



ASX Release

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FY18 CAPITAL EXPENDITURE AND PRODUCTION GUIDANCE

- **Multi-year capital program underway to extract maximum value from Cooper Basin acreage**
- **FY18 capital expenditure guidance of \$220 – 260 million**
 - **Capital program to provide foundation for sustained activity and production beyond FY18**
 - **75% of expenditure is discretionary in nature; two thirds of discretionary spend allocated to projects with >60% internal rate of return**
- **FY18 production guidance of 10.0 – 10.6 MMboe and targeting >10 MMboe in FY19 and FY20**
 - **More than 20 currently cased and suspended wells to commence production in FY18**
 - **Only 2% of FY18 production guidance relates to FY18 exploration drilling success**

Beach Energy Ltd (ASX: BPT, “Beach”) has commenced a multi-year capital program designed to fully appraise undeveloped reserve and prospective resource potential of the Cooper Basin. The program is consistent with Beach’s strategy to optimise its core Cooper Basin acreage, and provides confidence to guide towards production of 10.0 – 10.6 MMboe in FY18 and also target at least 10 MMboe of production in FY19 and FY20. An expanded, full-year operated and non-operated multi-rig exploration and appraisal drilling campaign also provides confidence to target at least 100% replacement of produced reserves through to year-end FY19.

The FY18 work program establishes the foundation for sustained activity and production in future years. Planned activity in FY18 includes:

- Completion and connection of more than 20 currently cased and suspended wells, production optimisation projects, facility expansions and development drilling. These activities are expected to offset natural field decline and sustain production levels in FY18.
- An expanded drilling program of up to 78 wells (+35% from FY17), including up to 44 exploration and appraisal wells (+42% from FY17) to add reserves and guide development programs for future years.
- Processing and interpretation of recently acquired 3D seismic to identify exploration targets for FY19 and beyond.

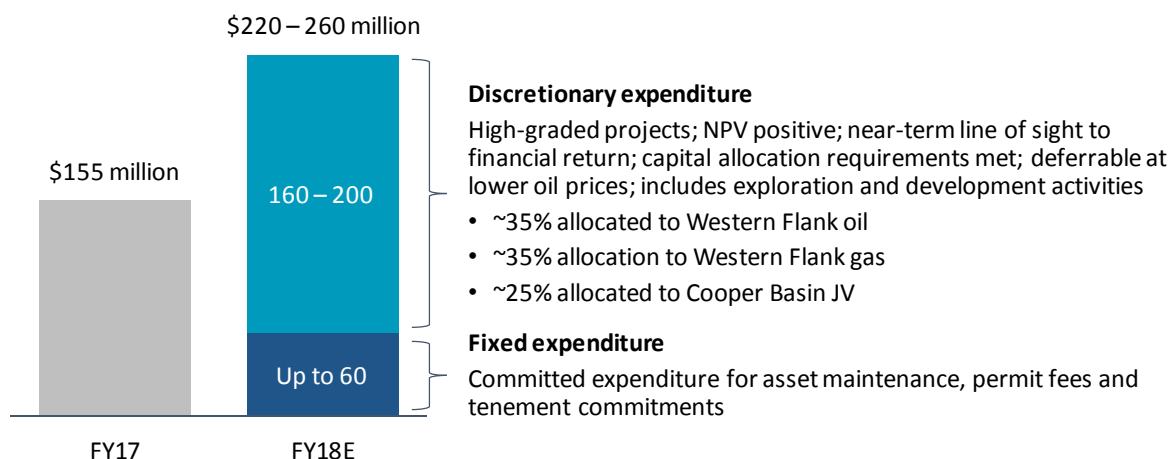
The following guidance is provided in relation to FY18 capital expenditure and production volumes. Guidance excludes potential impacts from weather related events, unforeseen operational delays and inorganic growth opportunities. Production guidance is net of fuel.

Capital expenditure

FY18 capital expenditure is expected to be within the range of **\$220 – 260 million**. The expanded capital program is designed to maximise production and recovery from existing fields, prove commerciality and determine optimal development plans for recent discoveries, and deliver optimal exploration and development drilling campaigns for future years.

The program continues to demonstrate Beach's strict focus on value accretive capital allocation. Approximately 75% of expected FY18 capital expenditure is classified as discretionary and meets strict investment hurdles and return requirements. Due to the low-cost, fast payback nature of Beach's Cooper Basin acreage, approximately two thirds of discretionary expenditure is allocated to projects with expected internal rates of return greater than 60%¹.

The remaining FY18 capital expenditure 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 FY18 capital program are summarised below.



The capital program has a primary focus on core Western Flank oil and gas play fairways and the Cooper Basin JV. Key highlights include:

- Participation in up to 78 wells (+35% from FY17), including up to 44 exploration and appraisal wells (+42% from FY17);
- Completion and connection of more than 20 currently cased and suspended wells;
- Birkhead oil play fairway exploration and appraisal drilling to test commerciality and up-side potential of existing discoveries, and to optimise developments plan;
- An expanded exploration program in the Southwest Patchawarra and Permian Edge gas play fairways;
- A potential doubling of Middleton gas processing capacity (subject to drilling success);
- A rejuvenated focus on Cooper Basin JV oil appraisal and development;
- Identification of exploration prospects from recently acquired 3D seismic across Western Flank play fairways and Cooper Basin JV acreage; and
- The Haselgrove-3 gas exploration well in the Otway Basin targeting a 34 Bcf prospect².

¹ Internal rate of return is the discount rate which equates the present value of a project's cash inflows with the present value of the project's cash outflows.

² For further information and disclosures, refer announcement of 17 March 2017.

A summary of objectives by play fairway is outlined below. Further details are contained in the appendices.

Birkhead Oil Play Fairway (ex PEL 91, 92, 104/111)

FY18 capital program objectives:

The Birkhead Formation is a proven oil reservoir in Western Flank fields such as Growler and Spitfire, however has not been subjected to play-wide, focused exploration and appraisal. Recent exploration success at Kangaroo and Marauder has provided further encouragement for the fairway's development potential. The FY18 campaign aims to establish commerciality and size of existing discoveries, appraise field extensions, discover new accumulations for future development and, importantly, develop optimal, cost effective development programs.

Two vertical exploration wells in Beach's 100% owned acreage are planned for Q1 FY18 to appraise the Birkhead discoveries at Kangaroo and Stanleys. These wells are designed to test up-side potential represented by large combination stratigraphic and structural accumulations. Results will be integrated with existing well control and production data to determine locations for three geo-steered horizontal appraisal wells, which will be drilled near existing fields or potential new discoveries. Due to reservoir variability, the Birkhead Formation is considered suitable for geo-steered horizontal drilling, with potential for high daily production rates (>1,000 bopd per well), low water cuts and long production tails. Incremental recoveries and rates from horizontal wells would significantly reduce development capital per barrel compared with a vertical well development plan. Success in FY18 may lead to material development of Birkhead fields.

A further five operated and non-operated exploration wells are planned for H2 FY18.

FY18 exploration wells: 7

FY18 discretionary capital allocation: ~15%

FY18 appraisal / development wells: 3 Hz

Central Namur Oil Play Fairway (ex PEL 91, 92)

FY18 capital program objectives:

The Namur Sandstone is a developed reservoir which has underpinned past oil production growth. Advanced velocity modelling techniques across the entire play fairway are currently being applied to improve depth mapping and reduce risk associated with targeting low relief structures. Two Namur exploration wells are planned for H2 FY18, with further targets to be identified for FY19.

The McKinlay Member is a thin sandstone overlaying but not in direct communication with the Namur Sandstone. It is a proven oil reservoir, however has not been subjected to focused development. McKinlay accumulations cover areas much larger than the underlying Namur fields, and ongoing subsurface work shows significant potential for reserve additions. Studies indicate that due to the thin nature of the sand, horizontal wells should increase production rates and lower development capital expenditure per barrel. Bauer-26 is the first Western Flank McKinlay horizontal well and was spudded in early Q1 FY18. Well results and current studies will set the scope and design of wells to optimise the development of the McKinlay reservoir in FY18 and FY19. Potential development wells in the Bauer, Chiton and Callawonga fields may be drilled in H2 FY18.

FY18 exploration wells: 2 Namur

FY18 discretionary capital allocation: ~20%

FY18 appraisal / development wells: Up to 4, including 1 McKinlay Hz

Southwest Patchawarra and Permian Edge Gas Play Fairways (ex PEL 106, 107, 91, 92)

FY18 capital program objectives:

Western Flank gas acreage spans the Southwest Patchawarra (SWP) and Permian Edge (PE) play fairways. Both fairways contain combination structural and stratigraphically trapped conventional gas targets in the Patchawarra Formation.

The SWP play fairway is Beach's proven production area (ex PEL 106) and remaining prospects are relatively low risk targets. In FY18, six near field exploration wells are planned which aim to add reserves and accelerate production. Interpretation of recently acquired 3D seismic is progressing and seeks to extend the SWP play fairway to the south (ex PEL 107). Exploration targets are expected to be generated for the FY19 campaign.



The PE play fairway is a relatively underexplored western pinch-out of the Patchawarra Formation against the Western Flank. The fairway has seen limited exploration to date, however the Mokami-1 discovery in FY17 provided encouragement for upcoming activity. Five exploration wells are planned for FY18 which are designed to discover new resources, extend the play area to the west and provide the basis for longer-term exploration activity.

FY18 exploration wells: 11 (6 SWP, 5 PE)

FY18 discretionary capital allocation: ~35%

FY18 appraisal / development wells: –

Cooper Basin JV Oil and Gas

FY18 capital program objectives:

Continuing cost and operating efficiencies achieved by the operator have improved the economics of the Cooper Basin JV’s prospect seriatim, and have led to a rejuvenated exploration and development program. Key initiatives in FY18 include horizontal oil drilling, targeting higher liquids content gas prospects, and underbalanced in-fill gas drilling.

Beach currently plans to participate in up to 14 oil wells, including three appraisal wells. Drilling is focused predominantly on the Merrimelia and McKinlay fields in South Australia, and the Zeus, Tenappera and Irtalie East fields in southwest Queensland.

Gas exploration, appraisal and development drilling will continue across South Australian and Queensland acreage, and will include follow-up to recent success in the Namur Field. Beach currently plans to participate in up to 35 wells, including eight exploration wells. Interpretation of the 1,200 km² Snowball 3D seismic survey in Queensland is progressing. Drilling of identified prospects is expected to commence in H2 FY18 and further prospects are likely to be identified for FY19.

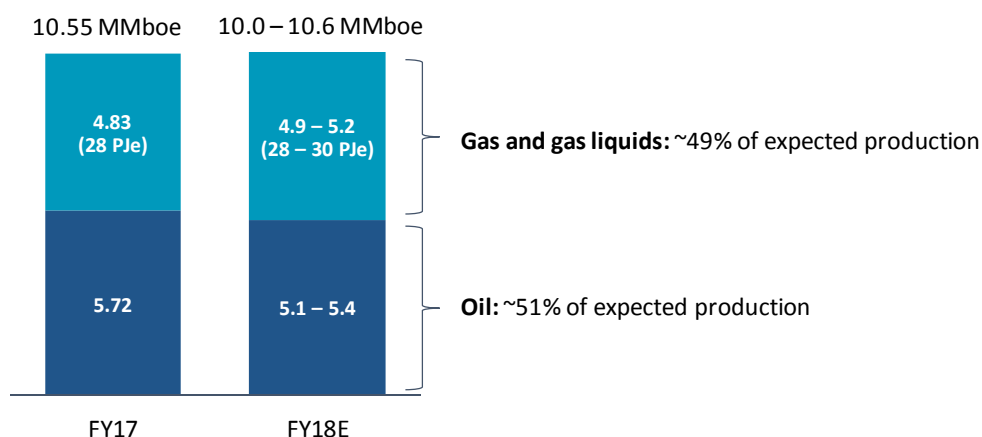
FY18 exploration wells: 8 gas

FY18 discretionary capital allocation: ~25%

FY18 appraisal / development wells: Up to 41

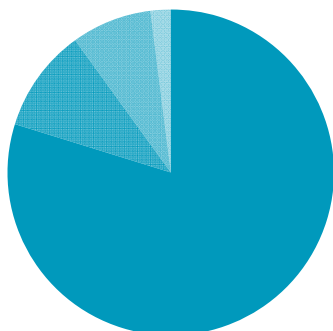
Production volumes

FY18 production volumes are expected to be within the range of **10.0 – 10.6 MMboe**. Estimated oil and gas composition is summarised below.



Sustained levels of production in FY18 are underpinned by connection of existing well stock, production optimisation projects and ongoing development drilling, and do not rely on FY18 exploration drilling success. Expected contributions to FY18 production are summarised below.

FY18E: 10.0 – 10.6 MMboe



80% Currently producing wells

10% Production optimisation projects

- Artificial lift campaigns
- Facility and fluids handling expansions

8% Well connections and development drilling

- Existing inventory of more than 20 oil and gas wells
- Up to 34 development wells to be drilled in FY18

2% Risked exploration

- Predominantly Cooper Basin JV additions
- No contribution from Western Flank or Otway wells

Yours sincerely,



Matt Kay
Chief Executive Officer

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Appendix A: FY18 capital expenditure and indicative timeline³

FY18 Capital Expenditure	\$ million	Wells		Key Projects
		Exp.	App/Dev	
Western Flank Oil				
Ex PEL 91	40 – 50	4	5	<ul style="list-style-type: none"> • Birkhead play fairway appraisal • Namur / McKinlay development • Artificial lift campaign
Ex PEL 92	Up to 10	1	–	<ul style="list-style-type: none"> • Hanson facility expansion • Artificial lift campaign
Ex PEL 104 / 111	Up to 5	4	2	<ul style="list-style-type: none"> • Birkhead and Namur exploration • Production optimisation projects
Western Flank Gas				
Ex PEL 106	40 – 50	6	–	<ul style="list-style-type: none"> • Southwest Patchawarra exploration • Interpretation of Spondylus 3D survey • Potential Middleton facility expansion
Ex PEL 91 / 92	10 – 15	3	–	<ul style="list-style-type: none"> • Permian Edge exploration • Connection of Mokami-1
Other	Up to 5	2	–	<ul style="list-style-type: none"> • PEL 630 Permian Edge exploration
Cooper Basin JV				
Oil	10 – 15	–	14	<ul style="list-style-type: none"> • Rejuvenated appraisal and development campaign
Gas	30 – 35	8	27	<ul style="list-style-type: none"> • Broad exploration and development
Otway Basin				
	10 – 15	1	–	<ul style="list-style-type: none"> • Haselgrove-3 exploration well
Fixed Expenditure				
Western Flank	Up to 30	1	–	<ul style="list-style-type: none"> • PEL 87 oil exploration well
Cooper Basin JV	Up to 25	–	–	
Other	Up to 5	–	–	
Total	220 – 260	30	48	

Capital Expenditure: Indicative Timeline	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18
Birkhead oil play fairway drilling				
Central Namur oil play fairway drilling				
SWP and PE gas play fairway drilling				
Cooper Basin JV oil drilling				
Cooper Basin JV gas drilling				
Field activities				

³ Capital program subject to change; certain projects require joint venture approval

Appendix B: Cooper Basin acreage and play fairways

