BEACH PETROLEUM

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PRESS RELEASE

BEACH PETROLEUM LTD - STRONG INTERIM RESULTS

FINANCIAL

Beach Petroleum reaped the full impact of the acquisition of Delhi Petroleum in the first half year to December 31 with revenue from oil and gas sales increasing almost five fold from $44 million to $214 million. Other revenue, including foreign exchange gains, increased total revenue to nearly $247 million.

Net profit before tax for the interim reporting period was $32.26 million and the directors have announced that the Company will pay an unfranked interim dividend of 0.75 cents per share, payable on 31 March 2007.

While the acquisition of Delhi Petroleum materially increased Beach Petroleum's sales revenue there were no sales from the Basker Manta Gummy project during the half year, due to project commissioning. Beach expects oil and gas revenue to increase significantly in the current half year as a result of oil sales from the BMG project which began in January.

As anticipated, financial accounting for primarily one-off acquisition and financing costs associated with the Delhi acquisition have affected net profit for the half year. However, after adjusting for these one-off effects, the net profit before tax of $32.26 million compares favourably with the $41.17 million earned in the first half of 2005, which was inflated by a one-off gain of $24 million on the sale of shares in Anzon Australia Ltd.

Beach Managing Director, Reg Nelson, said, "With new oil sales from the BMG project, five new oil field discoveries in the Cooper Basin and gas sales commencing from Tipton West, we expect that oil and gas revenue will build significantly throughout the remainder of the financial year and in subsequent years."

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PRODUCTION AND RESERVES

Beach Petroleum's Proved and Probable reserves increased to 101 mmboe (millions of barrels of oil equivalent), ranking it among the top five ASX listed oil and gas companies. Upon commitment to a sales contract and development of the BMG gas project, this reserves base is expected to increase substantially, potentially placing the Company in fourth place after Woodside Petroleum, Santos and Origin Energy.

Mr Nelson said, "The reserves base itself is a healthy mix of oil, gas-liquids and gas, yielding production for Australian domestic and international markets from both onshore and offshore facilities."

He said, "We expect that it will support robust revenues and further growth over the coming decade as Beach Petroleum moves towards record production in excess of 10 mmboe per annum."

Production for the first half was 4,696 kboe (thousand barrels of oil equivalent) up 695 per cent, up from 591 kboe for the previous corresponding period. The dramatic rise resulted from the increase to production by Delhi Petroleum, which was acquired by the company effective July 1, 2006.

A total of 83 per cent of Beach Petroleum's production was gas or gas liquids with crude oil accounting for the remaining 17 per cent of production volumes.

Oil production from the Basker and Manta fields began December 17 last year with initial production rates averaging of 5,526 bopd (barrels of oil per day) until year-end, with a total of 83,000 barrels produced.

Beach expects that oil production will average 15,000-20,000 bopd once operational issues which are primarily associated with the gas compression system are resolved.

The BMG project has expanded very significantly in scope following a successful program of development drilling. Most importantly, the Basker structure appears to be much larger than mapped from seismic data.

As a result of the initial drilling results, the Proved and Probable oil reserves have been upgraded by 168% to 39.2 mmb while the best estimate of the Contingent Gas-Condensate Resource has nearly quadrupled to 379 PJ and 9 mmb of condensate.

Mr Nelson said, "The outlook for an integrated oil, gas and gas-liquids project with a life of ten years or more - and significantly enhanced value - is now very promising."

He noted that some initial challenges related to higher than expected gas-to-oil ratios may in fact be due to the production wells being located nearer to the crest of a much larger structure – and closer to a larger gas cap - instead of straddling what was initially thought to be a smaller field.

Mr Nelson said, "While the immediate production outlook is lower than pre-production estimates, this does not affect the reserves base and the medium to long term outlook and life for the project remains robust."

This year's increases in the BMG reserve and gas resource base have led to the start of planning for a development and appraisal drilling program which is expected to add significant value to the project.

COOPER BASIN OPERATIONS

Beach Petroleum drilled 38 wells in the Cooper and Eromanga basins in the first half, discovering 5 new oil fields and successfully appraising the Yanda field (Beach 20%).

Beach participated in 11 wells as part of the Cooper Oil Project, operated by Santos Ltd. All the wells were successful.

The most significant discovery was the Callawonga field in PEL 92 (Beach 75%), which was discovered in July and has estimated recoverable reserves of 1.5 million barrels. Oil production started in November and during December averaged approximately 1,375 bopd (gross).

The Cooper Oil Project has continued to produce positive results since December 31.

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