Quarterly Report

for the period ended 31 March 2016

HIGHLIGHTS

FINANCIAL

- Sales volumes up 5% to 2.6 MMboe due to the Drillsearch merger and higher gas volumes, partially offset by timing of crude oil shipments
- Total sales revenue down 5% to $120 million, mainly due to lower realised oil and gas liquids prices
- Capital expenditure down 51% to $38 million due to capital management initiatives and high-grading of programs to counter the current environment of lower oil prices
- Cash reserves of $242 million, convertible notes of $86 million, drawn debt of $150 million and undrawn debt facilities of $350 million; convertible notes redeemed subsequent to quarter end

OPERATIONS

- Quarterly production up 8% to 2.4 MMboe due to the Drillsearch merger and sustained oil production from ex PEL 91
- Artificial lift campaign completed in ex PEL 91, resulting in incremental production of 440 bopd
- Operating initiatives expected to deliver further cost savings of up to $7 million per annum (pre-tax)
- In excess of 1.1 million hours of LTI-free operations achieved
- Nine wells completed with a success rate of 78%

CORPORATE

- Drillsearch merger completed 1 March 2016; estimated annual cost savings of up to $40 million (pre-tax) to be fully realised in FY17
- Organisation review and Drillsearch merger expected to result in a 29% headcount reduction since 30 June 2015
- Surrender of PEP 52181 in the Taranaki Basin, New Zealand
- Chief Financial Officer, Kathryn Presser, to depart Beach on 1 July 2016

SUBSEQUENT EVENTS

- Revised agreement for sale of Egypt assets to Rockhopper
- Exit from BMG joint venture in the Gippsland Basin, effective 27 October 2016
- FY16 production guidance increased to 9.5 – 9.8 MMboe (previously 8.0 – 8.6 MMboe)
- FY16 capital expenditure guidance maintained at $180 – $210 million

KEY STATISTICS

	March Q3 FY15	December Q2 FY16	March Q3 FY16	Qtr on Qtr Change	YTD
Production (kboe)	2,106.5	2,253.5	2,439.5	8%	6,971.8
Sales Volumes (kboe)	2,212.5	2,518.7	2,649.8	5%	7,757.8
Sales Revenue ($ million)	130.7	126.4	119.7	(5%)	391.3
Oil Price ($/bbl)	71.0	56.1	50.9	(9%)	58.2
Cash ($ million)	164.6	164.0	241.6[1]	47%	241.6[1]

[1] *Includes cash acquired as part of the merger with Drillsearch; pre redemption of remaining convertible notes – refer liquidity discussion*

Beach Energy Limited
ABN: 20 007 617 969
ASX: BPT

25 Conyngham Street
Glenside SA 5065

GPO Box 175
Adelaide SA 5001

T +61 8 8338 2833
W www.beachenergy.com.au
E info@beachenergy.com.au

Investor enquiries
Derek Piper
T +61 8 8338 2833

Media enquiries
Sylvia Rapo
T +61 8 8338 2833

DIRECTORS

Independent Non-executive Chairman
Glenn Davis

Independent Non-executive Directors
Philip Bainbridge
Colin Beckett
Fiona Bennett
John Butler
Jim McKerlie
Doug Schwebel

Neil Gibbins
Acting Chief Executive Officer
28 April 2016

Ref: #034/16

FINANCIAL

SALES

Sales volumes of 2,650 kboe were 5% higher than the prior quarter and include additional volumes recognised following the merger with Drillsearch (effective 1 March 2016). Other factors which impacted sales volumes include:

- Higher sales gas volumes;
- Timing of crude oil shipments, with five liftings during the current quarter compared with six during the prior quarter;
- Lower third party oil sales due to less liftings and recognition of Drillsearch volumes as own product sales; and
- Timing of LPG and condensate liftings.

Sales		March Q3 FY15	December Q2 FY16	March Q3 FY16	Qtr on Qtr Change	YTD
Oil (kbbl)	Cooper and Eromanga Basins - Own Product	1,047.3	1,088.9	1,270.6	17%	3,457.2
	Cooper and Eromanga Basins - Third Party	276.0	351.4	252.4	(28%)	977.1
	Total Cooper Oil	**1,323.3**	**1,440.3**	**1,523.0**	**6%**	**4,434.3**
	Egypt	38.0	39.9	29.5	(26%)	116.7
	Total Oil	**1,361.3**	**1,480.2**	**1,552.5**	**5%**	**4,551.0**
Sales Gas and Ethane (PJ)	Cooper Basin - Own Product	3.6	4.8	5.5	13%	15.5
	Cooper Basin - Third Party	0.7	0.1	0.1	15%	0.3
	Egypt	–	0.1	0.1	(12%)	0.2
	Total Gas and Ethane	**4.3**	**5.0**	**5.7**	**13%**	**16.0**
LPG (kt)	Cooper Basin - Own Product	9.0	10.4	6.9	(34%)	30.2
	Cooper Basin - Third Party	0.3	0.2	0.2	(22%)	0.8
	Total LPG	**9.3**	**10.6**	**7.1**	**(33%)**	**31.0**
Condensate (kbbl)	Cooper Basin - Own Product	39.2	89.1	69.0	(23%)	204.5
	Cooper Basin - Third Party	2.0	1.9	1.4	(27%)	5.2
	Total Condensate	**41.2**	**91.0**	**70.4**	**(23%)**	**209.7**
Total Oil and Gas Sales (kboe)		**2,212.5**	**2,518.7**	**2,649.8**	**5%**	**7,757.8**
Total – Own Product (kboe)		1,811.3	2,145.0	2,373.2	11%	6,710.3
Total – Third Party (kboe)		401.2	373.7	276.6	(26%)	1,047.5

REVENUE

Total sales revenue decreased 5% to $120 million. The decline was mainly due to lower realised prices and reduced gas liquids sales volumes, partially offset by higher oil sales volumes. The average realised Australian dollar oil price decreased to $51/bbl (from $56/bbl), representing a 9% decline from the prior quarter. The average realised sales gas and ethane price decreased 2% to $5.95/GJ (from $6.08/bbl) due to a higher portion of Drillsearch volumes in the sales mix.

Sales Revenue ($ million)	March Q3 FY15	December Q2 FY16	March Q3 FY16	Qtr on Qtr Change	YTD
Oil	**96.7**	**83.0**	**79.1**	**(5%)**	**264.7**
Sales Gas and Ethane	24.9	30.5	33.5	10%	96.0
LPG	6.1	6.8	3.6	(47%)	17.8
Condensate	3.0	6.1	3.5	(41%)	12.8
Sales Gas and Gas Liquids	**34.0**	**43.4**	**40.6**	(6%)	**126.6**
Total Oil and Gas	**130.7**	**126.4**	**119.7**	**(5%)**	**391.3**
Total – Own Product	107.0	104.5	106.9	2%	329.5
Total – Third Party	23.7	21.9	12.8	(41%)	61.8
Average Realised Prices	**March Q3 FY15**	**December Q2 FY16**	**March Q3 FY16**	**Qtr on Qtr Change**	**YTD**
All Products ($/boe)	**59.1**	**50.1**	**45.2**	**(10%)**	**50.4**
Oil ($/bbl)	71.0	56.1	50.9	(9%)	58.2
Sales Gas and Ethane ($/GJ)	5.8	6.1	6.0	(2%)	6.0
LPG ($/t)	659.2	638.7	503.3	(21%)	573.4
Condensate ($/bbl)	73.4	66.2	50.2	(24%)	61.2

CAPITAL EXPENDITURE

Third quarter capital expenditure of $38 million was 51% lower than the prior quarter and 52% lower than the prior corresponding period. These reductions are attributable to capital management initiatives and high-grading of programs to counter the current environment of lower oil prices.

Capital expenditure guidance for FY16 has been reviewed to account for year-to-date expenditure, commitments associated with the enlarged acreage position, and ongoing efforts to minimise or defer expenditure where appropriate. Following this review, capital expenditure is expected to be maintained within the previous guidance range of $180 – $210 million. This reflects capital expenditure of $160 million for the nine month period ended 31 March 2016, and estimated Q4 FY16 expenditure of $20 – $50 million. Additional expenditure relating to former Drillsearch permit interests for the period 1 March 2016 to 30 June 2016 is expected to be broadly offset by additional reductions and deferrals identified for H2 FY16. Further details are included in the announcement of 27 April 2016.

Capital Expenditure ($ million)	March Q3 FY15	December Q2 FY16	March Q3 FY16	Qtr on Qtr Change	YTD
Exploration and Appraisal	22.6	20.1	7.7	(62%)	36.0
Development, Plant and Equipment	56.9	57.4	30.3	(47%)	123.6
Total	**79.5**	**77.5**	**38.0**	**(51%)**	**159.6**

LIQUIDITY

Cash reserves were $242 million at quarter end, with drawn debt of $150 million and remaining convertible notes on issue of $86 million. These figures include cash and convertible notes acquired as part of the merger with Drillsearch.

On 11 April 2016, outstanding Drillsearch convertible notes were redeemed using cash reserves. Following redemption, Beach had cash reserves of approximately $150 million, drawn debt of $150 million and undrawn debt facilities of $350 million. Further information relating to redemption of convertible notes is contained in the announcement of 24 March 2016.

CAPITAL STRUCTURE

During the quarter, 557,826,555 fully paid ordinary shares were issued upon implementation of the merger with Drillsearch.

Capital Structure	December Q2 FY16	March Q3 FY16	Qtr on Qtr Change
Fully Paid Ordinary Shares	1,302,877,977	1,860,704,532	42.8%
Unlisted Employee Rights	5,019,025	5,019,025	–

HEDGING

The following hedges were in place as at 31 March 2016 and include collars acquired as part of the merger with Drillsearch.

Hedges (Brent)	Floor $45 per bbl	Collar US$60-90 per bbl	Collar US$60-85 per bbl	Total Hedged Volumes (bbl)
FY16 (remaining)	555,000	154,500	75,000	784,500
FY17	1,327,500	-	215,001	1,542,501
Total	**1,882,500**	**154,500**	**290,001**	**2,327,001**

OPERATIONS

COST INITIATIVES

In response to lower oil prices, Beach continues to adapt its operational processes and procedures, and implement cost saving initiatives to mitigate reduced revenue. Noted below are actions taken during the quarter, which are expected to yield annual cost savings of up to $7 million (pre-tax). These are incremental to the $19 million of operating cost savings and royalty reductions from H1 FY16.

- **Reduced field contractors:** Rotation of head-office staff through the field has reduced reliance on contractors. Activities predominantly relate to site supervision and have resulted in a reduction of eight field contractors. The associated annual cost saving is approximately $3 million.
- **Drag reducing agents:** Drag reducing agents have been trialled to increase pipeline throughput across the Bauer to Lycium and Lycium to Moomba flowlines. Trials to date have been successful, with throughput improvements of up to 20%. This has reduced fuel usage and general wear and tear, as well as reliance on daily trucking of oil, with three trucks now operating compared with four previously. There may be potential to further reduce trucking and fuel requirements, which may yield total annual cost savings of up to $1 million.
- **Supply contracts:** Re-tendering of various supplies and services has achieved savings across the Western Flank operations. Associated costs are expected to reduce by up to $2 million per annum due to new contracts negotiated.
- **Field camp consolidation**: In line with lower activity, field camp usage has been rationalised, including some consolidation into the Callawonga camp. Associated camp contractor savings of up to $0.5 million per annum are expected.

PRODUCTION

Production of 2,440 kboe was 8% higher than the prior quarter and includes 284 kboe of production from permit interests acquired as part of the merger with Drillsearch (effective 1 March 2016). New wells brought online, completion of an artificial lift campaign in ex PEL 91 and minimal plant downtime also contributed to increased production.

Production		March Q3 FY15	December Q2 FY16	March Q3 FY16	Qtr on Qtr Change	YTD
Oil (kbbl)	Cooper Basin	1,034.2	1,096.3	1,259.6[1]	15%	3,446.5
	Egypt	38.2	40.6	47.9	18%	136.9
	Total Oil	**1,072.4**	**1,136.9**	**1,307.5**	**15%**	**3,583.4**
Sales Gas and Ethane (PJ)	Cooper Basin	5.1	5.4	5.5	1%	16.4
	Egypt	–	0.1	0.1	(12%)	0.2
LPG (kt)	Cooper Basin	9.6	10.8	11.6	8%	33.4
Condensate (kbbl)	Cooper Basin	79.7	85.7	85.2	(1%)	262.1
Total Sales Gas and Gas Liquids		**1,034.1**	**1,116.6**	**1,132.0**[2]	**1%**	**3,388.4**
Total Oil and Gas (kboe)		**2,106.5**	**2,253.5**	**2,439.5**	**8%**	**6,971.8**

NB. Preliminary data for Egypt

1. Includes 236 kbbl of oil production from permit interests acquired as part of the merger with Drillsearch

2. Includes 48 kboe of sales gas and gas liquids production from permit interests acquired as part of the merger with Drillsearch

Cooper Basin

Western Flank Oil – ex PEL 91

(Beach 100%)

Average daily oil production of 12,180 barrels (gross) was broadly in line with the prior quarter (12,441 barrels). Total net oil production increased 45% to 666 kbbl due to completion of the merger with Drillsearch and strong operating performance in the field. The merger increased Beach's ownership interest in ex PEL 91 from 40% to 100%.

Natural field decline was mitigated by two Bauer Field development wells brought online (Bauer-21 and Bauer-22) and completion of an artificial lift program. This program saw three variable speed beam pumps commissioned in the Chiton, Kalladeina and Sceale fields in late February 2016. Variable speed technology automates beam pump movement to optimise inflow from the wellbore, with live data recorded and monitored remotely. The resulting benefits are increased well production, superior downhole failure prediction and improved operator cost efficiencies. Completion of the artificial lift program resulted in aggregate incremental production of approximately 440 bopd.

Subsequent to quarter end, the Hanson-2 development well commenced production. The final Bauer Field development well (Bauer-23) and the Hanson-3 appraisal well are still to be brought online.

Western Flank Oil – ex PEL 92

(Beach 75% and operator, Cooper 25%)

Average daily oil production of 3,157 barrels (gross) was approximately 13% lower than the prior quarter, with total net oil production of 216 kbbl. Lower production was mainly attributable to natural field decline subsequent to completion of new connections and installation of artificial lift in the Callawonga Field in H1 FY16.

Western Flank Oil – ex PEL 104 / 111

(Beach 40%, Senex 60% and operator)

Average daily oil production of 3,579 barrels (gross) was approximately 6% lower than the prior quarter, with total net oil production of 130 kbbl. Natural field decline was partly offset by commencement of production from Martlet-2 in late January 2016, a full quarter of production from Spitfire-7, and continued strong performance from the Growler and Martlet fields.

Queensland Oil – Kenmore and Bodalla; ATP 299

(Kenmore and Bodalla: Beach 100%; ATP 299: Beach 40%, Santos 60% and operator)

Oil production increased 19% to 51 kbbl (net), which includes a 14 kbbl contribution from ATP 299. ATP 299 was acquired as part of the merger with Drillsearch.

Western Flank Gas and Gas Liquids – ex PEL 106; ex PEL 513

(Ex PEL 106: Beach 100%; ex PEL 513: Beach 40%, Santos 60% and operator)

Ex PEL 106 average daily sales gas production of 1,191 kboe (gross) was approximately 10% higher than the prior quarter, and average daily gas liquids production of 487 kboe (gross) was approximately 14% higher. Increased production was mainly due to limited downtime at the Middleton processing facility following a 12-day shut-in for facility maintenance and biennial integrity inspections during the prior quarter. Total net sales gas and gas liquids production for the quarter increased 50% to 104 kboe, mainly due to completion of the merger with Drillsearch. The merger increased Beach's ownership interest in ex PEL 106 from 50% to 100%.

A 40% interest in ex PEL 513 was acquired as part of the merger with Drillsearch. The permit contributed 20 kboe (net) of sales gas and gas liquids production during the period 1 March 2016 to 31 March 2016.

SACB and SWQ JVs

(Various non-operated interests)

Sales gas and gas liquids production decreased 4% to 997 kboe (net) from the prior quarter, and oil production decreased 3% to 198 kbbl (net). Natural field decline was broadly offset by new wells brought online and limited downtime at the Moomba processing facility.

Egypt

Abu Sennan Concession

(Beach 22%, KEE 50% and operator, Dover 28%)

Production increased 11% to 59 kboe (net entitlement), which comprised an 18% increase in oil production to 48 kbbl and a 13% decrease in gas production to 11 kboe. Increased oil production was attributable to completion of workover operations at the El Salmiya-6 well, and reconfiguration of the Al Jahraa-4 well. Al Jahraa-4 ceased production from the Abu Roash "D" Formation and is now producing at a higher rate from the Abu Roash "C" Formation. The decline in gas production was attributable to natural field decline at El Salmiya-6.

DEVELOPMENT

Cooper Basin

Western Flank Oil – ex PEL 91

(Beach 100%)

Hanson-3 is located in the central area of the Hanson Field and was drilled to develop oil bearing reservoirs within the McKinlay Member and Namur Sandstone. The well also tested potential for reservoir development within the Birkhead Formation as a secondary target. Hanson-3 intersected a 3.7 metre net oil column in the Namur Sandstone and a 2.8 metre gross oil bearing interval in the overlaying McKinlay Member. Results were consistent with current mapping and potential for further development drilling in the field exists.

South Australian Gas – SACB JVs

(Fixed Factor Area Joint Venture: Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

A six-well infill development drilling campaign which aimed to develop booked reserves in the Toolachee, Daralingie and Patchawarra formations was completed in the Moomba North Field. A phased approach is being undertaken which may result in drilling up to 26 new wells in the area, six of which were drilled in 2014. Outcomes from the 2014 campaign were applied to the current campaign, including optimised well designs and improved well completions. During the quarter, the final well of the campaign, Moomba-208, intersected gas pay broadly in-line with pre-drill estimates. The completed drilling campaign proved successful, with all six wells cased and suspended as future producers.

EXPLORATION AND APPRAISAL

Cooper Basin

Western Flank Gas and Gas Liquids – ex PEL 106

(Beach 100%)

A two-well exploration program which aimed to add reserves on the western edge liquids rich gas play area of the Patchawarra Trough was completed. Prospects were defined on the Irus 3D seismic survey, acquired in 2012 and reprocessed in 2013. The first well of the campaign, Middleton East-1, is located approximately 1.5 kilometres east of the producing Middleton-1 well and targeted the Patchawarra Formation, with the Tirrawarra Sandstone providing a secondary target. Middleton East-1 was cased and suspended following initial interpretation of wireline petrophysical and pressure data, which indicated six gas zones and net pay of 9.3 metres, including 4.9 metres intersected within the primary target zone. Extended production testing is expected to be undertaken at a later date to assess flow rates and resource base.

The second well of the campaign, Depps-1, is located approximately one kilometre southeast of the producing Brownlow-1 well and also targeted the Patchawarra Formation, with the Tirrawarra Sandstone providing a secondary target. Petrophysical evaluation of Depps-1 indicated there was no commercial gas pay and consequently the well was plugged and abandoned.

Western Flank Gas and Gas Liquids – ex PEL 513

(Beach 40%, Santos 60% and operator)

A four-well near-field exploration and appraisal campaign commenced in the ex PEL 513 permit area. The drilling campaign is targeting the liquids-rich gas play area of the southern Patchawarra Trough, with prospects identified on the Jacenza 3D seismic survey. The first appraisal well of the campaign, Varanus South-2, was drilled approximately 1.2 kilometres southeast of the Varanus South-1 discovery to test the Patchawarra Formation sandstones. The well was drilled prior to completion of the merger and Drillsearch's preliminary interpretation of results indicated net pay of approximately five metres across several zones. The well was cased and suspended for further evaluation.

The first near-field exploration well of the campaign, Berylium-1, is located approximately 50 kilometres north-west of the Moomba gas processing facility. The well intersected gas pay within the target Patchawarra Formation sandstones and was cased and suspended as a future producer. Results were interpreted as a low-side gas pay outcome.

The second near-field exploration well of the campaign, Sphalerite-1, is located approximately 10 kilometres north-east of the Berylium-1 gas discovery. Sphalerite-1 targeted sandstones within the Patchawarra Formation. Evaluation of results indicated no gas pay and the well was plugged and abandoned.

Western Flank Gas and Gas Liquids – PEL 570

(Beach 47.5%, Santos 35% and operator, Sundance 17.5%)

The Washington-1 gas exploration well was drilled in October 2015 to test the potential of deep coals within the Toolachee, Epsilon and Patchawarra formations. Fracture stimulation was completed in November 2015, with five stages placed and a 100% placement rate achieved. Following the installation of production completion, an extended production test commenced on 7 March 2016, however the well was subsequently shut-in due to rain. Further testing is planned for H1 FY17.

South Australian Gas – SACB JVs

(Fixed Factor Area Joint Venture: Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

Moomba-212 was drilled as a standalone appraisal well on the southeast flank of the Moomba South Field. The well targeted the Epsilon and Patchawarra formations and aimed to convert 2C resources to 2P reserves, as well as refresh the seriatim of development opportunities within this under-appraised area. Moomba-212 intersected gas pay in the target zones in-line with pre-drill estimates and was cased and suspended as a future producer. The outcome is expected to lead to further development drilling in the area.

South Australian Gas – ex PEL 101

(Beach 80% and operator, Mid Continent 20%)

A two-well gas exploration campaign was completed in ex PEL 101. The second well of the campaign, Jute-1, was cased and suspended for further testing and stimulation. The well was drilled to test the potential of sandstones and coals within the Toolachee, Epsilon and Patchawarra formations and sandstone potential of the Tirrawarra Sandstone. Drillsearch's preliminary interpretation of wireline logs indicated approximately 22 metres of net conventional gas pay, consisting of 19 metres in the Patchawarra Formation, two metres in the Toolachee Formation, and one metre in the Tirrawarra Sandstone. In addition to conventional pay, several zones indicated potential for gas pay within tight sands and thick coals. Fracture stimulation operations commenced on 27 March 2016, with four stages successfully placed. Minimal gas to surface has been recorded to date as post fracture stimulation clean-up continues.

Other Australia – Otway Basin

T/49P – Offshore Otway

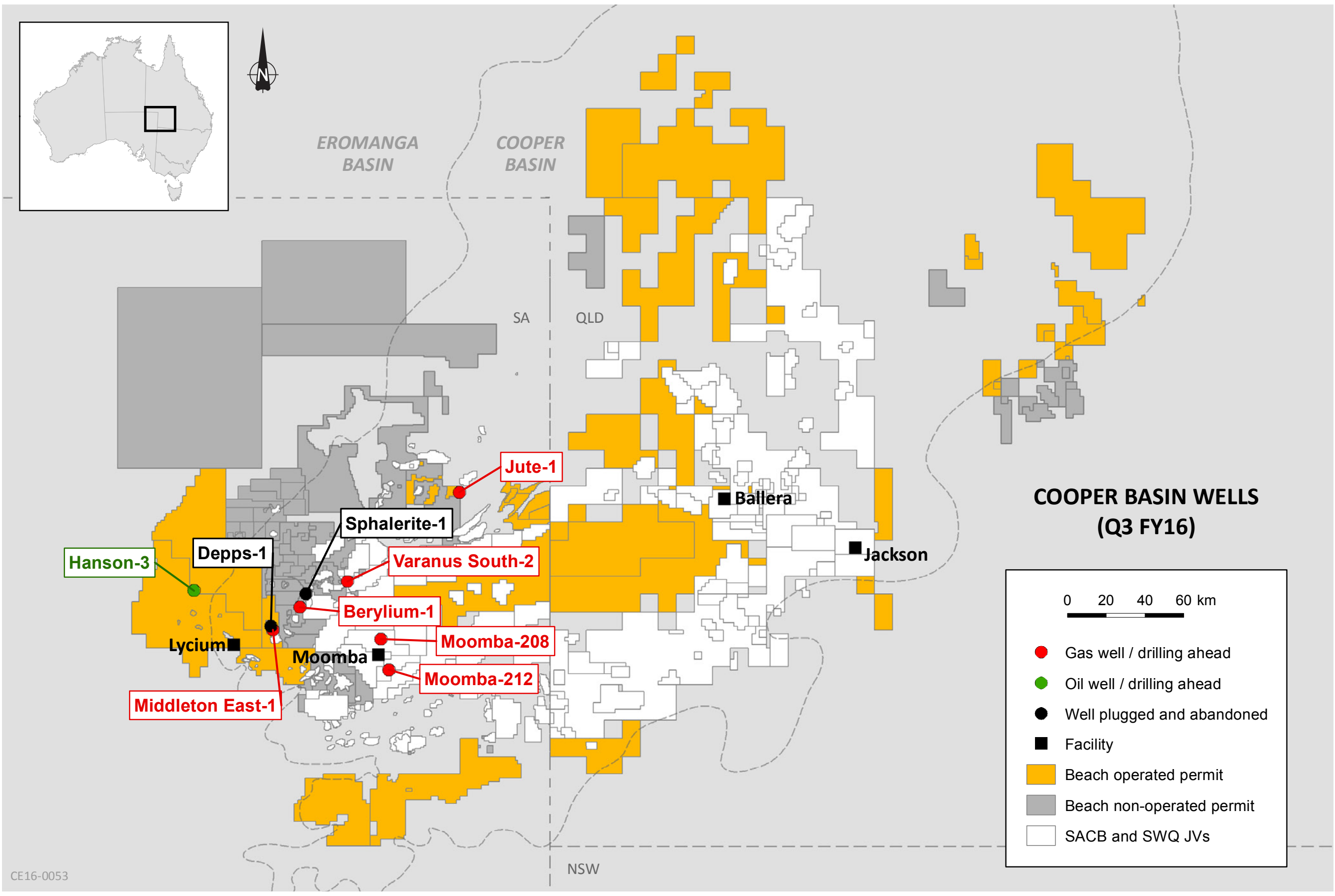
(Beach 30%, 3D Oil 70% and operator)

An application for a suspension and extension of the permit's third year licence conditions has been lodged with NOPTA. The geology of the permit is complex and a suspension and extension will enable interpretation and mapping of the 974 km^2 Flanagan 3D seismic survey to be completed before deciding on future activity.

Kalladeina-2 beam pump

WELL RESULTS

Area	Category	Wells Spudded	Wells Completed	Successful Wells	Success Rate	Successful Well Name
Cooper Basin	Gas – Exploration	5	5	3	60%	Berylium-1; Jute-1; Middleton East-1
	Gas – Appraisal	2	2	2	100%	Moomba-212; Varanus South-2
	Gas – Development	1	1	1	100%	Moomba-208
	Oil – Development	1	1	1	100%	Hanson-3
Total		**9**	**9**	**7**	**78%**	
All Exploration Wells		5	5	3	60%	
All Appraisal Wells		2	2	2	100%	
All Development Wells		2	2	2	100%	



CORPORATE

Completion of merger with Drillsearch

The scheme of arrangement to merge Beach and Drillsearch was implemented on 1 March 2016, resulting in Drillsearch becoming a wholly-owned subsidiary of Beach. Integration has subsequently focused on cost reductions and review of Drillsearch acreage. As announced on 27 April 2016, the current assessment of recurring annual cost savings from the merger is $40 million, which will be fully realised in FY17. These synergies include redundancy of the majority of Sydney-based employment positions, cessation of Drillsearch Board fees, termination of contractors and consultants, elimination of Sydney office administration costs, and redemption of convertible notes. Not included are field and travel related savings expected from cessation of ex PEL 91, 106 and 107 joint venture management, and rent savings from closure of the Sydney office. The Sydney office will close by 30 April 2016 and negotiations are underway to surrender or sub-lease existing arrangements.

Summarised below is the current assessment of merger synergies, which will be fully realised in FY17.

Estimated merger synergies[1]	$ million
Headcount reduction[2]	26
Contractors and consultants	4
Office administration costs	3
Financing costs[3]	7
Total (annual, pre-tax)	**$40 million**

[1] *Pre-allocation of expenses to joint ventures; excludes one-off integration costs*

[2] *Includes Board members and executives*

[3] *Redemption of US$125 million Drillsearch convertible notes: 6.0% coupon rate; 2.0% deposit interest foregone; US$:A$ exchange rate of 0.74 assumed*

Headcount and organisation review

The merger resulted in duplication of operational and corporate employment positions. Integration has focused on eliminating such duplication, with Sydney-based headcount to be reduced by 60 by 30 April 2016, and a further four positions expected to be made redundant by 31 May 2016. In conjunction with merger integration, a review of Beach's organisation structure was completed by a global consulting firm. The review concluded that Beach has been operating with a lean structure and top-quartile staffing metrics. However, changes were recommended to assist with the current environment of lower oil prices and the integration of Drillsearch. These recommendations have subsequently been implemented and resulted in a further reduction in headcount.

It is now expected that headcount will reduce to 213 by 30 June 2016. On a combined basis, this represents a 29% reduction since 30 June 2015, and a 21% reduction directly attributable to the merger. Expected headcount by 30 June 2016 is summarised below.

Headcount[1]	Total
Combined headcount at 30 June 2015[2]	**301**
H1 FY16 reduction	(19)
Merger related redundancies	(64)
Organisation review[3]	(5)
Expected headcount by 30 June 2016	**213**
Reduction since 30 June 2015	**29%**
Reduction attributable to merger	**21%**

1 *Includes executives; excludes Board members, contractors and international employees*

2 *Beach: 236; Drillsearch: 65*

3 *Net of additions in Corporate Development and Gas teams*

Surrender of PEP 52181 in the Taranaki Basin, New Zealand

Due to a May 2016 well commitment in PEP 52181, and against the backdrop of lower oil prices and capital constraints, the joint venture reviewed options to defer or amend work obligations. Following this review it was decided to submit an application to New Zealand Petroleum & Minerals to surrender the permit. Subsequent to quarter end, the surrender of PEP 52181 was granted. The permit was held by Beach (25%), New Zealand Oil & Gas (35% and operator) and Tag Oil (40%).

Departure of Kathryn Presser, Chief Financial Officer

As a result of the recent organisation review, Beach's Chief Financial Officer, Kathryn Presser, will depart Beach on 1 July 2016 to focus on non-executive Board roles and other opportunities. Kathryn commenced employment with Beach in 1997 and has been integral to the company's evolution and growth over the past 19 years. The Board and management thank Kathryn for her dedicated service and significant contribution to Beach. A search is underway for a new Chief Financial Officer. As previously announced, Kathryn resigned from the role of Company Secretary on 16 March 2016 and Cathy Oster has assumed this role.

SUBSEQUENT EVENTS

Revised agreement for sale of Egypt assets

Beach and Rockhopper entered into a revised agreement for the sale of Beach's wholly owned subsidiary, Beach Egypt. The sale of Beach Egypt, whose core asset is a 22% interest in the Abu Sennan Concession in Egypt, was originally announced on 10 August 2015. Sale consideration previously comprised of cash and the issue of shares in Rockhopper. The amended transaction terms now provide all cash consideration of up to US$20.5 million (subject to adjustments). A payment of approximately US$11.9 million will be received at completion, with payment and timing of the deferred component of approximately US$8.6 million expected to occur over the next 12 months subject to receipt of outstanding receivables. Completion of the transaction is dependent on satisfaction of remaining conditions precedent. Conditions relating to confirmatory due diligence and joint venture pre-emptive rights and consents have now been satisfied. Transaction completion by the end of FY16 is targeted. Further details are contained in the announcement of 18 April 2016.

Exit from BMG joint venture

Beach has advised Cooper Energy of its intention to withdraw from the Basker, Manta and Gummy gas field permits VIC/RL 13, 147 and 15 (formerly VIC/L 26, 27 and 28) ("BMG joint venture") in the offshore Gippsland Basin. Beach holds a 35% non-operated interest in the BMG joint venture, which will be assigned to Cooper Energy for nil consideration. The decision to exit the BMG joint venture is consistent with an ongoing focus on portfolio optimisation and prioritising capital allocation in the current lower oil price environment, and consequently a desire not to participate in the proposed appraisal of the Manta gas field.

Subject to NOPTA approval and registration, Beach's withdrawal from the BMG joint venture and assignment of its interest to Cooper Energy will have an effective date of 27 October 2016. Further details are contained in the announcement of 15 April 2016.

Revised FY16 production guidance

Production guidance for FY16 has been revised to reflect year-to-date performance and completion of the merger with Drillsearch. Production within the range of 9.5 – 9.8 MMboe is now expected. The increase from previous guidance of 8.0 – 8.6 MMboe is mainly attributable to:

- Production from Beach permit interests of 6.7 MMboe for the nine month period ended 31 March 2016, which has benefitted from stronger than expected performance from the Bauer, Stunsail and Pennington fields in ex PEL 91;
- Production from former Drillsearch permit interests of 0.3 MMboe for the period 1 March 2016 to 31 March 2016, which has similarly benefited from ex PEL 91 outperformance; and
- Estimated production of 2.5 – 2.8 MMboe for the period 1 April 2016 to 30 June 2016.

Production guidance for FY17 will be provided in July 2016.

GLOSSARY

3D Oil	3D Oil Ltd
$	Australian dollars
ASX	Australian Securities Exchange
ATP	Authority to Prospect
bbl	barrels
Beach	Beach Energy Ltd
Beach Egypt	Beach Petroleum (Egypt) Pty Ltd
bcf	billion cubic feet
bfpd	barrels of fluid per day
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
bopd	barrels of oil per day
CKS	Congony, Kalladeina and Sceale oil fields
Cooper	Cooper Energy Ltd
Cooper Basin	Includes both Cooper and Eromanga basins
Delhi	Delhi Petroleum Pty Ltd
Dover	Dover Investments Ltd
Drillsearch	Drillsearch Energy Ltd
EP	Exploration permit
Ex PEL 91	Replaced by Petroleum Retention Licences 151 to 172
Ex PEL 92	Replaced by Petroleum Retention Licences 85 to 104
Ex PEL 101	Replaced by Petroleum Retention Licences 173 and 174
Ex PEL 104 / 111	Replaced by Petroleum Retention Licences 136 to 150
Ex PEL 106	Replaced by Petroleum Retention Licences 129 and 130
Ex PEL 107	Replaced by Petroleum Retention Licences 175 to 179
Ex PEL 218	Replaced by Petroleum Retention Licences 33 to 49
Ex PEL 513	Replaced by Petroleum Retention Licences 191 to 206
FY(16)	financial year (2016)
GJ	gigajoule
GSA	gas sales agreement
H1 (FY16)	First half year period (of FY16)
H2 (FY16)	Second half year period (of FY16)
kbbl	thousand barrels of oil
kboe	thousand barrels of oil equivalent
kt	thousand tonnes
KEE	Kuwait Energy Egypt Ltd
LPG	liquefied petroleum gas
LTI	Lost time injury
Mid Continent	Mid Continent Equipment (Australia) Pty Ltd
MMbbl	million barrels of oil
MMboe	million barrels of oil equivalent
MMscfd	million standard cubic feet of gas per day
NOPTA	National Offshore Petroleum Titles Administrator
Origin	Origin Energy Ltd
PEL	Petroleum Exploration Licence
PEP	Petroleum Exploration Permit
PRL	Petroleum Retention Licence
PJ	petajoule
Q(1 FY16)	(First) quarter (of FY16)
Qtr	quarter
Rockhopper	Rockhopper Exploration plc
SACB JVs	South Australian Cooper Basin Joint Venture, which includes the Fixed Factor Area (Beach 20.21%, Santos 66.6%, Origin 13.19%) and the Patchawarra East Block (Beach 17.14%, Santos 72.32% and Origin 10.54%)
SACB and SWQ JVs	The Delhi operations, which incorporate the SACB JVs and the SWQ JVs
Santos	Santos Ltd
Senex	Senex Energy Ltd
Sundance	Sundance Energy Australia Ltd
SWQ JVs	South West Queensland joint ventures