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BEACH PETROLEUM LTD

**BEACH SELLS ITS 40% STAKE IN TIPTON WEST
FOR UP TO \$400 MILLION**

Beach Petroleum Ltd (ASX: "BPT") is set to realise proceeds of up to A\$400 million from the sale of its non-core coal seam gas (CSG) assets in Queensland to its joint venture partner, Arrow Energy Limited ("Arrow").

The diversified energy group is selling its 40% joint venture interest in the producing Tipton West Field and associated tenements in the Surat Basin, 20 km south of Dalby, to Arrow (a 42% joint venture party and Operator through its wholly owned subsidiary) under a tiered payment structure.

The sale price will consist of a mix of cash, shares and contingent payments as highlighted below:

- **A\$260 million cash** - payable on completion;
- **A\$70 million of Arrow shares as listed on the ASX** - issued on completion;
- **Up to A\$40 million cash for the booking of additional gross 3P gas reserves;**
- **A\$15 million cash** upon gas owned by Arrow supplying any liquefied natural gas ("LNG") project no later than 31 December 2016; and
- **A\$15 million cash** upon any LNG project producing an annualised equivalent of 1 million tonnes per annum (mtpa) of LNG using gas supplied from Arrow's tenements no later than 31 December 2017.

Beach acquired its 40% interest in the Tipton West Joint Venture in 2005 for A\$35 million.

The sale of the asset for up to A\$400 million represents a very significant return of over 11 times Beach's original investment and crystallises the inherent value of the CSG investment (which directors believe was otherwise not reflected in Beach's share price).

Selling its interests in the Tipton West assets will yield Beach a profit of approximately A\$276 million in this financial year (before tax).

The sale is entirely consistent with Beach's successful record of proactive portfolio management and will deliver Beach significant other benefits apart from the sale price.

These include:

- Further substantial flexibility with respect to the ongoing management of Beach's capital commitments, borrowings and future investment strategy;
- Utilisation of substantial carried forward capital gains tax losses facilitated through the sale of shares in Beach Petroleum (Surat) Pty Ltd;
- The potential for ongoing exposure to the Queensland CSG to LNG industry through a shareholding in Arrow; and
- The ability to redeploy Beach's technical staff to the pursuit of new growth opportunities.

The sale of Beach's 40% interest in Tipton West follows a structured and comprehensive sales process. It has delivered an impressive result for Beach despite the global financial crisis, the recent decline in oil prices and the non-operated nature of the asset.

Beach's Managing Director, Reg Nelson said:

"This deal realises significant and immediate value from a small investment in the then nascent coal seam gas industry only a few years ago. The cash generated from what was a material, but non-core asset, leaves Beach in a strong net cash position. Beach is now exceptionally well placed to make further investments in other business areas, some of which we have already identified. In particular, we are now well positioned to take advantage of opportunities which will continue to emerge at a time when many projects suffer from undercapitalisation".

Successful record of asset portfolio management

Beach is one of Australia's most proactive and successful oil and gas sector asset managers with a strong history of adding overall value while mitigating risk.

As it moved to build up its now large holdings in the Cooper/Eromanga Basins, Beach made an initial investment in 2002 in the Bodalla Block oil fields in Queensland. This investment is still profitable and is well on track in terms of delivering an internal rate of return of close to 95%.

Apart from its highly successful investment in the coal seam gas sector in Australia, Beach has realised more than \$A70 million from its investment in the Basker/Manta/Gummy oil and gas fields in offshore Victoria.

After selling its shares in the former Anzon Australia Ltd and two separate 10% interests in the project, Beach has repaid all its initial investment, made a strong profit and retains a 30% stake in the fields.

Beach's 2006 acquisition of Delhi Petroleum for more than \$500 million has been effectively offset by the sale of Tipton West. The Cooper Basin assets held by Delhi Petroleum continue to contribute strongly to oil and gas production, but now have even longer term potential through future development of a newly quantified contingent gas resource.

Thus, although it will be divesting its coal seam gas interests, there is potential for greater additions to reserves from Beach's booked contingent gas resources in the Cooper Basin of 262 million barrels of oil equivalent (mmboe) - three times the Tipton West 2P reserves and greater than the Tipton West 3P reserves.

In addition Beach is now producing approximately 4,000 barrels of oil a day (net to Beach) from its production assets on the western flank of the Cooper basin, a region written off as having limited potential by other Cooper Basin producers a decade ago.

Oil exploration drilling within PEL 92 has been particularly successful to date with six discoveries from 12 exploration wells by the Beach operated joint venture since 2002, resulting in the discovery of more than 8 million barrels of recoverable oil. The most recent discovery was made at Perlubie-1 in February 2009.

Ongoing Beach operations

Beach currently has a robust and diversified production base comprising over 1200 wells producing from over 240 oil and gas fields.

Its core assets include:

- Large interests in oil and gas fields in the Cooper and Eromanga Basins, currently generating net to Beach (February 2009) over 27,000 barrels of oil equivalent (boe) per day, 262 mmboe of contingent gas resources, substantial infrastructure facilities (including Moomba and Ballera) plus greenhouse gas sequestration potential;
- Oil production in the offshore Gippsland Basin of 3,000 net bopd as well as a large gas/condensate resource and greenhouse gas sequestration potential; and

- A 20% interest in two near shore fields and one new discovery in the Gulf of Suez in Egypt, with BP as operator and development approvals in place - with first production expected early in 2010.

Tipton West transaction advisors:

Beach's corporate advisors for the transaction were Core Energy and Gryphon Partners, with legal advice from DMAW Lawyers.

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