# Quarterly Report
# for the period ended 30 June 2018

26 July 2018
Ref: #037/18

## Key Highlights

**Strong operating performance lifts production 10%, liquids generated over 60% of revenues**

- Lattice assets operated safely and with high reliability in the quarter, underpinning a 10% increase in Beach production to 7.23 MMboe versus the March quarter.
- Production lift was primarily due to increased output from the Cooper Basin JV (+12%), Otway Basin (+21%) and Bass Basin (+64%), offset by lower Western Flank (-2%) and New Zealand (-16%) volumes.
- Sales volumes of 7.60 MMboe was 12% ahead of the March quarter, due to higher production volumes and increased Cooper Basin sales volumes from shipment timing.
- Average realised oil price of $103.2/bbl was 11% ahead of the March quarter, supporting a 20% increase in sales revenue to $471 million.
- Liquids (oil, condensate, LPG) accounted for over 60% of revenues in the June quarter.

**Free cash flow generation further strengthens balance sheet, provides strong growth platform**

- Net debt at 30 June 2018 was $639 million a $221 million reduction since the completion of the Lattice acquisition at 31 January 2018. Net gearing at 30 June was under 26%.
- Net debt reduction was underpinned by strong free cash flow generation of $149 million (excluding acquisitions), up from $133 million in the March quarter.
- Available liquidity at 30 June was $761 million.

**Beach moves to 100% ownership of the Otway Basin assets**

- Acquisition of additional interests in the Otway Gas Project and BassGas from Toyota Tsusho completed, with the acquired interests to be consolidated from 1 January 2018.

**Beach announces material increase to reserves and contingent resources as at 30 June 2018**

- Subsequent to the end of the quarter, Beach announced that 1P reserves had increased by 152 MMboe (+405%) to 190 MMboe and 2P reserves increased by 239 MMboe (+320%) to 313 MMboe.
- Approximately one third of the increase in 2P reserves was due to the underlying performance of the assets and exploration/appraisal success.
- 2P reserves life increased from 7 years at the end of FY17 to 11 years at the end of FY18.

**FY18 production at high end of guidance range, capex below bottom end**

- Excluding 0.2 MMboe of additional contribution from the Toyota Tsusho acquisition, FY18 production was 18.8 MMboe, at the high end of guidance of 18.1 – 19.1 MMboe[1].
- FY18 consolidated capital expenditure was $288 million, below prior guidance range of $294 – 324 million. Capital expenditure in the Western Flank and Cooper Basin JV continues to show reductions from cost-out initiatives.
- FY19 production and capital expenditure guidance will be provided with the FY18 financial results on 20 August 2018. Medium term production and capital expenditure information will be provided at the investor day, to take place on 27 September 2018.

[1] Refer to page 15 for further details

## Comments from Chief Executive Officer, Matt Kay

“The June quarter was one of heightened activity and success across the board, and rounded out what has been a transformational year for Beach.”

“We were able to deliver a 10 per cent increase in production to 7.23 MMboe. In addition, we enjoyed a seven per cent lift in overall realised product prices leading to our quarterly sales revenue reaching $471 million, up 20 per cent from the prior quarter.”

“What is especially pleasing is that we continue to make good progress on optimising our future development program. During this quarter, we completed the review of our expanded portfolio and continued the successful integration of the Lattice assets into our company. Despite this period of transition, safety has remained the paramount focus.”

“The strong performance of the integrated business is highlighted by improvements in free cash flow generation to $149 million this quarter. This has been driven by lower capital expenditure and higher revenues.”

“This free cash flow generation has seen our net debt reduce to $639 million at the end of FY18, underscoring the speed at which we are de-gearing – well ahead of initial projections.

“Net gearing was under 26 per cent at 30 June, down from approximately 33 per cent at the financial close of the Lattice acquisition at 31 January. Liquidity at the end of FY18 was $761 million, providing Beach with plenty of headroom to fund our growth ambitions.”

“In the Cooper Basin, we are looking to apply the learnings from our first three horizontal oil wells drilled in ex PEL 91 to an expanded FY19 drilling program, which we will release details about soon.

“On the project delivery front, phase one of the Middleton gas expansion was completed on 30 June and is already producing at rates of up to 40 MMscfd of raw gas. The phase two expansion to optimise liquids handling is expected to occur in the first half of FY19. We continue to work closely with the Cooper Basin JV operator, Santos, on optimising future drilling to increase liquids output and maintain or lift gas production volumes.”

“Our Victorian assets showed improved performance during the quarter, underpinned by a combination of higher customer nominations, improved facility reliability resulting in less unplanned downtime, efficient liquids inventory management to maximise sales and successful Yolla wireline operations.”

“Otway Basin gross average daily production rate was up 12% on the prior quarter, with BassGas 7% higher than the prior quarter.”

“Beach also moved to 100% ownership of the Otway Basin assets following the financial completion of the acquisition of additional interests from Toyota Tsusho. The sale process associated with the proposed sell down of an interest in our Otway permits is ongoing.”

“Our FY18 reserves report showed a 320% increase in 2P reserves, from 75 MMboe to 313 MMboe.

“The recently acquired Lattice assets were responsible for approximately two thirds of the increase in 2P reserves, with around one third due to positive reserve revisions across many of our assets.”

“Pleasingly, our Western Flank 2P oil reserves increased by 14 MMbbl, net of production, as our oil fields continue to produce at higher than forecast rates and we look to apply horizontal drilling techniques to extract additional oil volumes. Our 2P reserves life has increased from 7 years at the end of FY17 to 11 years at the end of FY18.”

“We are progressing well in discussions with Waitsia operator Mitsui regarding the optimal development pathway for the gas field. We continue to engage with gas customers as we seek to maximise the value of this high quality resource.”

# Financial

## Snapshot

| | June Q4 FY17 | March Q3 FY18 | **June Q4 FY18** | Qtr on Qtr Change | FY18 |
|---|---|---|---|---|---|
| Production (MMboe) | 2.50 | 6.58 | **7.23** | 10% | 19.0 |
| Sales Volumes (MMboe) | 2.84 | 6.81 | **7.60** | 12% | 20.1 |
| Sales Revenue ($ million) | 152 | 393 | **471**[2] | 20% | 1,251 |
| Realised Oil Price ($/bbl) | 69.5 | 92.8 | **103.2** | 11% | 93.4 |
| Realised Sales Gas/Ethane Price ($/GJ) | 6.2 | 6.6 | **6.6** | (0%) | 6.6 |
| Net Cash/(Debt) ($ million) | 198 | (753) | **(639)** | (15%) | (639) |
| Free Cash Flow ($million) | 38 | 133 | **149** | 12% | 316 |

Please note that FY18 results consolidate Lattice, Benaris and Toyota Tsusho assets from 1 January 2018. The full six months' contribution from the Toyota Tsusho assets is recorded in the June Q4 FY18 period. Figures and ratios may not reconcile to totals throughout the report due to rounding.

## Sales volumes

Quarterly sales volumes of 7,602 kboe was 12% higher than the prior quarter, principally driven by timing of shipments as well as the contribution of Toyota Tsusho assets in the June quarter. Total sales volumes for FY18 were 20,090 kboe.

| Sales volumes | | | | | | |
|---|---|---|---|---|---|---|
| | | June Q4 FY17 | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| **Oil (kbbl)** | Own Product | 1,184 | 1,437 | 1,515 | 5% | 5,542 |
| | Third Party | 136 | 199 | 324 | 63% | 828 |
| | **Total Oil** | **1,320** | **1,636** | **1,838** | **12%** | **6,370** |
| **Sales Gas and Ethane (PJ)** | Own Product | 7.5 | 24.1 | 26.8 | 11% | 63.0 |
| | Third Party | 0.1 | 0.3 | (0.1) | (126%) | 0.4 |
| | **Total Gas** | **7.6** | **24.4** | **26.7** | **10%** | **63.4** |
| **LPG (kt)** | Own Product | 9 | 47 | 62 | 31% | 148 |
| | Third Party | 1 | 2 | (1) | (138%) | 2 |
| | **Total LPG** | **10** | **50** | **61** | **24%** | **150** |
| **Condensate (kbbl)** | Own Product | 120 | 595 | 696 | 17% | 1,643 |
| | Third Party | 6 | 5 | 3 | (49%) | 13 |
| | **Total Condensate** | **126** | **600** | **699** | **16%** | **1,656** |
| **Total Oil and Gas Sales (kboe)** | | **2,835** | **6,808** | **7,602** | **12%** | **20,090** |
| Total – Own Product (kboe) | | 2,662 | 6,531 | 7,297 | 12% | 19,158 |
| Total – Third Party (kboe) | | 173 | 277 | 305 | 10% | 932 |

[2] Includes the impact of $10 million in realised hedging losses.

## Sales revenue

Total sales revenue of $471 million was 20% higher than the prior quarter, due to higher realised oil, LPG and condensate prices and higher sales volumes. Total average realised pricing was up 7% to $62.0/boe. The average realised sales gas and ethane price was $6.59/GJ.

| Sales revenue ($ million) | | | | | |
|---|---|---|---|---|---|
| | June Q4 FY17 | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| **Oil** | **92** | **152** | **190[3]** | **25%** | **595** |
| Sales Gas and Ethane | 47 | 161 | 176 | 9% | 417 |
| LPG | 5 | 31 | 40 | 28% | 98 |
| Condensate | 8 | 49 | 66 | 33% | 142 |
| **Sales Gas and Gas Liquids** | **61** | **242** | **282** | **17%** | **656** |
| **Total Oil and Gas revenue** | **152** | **393** | **471** | **20%** | **1,251** |
| Total – Own Product | 142 | 371 | 440[3] | 19% | 1,172 |
| Total – Third Party | 11 | 23 | 31 | 38% | 79 |

| Average realised prices | | | | | |
|---|---|---|---|---|---|
| | June Q4 FY17 | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| **All Products ($/boe)** | **53.7** | **57.8** | **62.0[3]** | **7%** | **62.3** |
| Oil ($/bbl) | 69.5 | 92.8 | 103.2[3] | 11% | 93.4 |
| Sales Gas and Ethane ($/GJ) | 6.2 | 6.6 | 6.6 | (0%) | 6.6 |
| LPG ($/tonne) | 543.6 | 630.1 | 653.3 | 4% | 649.9 |
| Condensate ($/bbl) | 61.6 | 81.9 | 93.6 | 14% | 85.4 |

## Capital expenditure

Total capital expenditure was $79 million, 8% down on the March quarter. FY18 capital expenditure was $288 million, which was below the revised guidance range of $294 – 324 million, primarily due to cost reductions in the Western Flank and Cooper Basin JV.

| Capital expenditure ($ million) | | | | | |
|---|---|---|---|---|---|
| | June Q4 FY17 | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| Exploration and Appraisal | 14 | 17 | 17 | (4%) | 77 |
| Development, Plant and Equipment | 32 | 69 | 62 | (9%) | 211 |
| **Total** | **46** | **86** | **79** | **(8%)** | **288** |

[3] Includes the impact of $10 million in realised hedging losses. Excluding the impact of hedging losses, the average realised oil price in the quarter was $108.8/bbl and the average realised price of all products was $63.4/boe.

## Liquidity

Beach ended the quarter with net debt of $639 million, comprising drawn debt of $950 million and cash reserves of $311 million. With undrawn revolving credit facilities of $450 million, Beach has total liquidity of $761 million. Material cash flows for the quarter were operating cash flow of $227 million, which included working capital outflows of $14 million and a one-off, $22 million restoration payment, and net investing cash flow $112 million.

| Liquidity ($ million) | | | | |
|---|---|---|---|---|
| | June Q4 FY17 | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change |
| Cash Reserves | 348 | 197 | 311 | 114 |
| Drawn Debt | (150) | (950) | (950) | - |
| **Net Cash/(Debt)** | **198** | **(753)** | **(639)** | **114** |
| Undrawn Facilities | 350 | 450 | 450 | - |

## Capital structure

Beach's capital structure as at 30 June 2018 is set out below. The change in fully paid ordinary shares reflects the vesting of CEO share rights. The change in unlisted employee rights reflects the vesting of CEO share rights as well as the lapse of executive long term incentives.

| Capital structure | | | |
|---|---|---|---|
| | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change |
| Fully Paid Ordinary Shares | 2,276,155,671 | 2,276,570,218 | 414,547 |
| Unlisted Employee Rights | 7,557,226 | 6,623,901 | (933,325) |

## Hedging

Beach uses a range of instruments to protect against downside oil price scenarios. During the quarter Beach added a $105 call option to the $40 – 90 collar in order to re-participate at prices above $105. The following hedges were in place as at 30 June 2018.

| Hedges (Brent) | | | | | |
|---|---|---|---|---|---|
| | 3-way Collar $40 – 90 –105 per bbl | 3-way Collar $40 – 90 – 100 per bbl | 3-way Collar $40 – 103 – 113 per bbl | 3-way Collar $55 – 100 – 110 per bbl | Total Hedged Volumes (bbl) |
| FY19 | 285,000 | 577,500 | 630,000 | 3,435,000 | 4,927,500 |
| **Total** | **285,000** | **577,500** | **630,000** | **3,435,000** | **4,927,500** |

Beach expects to book a $10 million realised loss (pre-tax) associated with oil hedge premiums paid and the expiry of out of the money oil hedge contracts.

# Operations

## Production

| Production | | | | | |
|---|---|---|---|---|---|
| | June Q4 FY17 | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| **Total Oil (kbbl)** | **1,280** | **1,543** | **1,546** | **0%** | **5,735** |
| Sales Gas and Ethane (PJ) | 5.9 | 23.7 | 26.9 | 14% | 62.5 |
| LPG (kt) | 13 | 57 | 63 | 11% | 151 |
| Condensate (kbbl) | 103 | 506 | 554 | 9% | 1,315 |
| **Total Sales Gas and Gas Liquids (kboe)** | **1,222** | **5,032** | **5,687** | **13%** | **13,252** |
| **Total Production (kboe)** | **2,502** | **6,575** | **7,233** | **10%** | **18,988** |
| **Total Production (PJe)** | **14.5** | **38.2** | **42.1** | **10%** | **110.4** |

Please note that the FY18 results consolidate Lattice, Benaris and Toyota Tsusho assets from 1 January 2018. The six months' contribution from the Toyota Tsusho assets is recorded in the June Q4 FY18 period.

Quarterly production of 7,233 kboe was 10% (658 kboe) higher than the prior quarter. Oil production was marginally higher than the prior quarter, with higher production from Cooper Basin JV offsetting natural field decline in Western Flank oil. Sales gas and ethane production was 14% higher than the prior quarter due to stronger gas output from Cooper, Otway and Bass basin assets and the inclusion of six months contribution of the Toyota Tsusho assets.

Reported production for the financial year ended 30 June 2018 is 18,988 kboe. Please refer to section titled "Impact of Toyota Tsusho interests on FY18 production" for further discussion.

The following provides production by reporting segment. Reporting segments are:

- SAWA - South Australia and Western Australia;
- Victoria; and
- New Zealand

## SAWA production

Consisting of Cooper Basin and Perth Basin.

| Cooper Basin production | | | | | |
|---|---|---|---|---|---|
| | June Q4 FY17 | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| **Total Oil (kbbl)** | **1,280** | **1,543** | **1,546** | **0%** | **5,735** |
| Sales Gas and Ethane (PJ) | 5.9 | 8.9 | 9.7 | 9% | 30.5 |
| LPG (kt) | 13 | 24 | 26 | 5% | 81 |
| Condensate (kbbl) | 103 | 198 | 209 | 6% | 662 |
| **Total Sales Gas and Gas Liquids (kboe)** | **1,222** | **1,922** | **2,086** | **9%** | **6,542** |
| **Total Production (kboe)** | **2,502** | **3,465** | **3,632** | **5%** | **12,277** |
| **Total Production (PJe)** | **14.5** | **20.2** | **21.1** | **5%** | **71.4** |

| Q4 FY18 Cooper Basin production detail | | | | | |
|---|---|---|---|---|---|
| | Oil (kbbl) | Sales Gas and Ethane (PJ) | LPG (kt) | Condensate (kbbl) | **Total (kboe)** |
| Western Flank Oil (ex PEL 91)<br>(Beach 100%) | 889<br>*(10%)* | - | - | - | 889<br>*(10%)* |
| Western Flank Oil (ex PEL 92)<br>(Beach 75% and operator, Cooper Energy 25%) | 187<br>*(8%)* | - | - | - | 187<br>*(8%)* |
| Western Flank Oil (ex PEL 104 / 111)<br>(Beach 40%, Senex 60% and operator) | 130<br>*37%* | - | - | - | 130<br>*37%* |
| Western Flank Gas (ex PEL 91 and 106)<br>(Beach 100%) | - | 1.4<br>*5%* | 8<br>*(4%)* | 61<br>*(10%)* | 355<br>*1%* |
| Cooper Basin JV<br>(Various non-operated interests) | 301<br>*33%* | 8.1<br>*8%* | 17<br>*8%* | 144<br>*15%* | 1,976<br>*12%* |
| Other producing permits<br>(Various non-operated interests) | 39<br>*9%* | 0.3<br>*113%* | 1<br>*75%* | 4<br>*(6%)* | 95<br>*47%* |
| **Total production (kboe)** | **1,546** | **1,673** | **217** | **196** | **3,632** |
| **Total production (PJe)** | **9.0** | **9.7** | **1.3** | **1.1** | **21.1** |

Quarter-over-quarter movement shown in italics.

### Commentary:

- Total Cooper Basin production was 5% higher than the prior quarter.
- Western Flank gas production increased 1% over the prior quarter, despite higher levels of planned maintenance at Moomba.
- New gas well connections from Largs-1, Crawford-1 and Naiko-1 were completed and are ready for FY19 production as required.
- The new Western Flank gas export line was commissioned on 30 June and gas began being exported via the line into the Santos network on 1 July. The new gas line has allowed Western Flank raw gas production to increase to between 35 – 38 MMscfd. The planned installation of additional liquids handling capacity is expected to allow raw gas volumes to exceed 40 MMscfd by the end of 1HFY19.

- Western Flank oil production from ex PEL 91 declined 10%, following a 20% increase in the March quarter. Natural field decline was partially offset by capacity expansions at Stunsail and Hanson facilities and new wells were brought online at Stunsail-6, -7 and Snellings-1.
- Stunsail-6 and -7 are horizontal development wells drilled in Q3 FY18. The two wells came online at the lower end of expectations. Beach will apply the learnings from these wells along with continued strong performance from Bauer-26 and the successful non-operated McKinlay horizontal oil wells in the Cooper Basin JV to optimise its planned FY19 horizontal well drilling programme.
- Western Flank oil production from ex PEL 92 declined 8% on prior quarter due to natural field decline.
- Production from Senex-operated ex PEL 104/111 increased 37%, benefiting from a full quarter's contribution from the Growler-15 well.
- Cooper Basin JV continues to perform strongly with production up 12% quarter-over-quarter, despite higher levels of planned maintenance at Moomba. Production performance was driven by new wells from recent drilling activity being brought on line. Gross daily average oil production was 8.9 kbbl, 26% higher than the prior quarter as the recently drilled McKinlay development wells were brought on line. Gross daily average gas and gas liquids production was 51.1 kboe, 7% higher than the prior quarter.

| Perth Basin production | | | | |
|---|---|---|---|---|
| | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| Sales Gas and Ethane (PJ) | 1.2 | **1.2** | 2% | 2.4 |
| LPG (kt) | 0 | **0** | NA | 0.0 |
| Condensate (kbbl) | 1 | **1** | (3%) | 0 |
| **Total Production (kboe)** | **209** | **213** | **2%** | **421** |
| **Total Production (PJe)** | **1.2** | **1.2** | **2%** | **2.5** |

Perth Basin production represents Beharra Springs (Beach 67% and operator, AWE 33%) and Waitsia (Beach 50%, AWE 50% and operator).

## Commentary:

- Beach's Perth Basin production is approximately 67% from Beharra Springs and 33% from Waitsia.
- Production from Waitsia and Beharra Springs were broadly flat on the prior quarter. Waitsia gas sales met customer nominations.
- During the quarter, discussions with Mitsui (new owner of AWE Limited – operator of the Waitsia gas field) continued to progress development plans for Waitsia.

## Victoria production

Consisting of offshore Otway Basin and Bass Basin.

| Otway Basin production | | | | |
|---|---|---|---|---|
| | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| Sales Gas and Ethane (PJ) | 8.5 | 10.5 | 22% | 19.0 |
| LPG (kt) | 15 | 16 | 11% | 31 |
| Condensate (kbbl) | 105 | 118 | 13% | 222 |
| **Total Production (kboe)** | **1,692** | **2,048** | **21%** | **3,739** |
| **Total Production (PJe)** | **9.8** | **11.9** | **21%** | **21.7** |

Otway Basin production represents Otway gas project (Beach 100%) and HBWS (Beach 100%).

### Commentary:

- Gross average daily production from the Otway Basin was up 12% quarter-over-quarter to approximately 127 TJe/day.
- The strong asset performance was underpinned by:
  1) Higher customer nominations;
  2) High facility reliability, resulting in less unplanned downtime;
  3) Efficient liquids inventory management to maximise sales; and
  4) Successful Yolla wireline operations.
- Lower customer LPG sales has also caused gas production to be constrained. Beach is working through options to remedy this issue to avoid gas production being impacted due to high LPG volumes in storage.
- Reported production from the Otway Basin was up 21% (356 kboe) quarter-over-quarter to 2,048 kboe due to strong asset performance in conjunction with six months' contribution from the acquired Toyota Tsusho interests (131 kboe) being recorded in the June quarter.

| Bass Basin production | | | | |
|---|---|---|---|---|
| | March Q3 FY18 | June Q4 FY18 | Qtr on Qtr Change | FY18 |
| Sales Gas and Ethane (PJ) | 1.8 | 2.9 | 62% | 4.7 |
| LPG (kt) | 5 | 9 | 75% | 14 |
| Condensate (kbbl) | 59 | 96 | 62% | 155 |
| **Total Production (kboe)** | **408** | **667** | **64%** | **1,075** |
| **Total Production (PJe)** | **2.4** | **3.9** | **64%** | **6.3** |

Bass Basin production represents BassGas Project (Beach 53.75% and operator).

### Commentary:

- Gross average daily production from the Bass Basin was up 7% quarter-over-quarter to approximately 67 TJe/day. Reported production from the Bass Basin was up 64% (259 kboe) quarter-over-quarter to 667 kboe.

- BassGas reported production was positively impacted by:
    1) Six months' contribution from the acquired Toyota Tsusho interests (225 kboe) being recorded in the June quarter;
    2) Improved production resulting from the wireline work completed in the third quarter; and
    3) High facility reliability resulting in less unplanned downtime.

## New Zealand production

Consisting of Taranaki Basin.

| Taranaki Basin production[2] | | | | |
|---|---|---|---|---|
| | March Q3 FY18[1] | June Q4 FY18 | Qtr on Qtr Change | FY18[1] |
| Sales Gas and Ethane (PJ) | 3.2 | 2.6 | (20%) | 5.8 |
| LPG (kt) | 13 | 13 | (3%) | 26 |
| Condensate (kbbl) | 144 | 130 | (10%) | 274 |
| **Total Production (kboe)** | **802** | **673** | **(16%)** | **1,474** |
| **Total Production (PJe)** | **4.7** | **3.9** | **(16%)** | **8.6** |

Taranaki Basin production represents Kupe Gas Project (Beach 50% and operator, Genesis 46% and NZOG 4%).

### Commentary:

- Gross average daily production from the Kupe Gas Project was down 10% quarter-over-quarter to approximately 93 TJe/day, while net production to Beach was down 16% as Beach's share of gross gas production was reduced to approximately 44% due to a gas imbalance.
- Gross Kupe production versus the March quarter was impacted by lower customer nominations relative to a strong March quarter andunplanned outages.

## Drilling summary

| Wells drilled | | | | | |
|---|---|---|---|---|---|
| Well name | Basin / area | Target | Type | Beach % | Well status |
| Adelie-1 | Qld Cooper | Gas | Expl. | 60.06% | P&A |
| Barry-1 | SA Cooper | Gas | Expl. | 100%* | P&A |
| Coalinga-1 DW1 | SA Cooper | Gas | Expl. | 100%* | C&S |
| Hobgoblin-1 | Qld Cooper | Gas | Expl. | 39.94% | C&S |
| Marabooka-17 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Marabooka-18 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Minos-3 | Qld Cooper | Oil | App. | 30.00% | C&S |
| Moomba-221 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Moomba-222 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Moomba-223 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Moomba-224 | SA Cooper | Gas | App. | 33.40% | C&S |
| Mountain Goat-1 | Qld Cooper | Gas | Expl. | 39.94% | C&S |
| Pooraka-2 | SA Cooper | Gas | App. | 34.40% | C&S |
| Tigris-1 | Qld Cooper | Gas | Expl. | 39.94% | P&A |
| Tirrawarra-94 | SA Cooper | Gas | Dev. | 33.40% | C&S |
| Tourville-1 | SA Cooper | Gas | Expl. | 100%* | P&A |
| Ulladulla-1 | SA Cooper | Gas | Expl. | 50%* | P&A |
| Watkins-2 | Qld Cooper | Oil | App. | 38.50% | C&S |
| Watkins-3 | Qld Cooper | Oil | App. | 38.50% | C&S |
| Whanto-5 | Qld Cooper | Gas | App. | 60.06% | C&S |
| Whanto-6 | Qld Cooper | Gas | App. | 60.06% | P&A |

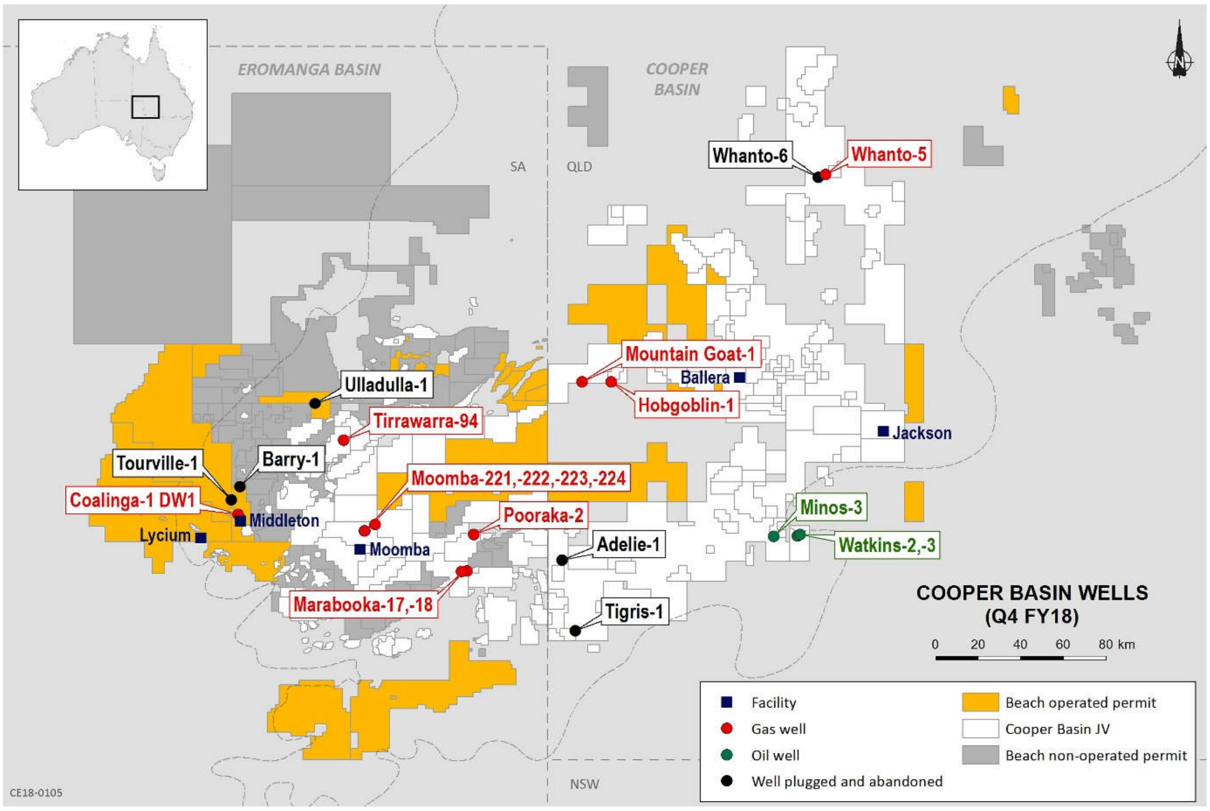
* Indicates Beach operated

| Well results summary | | | | | | |
|---|---|---|---|---|---|---|
| Basin | Category | Wells Spudded | Rig Released | Successful Wells | Success Rate | Successful Wells |
| Cooper | Oil – Exploration | - | - | - | - | |
| | Oil – Appraisal | 3 | 3 | 3 | 100% | Minos-3; Watkins-2, -3 |
| | Oil – Development | - | - | - | - | |
| | Gas – Exploration | 8 | 8 | 3 | 38% | Coalinga-1 DW1; Hobgoblin-1; Mountain Goat-1 |
| | Gas – Appraisal | 4 | 4 | 3 | 75% | Moomba-224; Pooraka-2; Whanto-5 |
| | Gas – Development | 6 | 6 | 6 | 100% | Marabooka-17, -18; Moomba-221, -222, -223; Tirrawarra-94 |
| **Total Wells** | | **21** | **21** | **15** | **71%** | |
| All Exploration Wells | | 8 | 8 | 3 | 38% | |
| All Appraisal Wells | | 7 | 7 | 6 | 86% | |
| All Development Wells | | 6 | 6 | 6 | 100% | |

## Drilling highlights:

- Beach participated in 21 wells for the quarter at a 71% success rate (success defined as wells that are cased and suspended as future producers). For the full year, Beach participated in 96 wells at an 82% success rate, comprising:
  - 25 exploration wells at a 56% success rate
  - 29 appraisal wells at an 83% success rate
  - 42 development wells at a 98% success rate
- Beach continued the second phase of its FY18 six-well operated gas exploration campaign focused on the Southwest Patchawarra and Permian Edge play fairways.
  - The first two wells were drilled in the East Block of PEL 630 (Beach 50% and operator). Both wells, Lady Bay-1 (reported in Q3 FY18) and Ulladulla-1 were plugged and abandoned with gas shows. Future plans for PEL 630 are being assessed.
  - The campaign moved to 100% Beach owned ex PEL 106 and ex PEL 91 with success at Coalinga-1 DW1.
- Highlights from Cooper Basin JV Q4 drilling were:
  - Gas exploration success from the two-well campaign on the greater Mountain Goat-Hobgoblin prospect in south west Queensland. Mountain Goat-1 is expected to be tested in Q1FY19 to determine potential flow rate and appraisal follow-up drilling.
  - 100% success from the three-well oil appraisal campaign completed in the Watkins and Minos fields. The results are encouraging for future oil field development plans.
  - Commencement of the gas appraisal and development campaign in the Moomba North Field, where four wells were drilled successfully during the quarter.

### Cooper and Eromanga basins




## Corporate and commercial

### Agreement with Senex to transfer free-carry commitment to Western Flank oil assets

Beach and Senex reached agreement to transfer the remaining free-carry commitment on the joint venture’s unconventional gas project to the Senex operated Cooper Basin Western Flank oil assets. Please refer to the Subsequent Events section of the quarterly report for the period ended 31 March 2018, for further information.

### Beach completes Toyota Tsusho transaction

On 26 June 2018, Beach advised that completion of the transaction with Toyota Tsusho had occurred and consolidated the acquired interests from 1 January 2018. Beach and / or its wholly owned subsidiaries increased their ownership in the Otway Gas Project and BassGas Project as set out below. Both of the projects are operated by Beach.

| Summary of change in Beach interests in Otway Gas Project and BassGas Project | | | |
|---|---|---|---|
| | Prior Beach interest | Interest acquired from Toyota | **Beach interest effective today** |
| Otway Gas Project | 95.00% | 5.00% | **100.00%** |
| BassGas Project (producing assets) | 42.50% | 11.25% | **53.75%** |

# Subsequent events

### Reserves and contingent resources as at 30 June 2018

On 2 July 2018 Beach reported in relation to its reserves and contingent resources as at 30 June 2018. Highlights included:

- 1P reserves increased by 152 MMboe (+405%) to 190 MMboe
- 2P reserves increased by 239 MMboe (+320%) to 313 MMboe
- Beach 'pre-Lattice acquisition' assets[4] 2P reserves increased from 75 to 95 MMboe
- Lattice acquired assets[4] 2P reserves increased from 158 to 218 MMboe
- Organic 2P reserves replacement ratio[5] of 368%
- 2P reserves life[5] has increased from 7 years at the end of FY17 to 11 years at the end of FY18

Reserves as at 30 June 2018 are summarised below and additional disclosures are provided in ASX Release #034/18 from 2 July 2018.

| Reserves (net) | | | |
|---|---|---|---|
| | 1P | 2P | 3P |
| Oil (million barrels "MMbbl") | 25 | 42 | 73 |
| Gas and gas liquids (million barrels of oil equivalent "MMboe") | 165 | 272 | 418 |
| **Total as at 30 June 2018 (MMboe)** | **190** | **313** | **491** |
| Total as at 30 June 2017 | 38 | 75 | 138 |
| *Increase / (decrease)* | *405%* | *320%* | *255%* |

| Developed and undeveloped reserves (net) | | | | | | |
|---|---|---|---|---|---|---|
| | Developed | | | Undeveloped | | |
| | 1P | 2P | 3P | 1P | 2P | 3P |
| Oil (MMbbl) | 19 | 28 | 46 | 6 | 13 | 27 |
| Gas and gas liquids (MMboe) | 84 | 135 | 214 | 81 | 137 | 205 |
| **Total as at 30 June 2018 (MMboe)** | **103** | **163** | **259** | **87** | **150** | **232** |
| Total as at 30 June 2017 | 33 | 60 | 106 | 5 | 14 | 32 |
| *Increase / (decrease)* | *213%* | *171%* | *145%* | *1,735%* | *944%* | *615%* |

NB. All reserve and resource figures are quoted net of fuel; due to rounding, figures and ratios may not reconcile to totals.

[4] Beach 'pre-Lattice acquisition' assets refers to the Cooper Basin assets ex PEL 91, ex PEL 92, ex PEL 104/111, Tintaburra, ex PEL 106, ex PEL 513/632, PRL135 (Vanessa) and interests in the Cooper Basin JV which range from 12.86 to 40.00%. Lattice acquired assets refers to the Otway Gas Project and HBWS in the Otway Basin, BassGas Project, Waitsia, Beharra Springs, Kupe Gas Project and various interests from 7.9 to 25.0% in the Cooper Basin JV.

[5] Please refer to ASX Release #034/18 from 2 July 2018 for calculation definitions.

## Impact of Toyota Tsusho interests on FY18 production

Following financial completion of the Toyota Tsusho Transaction, Beach is consolidating the interests acquired from Toyota Tsusho from 1 January 2018.

Beach's FY18 consolidated production guidance range of 18.1 – 19.1 MMboe was prepared on the basis of Toyota Tsusho consolidation from 1 May 2018. Toyota Tsusho's interests contributed 229 kboe of production from 1 January to 30 April 2018. Deducting this volume from Beach's FY18 total production volume of 19.0 MMboe results in FY18 production of 18.8 MMboe, which is within the previously released consolidated production guidance range of 18.1 – 19.1 MMboe.

FY18 pro forma production (i.e. including 12 months of Lattice asset production instead of six) would be 26.7 MMboe, which is within the pro forma production guidance range of 26.0 – 27.0 MMboe.

**For further information contact the following on +61 8 8338 2833:**

| | |
|---|---|
| Investor Relations | Nik Burns, Investor Relations Manager<br>Mark Hollis, Investor Relations Advisor |
| Media | Rob Malinauskas, Group Manager - Corporate Affairs<br>Chris Burford, Corporate Affairs Manager |


| Conversions | | | |
|---|---|---|---|
| Product | Unit Conversion | Operation | Factor |
| Sales gas and ethane | PJ to MMboe | Multiply | 0.17194 |
| Condensate | MMbbl to MMboe | Multiply | 0.935 |
| LPG | Kt to MMboe | Multiply | 0.008458 |
| Oil and oil equivalent | MMbbl / MMboe to PJe | Divide | 0.17194 |

## Notes on the reserves statement

Beach prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers.

All estimates of petroleum reserves and contingent resources reported by Beach are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator. To ensure the integrity and reliability of data used in the reserves estimation process, the raw data is reviewed and quality controlled by senior professional production, reservoir, petrophysical and geological staff at Beach. During each petroleum reserves review, this data is updated, analysed and checked against the previous year's data.

Petroleum reserves and contingent resources are aggregated by arithmetic summation by category and as a result the 1P reserves estimates may be conservative and 3P estimates optimistic due to the portfolio effects of arithmetic summation. Petroleum reserves and contingent resources have been prepared using a combination of deterministic and probabilistic methods. Petroleum reserves replacement ratio is the ratio of the change in petroleum reserves (excluding production and divestments/acquisitions) divided by the last year's annual production.

The reserves and resources information in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Tony Lake (Manager Development Western Flank Gas). Mr Lake is an employee of Beach Energy Ltd and has a BE (Mech) degree from the University of Adelaide and is a member of the Society of Petroleum Engineers. The reserves and resources information in this report has been issued with the prior written consent of Mr Lake in the form and context in which it appears.

Beach reviews and updates its oil and gas reserves position on an annual basis and reports the updated estimates as at 30 June each year. The estimates of petroleum reserves and contingent resources contained in this reserves statement are as at 30 June 2018.

The reference point for reserves determination is the custody transfer point for the products. Reserves are stated net of fuel and third party royalties.

**Forward looking statements**

This ASX release ("Announcement") contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements, including projections, guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This Announcement contains such statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to the following risks: earnings, capital expenditure, cash flow and capital structure risks and general business risks. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Beach Energy). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

The forward-looking statements in this Announcement speak only as of the date of this Announcement. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, Beach Energy and its directors, officers, employees, advisers, agents, and intermediaries disclaim any obligation or undertaking to provide any updates or revisions to any forward looking statements in this Announcement to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this Announcement will under any circumstances create an implication that there has been no change in the affairs of Beach Energy since the date of this Announcement.

# Glossary

| | |
|---|---|
| $ | Australian dollars |
| AWE | AWE Limited |
| ATP | Authority to Prospect |
| bbl | Barrels |
| BassGas Project | Producing assets: Beach 53.75% and op, AWE 35%, Prize 11.25%; Exploration permits: Beach 50.25% and op, AWE 40%, Prize 9.75% Includes the producing Yolla field, the BassGas pipeline and Lang Lang gas plant as well as separate retention leases over the Trefoil, Rockhopper and White Ibis discoveries. |
| Beach | Beach Energy Ltd |
| Benaris assets / interests | Refers to 27.77% of Otway Gas Project, acquired by Lattice, as announced by Origin on 11 September 2017 |
| Bcf | Billion cubic feet |
| 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 |
| C&S | Cased and suspended |
| Cooper Energy | Cooper Energy Ltd |
| Cooper Basin | Includes both Cooper and Eromanga basins |
| Cooper Basin JV | Incorporates the Santos operated, SACB JVs and SWQ JVs |
| Ex PEL 91 | PRLs 151 to 172 and various production licences |
| Ex PEL 92 | PRLs 85 to 104 and various production licences |
| Ex PEL 101 | PRLs 173 and 174 and various production licences |
| Ex PEL 104 / 111 | PRLs 136 to 150 and various production licences |
| Ex PEL 106 | PRLs 129 and 130 and various production licences |
| Ex PEL 513 / 632 | PRLs 191 to 206 and various production licences |
| Free cash flow | Defined as operating cash flow less capital expenditure (excluding acquisitions and divestments) |
| FY(18) | Financial year (2018) |
| Genesis | Genesis Energy Limited |
| GSA | Gas sales agreement |
| GJ | Gigajoule |
| H(2) (FY18) | (Second) half year period (of FY18) |
| HBWS | 100% Beach owned, Halladale, Blackwatch and Speculant fields in the offshore Otway Basin |
| kbbl | Thousand barrels of oil |
| kboe | Thousand barrels of oil equivalent |
| kt | Thousand tonnes |
| Kupe Gas Project | Beach 50% and op, Genesis 46%, NZOG 4% Consists of offshore Kupe gas field in the Taranki Basin, the Kupe offshore platform, Kupe gas plant and associated infrastructure. |
| Lattice | Lattice Energy Ltd |
| LPG | Liquefied petroleum gas |
| Mitsui | Mitsui & Co., Ltd |
| MMbbl | Million barrels of oil |
| MMboe | Million barrels of oil equivalent |
| MMscfd | Million standard cubic feet of gas per day |
| NZOG | New Zealand Oil & Gas |
| Origin | Origin Energy Ltd |
| Otway Gas Project | Consists of offshore gas fields, Thylacine and Geographe, the Thylacine Well Head Platform, Otway Gas Plant and associated infrastructure |
| P&A | Plugged and abandoned |
| PACE | Plan for Accelerating Exploration |
| PEL | Petroleum Exploration Licence |
| PEP | Petroleum Exploration Permit |
| Prize | Prize Petroleum International |
| PPL | Petroleum Production Licence |
| PRL | Petroleum Retention Licence |
| PJ | Petajoule |
| PJe | Petajoule equivalent |
| Q(4) (FY18) | (Fourth) quarter of (FY18) |
| Qtr | Quarter |
| SACB JV | South Australian Cooper Basin Joint Ventures, which include the Fixed Factor Area (Beach 33.4%, Santos 66.6%) and the Patchawarra East Block (Beach 27.68%, Santos 72.32%) |
| Santos | Santos Ltd |
| Senex | Senex Energy Ltd |
| SWQ JV | South West Queensland Joint Ventures, incorporating various equity interests (Beach 30-52.2%) |
| TJ | Terajoule |
| TJe | Terajoule equivalent |
| Toyota Tsusho | Toyota Tsusho Corporation and related parties |
| Toyota Tsusho assets / interests | Refers to 5% of Otway Gas Project and 11.25% of BassGas Project. Refer Beach's announcement #098/17 of 21 December 2017. |