Canning Basin - C-Gas commercialisation

C-Gas

- Our Vision is to provide C-Gas from the next major gas area in WA - the Canning Basin
- Forward planning to commercialise in parallel with exploration
- Alcoa GSA underpins C-Gas project with foundation contract up to 500 PJ
- Contract flexibility means project startup to suit operational conditions not customer deadlines - unique commercial arrangement
- Blue Chip customer means infrastructure finance already being reviewed
- Export options under pre-feed
- Great Northern Pipeline initial engineering completed, approvals underway

Domestic LNG

MOU with EWC to liquefy and transport C-Gas to southern markets and Pilbara
Canning Basin technical - little exploration

Low effort exploration - generally poorly controlled
Same number of wells as the Perth Basin but ten times the area - many areas with only regional seismic grids
Many wells drilled on very poorly controlled structures
Many shallow wells that have not penetrated the prospective petroleum systems

Canning Basin technical - exploration has resulted in many discoveries

Despite the low exploration effort:
- Major oil and gas resources have been found
- Fitzroy Trough - commercial oil production from 5 fields
- Gas flows from several discoveries - not fully evaluated due to lack of market at the time
- Immediate appraisal potential at:
  Stokes Bay (wet gas)
  Pictor (oil and wet gas)
  Yulleroo (wet gas)

Gas accumulation at Pt Torment (4.3 mcmcf), gas shows in Valentine, oil prodn at West Kora
Current production (Blinra et al)
30 bopd

Oil and gas in carbonate reservoirs (+100 BCF + 160 mbbls oil in place)
Oil in mineral exploration holes
Oil in sub-salt plays similar to Middle East
Oil in mineral exploration holes
Yulleroo Major gas resource in place +TCF
For personal use only
For personal use only
Canning Basin - many different Sub-basins

The greater Canning Basin contains a number of geologically distinct Sub-basins with their own petroleum systems

- The Fitzroy Trough Sub-basin - very deep and the current commercial production with much additional potential for both oil and gas
- The Broome Platform - excellent potential, existing Pictor discovery of oil and gas
- The Kidson Sub-basin - unique salt basin with major oil intersections

Greater Canning Basin

Canning Basin - Sub-basin exploration

- The ARC regional exploration program will systematically target the Sub-basins and petroleum systems
- The exploration program is a basin-wide regional program with initial focus on areas where discoveries have been made
- This year's program is focused on the Fitzroy Trough for both gas and oil
- Next year - Broome Platform/Barbwire Terrace and Kidson Sub-basin and Fitzroy Trough follow-ups
Canning Basin - 2007 exploration program

Valentine 1 currently drilling
Stokes Bay to follow

Utopia: Regional structural high with multiple targets, testing two petroleum systems
Potential resource of +700 bcf of gas and 9 mmbbls oil in different zones (mean) to 1,750 bcf of gas and 21 mmbbls oil (P10)  ARC 100%

Valhalla: Large structure with growth, multiple targets, testing three petroleum systems
Potential resource of 16 mmbbls oil (mean) to 43 mmbbls oil (P10)
ARC 100%

Yulleroo 2: follow-up of 1967 wet gas discovery. Significant updip potential and potential for reservoir improvement
Potential resource of 473 bcf +17 mmbbls liquids (mean) to +900 bcf (P10)
ARC 100%

Ungani: similar structure to Yulleroo
260 to 700 bcf +13 mmbbls

Canning Basin – Drilling Program Committed
Century Rig 18
Canning Basin - encouraging shows in the first well

Valentine 1 / Stokes Bay 1
- Valentine 1 - ARC ~40% and operator
- Deep Valentine prospect with high upside
- Good gas shows in equivalent section to Pt Torment wet gas discovery

Valentine 1 / Stokes Bay 1
- Valentine 1 / Stokes Bay 1
- Century Rig 18
- Pt Torment gas pool
- Valentine well bore
- Valentine Gas shows
- Mature source rocks
- Well developed reservoir?
- The well is being drilled from a 1.5 km causeway in mudflats

Stokes Bay well bore
The Kimberley region was the birthplace of Australian land rights:
ARC and the traditional owners have agreed access to allow exploration
In particular, ARC and the Noonkanbah people recently signed an agreement for oil and gas exploration. This was the end of a 27 year struggle for the Noonkanbah people.
The agreement is a watershed. Noonkanbah was the birthplace of Aboriginal land rights in Australia.
• In 1978 Amex was granted approval by the WA Government to drill the Fitzroy River 1 well at the “goanna dreaming” site of Pea Hill, Noonkanbah.
• The Yungngora people of Noonkanbah – along with the then-newly formed Kimberley Land Council – launched a series of protests against the proposed drilling, despite government pressure for it to proceed. The protests were supported by church groups and the unions, and received international attention.
• The Western Australian government and Amex were forced to back down.
• An important aspect of this event is that Mr Dickey Cox, who was the leader of the Yungngora People at the time of the confrontation, officiated at the signing ceremony with ARC Energy.

Mr Cox, said;
“This is an historic occasion for our people. ARC Energy has shown it is prepared to sit down and work with our people to reach an agreement that offers benefits to our people, allowing recognition of our important sites. The company has shown the way in how agreements with indigenous people should be done, and has entered into a relationship with enduring and long-term benefits for our people – and for us to be part of its project”

The Canning Basin will reward our systematic exploration program
• High oil and gas prices and infrastructure solved by MEPS and C-Gas
• ARC's cash flow supports a regional exploration program
• Geology better understood - systematic Sub-basin exploration
• Huge area with a number of different petroleum systems
• Land rights disputes resolved with good working relationships with traditional owners
• Highly prospective and all the technical and commercial ingredients for success
Appraisal and Exploration potential

<table>
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<th>Basin</th>
<th>Current Reserves</th>
<th>+ Appraisal Potential</th>
<th>+ Exploration Potential</th>
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<tr>
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</tbody>
</table>

* excludes WA 368P (50 mmbbls potential)

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Why ARC?

- Diversified long term production of oil and gas
- Scale and liquidity
- Strong revenue, cashflow and earnings per share
- High appraisal and exploration upside
- Demonstrated capture and execution ability
- Well funded for growth - organic and acquisition
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