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BEACH'S UNCONVENTIONAL GAS GROWTH STRATEGY FOR THE FUTURE

Beach has moved to lock in future value for shareholders by capturing the early initiative in the rapidly developing unconventional gas industry, a development with the potential to dramatically extend the scale of operations in the Cooper Basin.

Beach chairman, Bob Kennedy, told shareholders at the company's AGM in Adelaide today, that, "The Cooper Basin shale gas story is emerging as one of the most exciting and innovative energy opportunities of the decade."

"Our objective is to develop Beach's extensive Cooper Basin gas interests and to create value through alliances with like-minded companies with an eye on a low carbon world of energy products."

Mr Kennedy said the unconventional (shale) gas opportunity was shaping, "as the most significant trend to emerge in the Cooper."

Unconventional gas is natural gas that is trapped or bound up in rock formations other than those conventionally recognised as reservoir rocks. It includes gas trapped in low porosity sandstones ("tight gas"), or in shales ("shale gas"), as well as gas trapped by influences of pressure at depth near the centre of gas-generating basins. Coal seam gas ("CSG") is also classed as unconventional gas.

In the United States, unconventional gas accounts for more than 40% of national natural gas production, rapidly overtaking more conventional forms of gas production.

In Australia, the recent corporate activity surrounding coal seam gas is similar to the transactions being conducted in the US shale gas sector.

Mr Kennedy added that, "In 2008, \$US35 billion was spent on corporate deals aimed at shoring up unconventional gas resource acreage."

Beach recently announced a number of joint venture and alliance deals with several companies to cement its position in the unconventional gas sector.

While Beach has moved to secure its Cooper Basin gas future, it is also focusing on its oil business, an important contributor to Beach's earnings profile.

"Our continued success in the Cooper Basin, with a year of yet more oil discoveries, is now about to be built upon by our new success in Egypt, where the first production of oil from new fields is expected to begin in early 2010," Mr Kennedy said.

"Some people have questioned why we have chosen to become involved in Egypt. This first oil is surely proof. We are confident that we can keep finding another one or two million barrels each year in the Cooper Basin:- Egypt is where we hope to find ten or twenty million barrels at a time," the Beach chairman said.

"Our entry into Egypt is about to pay dividends, with first oil production from new fields expected less than two years after Beach's entry into the region," Mr Kennedy said.

All of Beach's resolutions were unanimously approved today at Beach's 48th Annual General Meeting, in particular the Company's Remuneration Report, re-election of both Mr Kennedy and Mr Davis back on to the Board.

Shareholders also approved Beach's name change to "Beach Energy Limited", with the Company adopting that name in the coming months. It is a change that is more in keeping with a world where clean, low carbon energy will be in great demand and highlights the strategy of balancing the Company's asset portfolio by investing in affordable low pollutant energy.

"It is a modern label that fits the Company as we continue to make what we believe are sound decisions for Beach's growth in a new world of energy opportunities," Mr Kennedy said.

In FY09, Beach's performance of record oil and gas production, even as demand dropped, drove impressive financial results;

- earnings improved – by a massive 254%;
- record net profit after tax (NPAT) of \$260 million;
- normalised NPAT rose by 21% compared with the previous year;
- dividend payments not only nearly doubled, with the payment of a special dividend – and a substantial amount of this was franked;

- the Company became debt free with substantial cash reserves; and
- throughout the year it continued to develop strategies to move as an energy company towards a low carbon world – strategies which are now starting to emerge.

"We believe that we have delivered growth through responsible and prudent management and by thinking ahead of the pack," said Mr Kennedy.

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