# Quarterly Report
# for the period ended 31 December 2018

31 January 2019
Ref: #003/19

For personal use only

## Key Highlights

**Quarterly production 7.4 MMboe; oil output +6%, strong gas demand**

- December quarterly production of 7.4 MMboe was 4% below the September quarter. A 17% increase in ex PEL 91 oil production combined with Otway gas sales 30% above prior year levels, largely offset seasonally lower gas demand.
- Sales volume of 7.7 MMboe was 7% below the September quarter, primarily due to lower seasonal sales gas. Sales revenue of $441 million declined 14% from the September quarter despite a 17% reduction in realised oil price.

**Bauer appraisal and horizontal development campaign completed successfully**

- Appraisal drilling at the Bauer Field has confirmed an easterly extension to the structure, warranting future follow up appraisal and infill development drilling.
- The Bauer horizontal development campaign exceeded expectations. Bauer-29 is producing on pump at up to 1,300 bopd.

**FY19 production guidance increased to 28 – 29 MMboe**

- FY19 production guidance is increased from 25 – 27 MMboe after better than forecast H1 FY19 production and revised output for the remainder of FY19[1].
- FY19 capital expenditure guidance has been narrowed from $440 – 520 million to $450 – 500 million[1].

**Integration complete, synergy and cost reduction targets on track**

- Transitional Services Agreement with Origin was discharged on 31 December 2018, seven months ahead of schedule, signifying the completion of the integration of Lattice.
- Realised synergy run rate was tracking at $56 million at 31 December 2018 well on track to our target of $60 million by the end of FY19.
- Additionally, direct controllable operating costs have been reduced by an annualised rate of $8 million as at the end of Q2 FY19. Beach is targeting a reduction of $30 million per annum by the end of FY20.

**Financial position continues to strengthen**

- Net debt at 31 December 2018 was $331 million, a reduction of $155 million from 30 September 2018. Net gearing is now under 14%.
- Beach is targeting to be debt-free on completion of the proposed 40% Otway Sale, expected by the end of the March 2019 quarter. This is more than two years ahead of the original debt-free target date[2], assisted by the proposed Otway Sale.

**Rigs secured for offshore and onshore Otway Basin programs**

- The Ocean Onyx semi-submersible rig has been contracted for the offshore Otway drilling program, with drilling scheduled to commence in late CY19/early CY20.
- Onshore Otway drilling comprising two South Australian Otway wells and two Victorian Otway extended reach wells is scheduled to commence in the March 2019 quarter using the Ensign 931 rig.

[1] Please refer to ASX announcement ref: #002/19 dated 31 January 2019 for more information.
[2] Please refer to ASX announcement #049/17 dated 28 September 2017 for more information.

For personal use only

## Snapshot

| | December Q2 FY18 | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
|---|---|---|---|---|---|
| Production (MMboe) | 2.63 | 7.76 | **7.42** | (4%) | 15.18 |
| Sales Volumes (MMboe) | 2.80 | 8.26 | **7.70** | (7%) | 15.96 |
| Sales Revenue ($ million) | 208 | 514[3] | **441[3]** | (14%) | 955 |
| Realised Oil Price ($/bbl) | 97.4 | 109.9[3] | **91.2[3]** | (17%) | 100.4 |
| Realised Sales Gas/Ethane Price ($/GJ) | 6.5 | 6.7 | **6.6** | (0%) | 6.6 |
| Net Cash/(Debt) ($ million) | 552 | (486) | **(331)** | 32% | (331) |
| Free Cash Flow ($million) | (8) | 152 | **145** | (5%) | 297 |

## Lattice integration complete

Success with the drill bit, strong facility reliability and the completion of the Lattice integration were the highlights of a robust December quarter for Beach Energy.

Beach Chief Executive Officer Matt Kay said the quarterly results are evidence that Beach is delivering on its promises to the market as outlined at its Investor Day in September 2018.

"The December quarter was one of increased activity and continued delivery for Beach, being our busiest ever with the drill bit," Mr Kay said.

"Beach participated in 39 wells during the quarter with an overall success rate of 77%.

"This was also a strong quarter on the reliability front, with our facility reliability averaging over 97%.

"This was particularly important to production, as stronger than expected east coast customer gas demand meant that we exceeded our gas sales projections for the quarter."

The December quarter also marked the final milestone in the Lattice acquisition, with Beach discharging the Transitional Services Agreement with Origin at the end of December 2018 - seven months ahead of the original schedule.

Mr Kay said discharging the TSA signifies completion of integration and has advanced realised synergies to a run rate of $56 million per annum at 31 December 2018, with the target of $60 million run rate by end of FY19 in sight.

"Although integration is complete and synergy targets within sight, our focus on additional efficiency continues. At the end of the December quarter, run rate direct controllable cost savings were approximately $8 million, well on track towards realising our targeted reduction of $30 million per annum by the end of FY20," Mr Kay said.

From a commercial perspective, the December quarter provided the first opportunity to display the robustness of the Beach business and particularly cash flow generation during periods of oil price volatility, supported by fixed price gas contracts.

Mr Kay said the combination of higher production and tight cost control meant Beach continued to generate strong free cash flow and de-gear at a rapid rate.

"At 31 December 2018 our net debt was $331 million, a reduction of $155 million from 30 September. Net gearing at the end of December was under 14%, down from 20% at 30 September," Mr Kay said.

[3] Includes the impact of $4.6 million and $11.6 million in realised hedging losses in Q2 and Q1 FY19, respectively. It should be noted that these losses are expected to be largely offset by unrealised mark-to-market hedging gains of $13.5 million in the H1 FY19 accounts.

"Beach is on track to be debt-free on completion of the Otway Sale, which is expected by the end of the March 2019 quarter.

"To be debt-free more than two years ahead of the timeline outlined at the announcement of the Lattice acquisition[2] is testament to our team's ability to maximise output from our expanded portfolio whilst maintaining a focus on operating margins."

On the drilling front, recent appraisal results at the Bauer oil field in the Cooper Basin confirmed an extension to the field.

Mr Kay said these positive results warranted more infill development drilling and a further round of appraisal.

"Four horizontal development wells were drilled in Bauer during the quarter, with the results from the campaign exceeding our expectations from a cost, time, reservoir quality and lateral length perspective.

"For example, Bauer-29 is now on pump and is producing at up to 1,300 bopd. This horizontal well achieved a spud to online time of 21 days, with the average for all four horizontal wells 23.5 days, an excellent result.

"The strong results in the Bauer Field underpinned a 17% increase in oil production from our 100% owned ex PEL 91 Western Flank oil acreage and a 6% quarter-over-quarter increase in Beach's total oil production.

"The better than expected Bauer drilling results, combined with strong customer gas demand and high facility reliability, has enabled Beach to increase FY19 production guidance, from 25 – 27 MMboe to 28 – 29 MMboe. FY19 capital expenditure guidance has been narrowed from $440 – 520 million to $450 – 500 million.

"Finally, we are pleased to report that Beach has completed key milestones as we progress towards executing on drilling programs in the SA Otway Basin and Victorian Otway Basin, with drill rigs now contracted for these programs. "

Beach will release its first half FY19 results and updated FY19 outlook to the market on 13 February 2019.

For personal use only

# Financial

## Sales volumes

Quarterly sales volumes of 7,701 kboe were 7% lower than the prior quarter with lower gas and gas liquids sales volumes partially offset by higher oil sales volume driven by increased oil production.

| Sales volumes | | | | | | |
|---|---|---|---|---|---|---|
| | | December Q2 FY18 | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| **Oil (kbbl)** | Own Product | 1,301 | 1,443 | **1,487** | 3% | 2,930 |
| | Third Party | 153 | 285 | **292** | 2% | 576 |
| | **Total Oil** | 1,453 | 1,727 | **1,779** | 3% | 3,506 |
| **Sales Gas and Ethane (PJ)** | Own Product | 6.0 | 31.0 | **28.0** | (10%) | 59.0 |
| | Third Party | 0.1 | 0.1 | **0.1** | 6% | 0.2 |
| | **Total Gas** | 6.1 | 31.1 | **28.1** | (10%) | 59.2 |
| **LPG (kt)** | Own Product | 19 | 70 | **63** | (10%) | 132 |
| | Third Party | 0 | (0) | **2** | NM | 2 |
| | **Total LPG** | 19 | 70 | **65** | (7%) | 135 |
| **Condensate (kbbl)** | Own Product | 138 | 631 | **580** | (8%) | 1,212 |
| | Third Party | 1 | 1 | **0** | (54%) | 2 |
| | **Total Condensate** | 139 | 632 | **581** | (8%) | 1,213 |
| **Total Oil and Gas Sales (kboe)** | | **2,797** | **8,263** | **7,701** | **(7%)** | **15,964** |
| Total – Own Product (kboe) | | 2,627 | 7,958 | **7,368** | (7%) | 15,325 |
| Total – Third Party (kboe) | | 170 | 305 | **333** | 9% | 639 |

Note: Figures and ratios may not reconcile to totals throughout the report due to rounding.

For personal use only

For personal use only

## Sales revenue

Total sales revenue of $441 million was 14% lower than the September quarter, driven by a combination of seasonally lower sales gas volumes and lower average realised liquids prices as oil prices declined during the December quarter. Average realised oil price was 17% lower at $91.2/bbl. Average realised sales gas and ethane pricing was broadly flat at $6.6/GJ, as higher realised pricing in New Zealand offset lower oil-linked realised gas pricing in the Cooper Basin.

| Sales revenue ($ million) | | | | | |
|---|---|---|---|---|---|
| | December Q2 FY18 | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| **Oil** | 141 | 190[4] | **162[5]** | (14%) | 352 |
| Sales Gas and Ethane | 40 | 207 | **186** | (10%) | 394 |
| LPG | 15 | 54 | **42** | (23%) | 96 |
| Condensate | 12 | 63 | **50** | (20%) | 113 |
| **Sales Gas and Gas Liquids** | 67 | 324 | **278** | (14%) | 603 |
| **Total Oil and Gas revenue** | **208** | **514** | **441** | **(14%)** | **955** |
| Total – Own Product | 194 | 480[4] | **411[5]** | (14%) | 891 |
| Total – Third Party | 14 | 34 | **30** | (12%) | 64 |
| **Average realised prices** | | | | | |
| | December Q2 FY18 | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| **All Products ($/boe)** | **74.4** | **62.2[4]** | **57.2[5]** | **(8%)** | **59.8** |
| Oil ($/bbl) | 97.4 | 109.9[4] | **91.2[5]** | (17%) | 100.4 |
| Sales Gas and Ethane ($/GJ) | 6.5 | 6.7 | **6.6** | (0%) | 6.6 |
| LPG ($/tonne) | 783.9 | 776.0 | **641.1** | (17%) | 710.8 |
| Condensate ($/bbl) | 87.7 | 99.3 | **86.3** | (13%) | 93.1 |

## Capital expenditure

Total capital expenditure was $112 million, an increase of 65% from the September quarter as work program expenditure around South Australian and Victorian Otway drilling activities accelerates.

| Capital expenditure ($ million) | | | | | |
|---|---|---|---|---|---|
| | December Q2 FY18 | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| Exploration and Appraisal | 33 | 13 | **19** | 43% | 32 |
| Development, Plant and Equipment | 45 | 55 | **93** | 71% | 148 |
| **Total** | 78 | 68 | **112** | 65% | 180 |

[4] Includes the impact of $11.6 million in realised hedging losses in Q1 FY19. Excluding the impact of hedging losses, the average realised oil price in the quarter was $116.6/bbl and the average realised price of all products was $63.6/boe.

[5] Includes the impact of $4.6 million in realised hedging losses in Q2 FY19. Excluding the impact of hedging losses, the average realised oil price in the quarter was $93.8/bbl and the average realised price of all products was $57.8/boe.

For personal use only

## Liquidity

Beach ended the quarter with net debt of $331 million, comprising drawn debt of $535 million and cash reserves of $204 million. During the quarter Beach retired $225 million of debt, which will result in interest cost savings. With undrawn revolving credit facilities of $390 million, Beach has total liquidity of $594 million at the end of the quarter.

Material cash flows for the quarter were operating cash flow of $242 million, which included cash tax payments of $93 million, net investing cash flow of $86 million, debt repayment of $225 million and $60 million draw down of the revolving credit facility.

| Liquidity ($ million) | | | | |
|---|---|---|---|---|
| | December Q2 FY18 | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change |
| Cash Reserves | 552 | 214 | **204** | (10) |
| Drawn Debt | - | (700) | **(535)** | 165 |
| **Net Cash/(Debt)** | **552** | (486) | **(331)** | **155** |
| Undrawn Facilities | 200 | 450 | **390** | - |

## Capital structure

Beach's capital structure as at 31 December 2018 is set out below.

| Capital structure | | | |
|---|---|---|---|
| | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change |
| Fully Paid Ordinary Shares | 2,277,030,477 | **2,278,249,104** | 1,218,627 |
| Unlisted Employee Rights | 6,163,642 | **7,711,875** | 1,548,233 |

1,218,627 unlisted performance rights that were issued in 2015 and 2016 vested during the quarter, increasing the number of fully paid ordinary shares. Additional unlisted performance rights were also issued.

## Hedging

Beach uses a range of instruments to protect against downside oil price scenarios. No new hedges were added during the quarter. The following hedges were in place as at 31 December 2018.

| Hedges (Brent) | | | | |
|---|---|---|---|---|
| | 3-way Collar A$40-90-100/bbl | 3-way Collar A$40-103-113/bbl | 3-way Collar A$55-100-110/bbl | Total Hedged Volumes |
| FY19 | 97,500 | 270,000 | 825,000 | 1,192,500 |
| FY20 | - | - | - | - |
| **Total** | **97,500** | **270,000** | **825,000** | **1,192,500** |

In its H1 FY19 accounts, Beach expects to book a $16.2 million realised loss (pre-tax) associated with the expiry of out of the money oil hedge contracts, offset in part by unrealised mark-to-market hedging gains of $13.5 million.

# Operations

## Production

| Production (net to Beach) | | | | | |
|---|---|---|---|---|---|
| | December Q2 FY18 | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| **Total Oil (kbbl)** | 1,331 | 1,550 | **1,645** | 6% | 3,195 |
| Sales Gas and Ethane (PJ) | 6.1 | 29.4 | **27.8** | (5%) | 57.2 |
| LPG (kt) | 16 | 72 | **60** | (16%) | 132 |
| Condensate (kbbl) | 131 | 597 | **512** | (14%) | 1,109 |
| **Total Sales Gas and Gas Liquids (kboe)** | 1,296 | 6,214 | **5,775** | (7%) | 11,989 |
| **Total Production (kboe)** | 2,627 | 7,764 | **7,420** | (4%) | 15,184 |

Quarterly production of 7,420 kboe was 4% (344 kboe) lower than the prior quarter. Oil production was strong, up 6% over the prior quarter after seven wells were brought online in the Western Flank. Sales gas production was 5% lower than the prior quarter due to lower seasonal demand. Gas liquids production was further impacted by higher production contribution from wells with lower liquids content.

The following provides production by reporting segment. Reporting segments are:

- SAWA - South Australia and Western Australia;
- Victoria; and
- New Zealand.

For personal use only

## SAWA production

Consisting of Cooper Basin and Perth Basin.

| Cooper Basin production (net to Beach) | December Q2 FY18 | September Q1 FY19 | December Q2 FY19 | Qtr on Qtr Change | YTD |
|---|---|---|---|---|---|
| **Total Oil (kbbl)** | 1,331 | 1,550 | **1,645** | 6% | 3,195 |
| Sales Gas and Ethane (PJ) | 6.1 | 9.8 | **10.5** | 7% | 20.3 |
| LPG (kt) | 16 | 29 | **27** | (5%) | 56 |
| Condensate (kbbl) | 131 | 230 | **217** | (6%) | 447 |
| **Total Sales Gas and Gas Liquids (kboe)** | 1,296 | 2,145 | **2,241** | 4% | 4,387 |
| **Total Production (kboe)** | 2,627 | 3,695 | **3,886** | 5% | 7,582 |

| Q2 FY19 Cooper Basin production detail (net to Beach) | Oil (kbbl) | Sales Gas and Ethane (PJ) | LPG (kt) | Condensate (kbbl) | **Total (kboe)** |
|---|---|---|---|---|---|
| Western Flank Oil (ex PEL 91) | 971 | - | - | - | 971 |
| (Beach 100%) | *17%* | | | | *17%* |
| Western Flank Oil (ex PEL 92) | 167 | - | - | - | 167 |
| (Beach 75% and operator, Cooper Energy 25%) | *(4%)* | | | | *(4%)* |
| Western Flank Oil (ex PEL 104 / 111) | 104 | - | - | - | 104 |
| (Beach 40%, Senex 60% and operator) | *(9%)* | | | | *(9%)* |
| Western Flank Gas (ex PEL 91 and 106) | - | 2.0 | 11 | 80 | 508 |
| (Beach 100%) | | *20%* | *(16%)* | *(11%)* | *7%* |
| Cooper Basin JV | 371 | 8.4 | 16 | 136 | 2,089 |
| (Various non-operated interests) | *(6%)* | *4%* | *4%* | *(3%)* | *2%* |
| Other producing permits | 32 | 0.1 | 0 | 1 | 48 |
| (Various non-operated interests) | *(7%)* | *(49%)* | *6%* | *(3%)* | *(24%)* |
| **Total production (kboe)** | **1,645** | **1,809** | **230** | **202** | **3,886** |

Quarter-over-quarter movement shown in italics.

### Commentary:

- Total Cooper Basin production of 3,886 kboe was 5% higher than the prior quarter driven by strong oil production out of the Western Flank with high production rates from new wells, which were brought online earlier than originally scheduled through optimisation of the overall work program.
- Ex PEL 91 oil production performance was up 17% after five wells were brought online, two vertical Bauer wells, Bauer-27 and -28, and later in the quarter, three Bauer horizontal wells (Bauer-29, -30, -31). Subsequent to quarter-end, the fourth Bauer horizontal well, Bauer-32 was brought online.
- Initial production from the horizontal wells has been strong. Bauer-29 is on artificial lift which increased production from a free flow rate of 750 bopd to an initial pumped rate of

For personal use only

1,000 bopd to a current rate of over 1,300 bopd. While Bauer-30, -31 and -32 came online free flowing at initial rates ranging from 400 to 1,000 bopd.

- In addition to the active quarter in ex PEL 91, field work spanned into ex PEL 92, where artificial lift was installed at Callawonga-16 adding 450 bopd gross initial production and partially offsetting natural field decline.
- Oil production from Senex-operated ex PEL 104/111 declined 9% as production from new wells Breguet-1 and Snatcher North-1 partially offset natural decline. Horizontal development well Growler-16 was brought online subsequent to quarter end.
- Beach-operated western flank sales gas and gas liquids production was up 7% with strong sales gas and ethane production and lower liquids production, as both the producing wells and the facility were managed to optimise production and accommodate downstream processing constraints requested by the operator.
- Cooper Basin JV production was up 2% versus the prior quarter. Gross daily average oil production was 11.9 kbbl, down 6% after a strong Q1 period. Gross average daily gas and gas liquids production of 52.3 kboe was up 2% on the prior quarter with strong sales gas and ethane and LPG production performance offsetting lower condensate production.

| Perth Basin production (net to Beach) | | | | |
|---|---|---|---|---|
| | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| Sales Gas and Ethane (PJ) | 1.1 | **1.1** | 5% | 2.2 |
| LPG (kt) | 0 | **0** | 0% | 0 |
| Condensate (kbbl) | 0 | **0** | (41%) | 1 |
| **Total Production (kboe)** | 184 | **193** | 5% | 377 |

Perth Basin production represents Beharra Springs (Beach 67% and operator, Mitsui 33%) and Waitsia (Beach 50%, Mitsui 50% and operator).

**Commentary:**

- Perth Basin production is approximately 72% from Beharra Springs and 28% from Waitsia.
- Perth Basin production was up 5% after the prior quarter was impacted by planned and unplanned plant downtime.

For personal use only

## Victoria production

Consisting of offshore Otway Basin and Bass Basin.

| Otway Basin production (net to Beach) | | | | |
|---|---|---|---|---|
| | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| Sales Gas and Ethane (PJ) | 12.8 | **11.4** | (11%) | 24.3 |
| LPG (kt) | 21 | **17** | (22%) | 38 |
| Condensate (kbbl) | 150 | **119** | (21%) | 269 |
| **Total Production (kboe)** | 2,530 | **2,220** | (12%) | 4,751 |

Otway Basin production represents Otway gas project (Beach 100%) and HBWS (Beach 100%).

### Commentary:

- The December seasonal dip in gas customer nominations saw a 12% quarter-over-quarter decline in reported production, however was up approximately 30% over the previous corresponding period due to stronger customer demand in conjunction with higher plant reliability[6].

| Bass Basin production (net to Beach) | | | | |
|---|---|---|---|---|
| | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| Sales Gas and Ethane (PJ) | 2.2 | **1.9** | (15%) | 4.1 |
| LPG (kt) | 7 | **5** | (23%) | 12 |
| Condensate (kbbl) | 75 | **61** | (18%) | 137 |
| **Total Production (kboe)** | 515 | **430** | (16%) | 946 |

Bass Basin production represents BassGas Project (Beach 53.75% and operator).

### Commentary:

- Bass Basin production was down 16% driven by the December seasonal dip in gas demand and downtime associated with planned and unplanned maintenance at the Yolla facility.

[6] Comparison against pcp is on a gross basis, to allow a like-for-like comparison.

For personal use only

## New Zealand production

Consisting of Taranaki Basin.

| Taranaki Basin production (net to Beach) | | | | |
|---|---|---|---|---|
| | September Q1 FY19 | **December Q2 FY19** | Qtr on Qtr Change | YTD |
| Sales Gas and Ethane (PJ) | 3.4 | **2.8** | (16%) | 6.2 |
| LPG (kt) | 15 | **11** | (26%) | 26 |
| Condensate (kbbl) | 141 | **115** | (19%) | 256 |
| **Total Production (kboe)** | 840 | **690** | (18%) | 1,529 |

Taranaki Basin production represents Kupe Gas Project (Beach 50% and operator, Genesis 46% and NZOG 4%).

### Commentary:

- Production of 690 kboe was 18% below the prior quarter, impacted by the seasonal dip in gas demand and approximately a month of production curtailment for scheduled maintenance activity on the amine system.

For personal use only

## Drilling summary

| Wells drilled | | | | | |
|---|---|---|---|---|---|
| Well name | Basin / area | Target | Type | Beach % | Well status |
| Moorari-15 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Moorari-16 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Moorari-18 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Namur-11 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Namur-12 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Namur-13 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Namur-14 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Barrolka-18 | Qld Cooper | Gas | App. | 39.94% | C&S |
| Bolah-3 | Qld Cooper | Gas | App. | 39.94% | C&S |
| Bolah-4 | Qld Cooper | Gas | App. | 39.94% | C&S |
| Moomba-228 | SA Cooper | Gas | App. | 33.40% | C&S |
| Moomba-230 | SA Cooper | Gas | App. | 33.40% | C&S |
| Moomba-231 | SA Cooper | Gas | App. | 33.40% | C&S |
| Moomba-232 | SA Cooper | Gas | App. | 33.40% | C&S |
| Moomba-233 | SA Cooper | Gas | App. | 33.40% | P&A |
| Moorari-17 | SA Cooper | Gas | App. | 33.40% | C&S |
| Anna North-1 | Qld Cooper | Gas | Expl. | 39.94% | C&S |
| Lane-1 | Qld Cooper | Gas | Expl. | 39.94% | C&S |
| Lois-1 | Qld Cooper | Gas | Expl. | 39.94% | C&S |
| Bauer-29 | SA Cooper | Oil | Dev. (Hz) | 100%* | C&S |
| Bauer-30 | SA Cooper | Oil | Dev. (Hz) | 100%* | C&S |
| Bauer-31 | SA Cooper | Oil | Dev. (Hz) | 100%* | C&S |
| Bauer-32 | SA Cooper | Oil | Dev. (Hz) | 100%* | C&S |
| Growler-16 | SA Cooper | Oil | Dev. (Hz) | 40% | C&S |
| Pennington-7 | SA Cooper | Oil | Dev. (Hz) | 100%* | C&S |
| Bauer Northeast-1 | SA Cooper | Oil | App. | 100%* | C&S |
| Bauer Northwest-1 | SA Cooper | Oil | App. | 100%* | C&S for further evaluation |
| Bauer Southeast-1 | SA Cooper | Oil | App. | 100%* | C&S |
| Bauer Southwest-1 | SA Cooper | Oil | App. | 100%* | C&S for further evaluation |
| Cooroo North West-2 | Qld Cooper | Oil | App. | 38.50% | C&S |
| Jarrar-4 | Qld Cooper | Oil | App. | 38.50% | C&S |
| Jarrar-5 | Qld Cooper | Oil | App. | 38.50% | C&S |
| Avenger-1 | SA Cooper | Oil | Expl. | 40% | P&A |
| Flanker-1 | SA Cooper | Oil | Expl. | 40% | P&A |
| Huey-1 | SA Cooper | Oil | Expl. | 40% | P&A |

For personal use only

| | | | | | |
|---|---|---|---|---|---|
| Pallano East-1 | Qld Cooper | Oil | Expl. | 38.50% | P&A |
| Voodoo-1 | SA Cooper | Oil | Expl. | 40% | P&A |
| Wallis-1 | Qld Cooper | Oil | Expl. | 38.50% | C&S |
| Wenda-1 | Qld Cooper | Oil | Expl. | 38.50% | P&A |

* Indicates Beach operated

**Well results summary**

| Basin | Category | Wells Spudded | Rig Released | Successful Wells | Success Rate | Successful Wells |
|---|---|---|---|---|---|---|
| Cooper | Oil – Exploration | 7 | 7 | 1 | 14% | Wallis-1 |
| | Oil – Appraisal | 7 | 7 | 5 | 71% | Bauer Northeast-1; Bauer Southeast-1; Cooroo North West-1; Jarrar-4, -5 |
| | Oil – Development | 6 | 6 | 6 | 100% | Bauer-29, -30, -31, -32; Pennington-7; Growler-16 |
| | Gas – Exploration | 3 | 3 | 3 | 100% | Anna North-1; Lane-1; Lois-1 |
| | Gas – Appraisal | 9 | 9 | 8 | 89% | Moomba-228, -230, -231, -232; Moorari-17; Bolah-3, -4; Barrolka-18 |
| | Gas – Development | 7 | 7 | 7 | 100% | Moorari-15, -16, -18; Namur-11, -12, -13, -14 |
| **Total Wells** | | 39 | 39 | 30 | 77% | |
| All Exploration Wells | | 10 | 10 | 4 | 40% | |
| All Appraisal Wells | | 16 | 16 | 13 | 81% | |
| All Development Wells | | 13 | 13 | 13 | 100% | |

## Drilling highlights:

- Beach participated in 39 wells for the quarter at a 77% success rate (success defined as wells that are cased and suspended as future producers or injectors).
- Beach successfully completed the Bauer oil field limit appraisal and development campaign, which comprised of four field limit appraisal wells (Bauer Northeast, Northwest, Southeast and Southwest), two vertical development wells (Bauer-27 and -28), and four horizontal development wells (Bauer-29, -30, -31, -32).
    - The final two field limit appraisal wells, Bauer Southwest-1 and Bauer Southeast-1 were drilled.
    - Bauer Southwest-1 came in below the oil water contact and defined the southwest extent of the field, while Bauer Southeast-1 intersected the top of the McKinlay 6.6 metres high to prognosis and 2.5 meters above the oil water contact, extending the field to the southeast.
    - As planned, all Bauer field limit appraisal wells were cased and suspended for in-wellbore seismic studies to further resolve the Greater Bauer structure, with

For personal use only

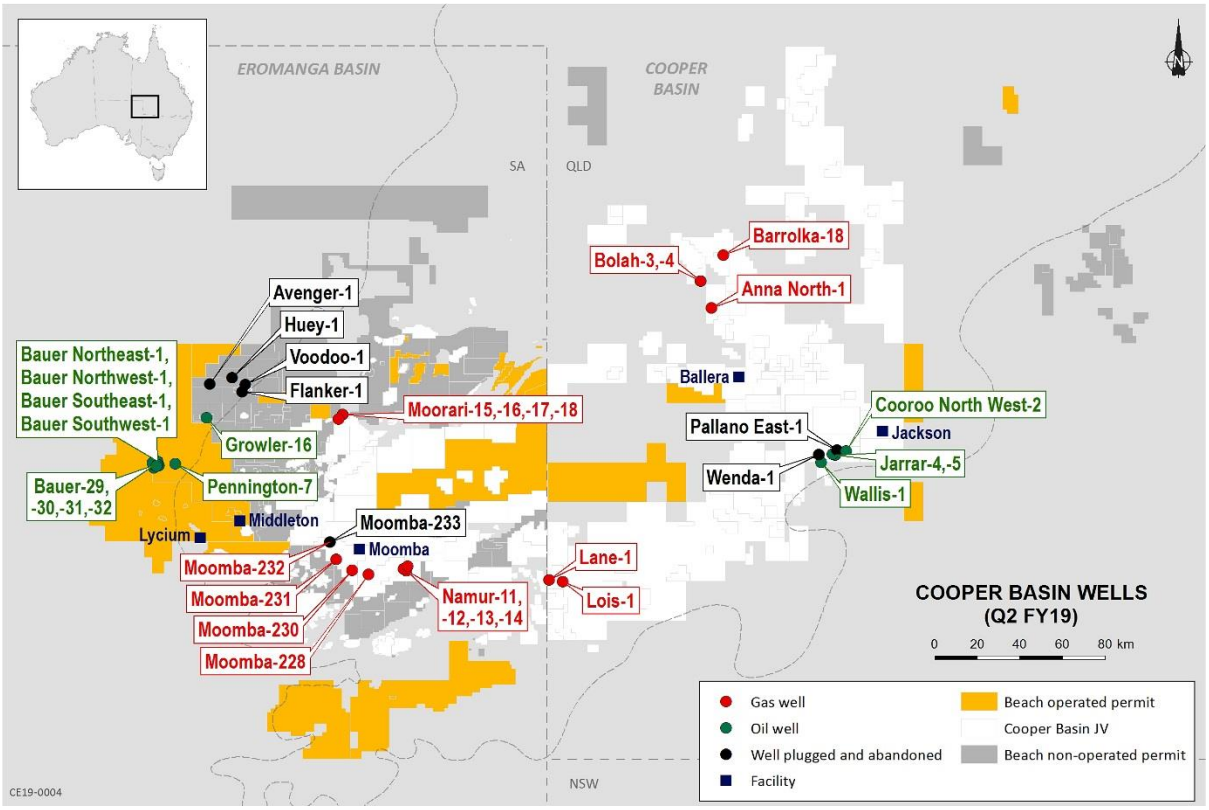
Bauer Northeast-1 and Bauer Southeast-1 to be converted to production wells once study work is completed.

- The Bauer campaign was completed in the quarter with four McKinlay horizontal development wells, Bauer-29, -30, -31 and -32, all cased and suspended as future producers. Three wells were brought online during the quarter with two on free flow and one on pump. The final well (Bauer-32) was brought online subsequent to quarter end.

- The FY19 Senex-operated oil exploration program was completed with the drilling of Avenger-1, Flanker-1, Huey-1 and Voodoo-1. All four wells were plugged and abandoned, seeing the campaign conclude with two oil discoveries (Breguet-1 and Snatcher North-1) from six wells. Results will be incorporated to better define the core area of ex PEL 104/111.
- The Senex-operated campaign moved on to the Growler Field, where horizontal oil development well Growler-16, was cased and suspended and brought online subsequent to quarter end. The final well of the campaign, horizontal oil development well Growler-17, was being drilled subsequent to quarter end.
- The six-well oil exploration campaign, Growler Northeast-1 oil appraisal well and the two Growler horizontal development wells were funded by Beach as part of the $43 million free-carry commitment transferred to the Senex-operated Western Flank ex PEL 104 and 111 permits.
- 25 Cooper Basin JV wells were drilled during the quarter. CBJV highlights included:
  - 100% drilling success rate across the seven gas development wells drilled at the Moorari and Namur gas fields.
  - Highly successful gas appraisal drilling with nine wells drilled at Barrolka, Bolah, Moorari and Moomba South gas fields, eight of which were cased and suspended.
    - At Moomba South, six of eight planned appraisal wells had been completed to the end of December. Four wells were brought online by the end of the quarter. Two wells remain to be drilled in the current campaign. The program is targeting a large unexploited gas contingent resource in the Patchawarra reservoirs on the southern flanks of the Moomba high. The Moomba South program has also discovered new plays in the Granite Wash and Tirrawarra sandstone which are being assessed for further appraisal.
  - Three gas discoveries at Anna North-1, Lane-1 and Lois-1 in Southwest Queensland.
  - Oil discovery at Wallis-1 and appraisal success at Cooroo North West-2 and Jarrar-4 and -5 all in Southwest Queensland
    - An operator-record spud to oil on-line time of 28 days was achieved with Cooroo North West-2 as Santos continues to set new operating limits to efficiently commercialise the vast discovered resource that remains undeveloped in the Cooper Basin.

For personal use only

## Cooper and Eromanga basins




For personal use only

For personal use only

# Corporate and commercial

### Offshore rig contract signed with Diamond Offshore; SA Otway drilling expected to commence in March quarter

In December 2018, Beach reached agreement with Diamond Offshore for the contracting of the offshore semi-submersible rig Ocean Onyx to undertake Beach's Victorian Otway offshore drilling program.

The Ocean Onyx is a deepwater, semi-submersible rig, well-suited to operating in locations such as the offshore Otway Basin in Victoria. The rig will undergo upgrades, maintenance and commissioning, before mobilising from Singapore to the Otway Basin with a delivery window of December 2019 to February 2020. The first well expected to be drilled in the offshore program will be the Artisan gas exploration well.

Onshore Otway drilling is scheduled to commence in South Australia with the Haselgrove-4 appraisal well (Beach 100% and operator) in the March 2019 quarter, followed by the Dombey-1 exploration well (Beach 70% and operator, Cooper Energy 30%) in the June 2019 quarter. These will be followed by the extended reach Black Watch development well and Enterprise exploration well, both in the Victorian Otway Basin, currently scheduled to commence in early FY20.

### Update on Otway Sale to O.G. Energy

On 5 October 2018, Beach announced it had entered into an agreement to sell 40% of its Victorian Otway interests to O.G. Energy (for additional information please refer to ASX announcement Ref: #047/18).

Transaction completion is progressing, with O.G. Energy having received Foreign Investment Review Board (FIRB) approval for the proposed transaction in December. Remaining completion conditions are expected to be met by the end of Q3 FY19. Following completion, Beach will hold a 60% interest and remain as operator of its Victorian Otway interests, which includes its Geographe, Thylacine, Halladale, Speculant and Black Watch gas fields, Enterprise and Artisan exploration prospects and the Otway Gas Plant.

### Discharge of Transitional Services Agreement (TSA) with Origin

On 31 December 2018, after successfully transferring required corporate and administration functions and integrating systems and data to one unified Beach IT system, Beach discharged the TSA with Origin. The TSA was agreed as part of the Lattice acquisition to ensure continuity of operations during acquisition and integration. Its discharge represents the completion of separation of Lattice systems, operations and support from Origin and completion of integration into Beach.

The discharge of the TSA has been achieved seven months ahead of initial expectations. Upon discharge, Beach's realised synergy run rate was tracking at $56 million per annum, well on track to our target of $60 million by the end of FY19.

### Gas Sales Agreements executed for Western Flank 2019 gas volumes

Beach executed a GSA with Liberty Primary Steel in the December quarter, and now has GSAs with Adelaide Brighton, Alinta Energy and Liberty to supply Western Flank gas in 2019. Under these agreements, Beach's expected 2019 Western Flank sales gas production is fully contracted at prices reflective of current market conditions. All other terms and conditions remain confidential.

Associated LPG and condensate production from Beach's Western Flank acreage will continue to be sold to the Cooper Basin JV.

# Subsequent events

### Gas processing agreed with Santos

Beach and Santos have agreed an extension of gas processing and related gas liquids purchases at the Moomba gas facilities. The gas processing agreement extension is expected to provide capacity for all Beach-operated Western Flank gas to be processed at the Moomba gas facilities over the three-year term of the extension.

**For further information contact the following on +61 8 8338 2833:**


| | |
|---|---|
| Investor Relations | Nik Burns, Investor Relations Manager |
| Media | Rob Malinauskas, Group Manager - Corporate Affairs |


For personal use only

# Disclaimer and other information

| Conversions | | | |
|---|---|---|---|
| Product | Unit Conversion | Operation | Factor |
| Sales gas and ethane | PJ to MMboe | Multiply | 0.17194 |
| Condensate | MMbbl to MMboe | Multiply | 0.935 |
| LPG | Kt to MMboe | Multiply | 0.008458 |
| Oil equivalent | MMboe to PJ | Divide | 0.17194 |

## Comparable periods

Please note that FY18 results consolidate Lattice, Benaris and Toyota Tsusho assets from 1 January 2018. The full six months' contribution from the Toyota Tsusho assets was recorded in the June Q4 FY18 period.

## Disclaimer

This ASX Release contains forward looking statements that are subject to risk factors associated with oil, gas and related businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

All references to dollars, cents or $ in this announcement are to Australian currency, unless otherwise stated. References to "Beach" may be references to Beach Energy Limited or its applicable subsidiaries.

Certain FY19 planned activities are subject to joint venture approvals. References to planned activities beyond FY19 are subject to finalisation of work programs, government approvals, JV approvals and board approvals.

## Assumptions

The outlook provided in this ASX Release is not guidance. The outlook is uncertain and subject to change. The outlook has been estimated on the basis of the following assumptions: 1. various other economic and corporate assumptions; 2. assumptions regarding drilling results; and 3. expected future development, appraisal and exploration projects being delivered in accordance with their current expected project schedules. These future development, appraisal and exploration projects are subject to approvals such as government approvals, joint venture approvals and board approvals. Beach expresses no view as to whether all required approvals will be obtained in accordance with current project schedules.

For personal use only

# Glossary

| | |
|---|---|
| $ | Australian dollars |
| Adelaide Brighton | Adelaide Brighton Cement Ltd, a wholly owned subsidiary of Adelaide Brighton Limited (ASX: ABC) |
| Alinta Energy | Alinta Energy Retail Sales Pty Ltd |
| bbl | Barrels |
| BassGas Project | Producing assets: Beach 53.75% and operator, Mitsui 35%, Prize 11.25%; Exploration permits: Beach 50.25% and operator, Mitsui 40%, Prize 9.75%<br>Includes the producing Yolla field, the BassGas pipeline and Lang Lang gas plant as well as separate retention leases over the Trefoil, Rockhopper and White Ibis discoveries. |
| Beach | Beach Energy Limited and its subsidiaries |
| Benaris assets / interests | Refers to 27.77% of Otway Gas Project, acquired by Lattice, as announced by Origin on 11 September 2017 |
| boe | Barrels of oil equivalent – the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy |
| C&S | Cased and suspended |
| Cooper Energy | Cooper Energy Ltd and its subsidiaries |
| Cooper Basin | Includes both Cooper and Eromanga basins |
| Cooper Basin JV | Incorporates the Santos operated, SACB JVs and SWQ JVs |
| CY | Calendar year |
| Ex PEL 91 | PRLs 151 to 172 and various production licences |
| Ex PEL 92 | PRLs 85 to 104 and various production licences |
| Ex PEL 104 / 111 | PRLs 136 to 150 and various production licences |
| Ex PEL 106 | PRLs 129 and 130 and various production licences |
| Free cash flow | Defined as operating cash flow less capital expenditure (excluding acquisitions and divestments) |
| FY(19) | Financial year (2019) |
| Genesis | Genesis Energy Limited and its subsidiaries |
| GSA | Gas sales agreement |
| GJ | Gigajoule |
| H(1) (FY19) | (First) half year period (of FY19) |
| HBWS | 100% Beach owned, Halladale, Blackwatch and Speculant fields in the offshore Otway Basin |
| kbbl | Thousand barrels of oil |
| kboe | Thousand barrels of oil equivalent |
| kt | Thousand tonnes |
| Kupe Gas Project | Beach 50% and operator, Genesis 46%, NZOG 4%<br>Consists of offshore Kupe gas field in the Taranki Basin, the Kupe offshore platform, Kupe gas plant and associated infrastructure. |
| Lattice | Lattice Energy Ltd |
| LPG | Liquefied petroleum gas |
| Mitsui | Mitsui & Co., Ltd and its subsidiaries |
| MMbbl | Million barrels of oil |
| MMboe | Million barrels of oil equivalent |
| MMscfd | Million standard cubic feet of gas per day |
| NZOG | New Zealand Oil & Gas and its subsidiaries |
| O.G. Energy | O.G. Energy Holdings Limited., a member of the Ofer Global group of companies |
| Origin | Origin Energy Limited and its subsidiaries |
| Otway Gas Project | Consists of offshore gas fields, Thylacine and Geographe, the Thylacine Well Head Platform, Otway Gas Plant and associated infrastructure |
| Otway Sale | Sale of 40% of Beach's Victorian Otway interests to O.G. Energy (for additional information please refer to ASX announcement Ref: #047/18) |
| P&A | Plugged and abandoned |
| PCP | Previous corresponding period |
| PEL | Petroleum Exploration Licence |
| Prize | Prize Petroleum International |
| PJ | Petajoule |
| Q(2) (FY19) | (Second) quarter of (FY19) |
| Qtr | Quarter |
| Run rate | Refers to the expected full year value of savings from cost items which were removed by the reporting date. |
| SACB JV | South Australian Cooper Basin Joint Ventures, which include the Fixed Factor Area (Beach 33.4%, Santos 66.6%) and the Patchawarra East Block (Beach 27.68%, Santos 72.32%) |
| Santos | Santos Limited and its subsidiaries |
| Senex | Senex Energy Limited and its subsidiaries |
| SWQ JV | South West Queensland Joint Ventures, incorporating various equity interests (Beach 30-52.2%) |
| TJ | Terajoule |
| TJe | Terajoule equivalent |
| Toyota Tsusho assets / interests | Refers to 5% of Otway Gas Project and 11.25% of BassGas Project. Refer Beach's announcement #098/17 of 21 December 2017. |

For personal use only