



ASX Release

Beach Energy Ltd
ABN: 20 007 617 969
ASX Code: BPT

25 Conyngham Street
GLENSIDE SA 5065

GPO Box 175
ADELAIDE SA 5001

Tel: +61 8 8338 2833
Fax: +61 8 8338 2336

Web:
www.beachenergy.com.au
Email:
info@beachenergy.com.au

For immediate release – 27 April 2016

Ref. #033/16

ASX Ltd
Companies Announcement Office
Electronic Lodgement System

ADDITIONAL MERGER SYNERGIES CONFIRMED – ANNUAL COST SAVINGS OF UP TO \$40 MILLION TO BE FULLY REALISED IN FY17

- **Accelerated closure of the Sydney Drillsearch office increases estimated annual cost savings to \$40 million (pre-tax)**
- **FY16 production guidance increased to 9.5 – 9.8 MMboe (previously 8.0 – 8.6 MMboe)**
- **FY16 capital expenditure guidance maintained at \$180 – \$210 million**

Beach Energy Limited (ASX: BPT, “Beach”) provides the following update in relation to its merger with Drillsearch Energy Limited (“Drillsearch”) (the “Merger”), including FY16 production and capital expenditure guidance.

Merger update

The scheme of arrangement to merge Beach and Drillsearch was implemented on 1 March 2016, resulting in Drillsearch becoming a wholly-owned subsidiary of Beach. As announced on 24 March 2016, the initial stages of integration identified recurring annual cost savings of approximately \$28 million (pre-tax). Due to a further reduction in headcount resulting from the Merger, accelerated closure of the Sydney office, and associated savings in corporate administration costs, additional synergies have been confirmed.

The current assessment of recurring annual cost savings from the Merger is **\$40 million** (pre-tax), which will be fully realised in FY17. These synergies include redundancy of the majority of Sydney-based employment positions, cessation of Drillsearch Board fees, termination of contractors and consultants, elimination of Sydney office administration costs, and redemption of convertible notes. Not included are field and travel related savings expected from cessation of ex PEL 91, 106 and 107 joint venture management, and rent savings from closure of the Sydney office. The Sydney office will close by 30 April 2016 and negotiations are underway to surrender or sub-lease existing arrangements.

Summarised below is the current assessment of Merger synergies, which will be fully realised in FY17.

Estimated Merger synergies ¹	\$ million
Headcount reduction ²	26
Contractors and consultants	4
Office administration costs	3
Financing costs ³	7
Total (annual, pre-tax)	\$40 million

1. Pre-allocation of expenses to joint ventures; excludes one-off integration costs
2. Includes Board members and executives
3. Redemption of US\$125 million Drillsearch convertible notes: 6.0% coupon rate; 2.0% deposit interest foregone; US\$:A\$ exchange rate of 0.74 assumed

Headcount and organisation review

The Merger resulted in duplication of operational and corporate employment positions. Integration has focused on eliminating such duplication, with Sydney-based headcount to be reduced by 60 by 30 April 2016, and a further four positions expected to be made redundant by 31 May 2016.

In conjunction with Merger integration, a review of Beach's organisation structure was completed by a global consulting firm. The review concluded that Beach has been operating with a lean structure and top-quartile staffing metrics. However, changes were recommended to assist with the current environment of lower oil prices and the integration of Drillsearch. These recommendations have subsequently been implemented and resulted in a further reduction in headcount.

It is now expected that headcount will reduce to 213 by 30 June 2016. On a combined basis, this represents a 29% reduction since 30 June 2015, and a 21% reduction directly attributable to the Merger. Expected headcount by 30 June 2016 is summarised below.

Headcount ¹	Beach	Drillsearch	Total
Combined headcount as at 30 June 2015	236	65	301
H1 FY16 reduction			(19)
Merger related redundancies			(64)
Organisation review ²			(5)
Expected headcount by 30 June 2016			213
Reduction since 30 June 2015			29%
Reduction attributable to Merger			21%

1. Includes executives; excludes Board members, contractors and international employees
2. Net of additions in Corporate Development and Gas teams

In relation to Merger integration, Acting Chief Executive Officer, Neil Gibbins, said "Integration of Beach and Drillsearch continues to track ahead of schedule, with Merger synergies exceeding original expectations. The results achieved to date make the combined business a leaner, more robust operation. The Merger has strengthened our ability to weather current market volatility and better positions us to take advantage of a future improvement in conditions.

In addition to pleasing integration outcomes, our operations team continues to achieve outstanding results. As will be outlined in our upcoming quarterly report, we continue to maintain oil production levels from our ex PEL 91 permit, and have implemented cost initiatives which are expected to deliver further savings of up to \$7 million pre-tax annually.”

Production guidance

Production guidance for FY16 has been revised to reflect year-to-date performance and completion of the Merger. Production within the range of **9.5 – 9.8 MMboe** is now expected. The increase from previous guidance of 8.0 – 8.6 MMboe is mainly attributable to:

- Production from Beach permit interests of 6.7 MMboe for the nine month period ended 31 March 2016, which has benefitted from stronger than expected performance from the Bauer, Stunsail and Pennington fields in ex PEL 91;
- Production from former Drillsearch permit interests of 0.3 MMboe for the period 1 March 2016 to 31 March 2016, which has similarly benefited from ex PEL 91 outperformance; and
- Estimated production of 2.5 – 2.8 MMboe for the period 1 April 2016 to 30 June 2016.

Further details relating to year-to-date production will be included in the quarterly report for the period ended 31 March 2016, to be released on 28 April 2016. Production guidance for FY17 will be provided in July 2016.

Capital expenditure guidance

Capital expenditure guidance for FY16 has been reviewed to account for year-to-date expenditure, commitments associated with the enlarged acreage position, and ongoing efforts to minimise or defer expenditure where appropriate. Following this review, capital expenditure is expected to be maintained within the previous guidance range of **\$180 – \$210 million**. This reflects capital expenditure of \$160 million for the nine month period ended 31 March 2016, and estimated Q4 FY16 expenditure of \$20 – \$50 million. Expenditure relating to former Drillsearch permit interests for the period 1 March 2016 to 30 June 2016 is expected to be broadly offset by additional reductions and deferrals identified for H2 FY16. Components of the FY16 capital expenditure program are summarised below.

FY16 Capital Expenditure Guidance (\$ million)	H1 (Actual)	H2 (Estimated)	FY16 (Estimated)
Development expenditure			
Cooper Basin (non-SACB and SWQ JVs)	10	10 – 20	20 – 30
Cooper Basin (SACB and SWQ JVs)	83	35 – 50	115 – 130
Exploration expenditure			
Cooper Basin (non-SACB and SWQ JVs)	15	10 – 15	25 – 30
Cooper Basin (SACB and SWQ JVs)	6	5	10
Other exploration	8	Nom.	10
FY16 capital expenditure guidance	122	60 – 90	180 – 210



Further details relating to year-to-date capital expenditure will be included in the quarterly report for the period ended 31 March 2016, to be released on 28 April 2016.

A detailed review of former Drillsearch permit interests and associated capital commitments is underway, with FY17 capital expenditure guidance to be provided in July 2016. While mindful of the need to preserve financial strength and flexibility during the current period of lower oil prices, the FY17 capital expenditure program will seek to deliver a meaningful drilling campaign with a balanced mix of exploration, appraisal and development activities.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Neil Gibbins", followed by a long horizontal line extending to the right.

Neil Gibbins
Acting Chief Executive Officer

For more information please contact the following on +61 8 8338 2833

Corporate

Neil Gibbins	Acting Chief Executive Officer
--------------	--------------------------------

Investor Relations

Derek Piper	Investor Relations Manager
-------------	----------------------------