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ASX RELEASE

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Market Update

Beach Energy Limited ("Beach") provides the following guidance in relation to its forecast underlying Net Profit after Tax ("NPAT") for the financial year ended 30 June 2010. On early estimates, Beach currently expects to make an underlying NPAT of between \$30 million to \$40 million. The reported NPAT will then take into account other adjustments as required by accounting standards including:

- * a further \$43 million which will be received from Arrow (and brought to account in the 30 June 2010 financial accounts), in the event that the offer by Royal Dutch Shell plc and a subsidiary of Petrochina Company Limited is affected in July 2010; and
- * the decision today to write-off approximately \$64 million following unsuccessful exploration efforts in the Bass Basin.

This guidance takes into account the effects on the underlying NPAT of extensive and unusual flooding in the Cooper Basin and unplanned downtime at the BMG operations. The specific financial effects of the Cooper Basin floods and BMG down time are difficult to quantify, however neither are currently expected to have a significant impact on the 2011 financial year results.

As noted in previous releases, some production and costs have been deferred due to the Cooper Basin flooding, however a net cost has resulted for the 2010 financial year. The after effects of the flooding will continue to impact on operations for some months to come, but drilling has recommenced in some areas and as floods subside to the west, operations will be able to return to normal.

The BMG joint venture is examining potential development options to determine the most economic way forward for the existing oil project, as well as the potential incorporation of the gas project. Options other than a replacement FPSO are also being considered.

Beach's Managing Director, Reg Nelson, said "Our business is in a strong financial position with over \$140 million in the bank and a portfolio of steady, producing assets. We are expecting first production from our Egyptian concession and will drill our first two shale gas exploration wells in the Cooper Basin in the next few months."

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