

Quarterly Report

Period ending 30 September 2014

HIGHLIGHTS

FINANCIAL

- Sales volumes of 2.9 MMboe (up 2% on prior quarter) underpinned by increased gas production, peak winter gas demand and continued strong Western Flank oil production
- Total revenue of \$232.9 million (down 12% on prior quarter) impacted by lower US\$ Brent oil price and lower oil volumes in the sales mix
- Final FY14 dividend of 2 cents per share paid on 26 September 2014; record full year dividends of 4 cents per share
- Cash reserves of \$343 million and undrawn debt facility of \$300 million

OPERATIONS

- Quarterly production of 2.4 MMboe (up 3% on prior quarter), primarily due to improved SACB and SWQ JVs gas sales
- First Namur Sandstone oil discovery at Martlet-1 in PEL 104/111
- Balgowan-1 and Burners-1 exploration successes in PEL 91, extending oil fairway to the north-east
- Hydrocarbon shows during preliminary testing at Davenport-1 in PEL 94
- El Salmiya-6 appraisal success in Egypt; 82 metre oil column intersected
- 37 wells completed; overall drilling success rate of 81%

CORPORATE

- Acquisition of 20% interest in T/49P from 3D Oil in the offshore Otway Basin
- Farm-in with Drillsearch to earn 45% of ATP 924 in the Cooper Basin
- Farm-out to Woodside of Lake Tanganyika South Block, Tanzania

SUBSEQUENT EVENTS

- Hervey-1 and Ety-1 fracture stimulation completed in ATP 855 over five and four stages, respectively; flow testing to commence imminently

KEY STATISTICS

	September Q1 FY14	June Q4 FY14	September Q1 FY15	Qtr on Qtr Change
Production (kboe)	2,455.5	2,332.6	2,399.8	3%
Sales (kboe)	2,866.1	2,809.0	2,875.2	2%
Revenue (\$ million)	270.4	263.6	232.9	(12%)
Oil Price (\$ per bbl)	128.1	122.6	114.1	(7%)
Cash (\$ million)	401.8	411.3	342.7	(17%)

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Reg Nelson

Managing Director

28 October 2014

Ref: #077/14

FINANCIAL

SALES

Sales volumes of 2,875 kboe represented a 2% increase on the prior quarter and the highest level of quarterly sales volumes achieved for six years. The performance was underpinned by increased gas production, peak winter gas demand and continued strong oil production from the Western Flank.

SALES		September Q1 FY14	June Q4 FY14	September Q1 FY15	Qtr on Qtr Change
Oil (kbbbl)	Cooper and Eromanga Basins – own product	1,258.2	1,347.8	1,207.9	(10%)
	Cooper and Eromanga Basins – third party	366.0	389.8	358.2	(8%)
	Total Cooper & Eromanga Basins	1,624.2	1,737.6	1,566.1	(10%)
	Egypt	18.4	12.6	21.4	70%
	Williston Basin ¹	(0.1)	-	-	-
	Total Oil	1,642.5	1,750.2	1,587.5	(9%)
Sales Gas and Ethane (PJ)	Cooper Basin – own product	4.8	4.4	5.9	35%
	Cooper Basin – third party	0.8	0.6	0.7	13%
	Total Sales Gas and Ethane	5.6	5.0	6.6	32%
LPG (kt)	Cooper Basin – own product	13.8	13.8	8.4	(39%)
	Cooper Basin – third party	0.6	0.4	0.3	(19%)
	Total LPG	14.4	14.2	8.7	(39%)
Condensate (kbbbl)	Cooper Basin – own product	148.2	74.3	74.0	(1%)
	Cooper Basin – third party	5.8	3.1	2.9	(5%)
	Total Condensate	154.0	77.4	76.9	(1%)
TOTAL OIL AND GAS (kboe)		2,866.1	2,809.0	2,875.2	2%
Total – own product		2,347.0	2,306.1	2,390.9	4%
Total – third party		519.1	502.9	484.3	(4%)

¹ USA interests divested

REVENUE

Total revenue of \$232.9 million represented a 12% decrease on the prior quarter, which was primarily attributable to lower realised A\$ oil prices and lower oil volumes in the sales mix. The average realised A\$ oil price was \$114/bbl for the period, which represents a 7% reduction relative to the prior quarter (\$123/bbl).

REVENUE	September Q1 FY14 \$ million	June Q4 FY14 \$ million	September Q1 FY15 \$ million	Qtr on Qtr Change
Oil	210.4	214.6	181.2	(16%)
Sales Gas and Ethane	29.7	27.4	35.2	28%
LPG	13.0	12.9	8.1	(37%)
Condensate	17.3	8.7	8.4	(4%)
Gas and Gas Liquids	60.0	49.0	51.7	5%
TOTAL OIL AND GAS	270.4	263.6	232.9	(12%)
Total – own product	218.7	212.7	187.2	(12%)
Total – third party	51.8	50.9	45.7	(10%)

AVERAGE REALISED PRICE	September Q1 FY14	June Q4 FY14	September Q1 FY15	Qtr on Qtr Change
All products (\$/boe)	94.4	93.9	81.0	(14%)
Oil (\$/bbl)	128.1	122.6	114.1	(7%)
Sales Gas and Ethane (\$/GJ)	5.3	5.5	5.3	(3%)
LPG (\$/t)	903.2	906.0	926.0	2%
Condensate (\$/bbl)	112.5	112.4	109.1	(3%)

CAPITAL EXPENDITURE

As per previous guidance, capital expenditure for FY15 is estimated at \$450 million to \$500 million. Capital expenditure of \$118.6 million was incurred in the quarter representing an 18% decrease relative to the prior period. This was primarily attributable to lower scheduled exploration and appraisal expenditure.

CAPITAL EXPENDITURE	September Q1 FY14 \$ million	June Q4 FY14 \$ million	September Q1 FY15 \$ million	Qtr on Qtr Change
Exploration and Appraisal	32.7	59.1	36.5	(38%)
Development, Plant and Equipment ¹	58.6	85.2	82.1	(4%)
TOTAL	91.3	144.3	118.6	(18%)

¹ Excludes corporate office upgrade

CASH AND EQUITY

The balance sheet remains in a strong position. Cash reserves decreased by \$68 million to \$343 million, primarily due to payment of the final FY14 dividend and timing of creditor payments. Beach's secured loan facility of \$300 million remains undrawn.

On 26 September 2014, Beach paid the final FY14 dividend of 2 cents per share. Pursuant to Condition 6(b) of the Senior Unsecured Convertible Notes, the Conversion Price of the Convertible Notes has been reduced by 3 cents to \$1.88.

OIL HEDGING

During the quarter the following hedge was entered into:

- Brent Oil Put (Floor) at \$70/bbl for 37,500 bbl per month from April 2015 to March 2016

Capital structure	June Q4 FY14	September Q1 FY15	Qtr on Qtr Change
Fully paid ordinary shares	1,291,999,670	1,297,496,886	0.4%
Unlisted employee rights	7,526,330	6,821,053	(9.4%)

Period	OIL HEDGED AT		Total Hedged Volumes (bbl)
	Brent Floors		
	\$65/bbl	\$70/bbl	
FY15 (remaining)	1,215,000	337,500	1,552,500
FY16	135,000	562,500	697,500
Total	1,350,000	900,000	2,250,000

OPERATIONS

PRODUCTION

Production of 2,400 kboe was up 3% on the prior quarter, which consisted of:

- Increased SACB and SWQ JVs sales gas and ethane production to meet peak winter gas demand;
- Higher SACB and SWQ JVs condensate production;
- Increased production from the Abu Sennan Concession in Egypt; and
- Strong oil production, maintaining Western Flank pipelines at close to maximum available capacity.

Cooper Basin operated

PEL 91

Gross oil production decreased by 10% to 1,023 kbbl (409 kbbl net), mainly due to increased water cut of the Bauer field. The facility at Bauer was expanded to a higher capacity level of 50,000 bpd of fluid, with production rates given a boost from Bauer-12 and -13, which came on-line later in the quarter.

PRODUCTION		September Q1 FY14	June Q4 FY14 ¹	September Q1 FY15	Qtr on Qtr Change
Oil (kbbl)	Cooper and Eromanga Basins	1,278.3	1,269.7	1,196.8	(6%)
	Egypt	17.6	12.4	19.3	55%
	Total Oil	1,296.0	1,282.2	1,216.1	(5%)
Sales Gas and Ethane (PJ)	Cooper Basin	5.5	5.0	5.7	14%
LPG (kt)	Cooper Basin	13.1	12.0	12.1	1%
Condensate (kbbl)	Cooper Basin	109.7	89.5	103.4	15%
TOTAL OIL AND GAS (kboe)		2,455.5	2,332.6	2,399.8	3%

¹ Final reconciled figures

PRLs 85-104 (ex-PEL 92)

Gross oil production decreased by 8% to 430 kbbl (323 kbbl net), mainly due to natural field decline which was marginally offset by production commencing from the Rincon field.

PEL 106

Gross gas and condensate production decreased by 14% to 169 kboe (85 kboe net), mainly driven by a reduction in gas production, with the more profitable condensate production flat.

Kenmore

Oil production was steady at 44 kbbl.

Cooper Basin non-operated

Senex PEL 104/111

An increase in gross oil production of 7% to 455 kbbl (182 kbbl net), was mainly due to the connection of new Spitfire wells.

SACB and SWQ JVs

Sales gas and ethane production was up 14% on the prior quarter, mainly due to increased drilling activity and resultant production levels to meet peak winter demand. The ramp-up of drilling activity also contributed to a 7% increase in condensate and LPG production.

Egypt

Oil production of 19 kbbl (net) was up 55% on the prior quarter, mainly due to the Al Jahraa-2 ST1, El Salmiya-6 and ASA-1X ST3 wells coming on-line during the quarter.

DEVELOPMENT

AUSTRALIA – Cooper and Eromanga Basins

Operated

PRLs 85-104 (ex-PEL 92)

(Beach 75%, Cooper 25%)

Reprocessing of the Neritus, Modiolus and Calpurnus 3D seismic surveys continued during the quarter. The merging and reprocessing of data from these surveys is intended to improve the quality of data available, which will be used to define exploration and development drilling targets scheduled to commence in early 2015.

The Elliston-2 well encountered a 1.5 metre oil column in the Namur Sandstone, however, this was considered insufficient

to warrant completion and the well was subsequently plugged and abandoned. Further opportunities to drill development wells in on the Elliston field will be assessed when the aforementioned reprocessed 3D seismic data is available for interpretation.

Non-operated

Cooper Gas

(Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

The infill gas development program on the South Australian side of the Cooper Basin continued with the drilling of 19 wells during the quarter.

Within the Big Lake field, which is targeting the Patchawarra and Tirrawarra Formations, the Big Lake-111 to -114 (pad H), Big Lake-118 to -120 (pad C) and Big Lake-124 to -126 (pad B) wells were cased and suspended as future Permian gas producers.

The Tirrawarra-81 pad well in the Tirrawarra North field, targeting the Patchawarra and Tirrawarra Formations, was cased and suspended after reaching a total depth of 3,022 metres.

Lake MacMillan-3 was drilled to a total depth of 3,188 metres and cased and suspended as a future Epsilon and Patchawarra gas producer.

Tallerangie-2 reached a total depth of 3,174 metres and was cased and suspended as a future Toolachee, Epsilon, Patchawarra and Tirrawarra gas producer.

Moolion-7 was drilled to a total depth of 3,048 metres and cased and suspended as a future Toolachee, Epsilon and Patchawarra gas producer.

Andree-5, -6 and Leleptian-5 were cased and suspended as future Patchawarra gas producers, reaching total depths of 3,166 metres, 3,168 metres and 3,147 metres, respectively.

Gooranie East-1 was drilled to a total depth of 3,138 metres and cased and suspended as a future Patchawarra and Tirrawarra gas producer.

SACB JV Oil

(Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

Caroowinnie-2 was drilled to a total depth of 1,701 metres. The primary targets were the McKinlay Member, Birkhead Formation and the Murta Formation. The well was cased and suspended having intersected a seven metre oil column with net pay of approximately three metres.

Queensland Gas

(Beach 23.2%, Santos 60.06% and operator, Origin 16.5% and Australia Pacific LNG Ltd 0.24%)

The Hera-4 well was cased and suspended as a Toolachee and Patchawarra gas producer and drilled to a total depth of 3,036 metres.

The Durham Downs-6 and -7 ST 1 wells were cased and suspended as Toolachee and Patchawarra gas producers. Durham Downs-6 was drilled to a total depth of 2,941 metres and Durham Downs-7 ST1 to 2,756 metres.

Queensland Oil

(Beach 20%, Santos 55% and operator, Origin 25%)

The Cook-28 horizontal well was drilled laterally 638 metres through the Hutton Formation at a depth of 2,866 metres. It is anticipated that the well will be on-line in Q2 FY15 via perforation and artificial lift.

EXPLORATION and APPRAISAL

AUSTRALIA – Cooper/Eromanga Basins

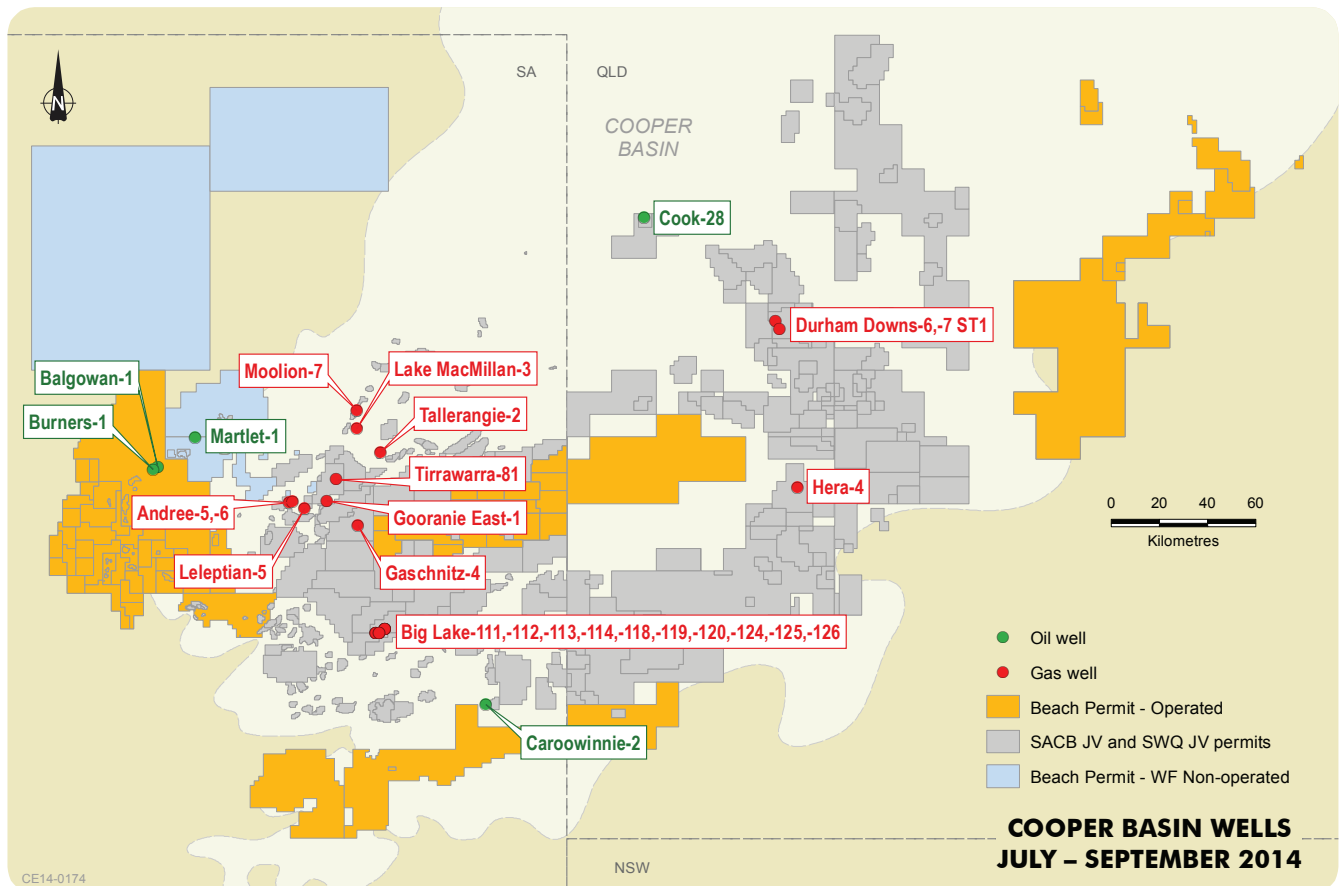
Operated

PEL 91

(Beach 40%, Drillsearch 60%)

Balgowan-1 was cased and suspended after intersecting an oil bearing reservoir with 3.5 metres of net pay in the Namur Sandstone and two metres of net pay in the McKinlay Member. This discovery confirms the extension of the oil fairway to the north-east of recent discoveries in PEL 91 and brings a new focus on a number of other prospects in this northern area of the permit.

Burners-1 intersected one metre of net pay in the Namur Sandstone, overlain by a five metre oil bearing interval within the McKinlay Member. A drill stem test over 1,411 metres to 1,418 metres in the McKinlay Member recovered 5.1 bbl of oil during a four hour test. The well was cased and suspended as a future oil producer.



The Stunsail-2 appraisal well was drilled targeting a sub-culmination 760 metres to the south-east of Stunsail-1. The well was drilled to a depth of 1,461 metres, and failed to encounter hydrocarbons in the primary McKinlay/Namur objective. Strong oil shows were intersected in the Birkhead Formation, which were tested via drill stem test, however failed to recover hydrocarbons. Despite the well being plugged and abandoned, preliminary mapping indicates the field reserves will remain unchanged.

Pennington-3 was an aggressive step out appraisal well cored through the Namur and Mid-Namur Sandstone sections. Oil shows were identified in the McKinlay Member, however this interval was assessed as being uneconomic to complete, resulting in the well being plugged and abandoned. Pennington-3 provided structural information on the western edge of the Pennington field, which will assist with determining facility and pipeline sizes.

The Karrata-1 gas exploration well was plugged and abandoned as a result of insufficient net pay identified in the primary Patchawarra Formation for the well to be economic.

PEL 94

(Beach 50%, Strike Energy 35%, Senex 15%)

The Davenport-1 well was fracture stimulated over a single stage (VU Coal), with encouraging permeability and hydrocarbon shows observed from earlier coring. An estimated 90% of the fracture fluid was recovered during the flow back period, with the election made to isolate this zone behind a plug to allow testing of the upper coal.

The upper coal interval (VM3 Coal) was perforated and pressure tested (DFIT), which indicated the zone had good permeability (>1 mD), with minor gas detected. The decision was made not to fracture stimulate this section to enable sufficient drawdown to desorb gas from the coal. Further flow-testing activities are expected to commence in Q2 FY15.

While still in the early stages of this play, there are favourable indications of both permeability and gas saturation.

PRLs 85-104 (ex-PEL 92)

(Beach 75%, Cooper 25%)

The Shelly-1 exploration well was plugged and abandoned after failing to intersect commercial hydrocarbons.

Nappamerri Trough Natural Gas

ATP 855

(Beach 46.9%, Icon 35.1%, Chevron 18%)

The joint venture commenced the fracture stimulation program of four wells with Condor Energy Services Ltd. The first well, Hervey-1, was fracture stimulated over five stages, one in the Patchawarra Formation, one in the Daralingie Formation and three in the Toolachee Formation. Subsequent to period end, Etty-1 was fracture stimulated over four zones, one in the Daralingie Formation and three in the Toolachee Formation. Flow testing is expected to commence prior to November.

The final wells to be fracture stimulated in the program are Redland-1 and Geoffrey-1.

Non-operated

SACB JV Deep natural gas

(Beach 20.21%, Santos 66.6%, Origin 13.19%)

Further drilling to appraise the Basin Centred Gas accumulation focused on reservoir characterisation and stimulation optimisation. The Gaschnitz-4 vertical well reached a total depth of 3,129 metres and was cased and suspended. The primary target zones in this well are the Toolachee and Daralingie Formations. It is anticipated the well will be fracture stimulated through the Toolachee Formation, with the number of stimulation stages yet to be confirmed by the joint venture. Fracture stimulation at Gaschnitz-4 will be undertaken in a program with Gaschnitz-2 and -3, likely in Q4 FY15. The Gaschnitz-3 vertical well was drilling ahead in the Epsilon Formation at 3,570 metres after cutting core through that section. The objective of this well is to further evaluate all unconventional lithotypes including tight sand, shale and deep coal targets. The Moomba-193 horizontal well will soon be connected into the joint venture's production infrastructure, making it the third unconventional well after Moomba-191 and -194 to be connected and producing.

PEL 104 and PEL 111

(Beach 40%, Senex 60%)

The first Namur oil discovery was achieved in PEL 104/111 at the Martlet-1 exploration well, providing another primary target to the proven Birkhead oil play in the area. The exploration well successfully intersected six metres of net oil pay in the Namur Sandstone. The well was perforated in the Namur Sandstone at a depth of 1,454 to 1,455.5 metres and tested for 132 minutes. It flowed at the equivalent of 5,149 barrels of fluid per day, of which 2,596 barrels was oil, through a 1" choke. This discovery

confirmed the extension to the north of the play that has delivered prolific fields such as Bauer and Callawonga.

The Warthog-1 and Sabre-1 exploration wells were drilled in PEL 111. Warthog-1 was plugged and abandoned after failing to encounter any hydrocarbons. Despite encouraging initial oil shows within the Birkhead Formation at Sabre-1, subsequent testing failed to recover any hydrocarbons and the well was also plugged and abandoned.

AUSTRALIA – Bonaparte Basin

EP 126

(Beach 55% and operator, earning up to 85%, TOAG 45%)

The Cullen-1 exploration well was drilled to a total depth of 3,325 metres. The well was cased and suspended for future testing after intersecting 1,000 metres of limestone and inter-bedded shale, with evidence of natural fractures and elevated mud gas readings. In addition, 1,600 metres

of dark grey to black marine shale were intersected with two cores cut for evaluation purposes, which will include gas desorption analyses.

EGYPT

Abu Sennan Concession

(Beach 22%, Kuwait Energy 50% and operator, Dover 28%)

The El Salmiya-6 appraisal well intersected an 82 metre oil column, with 52 metres of net pay in the primary target Kharita Sandstone. The well was flow tested at 2,750 bopd and 9.7 MMscfd of gas through a 3/4" choke.

The ASA-1X ST3 exploration well intersected seven metres of net pay in the primary target Abu Roash 'C' and 6.5 metres of net pay in the secondary target Abu Roash 'E'. The well was flow tested at 2,164 bopd from the 'C' and 1,604 bopd from the 'E' through a 1" choke.

WELL RESULTS

Area	Category	Wells spudded	Wells completed	Successful wells	Success rate	Successful well names
Cooper and Eromanga Basins	Gas – Exploration	1	1	-	-	
	Gas – Appraisal Unconventional	1	1	1	100%	Gaschnitz-4
	Gas – Development	19	21	21	100%	Andree-5,-6; Big Lake-111,-112,-113,-114,-118,-119,-120,-124,-125,-126; Durham Downs-6,-7ST1; Gooranie East-1; Hera-4; Lake MacMillan-3; Leleptian-5; Moolion-7; Tallerangie-2; Tirrawarra-81
	Oil – Exploration	6	6	3	50%	Balgowan-1; Burners-1; Martlet-1
	Oil – Appraisal	2	2	-	-	
	Oil – Development	3	3	2	67%	Caroowinnie-2; Cook-28
Bonaparte Basin	Gas – Exploration Unconventional	-	1	1	100%	Cullen-1
Egypt	Oil – Exploration	1	1	1	100%	ASA-1X ST3
	Oil – Development	1	1	1	100%	El Salmiya-6
Total		34	37	30	81%	
	Exploration	8	9	5	56%	
	Appraisal	3	3	1	33%	
	Development	23	25	24	96%	

CORPORATE

Beach completed the acquisition of 20% of T/49P in the offshore Otway Basin from 3D Oil for \$3 million. The permit covers an area of 4,960 km² in water depths of generally no greater than 100 metres and is adjacent to the Thylacine and Geographe gas fields. 3D Oil will remain operator of the permit.

Beach and Drillsearch executed a farm-in agreement for Beach to potentially earn 45% of ATP 924 in the Cooper Basin. The farm-in will occur over two stages, the first involving Beach funding approximately 150 km² of current 3D seismic activities and the drilling of an initial exploration well. Should Beach elect to continue, it will drill a further exploration well and reimburse Drillsearch for past costs to earn its 45% interest. Drillsearch will remain operator of the permit.

Beach has signed an agreement for the transfer of 70% of its 100% interest in the Lake Tanganyika South Block, Tanzania to Woodside. Woodside will reimburse its share of back costs incurred by Beach Tanzania, fund a further round of seismic operations over the next 12 months and contribute to Beach's share of costs associated with an initial exploration well (subject to an agreed cap), should it elect to proceed with the program beyond the seismic operations.

GLOSSARY

3D Oil	3D Oil Limited	LPG	Liquefied Petroleum Gas
\$	Australian dollars	MMbbl	Million barrels of oil
ATP	Authority To Prospect	MMboe	Million barrels of oil equivalent
bpd	barrels per day	MMscfd	Million standard cubic feet of gas per day
bbl	barrels	Origin	Origin Energy Ltd
Beach	Beach Energy Ltd	PEL	Petroleum Exploration Licence
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	PRL	Petroleum Retention Licence
bopd	barrels of oil per day	PJ	Petajoule
Chevron	Chevron Exploration Australia 1 Pty Ltd	SACB JV	South Australian Cooper Basin Joint Venture which includes the Fixed Factor Area (Beach 20.21%, Santos 66.6%, Origin 13.19%) and the Patchawarra East Block (Beach 17.14%, Santos 72.32%, Origin 10.54%)
Cooper	Cooper Energy Ltd	SACB and SWQ JVs	The Delhi operations, which incorporate the SACB JV and the SWQ JVs
Dover	Dover Investments Ltd	Santos	Santos Ltd
Drillsearch	Drillsearch Energy Ltd	Senex	Senex Energy Limited
EP	Exploration Permit	Strike	Strike Energy Limited
FY	Financial Year	SWQ JVs	South West Queensland Joint Ventures
GJ	Gigajoule	TOAG	Territory Oil and Gas Pty Ltd
kbbl	thousand barrels of oil	US\$	United States dollars
kboe	thousand barrels of oil equivalent	Woodside	Woodside Petroleum Limited
kt	thousand tonnes		
Kuwait Energy	Kuwait Energy Egypt Ltd		