

Ref: BPT/005/16

Beach Energy delivering benefits of recent merger

28 April 2016

Beach Energy has recorded an increase in sales volumes and production in the third quarter of FY16 largely due to the benefits of its merger with Drillsearch, which is now complete.

Sales volumes were up 5% to 2.65 million barrels of oil equivalent (MMboe) when compared to the last quarter.

Quarterly production was up 8% to 2.4 MMboe due to a combination of factors including the Drillsearch merger and sustained oil production from ex PEL 91 on the Western Flank of the Cooper Basin.

Production was also assisted by an artificial lift campaign in ex PEL 91 that resulted in incremental production of 440 barrels of oil per day.

This was achieved at the same time as capital expenditure decreased by 51% to \$38 million due to capital management initiatives and high-grading of programs to counter the current environment of lower oil prices.

Beach is expected to make further cost savings of up to \$7 million per annum through a reduction of its operational expenditure.

Beach's financial position continues to remain strong, with a net cash position held broadly constant over the quarter and undrawn debt facilities of \$350 million.

Acting Chief Executive Officer, Neil Gibbins, said that throughout the quarter Beach continued to track ahead of schedule with its integration with Drillsearch.

"I am pleased to report that the merger synergies have exceeded our original expectations," Mr Gibbins said.

"We completed the merger on 1 March 2016, with Drillsearch now a wholly owned subsidiary of Beach, and we are estimating in FY17 we will realise annual pre-tax cost savings of up to \$40 million.

"The merged entity has strengthened our ability to navigate the current market conditions and better position the company to take advantage of future opportunities," Mr Gibbins said.

Subsequent to the end of the quarter, Beach completed the final stage of its organisational review by finalising a new organisational structure which came into effect this week.

Implementation of the new organisational structure, combined with rationalisation of duplicated positions across both Beach and Drillsearch has resulted in a 29% reduction in head count since 30 June 2015, 21% of which is attributed to the merger with Drillsearch.

Beach's new organisational structure is designed to ensure the Company can operate as efficiently and effectively as possible in the low oil price environment, whilst at the same time, deliver on its strategy.

Yesterday Beach announced an increase in its production guidance to 9.5 – 9.8 MMboe (previously 8.0 – 8.6 MMboe) and announced capital expenditure guidance for FY16 would remain at \$180 - \$210 million.

The FY17 capital expenditure program will seek to deliver a meaningful drilling campaign with a balanced mix of exploration, appraisal and development activities while continuing to be mindful of the need to preserve financial strength and flexibility during the current low oil price environment.

Beach's Board, Executive Team and employees look forward to welcoming Mr Matthew Kay into the position of Chief Executive Officer on 2 May 2016. We would also like to extend our thanks to Mr Neil Gibbins who has been acting in the role of Chief Executive Officer. From 2 May 2016 Mr Gibbins will take up the position of Chief Operating Officer.