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Beach agrees to sell 40% of its Victorian Otway interests to Eyal Ofer’s O.G. Energy for $344 million

Beach and O.G. Energy align to progress the development of the Otway assets to meet East Coast gas demand

Beach Energy Limited (ASX:BPT, ”Beach”) and Eyal Ofer’s O.G. Energy Holdings Ltd. (“O.G. Energy”), a member of the Ofer Global group of companies, announce that they have entered into a binding agreement whereby O.G Energy will acquire 40% of Beach’s Victorian Otway assets for $344 million in cash.

Through their wholly-owned subsidiaries Lattice Energy Limited (“Lattice”) and OGOG (Otway) Pty Ltd (“OGOG”), Beach and O.G. Energy have signed a sale and purchase agreement under which OGOG will acquire a 40% interest in a parcel of Beach’s nearshore and offshore Victorian Otway Basin interests. Beach will remain operator of the assets.

The Otway parcel includes the Otway Gas Plant, existing gas fields Geographe, Thylacine, Halladale, Speculant and Black Watch as well as exploration prospects Enterprise and Artisan. A list of permits and assets divested can be found at the end of this announcement.

Beach CEO Matt Kay said the transaction aligns perfectly with Beach’s previously stated ambitions.

“We are delighted to have O.G. Energy join us in our Victorian Otway assets,” Mr Kay said.

“This transaction introduces a fully-aligned partner to support the rapid exploration and development of our offshore Victorian acreage.

“Securing an excellent development partner for the Otway gas fields is a pivotal step towards creating new supply to Australia’s East Coast gas market.”

Eyal Ofer, Chairman of Ofer Global, said: “Throughout Ofer Global’s history, we have sought out strong partners as we’ve entered new markets. We are therefore delighted to build a strategic partnership with Beach, a major player in one of the key regions we are focusing on.”

“With this acquisition, we have acquired a cornerstone producing asset around which we intend to continue to build the portfolio and grow our presence in Australia and the region. We are excited at what the future holds.

“We look forward to working together with the Beach team both on this project and many other opportunities in the years to come.”
Mr Kay added: “As we’ve previously stated, we intended to sell down our interest and will be applying the sales proceeds to reduce debt and fund a portion of our future capital expenditure program. It will also reduce Beach’s share of future expenditure in the Victorian Otway Basin.”

Mr Kay said Beach’s plans for the Victorian Otway were unchanged and its work program would be unaffected in the lead up to the completion of this deal.

“We will commence our investment program with the drilling of the Black Watch gas development well in late FY19, followed by the Enterprise-1 exploration well in FY20,” Mr Kay said.

“Both wells will be drilled from an onshore location using extended reach drilling technology. In FY20 our focus turns to offshore drilling, with plans to drill seven wells including the Artisan-1 exploration well.

“Our plan is to bring more gas supplies into the east coast gas market, achieved by keeping the 205 TJ/d Otway Gas Plant as full as possible, prioritising the development of the lowest unit technical cost gas first.”

The sale will be effective from 1 July 2018 and completion is subject to customary conditions, including FIRB approval. Completion conditions are expected to be met by the end of Q3 FY19. Upon completion, four new joint ventures will be formed, called the Otway, HBWS, Enterprise and Artisan joint ventures. In each joint venture Beach (or its wholly owned subsidiaries) will hold a 60% interest and remain as operator, whilst OGOG will hold 40%.

Interests involved in the sale process:

- The Otway gas plant and all associated infrastructure and pipelines,
- VIC/L1(V) permit, covering the Halladale, Speculant and undeveloped Black Watch gas and liquids fields,
- T/L2 and T/L3 permits, covering the Thylacine gas and liquids field,
- VIC/L23 permit covering the Geographe gas and liquids field,
- VIC/P42(V) permit covering the nearshore Enterprise exploration prospect,
- VIC/P43 permit covering the offshore Artisan exploration prospect, and
- Assignment of interests in Beach’s gas and liquids sale agreements, where possible.

About Ofer Global

Ofer Global is a private portfolio of international businesses – founded and chaired by Eyal Ofer – principally focused on shipping, real estate, energy, technology, banking and investments. Its business interests span Europe, North America, Australasia, the Near East and Asia. More information on Ofer Global can be found at www.oferglobal.com.

O.G. Energy is the energy division of Ofer Global. O.G. Energy’s oil and gas division, O.G. Oil & Gas, holds the groups’ exploration and production interests, which are held through both direct participations, like the planned Otway joint venture, as well as through strategic shareholdings. O.G. Oil & Gas has a strategic shareholding in New Zealand Oil & Gas Limited (NZOG), which is a current partner of Beach in the Kupe project in New Zealand as well as in exploration assets in the Canterbury Basin since 2013.
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