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ASX release

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Revised FY18 guidance – production and capital expenditure[1]

- Pro forma production guidance increased to 25.5 – 27.6 MMboe (from 24.9 – 27.2 MMboe)
  - Beach guidance increased to 10.6 – 11.0 MMboe (from 10.0 – 10.6 MMboe)
  - Lattice performing in line with expectations; no change to production outlook
- Capital expenditure guidance reduced to $405 – 455 million (previously $425 – 535 million)
  - Additional Cooper Basin activity offset by prudent value-based timing deferrals for certain Lattice projects
  - Participation in up to 98 wells (20 well increase from beginning of year outlook)

Beach Energy Ltd (ASX: BPT, "Beach") has reviewed FY18 full year production and capital expenditure guidance to reflect expected financial close of the acquisition of Lattice Energy Ltd ("Lattice") today, 31 January 2018, and the transaction's effective date of 1 July 2017 (refer to ASX announcements of 28 September 2017 and 19 December 2017).

Revisions to production and capital expenditure estimates are summarised below and further information in relation to capital programs will accompany Beach's FY18 half year report, to be released on 19 February 2018.

Production volumes

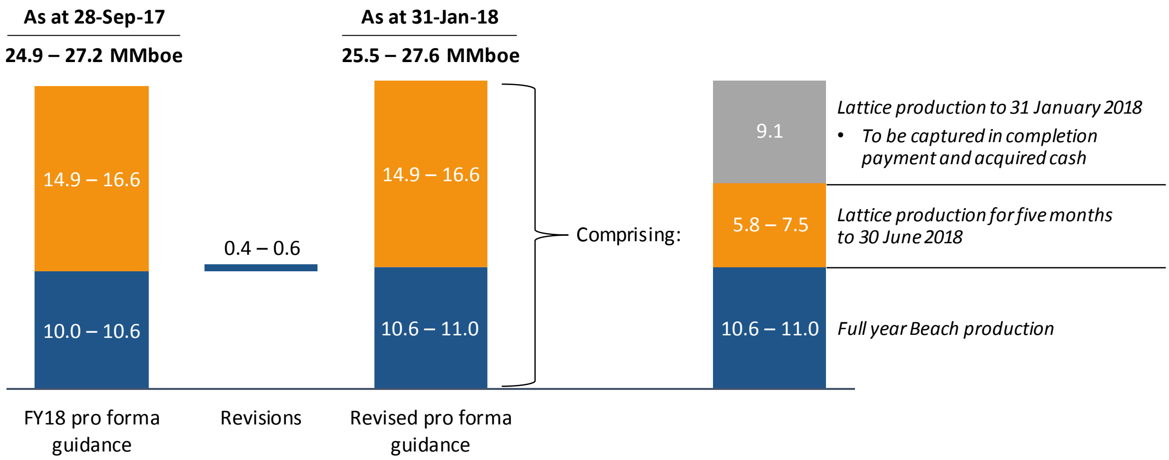
FY18 pro forma production is expected to be within the range of **25.5 – 27.6 MMboe**, comprising Beach production of 10.6 – 11.0 MMboe (previously 10.0 – 10.6 MMboe) and Lattice production of 14.9 – 16.6 MMboe (no change).

Beach production guidance has been increased due to an increase in expected wells to be drilled and connected, better than expected incremental oil production from Western Flank artificial lift installations, and strong initial production from recent well connections.

Lattice operations are performing in line with expectations and production has tracked to budget. Full year production guidance has therefore been maintained. The benefit of Lattice production from the effective date of 1 July 2017 to expected financial close today, 31 January 2018, has accrued to Beach and will be reflected in the completion payment and acquired cash. Estimated Lattice production for this period comprises actual production of 7.9 MMboe for H1 FY18 and estimated production of 1.2 MMboe for January 2018.

[1] All guidance in relation to Lattice is as provided by Origin Energy Ltd.

Revised FY18 pro forma production guidance is set out below.



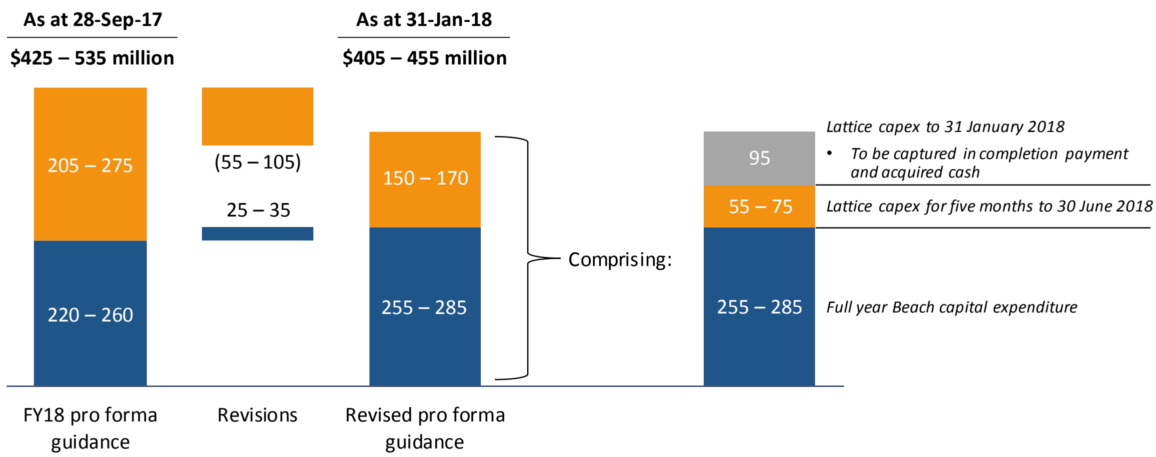
Capital expenditure

FY18 pro forma capital expenditure is expected to be within the range of **$405 – 455 million**, comprising Beach expenditure of $255 – 285 million (previously $220 – 260 million) and Lattice expenditure of $150 – 170 million (previously $205 – 275 million).

Beach capital expenditure guidance has been increased by $25 – 35 million, primarily due to an additional rig contracted within the Cooper Basin JV and participation in an extra 20 wells, more field development activity planned within operated and non-operated Cooper Basin acreage, and onshore Otway Basin production testing following exploration success at Haselgrove-3.

Lattice capital expenditure guidance has been reduced by $55 – 105 million, primarily due to prudent value-based deferral of long lead item purchases for the Otway Gas Project, extended review of Waitsia development plans following recent strong flow test results, deferral of Bonaparte Basin 3D seismic acquisition, and a reduction to contingency assumptions. The cash flow impact of Lattice capital expenditure from the effective date of 1 July 2017 to expected financial close today, 31 January 2018, has accrued to Beach and will be reflected in the completion payment and acquired cash. Estimated Lattice capital expenditure for this period comprises actual expenditure of $76 million for H1 FY18 and estimated expenditure of $19 million for January 2018.

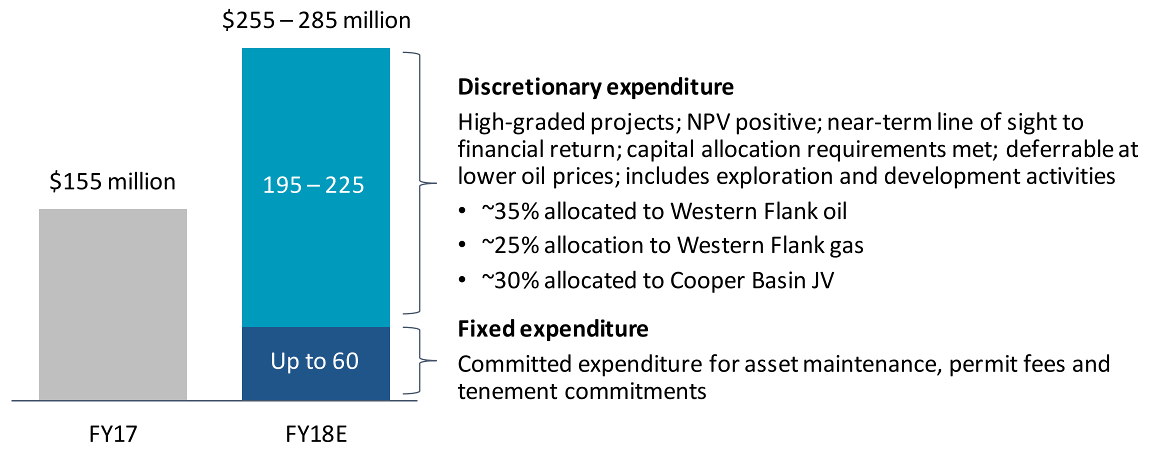
Revised FY18 pro forma capital expenditure guidance and an update on Beach's capital program are set out below. Further information relating to the capital program for Lattice will accompany Beach's FY18 half year report, to be released on 19 February 2018.



FY18 capital program update (Beach standalone)

The capital program continues to demonstrate Beach's strict focus on value accretive capital allocation. Approximately 80% 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%[2].

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.



Beginning of year objectives, H1 FY18 outcomes and revised full year objectives are summarised in Appendix A. Further details of expenditure and drilling activity and an overview of objectives by play fairway are contained in Appendix B and C.

Yours sincerely,

Matt Kay
Chief Executive Officer

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[2] 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.

Appendix A: FY18 objectives and year-to-date progress

Original FY18 Objectives[3]	Progress to 31 December 2017	Revised FY18 Objectives
• Participation in up to 78 wells, including up to 44 exploration and appraisal wells	• 48 wells drilled at a success rate of 83%, including 28 exploration and appraisal wells at a success rate of 71%	• Participation in up to 98 wells (+69% from FY17), including up to 53 exploration and appraisal wells (+71% from FY17)
• Completion and connection of >20 existing cased and suspended wells	• 29 new wells connected and production commenced • 14 Cooper Basin JV wells online following in-wellbore projects • 13 operated artificial lift installations commissioned	• Commence production from 25 wells drilled but not connected as at 31 December 2017 • Ongoing Cooper Basin JV in-wellbore projects
• Birkhead oil play fairway exploration and appraisal drilling	• First operated horizontal well drilled at Bauer-26; on production at initial flow rates of up to 1,000 bopd • Exploration success at Marauder-1 in ex PEL 104/11; brought online at 655 bopd	• Ongoing Birkhead oil play fairway exploration and appraisal drilling
• Expanded exploration program in the Southwest Patchawarra and Permian Edge gas play fairways	• Phase 1 drilling campaign completed • Six exploration wells drilled at a success rate of 66% with two new field discoveries	• Ongoing play fairway exploration • Identification of prospects from Spondylus 3D seismic survey for drilling in late FY19
• Potential doubling of Middleton gas processing capacity	• Phase 1 expansion from 25 to 40 MMscfd confirmed; engineering works underway • Phase 2 expansion to 50 MMscfd under consideration	• Commissioning of Middleton expansion to 40 MMscfd by year-end • Confirm plans for phase 2 expansion
• Rejuvenated focus on Cooper Basin JV oil appraisal and development	• 19 oil wells drilled at a 100% success rate; includes two exploration, six appraisal and 11 development wells • Additional rig contracted to accelerate drilling program	• Participation in up to 25 oil exploration, appraisal and development wells
• Identification of exploration prospects from acquired 3D seismic	• Snowball (Cooper Basin JV) and Liberator (ex PEL 104/111) surveys acquired • 15 prospects identified by operator from Liberator survey	• Snowball interpretation and prospect identification • Planning for drilling of Liberator prospects
• Haselgrove-3 gas exploration well in the Otway Basin	• Potentially significant gas field discovery at Haselgrove-3 • $6.89 million (gross) PACE grant awarded to drill second Otway Basin exploration well	• Complete testing at Haselgrove-3; determine optimal path to commercialisation • Preparation work for drilling Dombey-1

[3] Refer ASX announcement of 27 July 2017

Appendix B: Revised FY18 capital expenditure (Beach standalone)[4]

Revised FY18 Capital Expenditure	$ million	Wells Exp.	Wells App/Dev	Key Projects
Western Flank Oil				
Ex PEL 91, 92	60 – 65	2	8	• Birkhead play fairway appraisal • Namur/McKinlay development • Artificial lift campaign
Ex PEL 104 / 111	5 – 10	3	4	• Growler Field development/Hz well • Marauder Field appraisal/development
Western Flank Gas				
Ex PEL 106, 91, 92	50 – 55	11	–	• Play fairway exploration campaigns
Delhi				
Oil	~15	3	22	• Three-rig oil and gas drilling campaigns • Production optimisation projects
Gas	45 – 50	6	33	
Other				
Oil: ATP 299 (Qld)	Up to 5	–	4	• Oil appraisal campaign
Gas: Otway Basin	20 – 25	1	–	• Haselgrove-3 exploration well and follow-up testing
Gas: PEL 570	–	1	–	• Exploration well (free carried)
Fixed Expenditure				
Western Flank	Up to 30	–	–	
Cooper Basin JV	Up to 25	–	–	
Other	Up to 5	–	–	
Total	**255 – 285**	**27**	**71**	

[4] Capital program subject to change; certain projects require joint venture approval

Appendix C: Western Flank play fairway objectives

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

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.

FY18 exploration wells: 5 | FY18 appraisal / development wells: 5

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

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.

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.

FY18 exploration wells: – | FY18 appraisal / development wells: 7

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

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. 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. Exploration wells 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 | FY18 appraisal / development wells: –

Cooper Basin JV Oil and Gas

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 plans to participate in up to 25 oil wells, including 10 exploration and appraisal wells. Drilling is focused predominantly on the Merrimelia and McKinlay fields in South Australia, and the Cocinero Field and Zeus-Minos-Tenappera Complex in 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 and development campaigns in the Gooranie and Tirrawarra fields. Beach currently plans to participate in up to 39 wells, including 18 exploration and appraisal wells. Interpretation of the 1,200 km^2 Snowball 3D seismic survey in Queensland is progressing and drilling of identified prospects is expected to commence in H2 FY18.

FY18 exploration wells: 9 | FY18 appraisal / development wells: 55

Appendix D: Cooper Basin acreage and play fairways