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ASX Release

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Dear Sir

PROMISING EARLY RESULTS FROM OTWAY BASIN EXPLORATION DRILLING

Beach has cased and suspended Bungaloo-1 on the South Australian side of the onshore Otway Basin, with encouraging gas shows across a number of lithological zones. Further core analysis is being undertaken to support initial evidence of both conventional and unconventional gas reservoirs

Beach Energy Ltd (ASX: BPT, "Beach") advises that it has cased and suspended the Bungaloo-1 vertical exploration well in PRL 32 (Beach 70% and operator, Cooper Energy Ltd 30%) in the onshore Otway Basin. The well is located approximately 14 kilometres north west of the first well in the

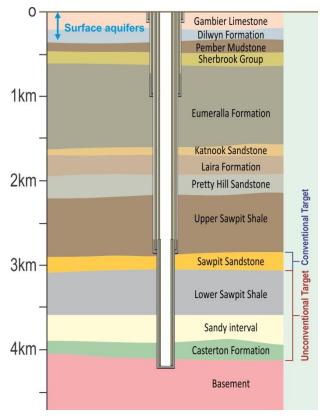
program, Jolly-1 ST1, and reached a total depth

of 3,713 meters.

Both Bungaloo-1 and Jolly-1 were drilled to assess the potential for liquids rich gas within the shale and tight sandstone in the Lower Sawpit Shale and the Casterton Formation in the Penola Trough. Approximately 181 metres of core was cut within these wells, 103 metres in Bungaloo-1 and 78 metres in Jolly-1, with analysis of the core underway to measure properties content and such as gas composition, porosity and permeability.

to date have confirmed unconventional potential of the Lower Sawpit Shale and Casterton Formation in the Penola Trough, with elevated gas readings over both intervals observed during drilling. In addition, oil shows were observed towards the base of the Lower Sawpit Shale in Bungaloo-1.

The work undertaken indicates that the sandy interval toward the base of the Lower Sawpit Shale, first noted at Sawpit-1 and -2, has lateral





continuity in the Penola Trough. This unit has the potential for tight gas pay in the vicinity of Jolly-1, and may be an exploration target deeper in the trough.

Importantly, these wells have also highlighted the potential of a conventional gas play with the Sawpit Sandstone as the reservoir in the deeper areas of the Penola Trough. The Sawpit Sandstone has good reservoir quality at depths of 3,150 metres in Jolly-1, with porosity ranging from 7-18% and averaging 14% over the 330 metre interval intersected. Work is being undertaken to address the prospectivity of the area stemming from this result.

Conventional gas fields in the vicinity of Bungaloo-1 and Jolly-1 produced a cumulative total of 75 bcf of sales gas and 450,000 barrels of condensate from conventional structural targets between 1992 and 2011. Beach retains production licenses and maintains a gas processing facility nearby with a network of connecting pipelines.

Reg Nelson, Beach Managing Director, said "The results from drilling and early indications from the cores are very promising. As a priority, we will now focus our efforts on the conventional potential within the Penola Trough. A real advantage that Beach has in this region is that any future successful conventional wells could potentially be tied-in to the SEA gas pipeline through the infrastructure we own in the region, which includes the Katnook gas processing facility."

Yours sincerely



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