



ASX Release

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EXECUTION OF NORTH WEST SHELF FARM-IN AND CALL OPTION AGREEMENTS WITH CUE ENERGY

- **Transaction adds a high-impact growth opportunity with scale to Beach's exploration portfolio**
- **Beach to farm-in to giant Ironbark gas-condensate prospect in the Carnarvon Basin**
- **Ironbark located in close proximity to North West Shelf LNG Project (Rankin Trend)**
- **Subject to exercise of option, BP to participate with majority stakes in permits**

Beach Energy Ltd (ASX: BPT, "Beach") advises that it has entered into binding agreements with Cue Exploration Pty Ltd, a 100% owned subsidiary of Cue Energy Resources Limited (ASX:CUE, "Cue") to acquire, subject to terms and conditions, equity in North West Shelf exploration permits WA-359-P and WA-409-P in the Carnarvon Basin, offshore Western Australia.

Ironbark prospect

WA-359-P and WA-409-P are adjoining exploration permits which contain the giant Ironbark gas-condensate prospect. Ironbark is a Mungaroo Formation structural closure that covers an area of approximately 400 square kilometres, and is defined by high-quality 3D seismic data. The Ironbark prospect is interpreted to have reservoirs of similar age to nearby giant fields such as Gorgon and Goodwyn. A discovery at Ironbark could result in a multi-Tcf gas field.

The farm-in agreement for WA-359-P and call option for WA-409-P give Beach exposure to a potentially significant gas-condensate discovery which may extend across both permits. Exploration success at Ironbark could provide significant, long-term gas volumes to feed nearby LNG plants in the coming decade. Ironbark is located less than 50 kilometres from the North West Shelf LNG's Rankin platform, and is in close proximity to Pluto and Wheatstone LNG infrastructure. Ironbark's location provides significant optionality for commercialisation and marketing.

Farm-in and call option arrangements

WA-359-P farm-in agreement

Beach will acquire a 21% equity interest in WA-359-P in exchange for a one-off payment to Cue of \$900,000 for past costs, and future payments equating to 4% of Cue's cost of drilling the Ironbark-1 exploration well within the permit. The agreement is subject to the following conditions precedent:

- BP exercising its option to acquire a 42.5% equity interest in WA-359-P. BP has until 11 December 2017 to exercise its option, unless extended. Refer to announcement by Cue on 4 October 2017 for further information.
- Formation of a Joint Venture and associated Joint Operating Agreement with full funding for the Ironbark-1 exploration well.
- Permit holders obtaining an extension to the current permit expiry date of 25 April 2018, to allow satisfactory timing for planning and drilling of the Ironbark-1 exploration well.
- Other terms, conditions and approvals customary for transactions of this nature.

Assuming satisfaction of all conditions precedent, ownership interests in WA-359-P would be BP: 42.5%, Cue: 36.5% and Beach: 21%.

WA-409-P call option

Beach has acquired for nominal consideration a call option over a 7.5% equity interest in WA-409-P. If exercised, Beach will make future payments equating to 7.5% of Cue's cost of drilling an exploration well within the permit (timing to be confirmed), and pay Cue a 10% royalty on all future revenue earned by Beach from the permit. The option may be exercised until 31 July 2019. Assuming exercise of the call option, ownership interests in WA-409-P would be BP: 80%, Cue: 12.5% and Beach: 7.5%.

Beach's CEO, Matt Kay, said "For some time Beach has been seeking high impact exploration opportunities in Australia and New Zealand to add to its growth portfolio. We have taken a disciplined approach and the Ironbark prospect is an exciting, high impact exploration prospect. With favourable Western Australia LNG market dynamics over the coming decade, successful development of Ironbark may align with expected shortfalls in LNG feedstock. Beach is also excited to collaborate with high quality joint venture partners in BP and Cue. This transaction is another example of progress against Beach's growth strategy, and provides an attractive risk and reward profile to support ongoing shareholder value creation."

Yours sincerely,

A handwritten signature in black ink, appearing to be "Matt Kay".

Matt Kay
Chief Executive Officer

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