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**MEDIA RELEASE  
FOR IMMEDIATE RELEASE**

**BEACH DEBT FREE AFTER RAPID PAYBACK  
OF A\$650 MILLION IN BORROWINGS**

Beach Petroleum Limited (ASX: "BPT" or "Beach") today announced that the Beach group had completed the rapid repayment of more than A\$650 million in borrowings.

The debt repayment milestone will this week see Beach commence the new 2009-2010 financial year as one of the few Australian top-10 oil and gas companies to be debt free.

The elimination of Beach's total debt - achieved in just under three years – follows the Beach group's 2006 borrowings for the successful acquisition of Delhi Petroleum's large suite of producing Cooper Basin oil and gas assets and reserves.

"Commencing 2009-2010 with no debt invigorates our growth strategy," Beach's Managing Director, Mr Reg Nelson, said today.

"It significantly strengthens our balance sheet, provides unfettered financial clout for further corporate and project acquisitions, and underpins our production and reserves momentum as cash flow and revenue are not being diluted," Mr Nelson said.

"Paired with a current cash position of over A\$125 million in the bank, which is in line with Beach's strategy of maintaining a conservative balance sheet that can support future exploration and acquisitions, Beach enters July 1 with all four financial aces in its hand.

"This is a milestone achievement for Beach and is a most pleasing outcome for the entire Beach team."

The debt repayment was achieved through a successful capital raising of A\$350 million, ongoing debt repayments made from Beach's strong operating cash flows, further reducing the debt from A\$300 million to A\$181million and the final payment using part of the A\$260 million cash received in May from Arrow Energy Limited.

The A\$260 million cash represents a part payment by Arrow for its up to A\$400 million acquisition of Beach's former 40% holding in the Tipton West coal seam gas asset in Queensland's Surat Basin.

A portion of the Arrow payment has been applied to Beach's outstanding debts to achieve the total borrowings clearance by the end-of-year balance date.

The debt clearance coincides with Beach also successfully eliminating all commodity hedging associated with the Delhi debt during this financial year.

### **Consistent Proven Growth Strategy**

Mr Nelson used today's debt milestone announcement to take equity markets to task for undervaluing Beach's consistent growth performance and the points of difference that have delivered that growth.

"In recent years, Beach has achieved major returns from its asset acquisitions, project development and ability to add project value," Mr Nelson said.

"This strategy has helped ensure that Beach has produced consistent results and continues to grow despite commodity price and financial market fluctuations.

"Fundamental to this is Beach's methodology of identifying and then buying into an emerging market at a low price, retaining an interest until the market recognises the inherent true value of the asset, realising a profit and retaining a minority interest.

"This strategy was highly evident in our acquisition, development and conversion of interests in

- Queensland's Bodalla Block fields
- The move into the offshore BMG Gippsland Basin oil and gas field
- The move into Queensland's CSG sector before coal seam gas became the current energy market darling, and
- Our successful drive to date to apply modern era hydrocarbon technologies to further exploitation of the Cooper Basin – particularly in PEL 92 on the western flank – along with expanding our footprint in this province such as through the Delhi acquisition.

"In the majority of cases, Beach has converted its interests in these projects at premiums many times the multiple of its original buy-in.

"The success in PEL 92 underscores the depth of Beach's technical substance – most recently with two successive new oil discoveries in as many weeks at Perlubie South and Butlers.

"With the debt clearance announced today, Beach intends in the new financial year, to continue to take advantage of our enhanced balance sheet to repeat what has proven in the past, to be a successful growth formula," Mr Nelson said.

"In our very clear view, that justifies a re-appraisal and re-benchmarking of our performance by equities markets, and we think, a justifiable re-rating upwards."

Beach is currently seeking to acquire Drillsearch Energy Limited in a A\$50 million off-market all-scrip takeover where Drillsearch shareholders are being offered 1 Beach share for every 27 Drillsearch shares held.

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