



ASX Release

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FY17 GUIDANCE – CAPITAL EXPENDITURE AND PRODUCTION VOLUMES

- **Capital expenditure of \$180 – 200 million, with a strict focus on value accretive investment**
 - **Active program with greater discretionary allocation to Western Flank exploration**
 - **Reduced capital allocation to the SACB and SWQ joint ventures**
- **Production volumes of 9.7 – 10.3 MMMboe, expected to exceed FY16 levels**

Beach Energy Ltd (ASX: BPT, “Beach”) provides the following guidance in relation to FY17 capital expenditure and production volumes. Guidance excludes potential impacts from weather related events, unforeseen operational delays, exploration success and corporate activity (acquisitions, divestments, farm-ins or farm-outs). Production guidance is net of fuel.

Capital expenditure

FY17 capital expenditure is expected to be within the range of **\$180 – 200 million**. The program reflects Beach’s strict focus on value accretive capital allocation and is considered appropriately sized for the current oil price environment.

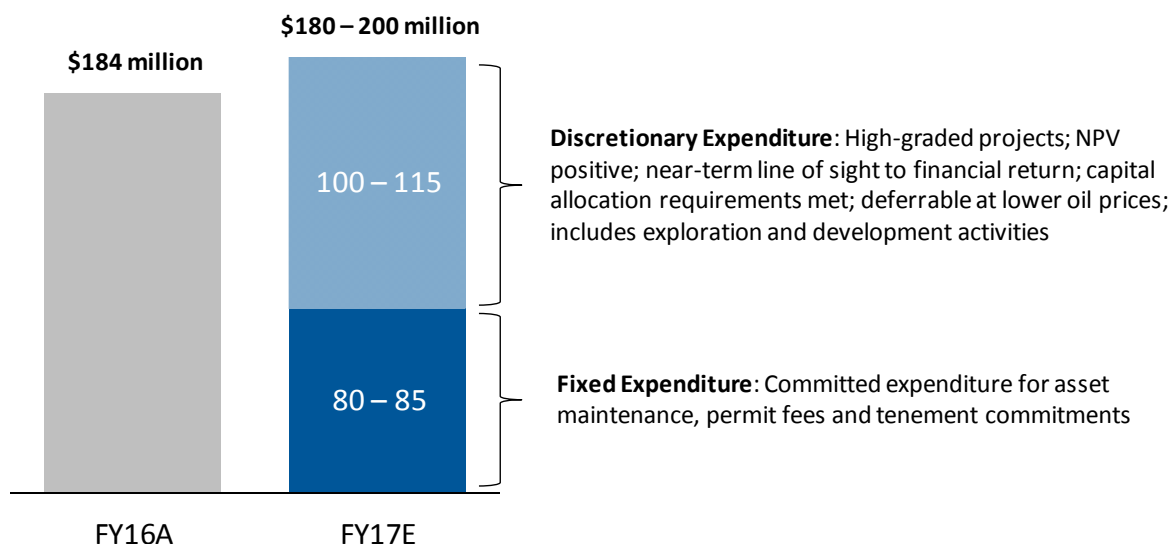
Approximately 55% of the FY17 program is discretionary expenditure. These projects have been high-graded to maximise returns and have satisfied Beach’s capital allocation requirements. Accordingly, these discretionary projects:

- Present the most attractive expected return on capital profiles within Beach’s current opportunity set;
- Satisfy strict financial metrics, including but not limited to: net present value (NPV), risk weighted NPV, payback period and capital efficiency measures;
- Provide near-term line of sight to production and financial return;
- Balance the need for both development and replacement of 2P reserves; and
- May be selectively deferred if oil prices materially decline.



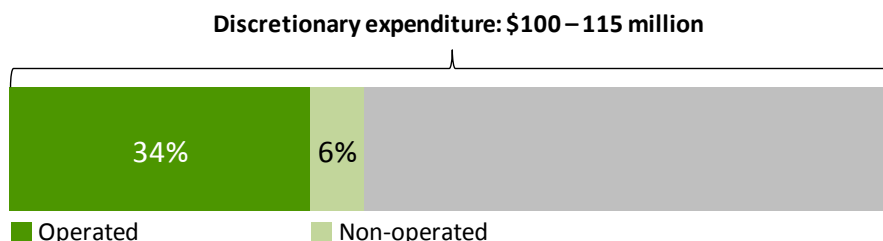
The remaining 45% of the FY17 program is stay-in-business and committed expenditure (Fixed Expenditure). This is required expenditure on existing assets for purposes such as maintenance, regulatory commitments and contractual obligations.

Components of the FY17 capital expenditure program are summarised below.



Of the discretionary component, approximately two thirds is allocated to Beach’s high yielding Western Flank oil and gas assets, with the remainder allocated to the SACB and SWQ joint ventures. Key objectives underlying discretionary expenditure allocations are summarised below.¹

Western Flank Oil



Approximately 40% of discretionary expenditure is allocated to Beach’s Western Flank oil permits. An active exploration program and a broad suite of development activities are planned to balance the need for both replacement and development of 2P reserves.

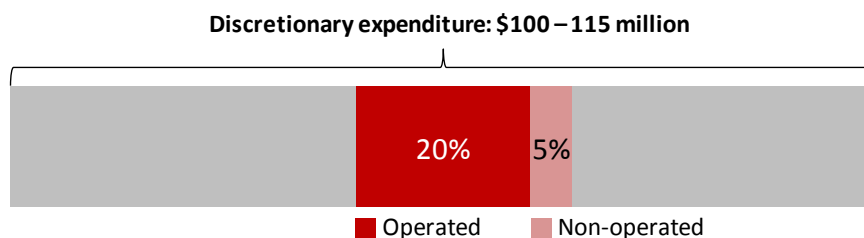
Exploration activities will target reserve additions through near-field drilling, with up to 12 exploration wells planned across Beach’s operated and non-operated permits. These wells will be located close to existing infrastructure, thus enabling timely connection and commencement of production in the event of exploration success. Exploration drilling will test extensions of existing reservoirs, as well as new play types such as the Birkhead and Patchawarra formations in ex PEL 91. If successful, these new play types will provide significant opportunity for follow-on drilling. Beach will also seek to replenish its seriatim of exploration prospects through the acquisition of approximately 300 km² of 3D seismic, inversion of approximately 1,700 km² of 3D seismic, and acquisition of approximately 200 km of 2D seismic.

¹ Allocations are approximations and subject to change; certain projects require joint venture approval



Broad ranging development activities will be undertaken to mitigate natural field decline and accelerate production where appropriate. Activities include up to four development wells, expansion of the Bauer facility to 120,000 barrels of fluid per day (+60% / 45,000 barrels), additional artificial lift and various other initiatives.

Western Flank Gas

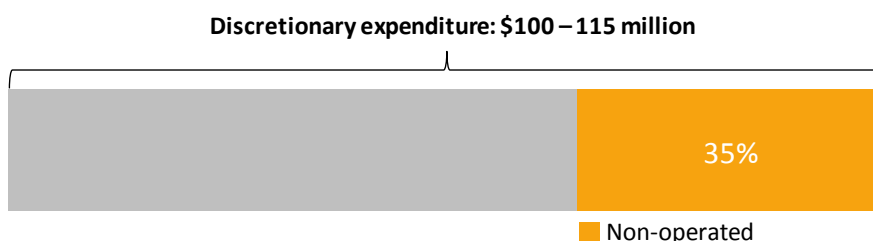


Approximately 25% of discretionary expenditure is allocated to Beach’s Western Flank gas permits. The FY17 program is mainly focussed on reserve additions through exploration activities, and maintaining maximum production capacity from the Middleton compression project.

Exploration activities include up to three wells in ex PEL 106 which will test near-field and step-out extensions of the proven gas and gas-liquids fairway. These wells will be located proximal to existing infrastructure, thus enabling timely connection and commencement of production in the event of exploration success. Acquisition of approximately 250 km² of 3D seismic will be undertaken in the underexplored ex PEL 107 permit area to assess a possible southern extension of the ex PEL 106 fairway.

Development activities include the Middleton gas compression project which aims to maintain maximum production capacity, well connections and testing of prior year exploration wells.

SACB and SWQ Joint Ventures



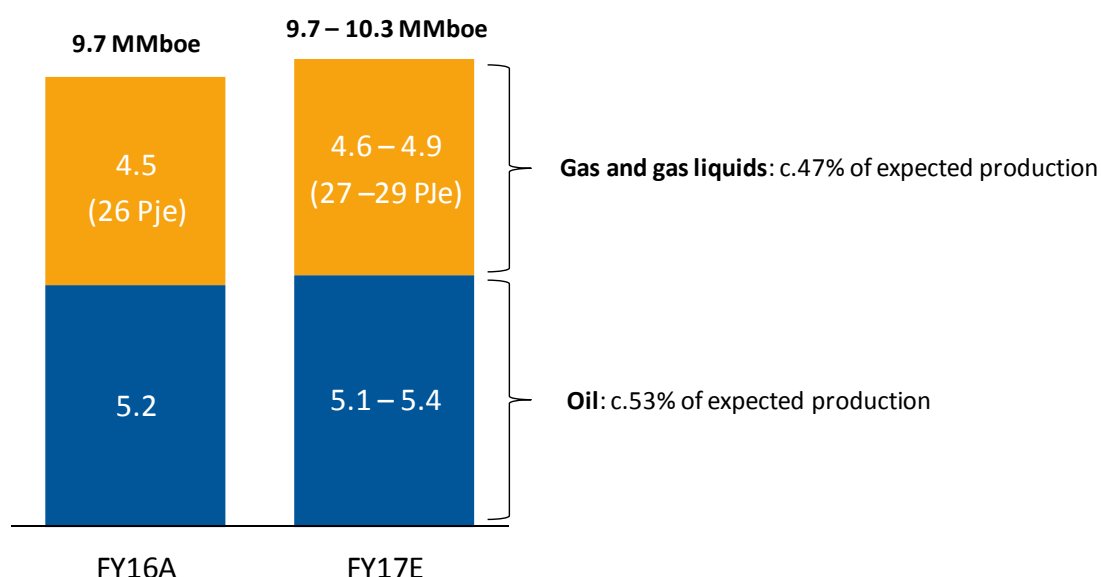
Approximately 35% of discretionary expenditure is allocated to the SACB and SWQ joint ventures, and mainly relates to participation in selected gas drilling campaigns. Beach’s primary objective in relation to FY17 SACB and SWQ joint venture expenditure is the cost effective development of gas reserves to satisfy existing contractual obligations. In doing so, Beach will participate in those drilling campaigns which meet our capital allocation requirements and therefore provide an attractive expected return on investment. This approach also preserves capital for deployment within other business areas or in line with Beach’s growth strategy.

Total FY17 capital expenditure for the SACB and SWQ joint ventures is expected to be within the range of \$75 – \$85 million (Discretionary and Fixed). Due to an ongoing focus on reducing costs, and Beach’s ability to selectively participate in most drilling campaigns, FY17 expenditure represents a reduction of approximately 35% from FY16, and a reduction of approximately 65% from FY15. Furthermore, FY17 capital expenditure for the SACB and SWQ joint ventures represents a significantly smaller fraction of Beach’s total capital expenditure (c.42%) compared with FY16 (c.66%). Beach is working closely with Santos, operator of the SACB and SWQ joint ventures, in an ongoing drive to further reduce costs and execute capital programs as efficiently as possible. Beach is pleased with the progress of these initiatives and will provide further guidance in due course.

Further details of the FY17 capital expenditure program and indicative timing are contained in the Appendix.

Production volumes

FY17 production is expected to exceed volumes achieved in FY16, with guidance in the range of **9.7 – 10.3 MMboe**, as summarised below.



FY17 production is expected to be influenced by the following factors, which are incorporated into guidance estimates:

- ↑ Additional oil and gas production from ex PEL 91 and 106 due to the merger with Drillsearch;
- ↑ Additional oil and gas production from various field development activities, including:
 - **Bauer facility expansion:** Fluid handling capacity to be increased to 120,000 barrels of fluid per day (+60% / 45,000 barrels), enabling a material increase in production capacity. Commissioning is expected in early Q3 FY17.
 - **Middleton compression project:** Gas compression to be completed at the Middleton facility in ex PEL 106 to ensure maximum production capacity is maintained. Commissioning is expected in early Q3 FY17.
 - **Full field development plans:** Recently completed oil field development plans will be executed during FY17. Activities include connection of well stock, development drilling, artificial lift and other initiatives.
- ↓ Natural field decline due to increasing water cuts and recent reductions in drilling activity;
- ↓ No further Egypt production post anticipated completion of sale in Q1 FY17; and
- Successful FY17 exploration wells assumed to commence production in FY18.

Appendix – FY17 Capital Expenditure Program and Indicative Timing²

Capital Expenditure	\$ million	Wells		Key Projects
		Exp.	App/Dev	
Western Flank Operated Oil				
Ex PEL 91	25 – 30	5	2	<ul style="list-style-type: none"> Solidus 3D inversion Bauer and Hanson facility expansions
Ex PEL 92	Up to 10	2	1	<ul style="list-style-type: none"> Callawonga facility expansion Artificial lift
Fixed Expenditure	10 – 12	-	-	
Western Flank Non-operated Oil				
Ex PEL 104 / 111	5 – 8	1	1	<ul style="list-style-type: none"> 3D seismic acquisition 3D seismic data merge
Fixed Expenditure	10 – 12	4	-	<ul style="list-style-type: none"> Three PEL 182 exploration wells PEL 87 exploration well 2D seismic acquisition (PEL 87)
Western Flank Gas				
Ex PEL 106 / 107	20 – 25	3	-	<ul style="list-style-type: none"> 3D seismic acquisition Middleton compression
Non-operated gas	Up to 5	1	-	<ul style="list-style-type: none"> PEL 570 exploration well (BPT carried) 3D seismic reprocessing Well connections
Fixed Expenditure	12 – 14	-	-	
SACB and SWQ Joint Ventures				
Discretionary: Gas	35 – 40	-	19	
Fixed: Oil and Gas	40 – 45	-	-	
Other				
	Up to 5	-	-	<ul style="list-style-type: none"> 3D seismic reprocessing
Total	180 – 200	16	23	
Exploration/Appraisal	c.33%			
Development	c.67%			

Capital Expenditure: Indicative Timeline	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17
Drilling: ex PEL 91 / 92				
Drilling: ex PEL 104 / 111				
Drilling: PEL 87 / 182				
Drilling: ex PEL 106 / 570				
Drilling: Delhi				
Seismic: ex PEL 107 / 111				
Facilities: Bauer expansion				
Facilities: Middleton compression				

² Capital expenditure program subject to change; certain projects require joint venture approval