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## ASX release

3 May 2018

Ref: #029/18

## Investor presentation

For information, attached is Beach Energy's latest investor presentation slide deck. Also available from the Beach Energy website.

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BEACH ENERGY LIMITED

# MACQUARIE AUSTRALIA CONFERENCE



## Disclaimer

This presentation contains forward looking statements that are subject to risk factors associated with oil, gas and related businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

EBITDA (earnings before interest, tax, depreciation, amortisation, evaluation and impairment adjustments) and underlying profit are non-IFRS measures that are presented to provide an understanding of the performance of Beach's operations. They have not been subject to audit or review by Beach's external auditors but have been extracted from audited or reviewed financial statements. Underlying profit excludes the impacts of asset disposals and impairments, as well as items that are subject to significant variability from one period to the next. The non-IFRS financial information is unaudited however the numbers have been extracted from the audited or reviewed financial statements.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated. References to "Beach" may be references to Beach Energy Limited or its applicable subsidiaries. Unless otherwise noted, all references to reserves and resources figures are as at 30 June 2017 and represent Beach's share.

Certain FY18 planned activities are subject to joint venture approvals. References to planned activities beyond FY18 are subject to finalisation of work programs, joint venture approvals and Board approvals.

The financial results of Lattice Energy Ltd "Lattice" for the first half of FY18 have not been consolidated within the accounts of Beach. Any financial information in this presentation relating to Lattice is provided for information purposes only and should not be relied upon. Any such financial information is preliminary and subject to review and audit.

## Competent Persons Statement

Beach prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers.

All estimates of petroleum reserves and contingent resources reported by Beach are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator. To ensure the integrity and reliability of data used in the reserves estimation process, the raw data is reviewed and quality controlled by senior professional production, reservoir, petrophysical and geological staff at Beach. During each petroleum reserves review, this data is updated, analysed and checked against the previous year's data.

Petroleum reserves and contingent resources are aggregated by arithmetic summation by category and as a result the 1P reserves estimates may be conservative and 3P estimates optimistic due to the portfolio effects of arithmetic summation. Petroleum reserves and contingent resources have been prepared using a combination of deterministic and probabilistic methods. Petroleum reserves replacement ratio is the ratio of the change in petroleum reserves (excluding production and divestments/acquisitions) divided by the last year's annual production.

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 (Manager Gas Development). Mr Lake is an employee of Beach Energy Ltd and has a BE (Mech) degree from the University of Adelaide and is a member of the Society of Petroleum Engineers. 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.

Beach engaged the services of RISC Advisory to independently audit Beach's petroleum reserves estimates prior to Beach reporting any updated estimates. RISC Advisory provided their prior written consent to being named in the reserves announcement. Beach reviews and updates its oil and gas reserves position on an annual basis and reports the updated estimates as at 30 June each year. The estimates of petroleum reserves and contingent resources contained in the reserves statement are as at 30 June 2017.

Conversion factors used to evaluate oil equivalent quantities are sales gas and ethane: 5.816 TJ per kboe, LPG: 1.389 bbl per boe, condensate: 1.069 bbl per boe and oil: 1 bbl per boe. The reference point for reserves determination is the custody transfer point for the products. Reserves are stated net of fuel and third party royalties.

# An active and historic third quarter<sup>1</sup>

*Continued focus on value maximisation*



## Beach transformed

- Seamless transition of ownership. Beach now a diversified, multi-basin producer with scale.
- Q3 production of 6.6 MMboe (+150%), sales volumes of 6.8 MMboe (+143%) and sales revenue of \$393 million (+89%).

## Cost discipline is a focus

- Low cost operator model sustained cash flow breakeven at a world-class US\$17/bbl for H1 FY18.
- On track for synergy target of \$50 million per annum by FY19.

## Guidance updated

- Pro forma<sup>2</sup> production guidance tightened to 26.0 – 27.0 MMboe (previously 25.5 – 27.6 MMboe).
- Pro forma<sup>2</sup> capital expenditure guidance reduced and tightened to \$370 – 400 million (previously \$405 – 455 million).

1. FY18 results consolidate Lattice and Benaris assets from 1 January 2018. Toyota Tsusho Transaction is pending and therefore results do not include Toyota Tsusho's interests (refer to ASX Release #098/17 dated 21 December 2017).  
2. Pro forma indicates 12 months of FY18 Beach legacy production/capex plus 12 months of FY18 Lattice legacy production/capex.

## Strong cash generation; gearing below target

- \$133 million free cash generated in Q3 FY18. Net gearing reduced to 29% at 31 March 2018 (original estimate of 35%).
- \$197 million cash reserves and \$647 million liquidity.

## Cooper Basin continues to deliver

- 75 wells drilled YTD FY18 at a success rate of 85%.
- Supports target of maintaining Cooper Basin production in FY19 and FY20.

## Development and farm down plans underway

- Development plans at Otway and Perth Basins in progress.
- Farm down of Otway Basin progressing.
- Updates to be provided with FY19 guidance.

# Lattice acquisition is uniquely aligned with Beach's strategy

*Diverse and multiple growth options*



~70% of production operated

1.

OPTIMISE  
COOPER  
BASIN  
CORE



- ✓ Increased Cooper Basin JV ownership interests
- ✓ Increased production and reserves
- ✓ Increased benefit from ongoing cost saving initiatives

3.

GROW EAST  
COAST GAS  
BUSINESS



- ✓ Operatorship of Otway and Bass basins
- ✓ Supply ~15% of east coast domestic gas demand
- ✓ Expanded development and exploration opportunity set



Otway gas plant

2.

MAINTAIN  
FINANCIAL  
STRENGTH



- ✓ Improved free cash flow generation expected
- ✓ Mitigated downside risk from new long-term GSAs
- ✓ Rapid Balance Sheet deleveraging expected

4.

EXPAND  
BEYOND  
COOPER  
BASIN



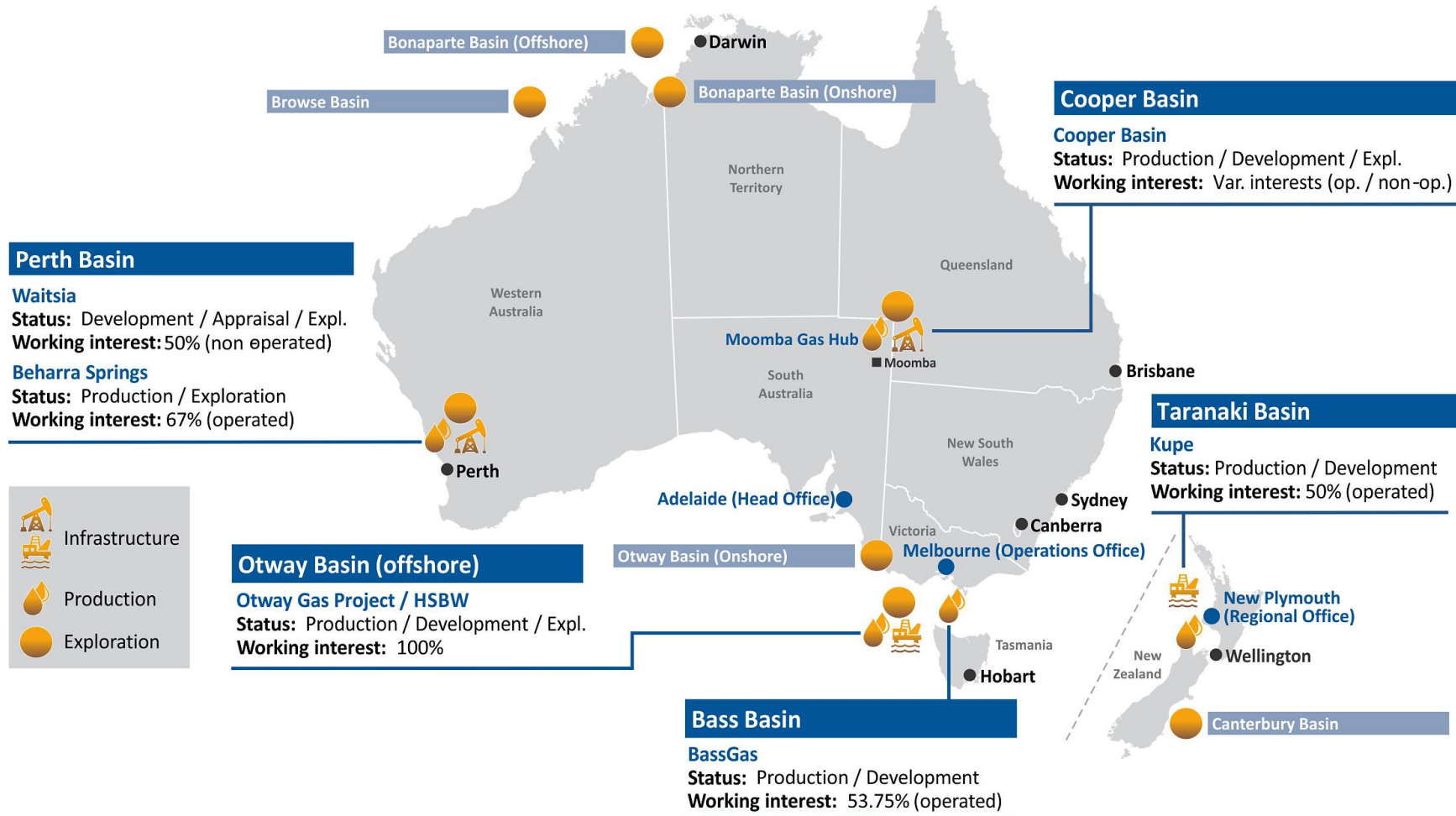
- ✓ Five producing basins (including Cooper Basin)
- ✓ Significant gas processing infrastructure
- ✓ Offshore operating capability



Thylacine well head platform

# Asset portfolio

Expanded footprint with five production hubs and significant gas processing infrastructure



\* Working interest in Otway and Bass basins assumes completion of the acquisition of ownership interests from Toyota Tsusho (refer to ASX Release #098/17 dated 21 December 2017).

# Clear objectives to drive shareholder returns

*Enhanced opportunity set across asset portfolio*



## Key Objectives

- Achieve best in class HSE performance
- Optimise production and cash generation
- Execute E&D program to deliver new production at the lowest cost per barrel
- Divest ~30% of Otway Gas Project to a strategic joint venture partner
- Target annual pre-tax synergies of \$50 million by end FY19, including \$15 million operating cost efficiencies
- Reduce net gearing to less than 20% by end FY19<sup>1</sup>
- Increase realised gas prices through GSA re-contracting and market re-sets

## Production outlook

**Optimised, lowest operating cost production from existing producing basins**

Cooper, Otway, Bass, Perth, Taranaki basins



**Phased developments to sustain production**

Otway extended reach, Otway offshore, Penola Trough, Perth Basin, Kupe



**Low risk exploration**

Enterprise, Artisan, Beharra Springs Deep exploration wells

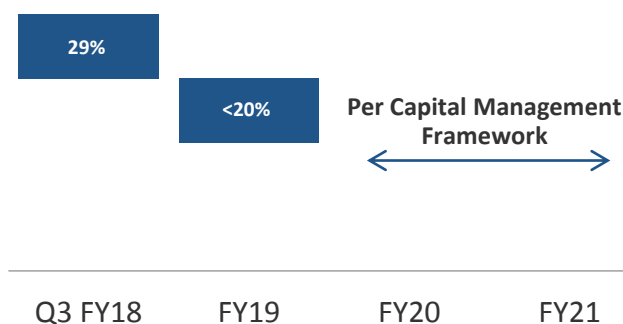


**High impact exploration**

Ironbark, New Zealand, Bonaparte

## Debt reduction

Net Gearing<sup>1</sup>

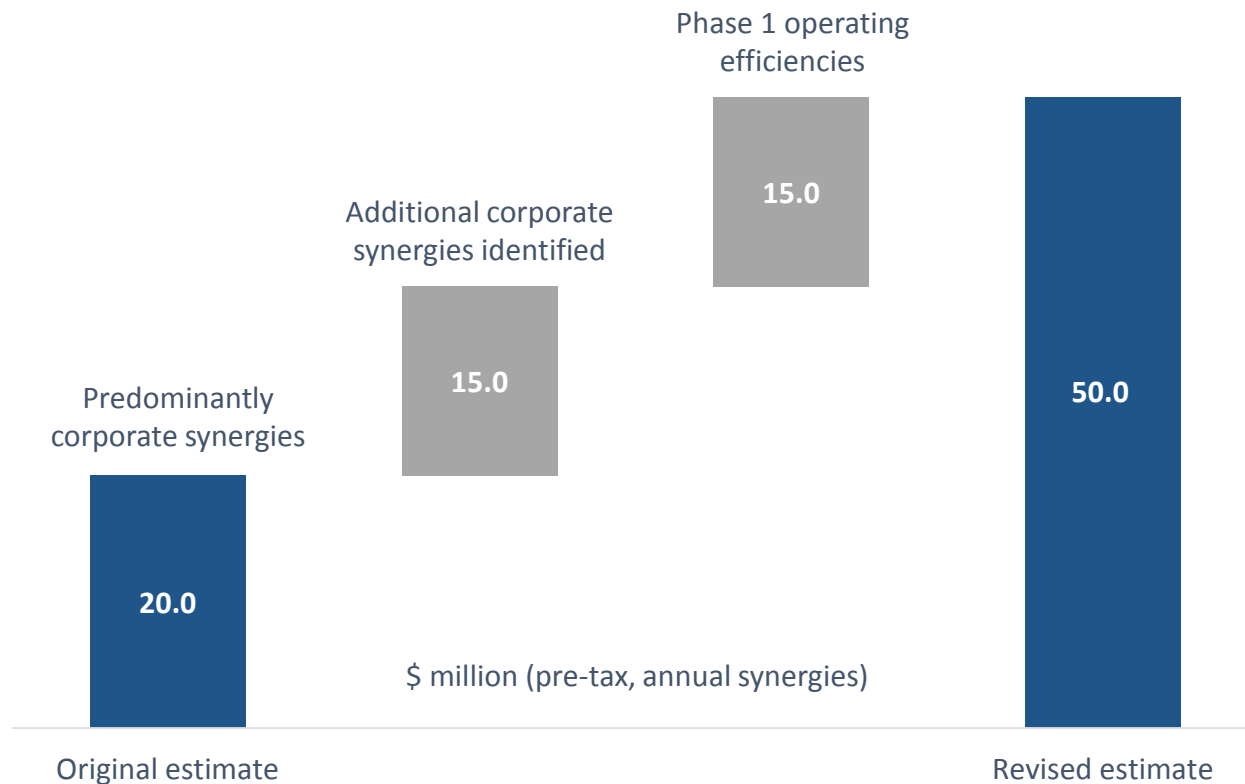


- Highly cash generative asset portfolio
- Synergies and operating efficiencies to accelerate debt repayment
- Beach cost discipline to underpin asset returns

1. Net gearing calculation is net debt / (net debt + book equity); targets are pre-divestment proceeds.

# On track to meet synergy target of \$50 million per annum

Targeting to be on run rate by end of FY19



- **Synergy estimate of at least \$50 million per annum (pre-tax)**
  - Targeting to be on run rate by end of FY19
- **Additional corporate synergies identified**
  - Lower headcount requirements
  - Reduced overheads
  - Low cost Beach operating model
- **Beach operating expertise and cost discipline to drive Phase 1 operating efficiencies**
  - Efficient operating and maintenance activities
  - Tender processes and purchasing practices
  - Economies of scale



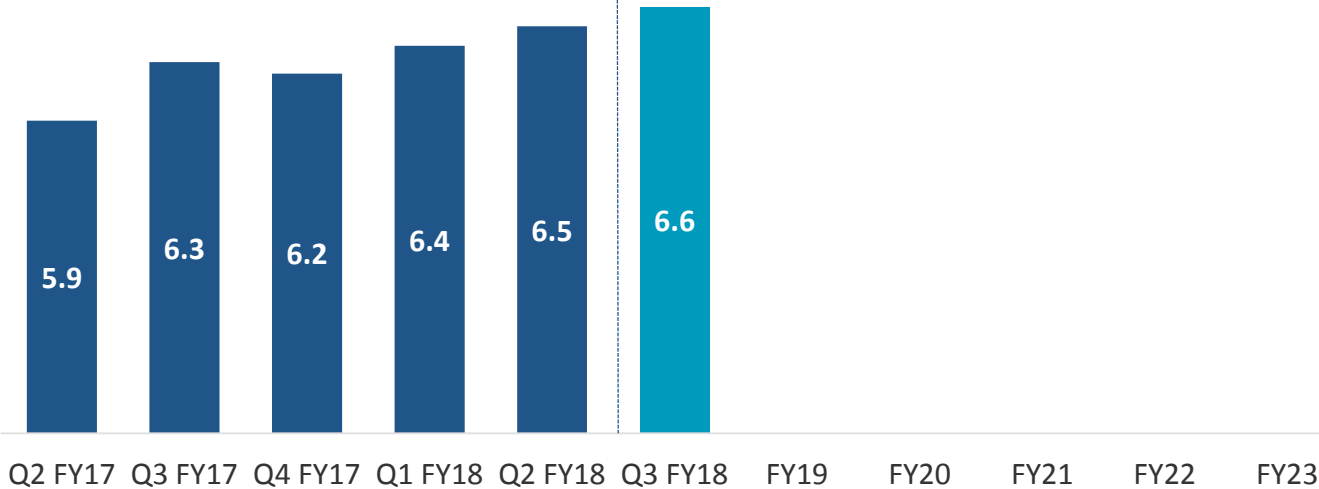
# Gas pricing

Market fundamentals and GSA terms support ongoing price increases



- **Recent commercial negotiations delivering revenue uplifts at legacy Beach**

- Origin oil-linked historical GSA
- Adelaide Brighton / Alinta GSAs
- Cooper Basin JV gas processing



- **Attractive price and structure for new Lattice east coast gas contracts...**

- Above Beach last 12 month average realised price
- Annual step-ups and CPI adjustments
- Market price re-sets every 3-4 years

- **... with further exposure to the east coast market...**

- ~33% of current east coast volumes subject to re-pricing / re-contracting by 2020, ~78% by 2021

- **...where strong demand is reflected in current pricing dynamics**

- Current spot price ~\$8.00/GJ
- Term market trending to LNG net-back price

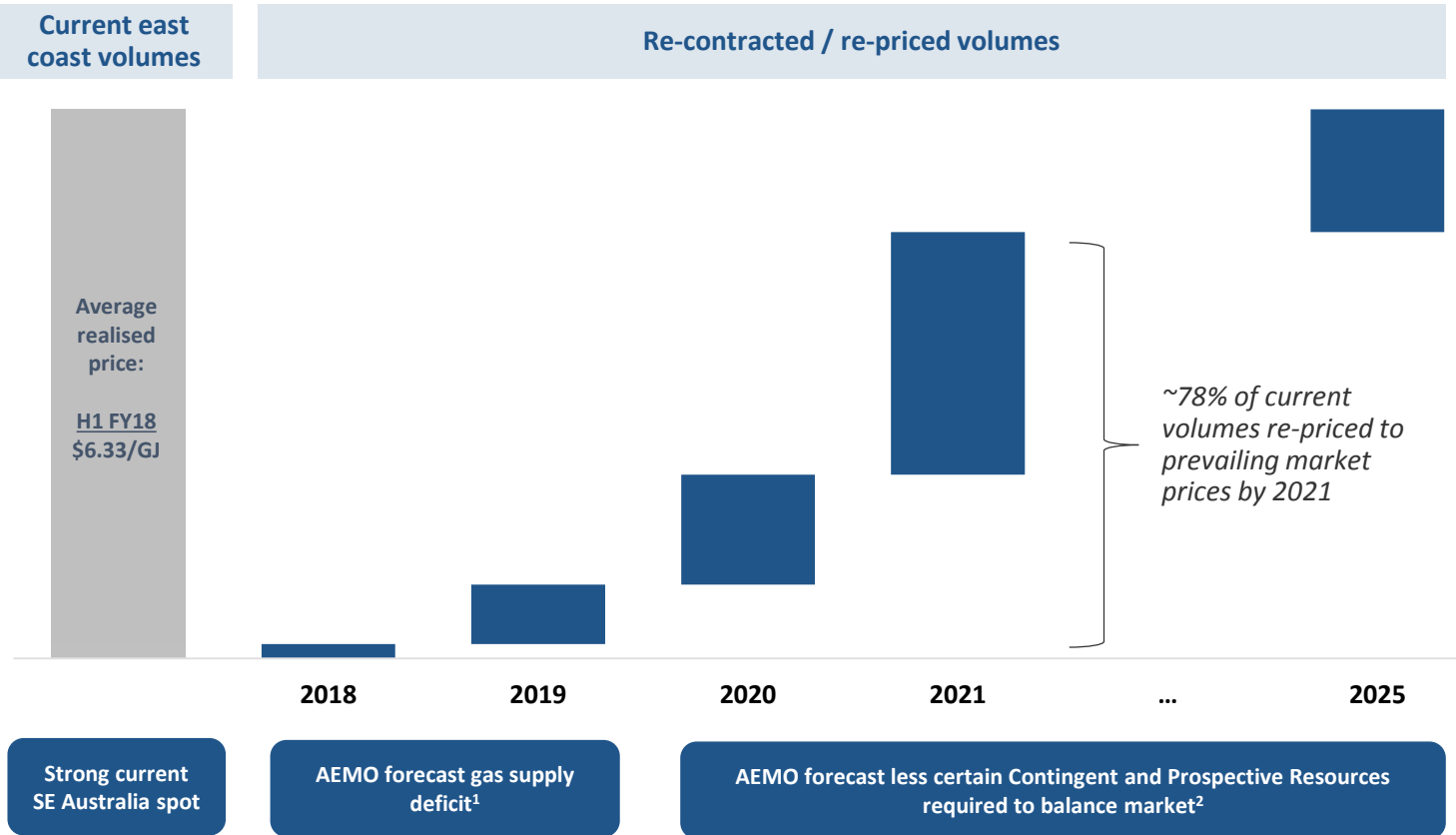
- **Potential Western Australia gas supply shortages coinciding with Waitsia development**

- **Beach well positioned in New Zealand gas market**

Q3 FY18 average realised gas and ethane pricing of \$6.62/GJ across entire, expanded gas portfolio

# Eastern Australia

GSA's provide ongoing exposure to an attractive long-term pricing outlook



- Majority of existing east coast volumes re-priced or re-contracted by end 2021
- Annual step-ups and CPI adjustments of Lattice contracts continue upward price trend in the meantime
- Existing Beach oil-linked GSA exposed to oil price upside until re-contracted in 2025
- Otway development opportunities and Middleton expansion well placed to supply tightening market

Supportive near-term and long-term market fundamentals

>50% of H1 FY18 pro forma revenue derived from liquids. US\$10 oil price increase → +\$70 million operating cash flow

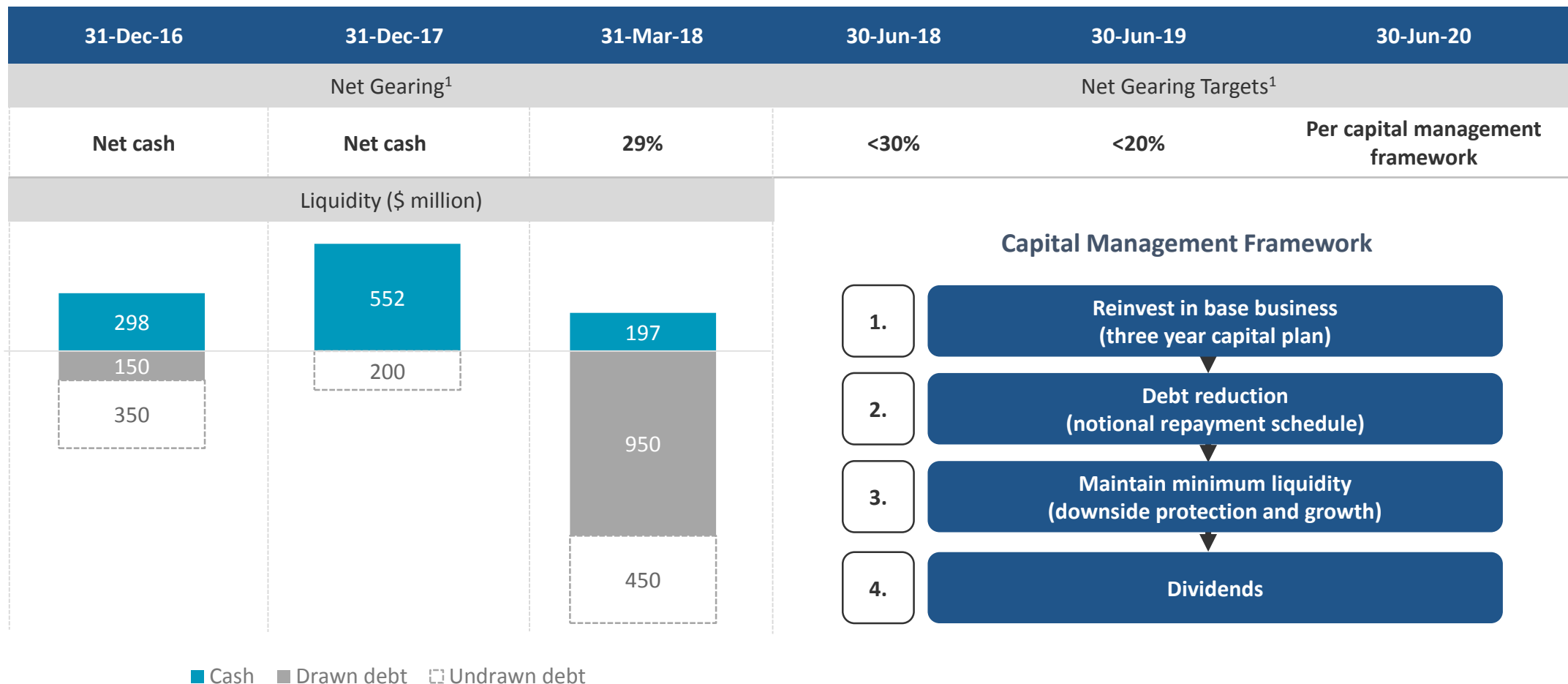
1. Source: Update to Gas Statement of Opportunities, AEMO – September 2017

2. Source: Gas Statement of Opportunities for Eastern & South Eastern Australia, AEMO – March 2017

Chart data is illustrative only and based on current Beach (including Lattice) supply contracts. The chart illustrates future re-pricing and re-contracting volumes relative to existing supply contracts – it is not based on a supply forecast taking into account future changes to production. Includes supply to Australian customers only, excluding Western Australia.

# Robust financial position

Capital management to prioritise re-investment, debt repayment and dividends



Net gearing reduced to 29% at 31 March 2018 (original estimate of 35%). Available liquidity of \$647 million.

1. Net gearing calculation is net debt / (net debt + book equity); targets are pre-divestment proceeds.



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## OPERATIONS & DEVELOPMENT

# Strong drilling success being achieved in FY18<sup>1</sup>

*Increasing focus on horizontal wells*



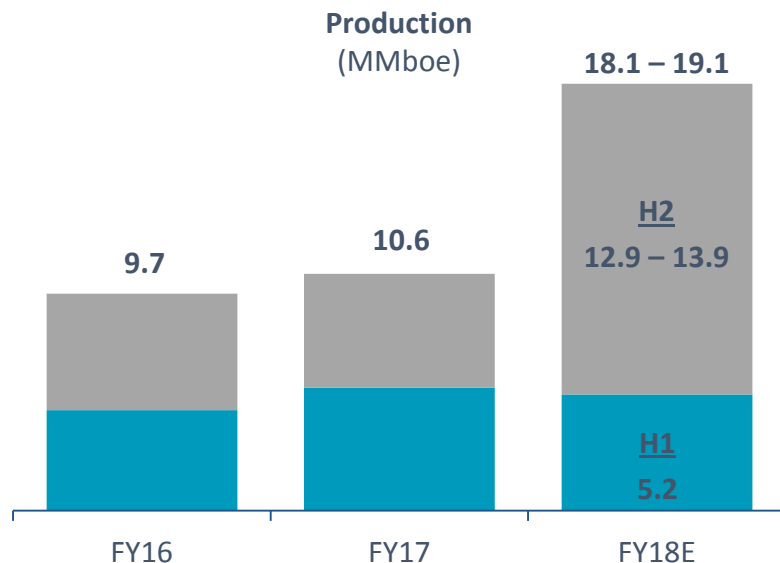
- **Strong drilling performance continued in Q3 with 27 wells drilled at an 89% success rate**
  - Brings YTD performance to 75 wells drilled at a success rate of 85%.
- **Q3 drilling highlights:**
  - Stunsail field development drilling included two horizontal wells. Stunsail-6, first Birkhead Formation, horizontal development well on the Western Flank and Stunsail-7 (McKinlay Member).
  - Horizontal development well, Growler-15, was successfully drilled and brought online as a Birkhead Formation producer.
- **Successful horizontal development wells at Stunsail-6 and-7 and Growler-15 support increased focus on future horizontal well opportunities.**
- **Second phase of Beach’s FY18 operated gas exploration campaign commenced in March**

Drilling Results				
Basin	Category	Wells	Successes	Success Rate
Cooper / Eromanga	Oil – Exploration	6	3	50%
	Oil – Appraisal	13	11	85%
	Oil – Development	21	20	95%
	Gas – Exploration	10	7	70%
	Gas – Appraisal	9	7	78%
	Gas – Development	15	15	100%
Otway	Gas – Exploration	1	1	100%
<b>Total Wells</b>		<b>75</b>	<b>64</b>	<b>85%</b>
All Exploration Wells		17	11	65%
All Appraisal Wells		22	18	82%
All Development Wells		36	35	97%

1. FY18 results consolidate Lattice and Benaris assets from 1 January 2018. Toyota Tsusho Transaction is pending and therefore results do not include Toyota Tsusho’s interests (refer to ASX Release #098/17 dated 21 December 2017).

# Production and development<sup>1</sup>

Successful field development activity improves full-year production outlook



Total production	March Q3 FY17	December Q2 FY17	March Q3 FY18	Change	YTD
Total oil (kbbl)	1,349	1,331	1,543	16%	4,190
Sales gas and ethane (PJ)	5.5	6.1	23.7	291%	35.5
LPG (kt)	12.7	15.6	57.2	267%	87.8
Condensate (kbbl)	109	131	506	285%	761
Total gas and gas liquids (kboe)	1,161	1,296	5,032	288%	7,565
Total production (kboe)	2,509	2,627	6,575	150%	11,755
Total production (PJe)	14.6	15.3	38.2	150%	68.4

Third quarter highlights	
Artificial lift in Western Flank	<ul style="list-style-type: none"> <li>20% increase in oil production in ex PEL 91 after seven artificial lifts brought on line during Q2 and Q3 FY18.</li> </ul>
Middleton gas facility	<ul style="list-style-type: none"> <li>6% increase in total ex PEL 106 production achieved.</li> <li>Stage 1 expansion to 40 MMscfd on track to complete in FY18.</li> </ul>
Wireline campaign at BassGas	<ul style="list-style-type: none"> <li>Wireline work was completed ahead of schedule at the Yolla Field and saw a solid production uplift late in the quarter.</li> </ul>

## Capital expenditure guidance

- Reduced and tightened FY18 pro forma<sup>2</sup> capital expenditure guidance to \$370 - 400 million (previously \$405 - 455 million)
- Deferral of non-core, maintenance capital expenditure on the offshore asset portfolio
- Value-based deferral of long lead items for the offshore Otway Basin
- Continued drilling and other efficiencies in the Cooper Basin with some projects moving to FY19

1. FY18 results consolidate Lattice and Benaris assets from 1 January 2018. Toyota Tsusho Transaction is pending and therefore results do not include Toyota Tsusho's interests (refer to ASX Release #098/17 dated 21 December 2017).

2. Pro forma indicates 12 months of FY18 Beach legacy production/capex plus 12 months of FY18 Lattice legacy production/capex.

# Defined pathway to sustain and optimise production



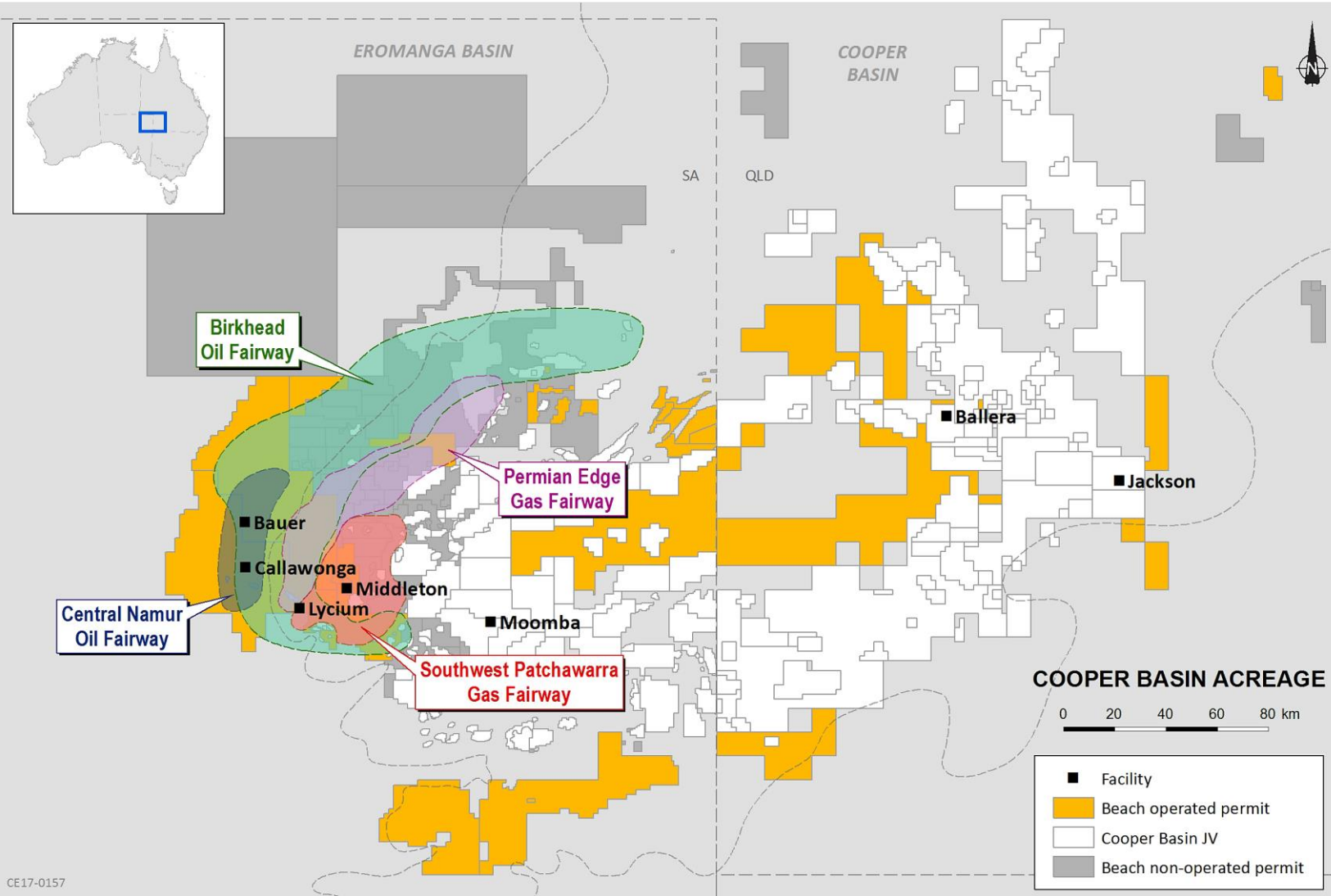
Multiple development and exploration projects to optimise production and cash flow



Note: Future plans subject to change and require joint venture and Board approvals.

# Cooper Basin capital program

Multi-year capital program to sustain production over the longer term



CE17-0157

## Key Objectives: Western Flank Oil

- Focus on core play fairway exploration and development (Brikhead, Namur, McKinlay)
- Full field appraisal and development plans to maximise recoveries and accelerate production
- Horizontal oil drilling to optimise recoveries from Birkhead and McKinlay formations
- Up to 17 wells in FY18

## Key objectives: Western Flank Gas

- Focus on core play fairway exploration (Southwest Patchawarra and Permian Edge)
- Complete Middleton Phase 1 expansion to 40 MMscfd
- Middleton Phase 2 expansion to 50 MMscfd under consideration
- Up to 11 exploration wells in FY18

## Key objectives: Cooper Basin JV

- Three-rig oil and gas drilling campaigns
- Focus on horizontal oil drilling and liquids-rich gas prospects in FY18
- Participation in up to 64 wells in FY18
- Operator targeting flat production for next decade



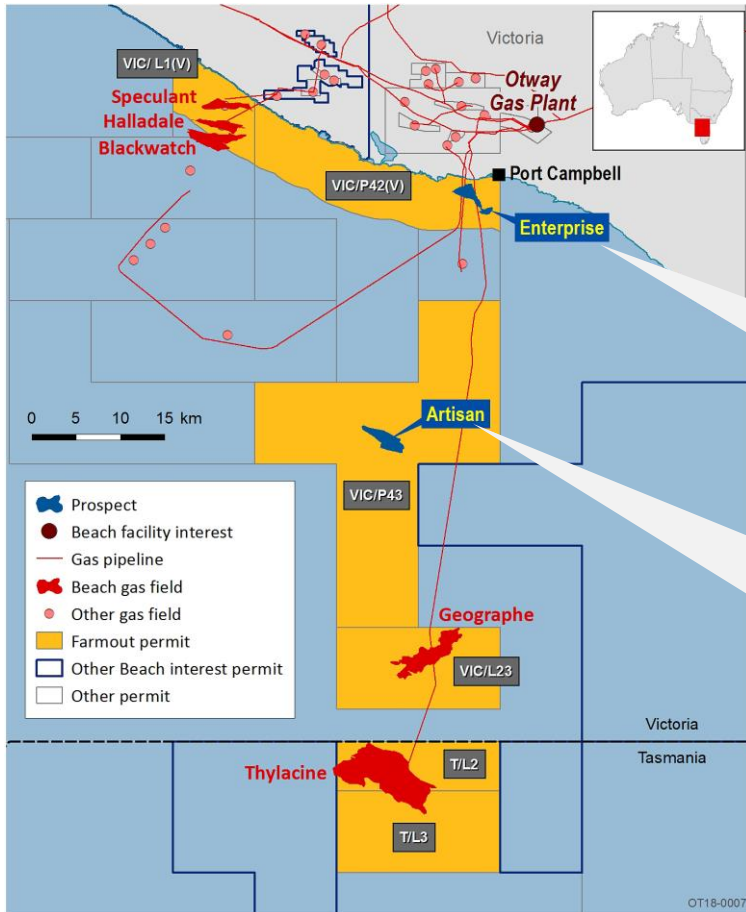
# Otway Gas Project

Low cost development with high graded exploration potential



## Objectives

- Acquire 100% of acreage and infrastructure to allow alignment across the project with new strategic joint venture partner
- Nearshore drilling campaign first to access lowest operating cost gas
- Follow-on offshore exploration and in-field development drilling



## Otway Basin Development Planning

### Planning

- Incorporate new seismic
- High grade exploration portfolio
- Optimise development plan
- Seek partner

### Low cost deliverability

- Nearshore and offshore
- Lowest technical cost

### High graded exploration targets

- Enterprise near-shore drill
- Extended reach onshore-offshore
- Connection back to onshore plant
- Artisan offshore exploration drill

### Offshore campaign

- Development drilling campaign
- Artisan
- Thylacine development
- Subsurface tie-backs

### Artisan Prospect

- Offshore, 4-way trap
- Direct Hydrocarbon Indicators suggest low risk prospect
- Adjacent to existing infrastructure allowing rapid commercialisation of success

### Enterprise Prospect

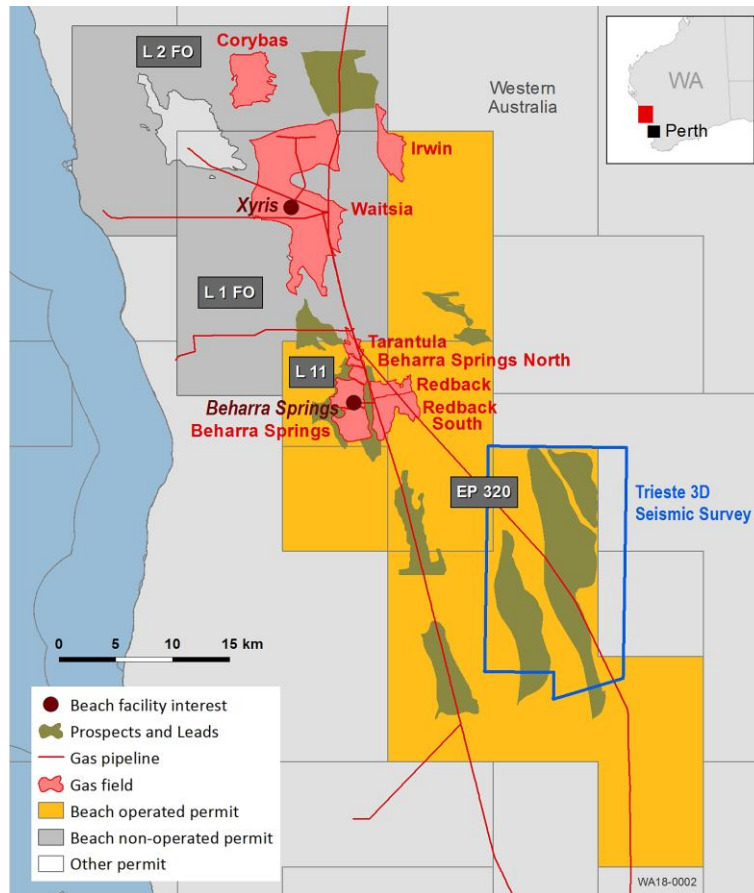
- Nearshore, 3-way trap
- Direct Hydrocarbon Indicators suggest low risk prospect
- On trend with additional exploration opportunities

# Perth Basin: Operatorship capability and portfolio depth

Long standing, experienced operator with majority position in growth exploration acreage



## Waitsia and Beharra Springs



Beharra Springs: Beach 67% and operator, AWE Ltd 33%;  
Waitsia: Beach 50%, AWE Ltd 50% and operator

### Beharra Springs

- Long standing operator of Beharra Springs plant with extensive engineering and operational experience
- Beach actively generating a basin wide development plan incorporating Waitsia, Beharra Springs and adjacent exploration potential

### Waitsia

- 50% equity in the Waitsia gas project
- Excellent first half FY18 appraisal results
  - Significant thickening and improved reservoir quality of the Kingia target
  - Substantial 2P developed and undeveloped reserves upgrade by the operator to 820 PJ<sup>1</sup>
  - Excellent deliverability results; rates of 39, 50 and 90 MMscfd announced by the operator<sup>2</sup>
- Results favour larger plant design, well in excess of current 100 TJ/d designs
- 67% equity and operator in L11 and EP320 with prospects at multiple horizons
- 3D seismic program in FY19 to high-grade prospects

1. See ASX Announcement from AWE Ltd (ASX: AWE) dated 19 December 2017.  
2. See ASX Announcements from AWE Ltd (ASX: AWE) dated 22 November 2017, 10 November 2017 and 23 October 2017.



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