



22 November 2010

## **Beach Energy Limited to consolidate Cooper Basin assets via merger with Impress Energy Limited**

### **Highlights**

- Beach and Impress agree to merge via all cash Scheme of Arrangement
- Impress shareholders to receive 8.25 cents per share, valuing Impress at \$73.1 million
- Proposal represents a substantial premium to the recent value of Impress shares – 35.9% premium to the one month VWAP
- Beach to add significant financial strength to assets to accelerate development of key Impress assets in the Cooper Basin
- Unanimously supported by the Impress Board of Directors in the absence of a superior proposal and subject to receipt of an Independent Expert's Report concluding that the Scheme is in the best interests of the shareholders
- Impress Directors to vote in favour of the Scheme for shares they control (subject to the absence of a superior proposal or the Independent Expert concluding that the scheme is not in the best interests of shareholders)
- Beach has secured the right to increase its relevant interest to 19.9% in Impress
- Merger subject to 75% of shares representing 50% of Impress shareholders at Scheme Meeting to be held in early 2011

The Directors of Beach Energy Ltd (ASX: BPT, "Beach") and Impress Energy Ltd (ASX: ITC, "Impress") are pleased to announce they have agreed, subject to shareholder approval, to merge the two companies through a Scheme of Arrangement.

The merger further consolidates Beach's position as the largest Mid Cap player in the Cooper Basin and is in line with Beach's stated growth strategy to double production and reserves in 2-5 years.

Under the Scheme to be approved by Impress shareholders at a general meeting of the Company, Beach will acquire all of the issued shares in Impress that it does not own at 8.25 cents per share cash, valuing Impress at approximately \$73.1 million. Beach intends to fund the transaction from existing cash reserves. As at 30 September 2010, Beach had \$207.5 million in cash reserves.

The offer represents a 35.9% premium to the 1 month Volume Weighted Average Price ("VWAP") of Impress shares of 6.1 cents and a 47.3% premium to the 2 month VWAP of 5.6 cents.

The merger allows Impress shareholders to receive a significant premium for their shares. Subject to the Scheme being approved, Beach will assume the significant funding obligation required to develop Impress's Cooper Basin assets and the risks associated with the development of the Company's exploration portfolios.

For Beach, the transaction builds the Company's already strong presence in the Cooper Basin, growing its portfolio of oil and gas exploration and production assets.

Beach also proposes to use the Impress merger as a springboard to accelerate development of Cooper Basin assets in conjunction with existing partners.

Securing additional acreage in key western flank permits is a strategic imperative for Beach and this merger is expected to have positive implications for reserves, production protection and growth over the coming years.

Beach Managing Director Mr Reg Nelson said the acquisition of the Impress assets would provide a natural extension to the Company's portfolio of western flank Cooper Basin assets, in line with its strategy of consolidation in the region.

"We are aiming to double our production and reserves over the next two to five years," said Mr Nelson.

"Merging with Impress, which holds permits adjacent to ours in the Cooper Basin, is a logical incremental step in achieving that through both exploration and development targets."

Beach currently operates 19 oil fields in the Cooper-Eromanga with five gas discoveries awaiting development and owns an approximate 21% interest in the Cooper Basin project operated by Santos Limited, while Impress has three producing fields and four oil discoveries jointly operated by Victoria Petroleum.

Impress Chairman Mr Eddie Smith said the transaction represented an outstanding opportunity for shareholders to realise the underlying value of their investment in cash at a substantial premium to the historical trading price of Impress.

"As a Board, we believe this proposal represents very good value for our shareholders, particularly in light of the significant new Cooper Basin funding requirements that lie ahead for Impress as a standalone company," said Mr Smith.

"We recommend that shareholders should vote in favour of the Scheme in the absence of a superior proposal and subject to receiving a favourable Independent Expert's Report.

"The Impress Directors have also stated their intention to vote in favour of the Scheme for all of the shares they control."

### **Merger Implementation Agreement**

A Merger Implementation Agreement (MIA) to be entered into by Beach and Impress establishes the method by which the companies agree to implement the merger.

Per the MIA, Impress will enter into a Scheme of Arrangement with its shareholders whereby:

- All Impress shares other than those held by Beach are transferred to Beach for 8.25 cents per share.
- The transaction values Impress at \$73.1 million.
- Nine Convertible Notes valued at \$50,000 each are to be acquired by Beach.
- All shareholder loans are to be repaid on the completion of the Scheme.
- The MIA is subject to Beach completing due diligence within 7 business days of the execution of the MIA.

- Impress is to use its best endeavours to ensure none of its representatives solicits, invites or encourages enquiries or negotiation from other parties and will immediately notify Beach of any approaches or enquiries.
- Impress agree to pay Beach a break fee of \$730,000, equal to 1% of the transaction value, if Beach terminates the transaction for material breach by Impress, if any Director withdraws his recommendation (other than where the Independent Expert concludes that the Scheme is not in the best interests of the Impress shareholders) and the Scheme is not implemented and a competing proposal is announced which is subsequently successful.

Key terms of the MIA are listed in more detail in Appendix A attached.

### **Option Agreements**

In addition, entities associated with Mr Eddie Smith and fellow Impress Director Mr John Gillon have entered into option agreements with Beach under which the associated entities have granted to Beach options to acquire part of their shareholdings in Impress in certain circumstances at 8.25 cents per Impress share that would lift Beach's holding to 19.9%.

The terms of the option agreements are listed in Appendix A, attached.

### **Convertible Notes**

Beach also intends to acquire the nine Impress convertible notes on issue that are held by entities associated with Mr Smith. These will be acquired by Beach for consideration equal to the number of shares that the noteholders would receive on a conversion multiplied by 8.25 cents.

The convertible note acquisition will be effected through private agreements and will not form part of the Scheme.

### **Loan**

An outstanding debt owed by Impress to Mr Smith in the amount of \$2.6 million will be repaid subject to the approval of the Scheme.

Beach's balance sheet remains strong and it has budgeted for an accelerated exploration spend in FY 2011, in line with market expectations for a more active year ahead for the Cooper Basin after heavy rains in 2010.

Adelaide Equity is acting as Corporate Adviser to Beach and Piper Alderman is acting as Legal Adviser to Beach.

Hardy Bowen is acting as Legal Adviser to Impress.

### **Indicative Scheme Timetable**

Scheme booklet lodged with ASIC for regulatory review	Early January 2011
Scheme booklet dispatched to Impress shareholders	Late January 2011
Impress scheme meeting	Late March 2011
Court hearing to ratify Scheme	Early April 2011
Payment to Impress shareholders	Late April 2011

These dates are indicative and subject to change.

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**About Beach**

Beach is a long established oil and gas exploration and production company based in Adelaide, South Australia. It holds interests in more than 300 exploration and production tenements in Australia, New Zealand, Papua New Guinea, Egypt, Tanzania, Spain and Albania.

Beach currently operates 19 oil fields in the Cooper-Eromanga with five gas discoveries awaiting development and owns an approximate 21% interest in the Cooper Basin project operated by Santos Limited.

As at June 30, 2010, Beach's oil and gas reserves totalled 66 million barrels of oil equivalent and contingent resources of 297 million barrels of oil equivalent. Its annual production in the 2010 financial year was 7.3 million barrels of oil equivalent, with an active drilling program underway.

**About Impress**

Impress is an oil and gas explorer listed on the ASX. Its assets are primarily focused in the Cooper Basin where it has a 40% interest in four exploration permits, one petroleum retention license, and two production licenses. The permits are operated on behalf of a Joint Venture comprising Impress 40%, and Victoria Petroleum 60%. The permits and licences are prospective for oil and gas and host the Growler, Mirage and Ventura producing oil fields, the Wirraway, Warhawk, Tigercat and Snatcher oil discoveries, plus a comprehensive portfolio of prospects and leads covering the whole spectrum of exploration targets. Impress also has a 10% free carried interest in a number of nickel tenements in Western Australia acquired during its life as a mining company in the mid 1990s.

**For further information****Mr Reg Nelson**

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## Appendix A

### Merger Implementation Agreement – Key Terms

The merger implementation agreement ("**MIA**") entered into by Impress and Beach imposes obligations on the parties to proceed with the proposed Scheme of Arrangement. This attachment summarises the key points of **MIA**.

#### 1. Scheme Proposal

Impress will propose a Scheme of Arrangement pursuant to which Beach will acquire all of the issued share capital in Impress for 8.25 cents cash per share.

#### 2. Conditions

Implementation of the Scheme is subject to conditions (which will be set out in full in the scheme booklet) including:

- a. **(regulatory approvals)** the obtaining of any approvals required from regulatory authorities (including ASIC and ASX) and government agencies which are necessary to implement the Scheme;
- b. **(no restraints)** there being no orders made by a Court or regulatory authority that restrains implementation of the Scheme;
- c. **(no warranty/representation breach)** no breach of warranty or representation under the MIA by Impress or Beach;
- d. **(no material adverse change)** there being no event which could have a "Material Adverse Change" on Impress; and
- e. **(no prescribed occurrences and other events)** there being no "prescribed occurrence" (broadly, the events listed in s652C of the Corporations Act) and other certain prescribed events.
- f. **(independent expert report)** the independent expert concluding that the Scheme is in the best interests of shareholders;
- g. **(Director recommendation)** no Impress Director withdrawing his recommendation to vote in favour of the Scheme; and
- h. **(convertible notes)**: Beach entering into a convertible note assignment deed with each convertible note holder in relation to the assignment and transfer of convertible notes to Beach.

Material Adverse Change means, in relation to Impress, one or more occurrences or matters, which individually is likely to have a material adverse effect on the assets or liabilities of Impress by an amount equal to or greater than \$2,000,000, provided that it will not include:

- (a) stock market fluctuations;

- (b) general economic, business or securities market conditions;
- (c) oil price fluctuations;
- (d) weather related matters or occurrences; or
- (e) results from technical results operations on the Exploration Permits from Impress's operations;

The Scheme also requires court approval in accordance with 411(4)(b) of the Corporations Act, and the approval of shareholders of Impress.

### **3. Exclusivity**

From execution of the MIA until implementation of the Scheme or the earlier termination of the MIA, Impress must not:

- solicit, encourage or invite any third party proposals;
- enter into any arrangements with a third party;
- furnish any information to a third party; and
- endorse any third party proposal.

and must advise Beach of:

- any approach by a third party;
- any provision of information; and
- any action or intention to accept any third party proposal.

Beach is also afforded a right to match a competing proposal for 3 days from the announcement of the competing proposal on terms equal to a competing proposal.

Impress's obligations in relation to exclusivity are subject to compliance with the directors' fiduciary and statutory obligations.

### **4. Break Fee**

Impress has agreed to pay Beach a break fee if the following occur:

- (i) a third party takes control of Impress or acquires all or a substantial part of the assets or business of Impress
- (ii) the Impress board withdraws its recommendation to the Scheme (other than in the circumstances where the independent expert concludes that the Scheme is not in the best interests of shareholders) and shareholder approval is subsequently not obtained;

(iii) Beach terminates the MIA under certain circumstances.

The break fee is \$730,000.00.

Beach has agreed to pay Impress a break fee of \$730,000.00 if the Scheme fails due to a material non-compliance of the MIA by Beach, or if Impress terminates the MIA under certain circumstances.

## **5. Termination**

The MIA may be terminated in a number of circumstances, including:

- a. by either party, if the Scheme has not been implemented by the nominated end date, which is 30 June 2011;
- b. the other party is in material breach of the MIA and has not rectified the breach within five business days after notice of the breach is given to it (or any shorter period ending on the second Court date);
- c. the Scheme is not approved by shareholders or the court; or the Scheme has been permanently restrained by a court or regulatory authority;  
  
by Beach if Impress or any of its directors withdraws its recommendation or makes a public statement that it no longer supports the Scheme;
- d. by Impress if all of the Impress directors withdraw their recommendation or the independent expert concludes that the Scheme is not in the best interests of shareholders.

## **6. Director's Duties**

Nothing in the MIA will require Impress or any Impress director to take any action which would likely constitute a breach of a director's fiduciary or statutory obligations or is not in the best interest of shareholders.

## **Option Agreements – Key Terms**

Entities associated with Mr Eddie Smith and fellow Impress Director Mr John Gillon have entered into option agreements with Beach under which the associated entities have granted to Beach options to acquire part of their shareholdings in Impress in certain circumstances.

The key terms of the option agreements are:

- the options give Beach the ability acquire shares from the grantors (entities associated with Mr Eddie Smith and Mr John Gillon) that would lift its holding in Impress to 19.9%.
- the option can be exercised in the event of a higher alternative proposal for Impress;
- the exercise price for the option is 8.25 cents per share;
- the option agreement lapses on the earlier of:

1. 30 June 2011;
2. termination of the MIA by Beach;
3. 14 days after termination of the MIA by Impress; or
4. 14 days after the announcement of a higher alternative proposal (provided Beach does not exercise its option to match the high alternative proposal).