



Merger of Beach and Drillsearch

Positioning for future growth through a logical combination

23 October 2015



Merger benefits

Creating the leading ASX-listed oil and gas mid-cap



Primed to pursue growth opportunities



Significant benefits for both sets of shareholders



Synergies from two complementary businesses



Australia's largest onshore oil producer



Set for East Coast gas market opportunity

Transaction summary

Structure	<ul style="list-style-type: none">• Merger to be implemented via a Drillsearch scheme of arrangement• Drillsearch shareholders will receive 1.25 Beach shares for each Drillsearch share held
Valuation	<ul style="list-style-type: none">• Values Drillsearch at \$0.83 per share or a market capitalisation of \$384 million<ul style="list-style-type: none">— Premium of 27% to last closing price¹— Premium of 21% to 1-month VWAP²— Premium of 30% to 3-month VWAP³
Combined group	<ul style="list-style-type: none">• Drillsearch shareholders to own 30%⁴ of the combined group• Combined group market capitalisation of ~\$1,169 million¹
Board and management composition	<ul style="list-style-type: none">• Drillsearch Chairman Jim McKerlie and Director Phil Bainbridge to join Board of combined group; two Beach Directors to step down• Glenn Davis to continue as Chairman of Beach• Beach Board conducting a search for a CEO, who will be CEO of combined group• Merger Integration Group to manage process – management team to be selected on a “best for job” basis
Key terms⁵	<ul style="list-style-type: none">• Approval from Drillsearch shareholders• No material adverse change or prescribed occurrence in relation to each company• Certain exclusivity provisions and break fee arrangements
Shareholder approval	<ul style="list-style-type: none">• In the absence of an ASX waiver of LR 10.1, approval from Beach shareholders• Drillsearch shareholder meeting to approve the proposed scheme expected in late January 2016

VWAP: volume weighted average price

1. Based on the closing share price of Beach (A\$0.665) and Drillsearch (A\$0.655) shares as at 22 October 2015, the day prior to announcement of the scheme
2. Based on the 1-month VWAP of Beach (A\$0.56) and Drillsearch (A\$0.58) up to and including 22 October 2015, the day prior to announcement of the scheme
3. Based on the 3-month VWAP of Beach (A\$0.65) and Drillsearch (A\$0.63) up to and including 22 October 2015, the day prior to announcement of the scheme
4. Assumes all options are acquired for cash, all performance rights vest and no conversion of Convertible Notes; Beach currently holds 21,053,615 Drillsearch shares (~4.56%)
5. Full conditions contained in the Merger Implementation Agreement, a copy of which has been released to the ASX on 23 October 2015



Pro-forma combined entity

Strong balance sheet to support future growth

- Combined market capitalisation in excess of \$1.1 billion¹
- Combined FY2016 production guidance of 10.6 – 11.8 MMboe
- Drillsearch US\$125m convertible notes to be redeemed from combined cash and available debt

	Beach	Drillsearch	MergeCo ^{3,4}
Market Capitalisation ¹ (\$m)	866	303	1,169
Cash (\$m) ² – 30 June 2015	170	131	302
Debt (\$m) ² – 30 June 2015	149	162	311
Enterprise Value (\$m)	845	333	1,178
FY2015 Revenue ² (\$m)	728	251	978
FY2015 Operating Cash Flow ² (\$m)	229	84	313
FY2015 Production ² (MMboe)	9.1	3.0	12.1
2P Reserves – 30 June 2015 (MMboe)	74.4	25.7	Refer note 6
FY2016 Production Guidance ² (MMboe)	7.8 - 8.6	2.8 - 3.2	10.6 - 11.8

Source: IRESS 22 October 2015

1. Market capitalisation based on last closing share prices as at 22 October 2015, the last trading day prior to announcement of the scheme
2. Based on 2015 Full Year Reports including Appendix 4E, Directors' Report and Financial Statements
3. No pro-forma adjustments have been made. Excludes impact of one off integration costs, synergies and acquisition accounting
4. Does not account for differences in accounting treatment and disclosures
5. Numbers may not add due to rounding
6. Drillsearch and Beach maintain separate estimates for jointly held assets. Estimates for the combined company to be decided post completion



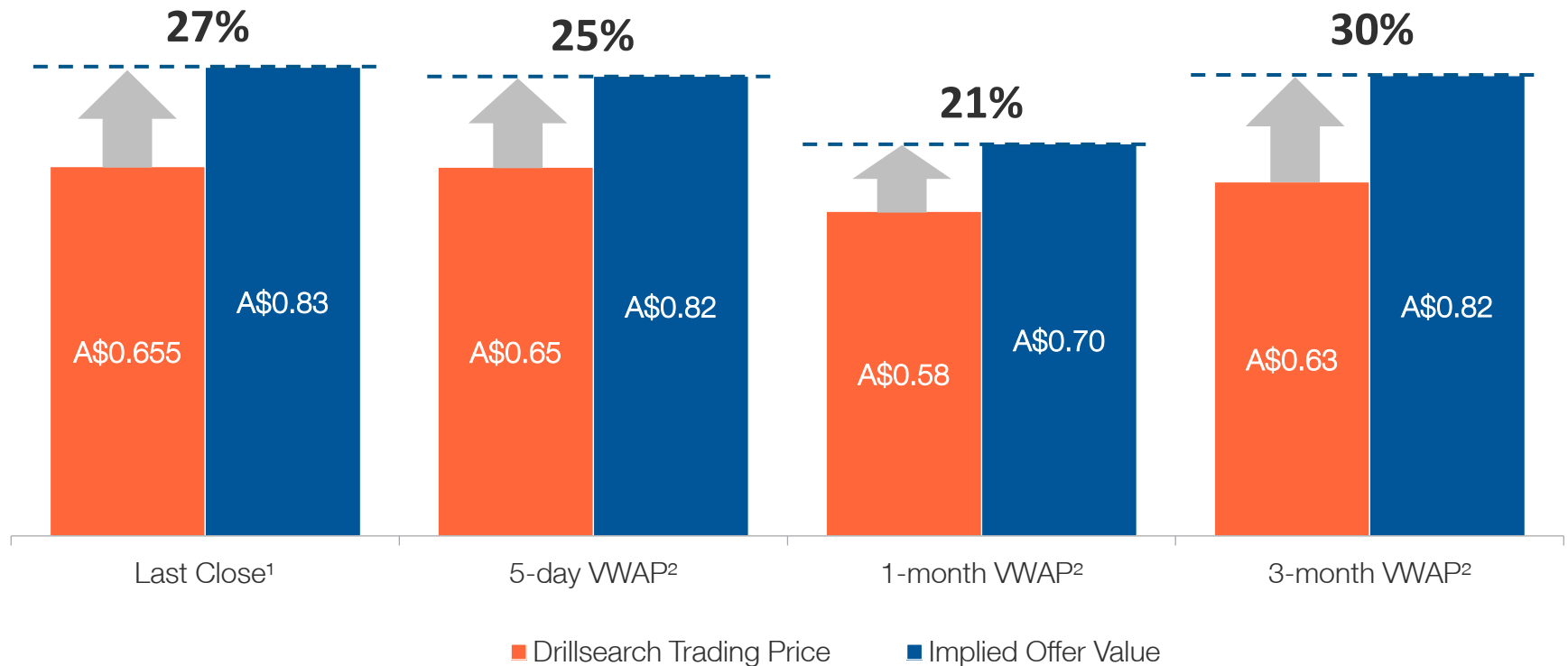
Integration plans

Ensuring a seamless transition

- Recruitment process for a Beach CEO well underway
 - Priority for the Beach Board, in consultation with Drillsearch
- Merger Integration Group formed and led by Beach Acting CEO Neil Gibbins and Drillsearch CEO Walter Simpson, to manage:
 - Internal and external communications
 - Delivering a plan for integration that takes into account:
 - Capital management strategy
 - Human resourcing requirements
 - Systems, processes and information technology
 - Familiarisation, assimilation and culture
 - Assessment of strategic opportunities arising prior to integration
 - Work on integration planning to commence immediately

Compelling premium for Drillsearch shareholders

Consideration of 1.25 Beach shares for each Drillsearch share held



Source: IRESS 22 October 2015

1. Last close of Beach and Drillsearch shares as at 22 October 2015, the day prior to announcement of the scheme
2. The Implied Offer Value is based on the Volume Weighted Average Price for Beach and Drillsearch shares over the corresponding periods

Shareholders of both companies to benefit

Benefits to Drillsearch shareholders

- Compelling premium whilst retaining exposure to Drillsearch assets
- Shareholding in a bigger, more liquid stock with history of paying dividends
- Enhanced scale and balance sheet to pursue growth
- Exposure to a bigger footprint in the Cooper Basin and to prospective assets outside the Cooper Basin
- Ownership of an established gas business (with infrastructure) increases leverage to market opportunity

Benefits to Beach shareholders

- Potential to be earnings accretive
- More reserves, production and revenue
- Opportunities to high grade the exploration portfolio
- Increased exposure to high margin Western Flank production consolidating Beach as Australia's largest onshore oil producer
- Opportunity to cross fertilise existing business with strong technical expertise familiar with company's asset base

Pre-tax synergies of ~\$20m per annum within two years for both shareholders¹

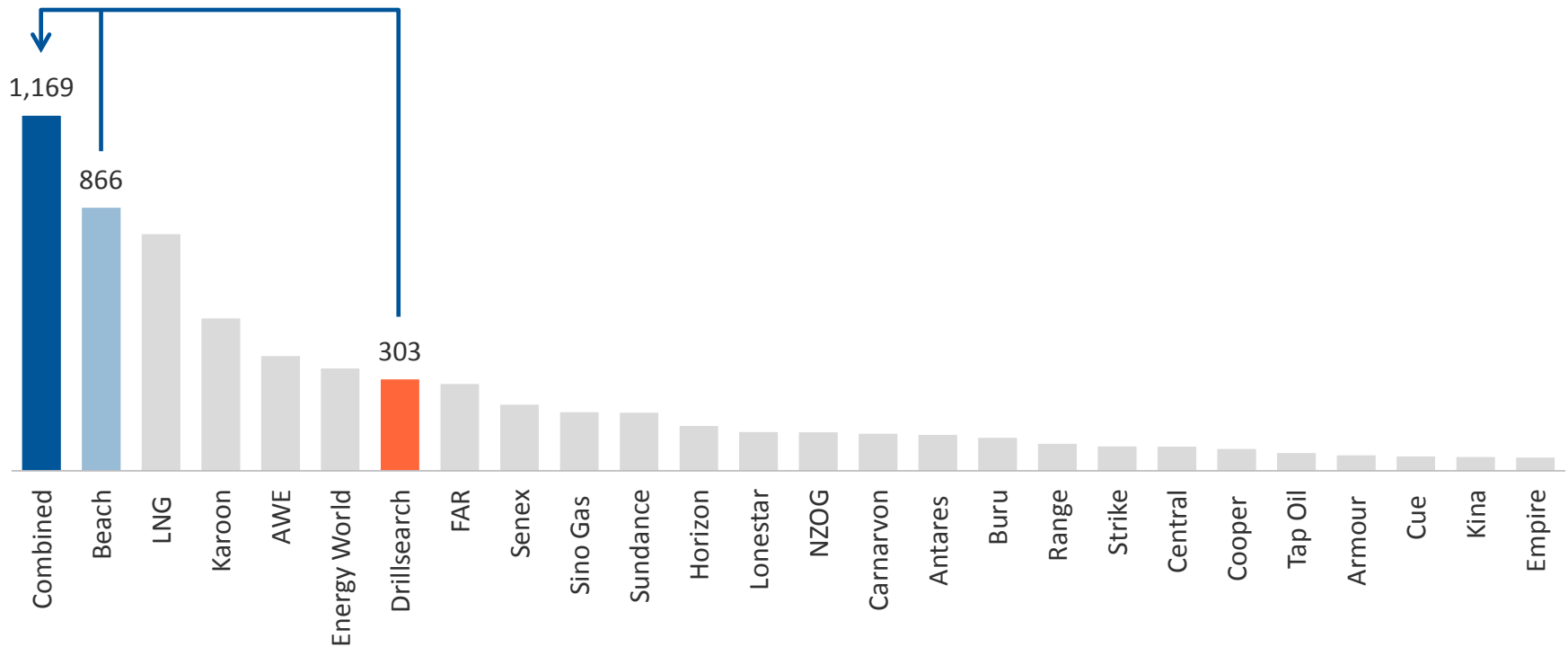
1. Targeted synergies exclude one-off integration costs, and are in addition to Drillsearch's targeted cost base reduction of \$10 - \$15 million p.a., as announced by Drillsearch on 19 February 2015

Leading ASX mid-cap oil and gas company

Enhanced scale with capacity to pursue organic and inorganic growth options

- Potential for improved liquidity, possible market re-rating and dividend potential – *good for shareholders*
- \$313m in FY2015 pro-forma operating cash flow, strong balance sheet – *good platform for business growth*

Market capitalisation (A\$ million)¹



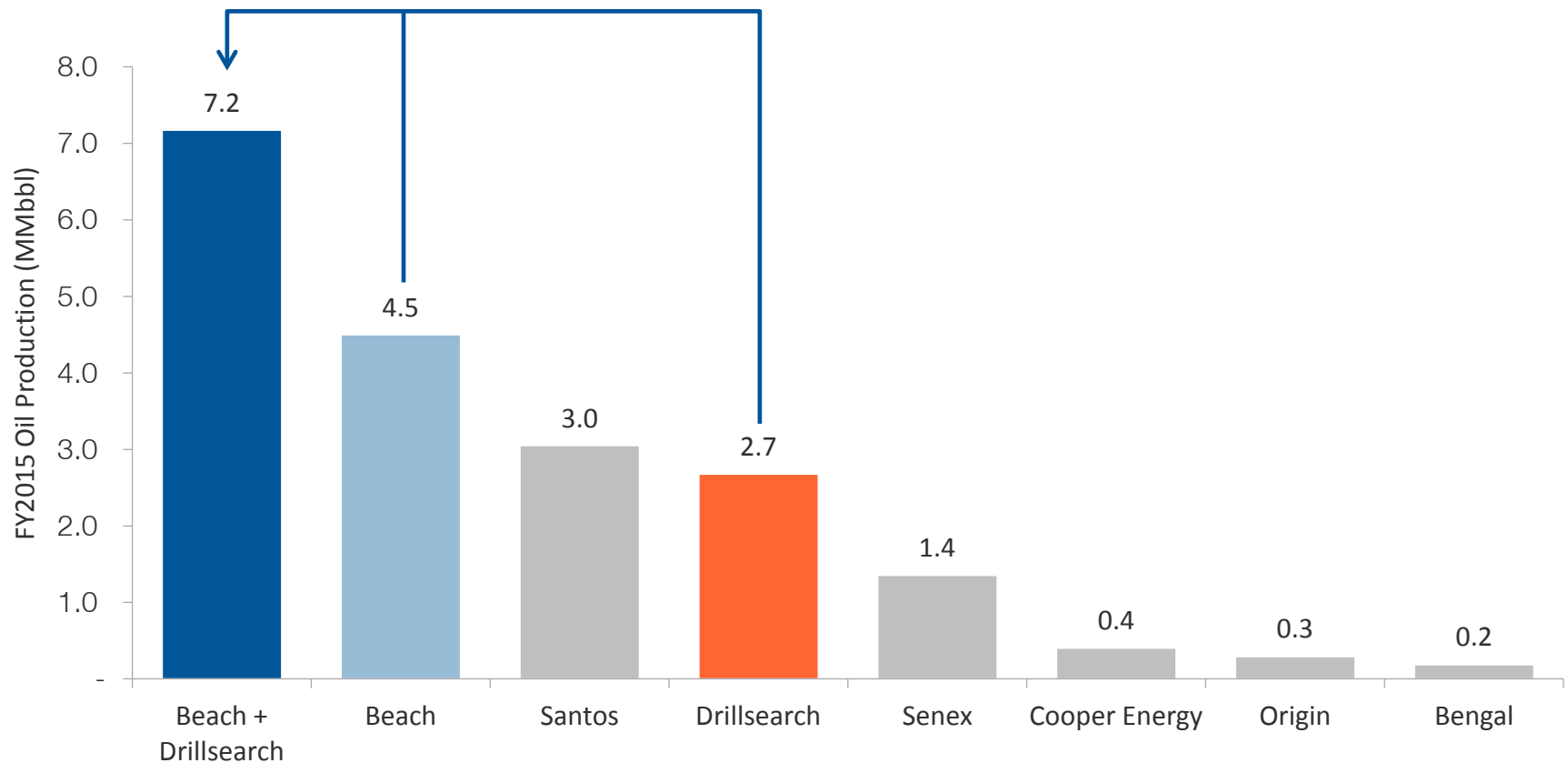
Source: IRESS 22 October 2015

1. Market capitalisation based on last closing share prices as at 22 October 2015, the last trading day prior to announcement of the scheme



Oil production from the Cooper and Eromanga basins

Consolidates position as Australia's largest onshore oil producer



Source: ASX company announcements for the 12 months to 30 June 2015

Targeting synergies and operating efficiencies

Pre-tax synergies of ~\$20 million per annum within two years¹

1 Operational

- Blending the best talent from both companies
- Optimisation of technical and field activities
- Opportunities to high-grade the exploration portfolio

2 Overheads

- Elimination of duplicated technical efforts on overlapping assets
- Reduced compliance, listing and corporate costs
- Economies of scale, moving to a single platform

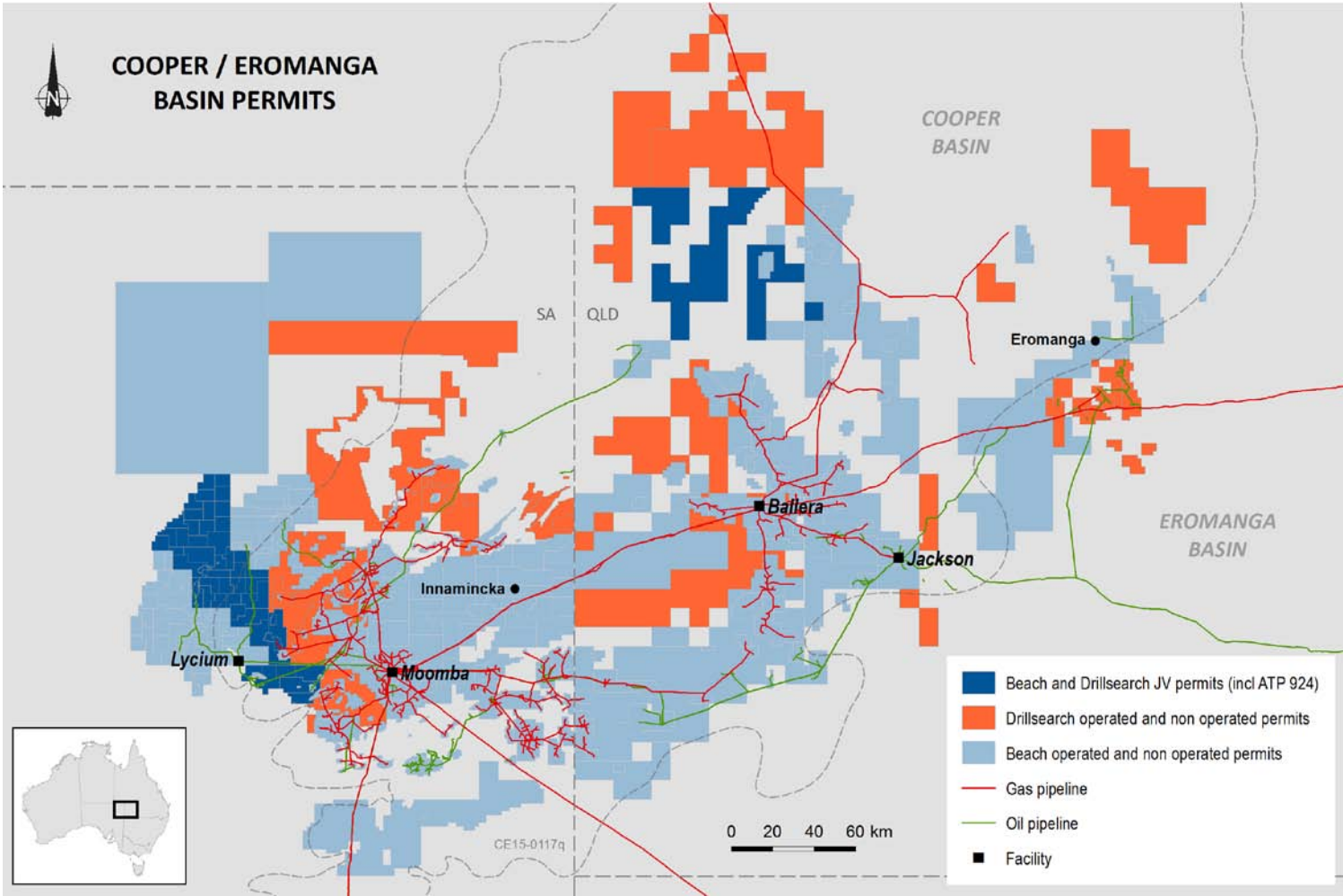
3 Commercial

- Stronger balance sheet and greater funding capabilities
- Infrastructure ownership
- Broader universe of strategic opportunities
- Enhanced value proposition for investors

1. Targeted synergies exclude one-off integration costs, and are in addition to Drillsearch's targeted cost base reduction of \$10 - \$15 million p.a., as announced by Drillsearch on 19 February 2015

Cooper Basin at the core for both companies

Combined interests in permits covering ~69,000 km²

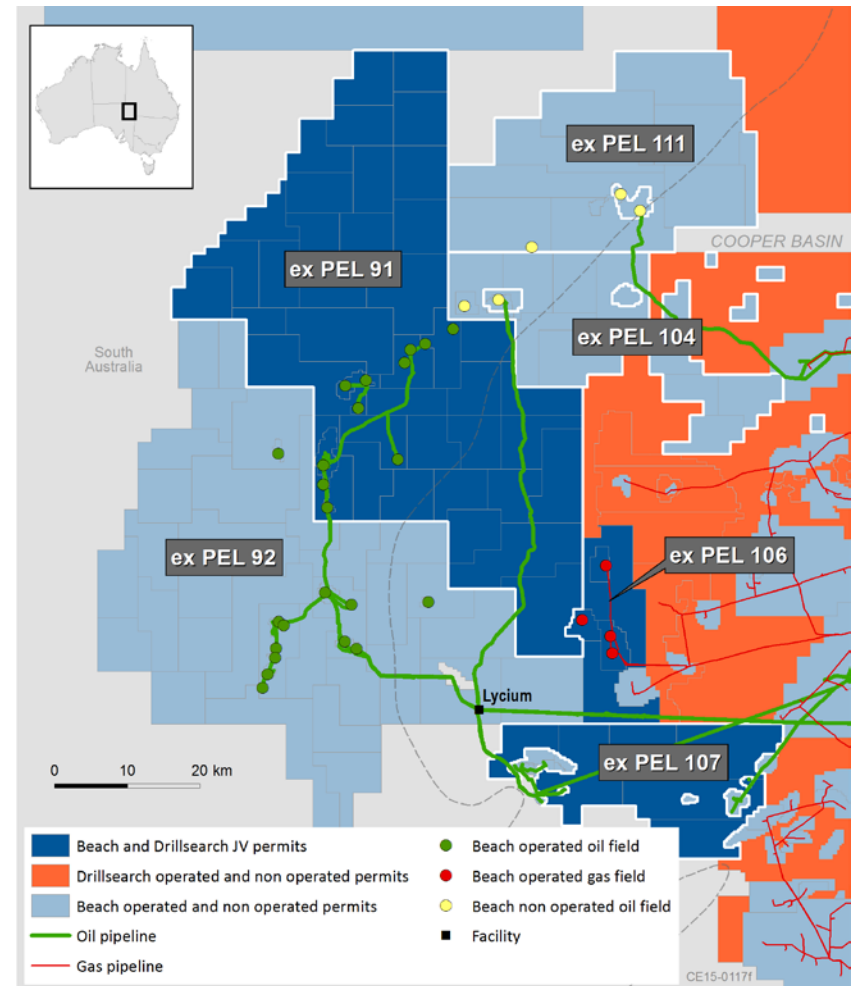


Strong logic for combination

Potential to generate greater efficiencies in the Cooper Basin

- More than 90% of Drillsearch's FY2015 production in joint venture with Beach
- Combines key interests in:
 - Western Flank Oil (ex PEL 91)¹
 - 60% Drillsearch
 - 40% Beach (Operator)
 - Western Wet Gas (ex PEL 106)²
 - 50% Drillsearch
 - 50% Beach (Operator)
- Drillsearch shareholders gain exposure to new oil assets on the Western Flank
- Beach shareholders gain exposure to wet gas assets held jointly with Santos

1. PRLs 151 to 172 and PPLs 253 to 256
2. PRLs 129 and 130 and PPL 239 and PPL 257



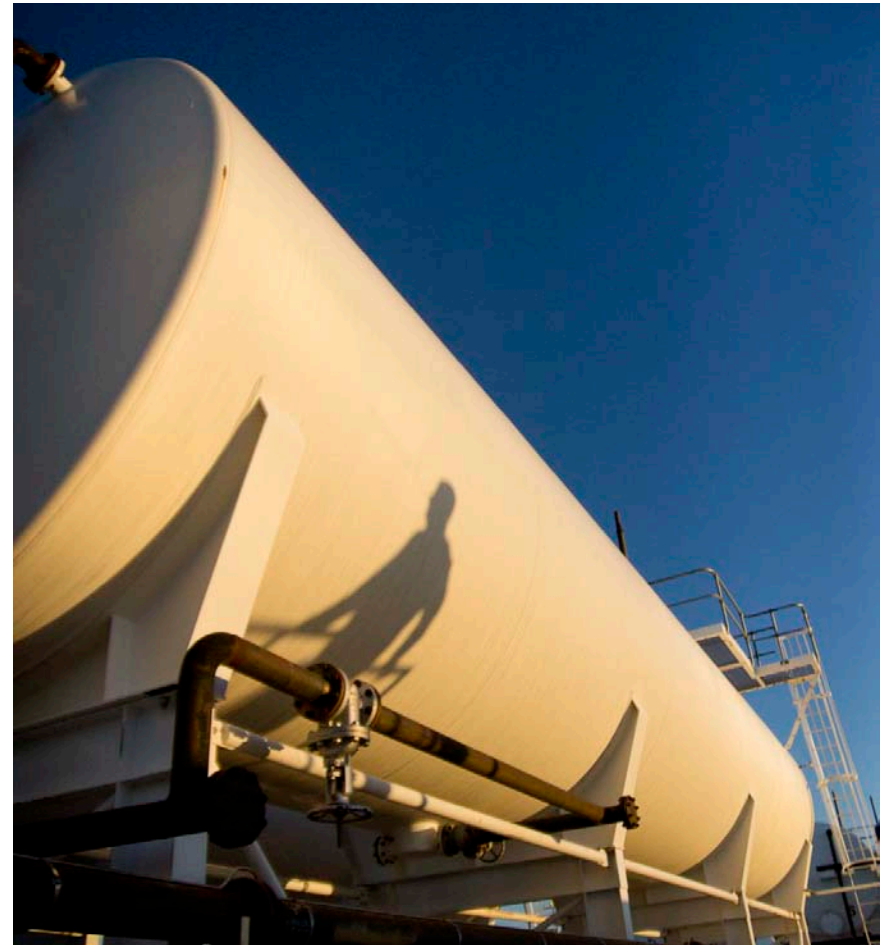
* Drillsearch shareholders gain access to **Light Blue**; Beach shareholders gain access to **Orange**

Premier Western Flank oil position

Major share of production from the Cooper Basin's key oil producing region

The combined group will have:

- Exposure to all material oil producing areas in the Western Flank¹
- Ownership interests and operatorship of key Western Flank oil pipeline infrastructure
- Experienced and efficient operator in the region
- Simplified operating structure with reduced costs
- Continued benefit of 3D seismic interpretation on exploration and development
 - Annual exploration drilling success rate on 3D seismic of 30 - 40% in recent years²



1. Including the permits formerly known as PEL 91, PEL 92, PEL 104 and PEL 111

2. Based on success achieved on all exploration wells drilled in permits formerly known as PEL 91, PEL 92, PEL 104 and PEL 111

Substantial gas business

Combining ownership of gas infrastructure with an enhanced exploration portfolio

Broad position in major gas fields

- Interests in Santos-operated joint ventures with ownership ranging from 17.14% to 23.2% (gas) and up to 40.0% (oil)
- Net FY2015 sales gas and gas liquids production of 4.2 MMboe
- Future upside potential from conventional and unconventional plays

Strategically located infrastructure

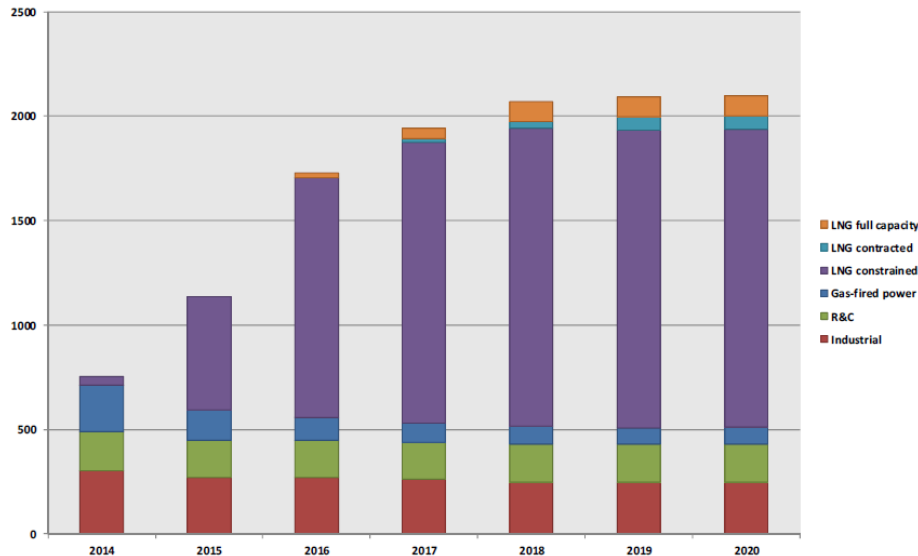
- Third party tolling and trading business
- Share of Moomba and Port Bonython (20.21%) processing facilities
- Gas storage capacity



Leveraged to East Coast gas market opportunity

Combines Beach's gas infrastructure with Drillsearch's growing wet gas business

East coast gas demand forecast 2014 – 2020 (PJ)¹



1. Source: EnergyQuest, March 2015

**Transformational change in market dynamics
driven by LNG demand**

Transaction brings together:

- Beach's gas and infrastructure business (SACB and SWQ JVs)
 - Additional assets outside the Cooper Basin e.g. Gippsland and Otway basins
- Drillsearch's emerging Wet Gas business
 - Two new joint ventures planned to be in production in FY2016
 - Nine discoveries in FY2015
 - Dominant footprint in the emerging Northern Patchawarra Trough
- Existing partners in Western Wet Gas

High-grading the gas exploration portfolio

Measured approach to capital spend and prioritisation of activities across the portfolio

Wet Gas

- Consolidate ownership of ex PEL 106¹ and leverage knowledge to exploration efforts

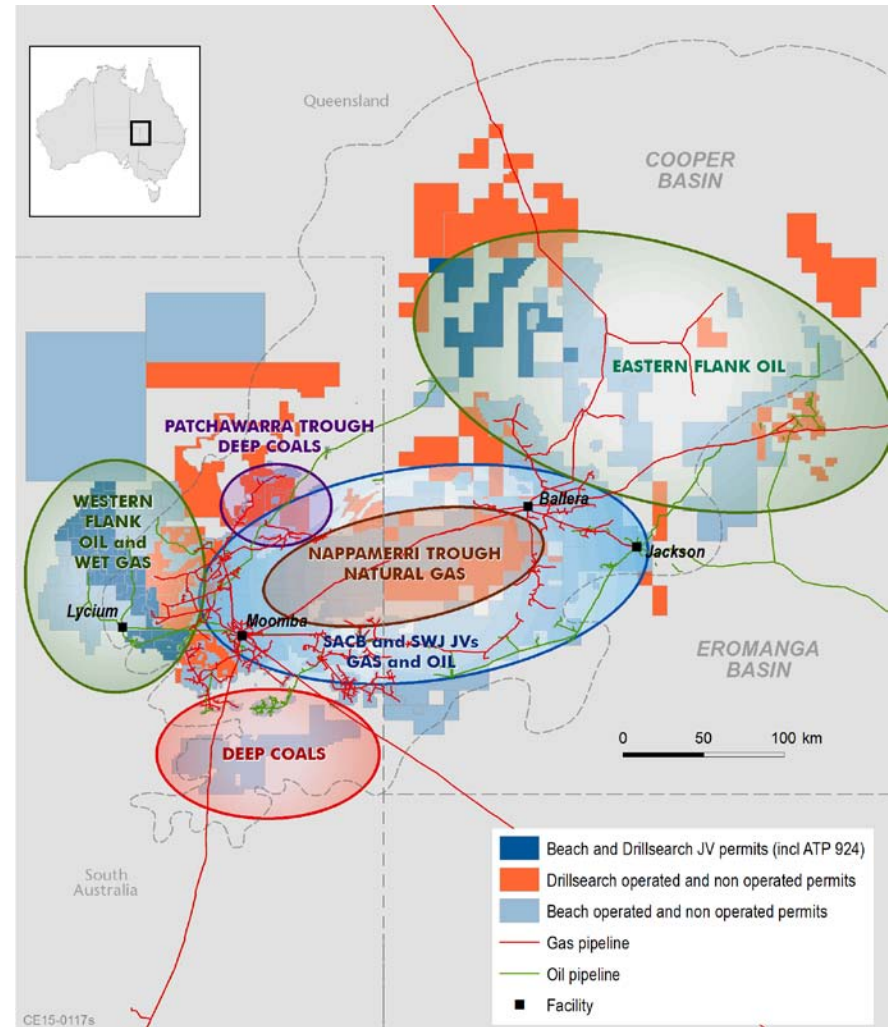
Nappamerri Trough

- Experienced operator with opportunity to maximise joint exploration learnings
- Extensive unconventional gas resources

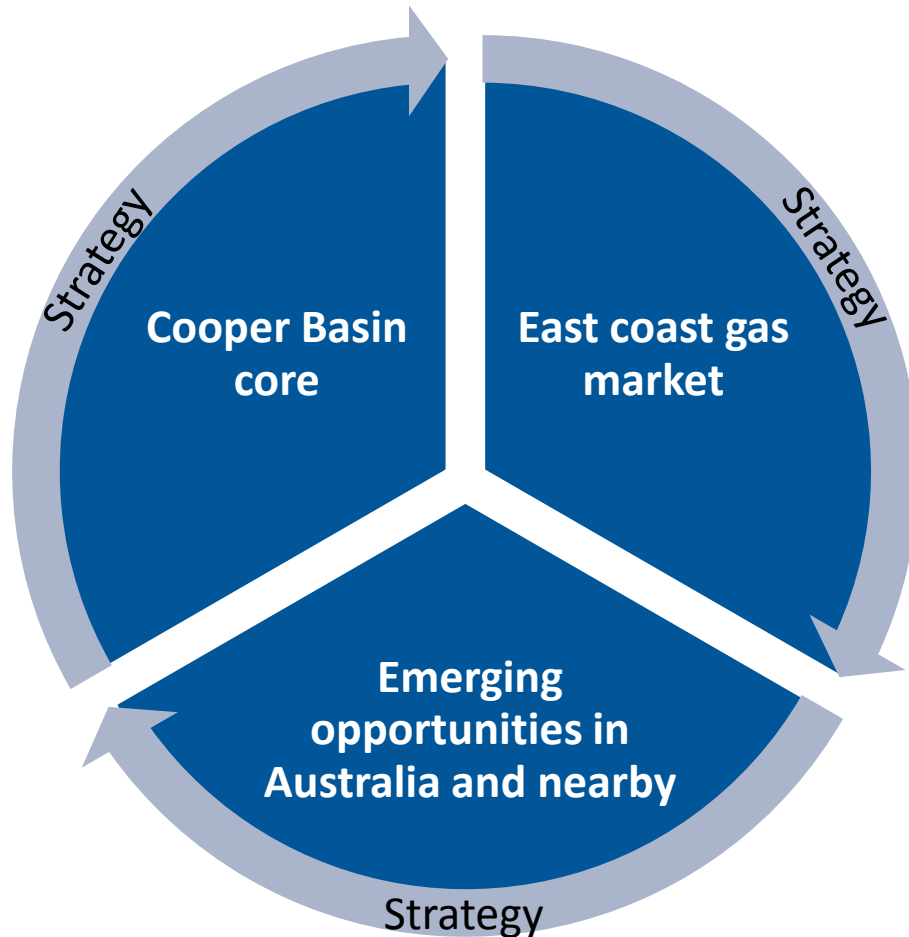
Patchawarra Trough / Deep Coals

- Interests in complementary deep coal programs in the Patchawarra Trough
- Exposure to operated deep coal interests in the southern Cooper Basin (PEL 94 and PEL 95)

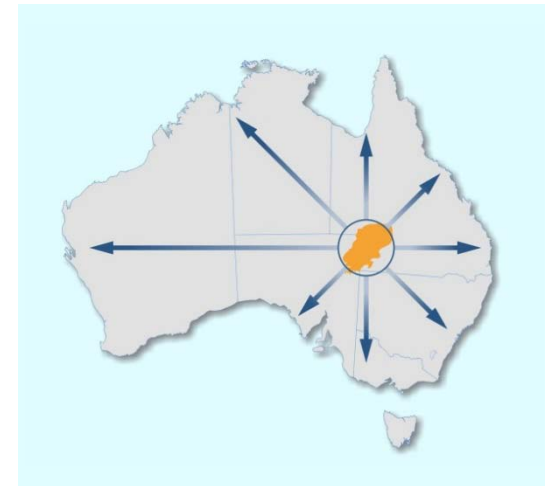
1. Includes PRLs 129 and 130, PPL 239 and PPL 257



Two companies aligned on strategy



Cooper Basin core provides platform to consider the emerging opportunity set created by the weakness in oil prices



Underpinned by similar values and approach, and a history of successful partnership

Merger benefits

Creating the leading ASX-listed oil and gas mid-cap



Primed to pursue growth opportunities

Creating a business based on expertise and a track record of growth
Balance sheet strength allowing new opportunities to be pursued
A clear strategy and the ability to execute



Significant benefits for both sets of shareholders

Both shareholders retain exposure to existing portfolios and gain new opportunities
Potential value accretion for both sets of shareholders as synergies are realised
Greater relevance for investors and potential for improved liquidity, re-rating and dividends



Synergies from two complementary businesses

Strategies aligned around a Cooper focus, East Coast Gas and nearby Australia
Existing shared values and a track record of joint venture success



Australia's largest onshore oil producer

Premier Western Flank position, strong exposure over rest of Cooper Basin
Potential to generate greater efficiencies in the Cooper Basin



Set for East Coast gas market opportunity

4.8 MMboe gas and gas liquids production in FY2015¹
Infrastructure, existing production, new Cooper discoveries plus Otway

Indicative timetable

Event	Date
ASX announcement of scheme	23 October 2015
First Court Date	Early December 2015
Despatch Beach Notice of Meeting to Beach shareholders (if required)	Early December 2015
Despatch Explanatory Booklet to Drillsearch shareholders and lodge with ASX	Mid December 2015
Beach shareholder meeting (if required)	Mid January 2016
Drillsearch shareholder meeting to vote on the scheme	Late January 2016
Second Court Date	Mid February 2016
Scheme Effective Date	Mid February 2016
Beach issues scheme consideration to Drillsearch shareholders	Late February 2016

Compliance statements

Forward Looking Statements

These materials contain forward looking statements. Often, but not always, forward looking statements may be identified by the use of words such as “may”, “will”, “expect”, “intend”, “target”, “anticipate”, “continue”, “guidance” and “outlook”, or similar expressions and may include (without limitation) statements regarding plans, strategies, objectives, anticipated operating or financial performance, including production volumes and costs.

Forward looking statements involve subjective judgments regarding future matters which are subject to known and unknown risks, uncertainties and other factors. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations, general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and development activities, political and social risks, both general and those specific to the oil and gas industry, changes to the regulatory framework in which the company conducts its business, environmental conditions, including extreme weather conditions, recruitment and retention of personnel, industrial relation issues and litigation.

While Beach and Drillsearch consider that there is a reasonable basis for all forward looking statements made, readers are cautioned not to place undue reliance on forward looking statements as actual results may vary materially from projected future results expressed or implied by forward looking statements. The company gives no assurance that assumptions upon which forward looking statements may be based will prove to be correct, or that the company’s business, performance or results will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or beyond the company’s control.

Forward looking statements in these materials speak only as to the date of issue. Subject to any continuing obligations under applicable law, including the rules of relevant securities exchanges, the companies do not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Compliance statements

Beach Competent Persons Statement

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

Drillsearch Reserves and Resources Statement

Unless otherwise stated, references in this presentation to estimates of petroleum reserves and contingent resources are as at 30 June 2015, as contained in Drillsearch's 2015 Reserves and Contingent Resources Statement (Annual R&CR Statement) released to the ASX on 26 August 2015. Drillsearch confirms that it is not aware of any new information or data that materially affects the information included in the Annual R&CR Statement and that all the material assumptions and technical parameters underpinning the estimates in the Annual R&CR Statement continue to apply and have not materially changed.

The 2P reserve and 2C contingent resource estimates on slide 4 are based on, and fairly represent, information and supporting documentation prepared by, or under the supervision of, Neil Thompson who is a member of the American Association of Petroleum Geologists and Sue Hyde who is a member of the Society of Petroleum Engineers, both of whom are full time employees of Drillsearch Energy Limited.

The estimates of petroleum reserves and contingent resources contained in this presentation are as at 30 June 2015. Drillsearch prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS) sponsored by the Society of Petroleum Engineers (SPE). Unless otherwise stated, all references to petroleum reserves and contingent resources quantities in this presentation are Drillsearch's net share. Reserves and contingent resources for the Western Flank Oil Fairway have been estimated probabilistically and aggregated probabilistically to the field level; for all other project areas, reserves and contingent resources have been estimated deterministically and aggregated arithmetically to the field level. For all regions aggregation beyond the field level is arithmetic. As a result the aggregate 1P and 1C figures may be a conservative and the aggregate 3P and 3C figures may be optimistic due to the portfolio effects of arithmetic summation. Reserves replacement ratio (RRR) is calculated as the change in petroleum reserves divided by production in the same period. Conversion factors: Sales gas is converted to equivalent barrels of oil (boe) using a factor of 6,000 cubic feet per barrel of oil equivalent (boe). LPG is converted to equivalent barrels of oil using a factor of 11.5 thousand boe (Mboe) per MMT of LPG. Condensate is converted at 1 MMbbl = 1 MMboe.