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ASX Announcement/Media release

Beach Energy FY19 Full Year Results

Reference #026/19	Date 19 August 2019

Strong FY19 sets the platform for FY20

- Production 29.4 MMboe, +55% vs FY18
- 85% drilling success rate in Beach-operated wells
- 204% organic 2P reserves replacement[1], 2P reserves life increased to >12 years[2]

Outstanding HSE Performance

- Our safest year on record, our best environmental performance on record, our best process safety performance on record

Financial strength

- Underlying EBITDA $1,375 million, +80% vs FY18
- Underlying NPAT $560 million, +86% vs FY18
- ROCE 27%[3] up from 19% in FY18

Financial discipline

- Net cash position at 30 June 2019, achieved 2 years ahead of initial expectations
- $60 million synergy target met, $30 million operating cost reduction target on track
- Final dividend 1.0 cps

Accelerated investment begins in FY20

- 194 wells targeted with focus on Cooper Basin and Otway Basin (+45% vs FY19)
- 90% of growth projects commencing in FY20 deliver IRRs > 50%
- FY20 investment expenditure guidance $750 – $850 million
- FY20 production guidance 27 – 29 MMboe

Driving improved 5 year outlook

- 5 year production target increased to 34 – 40 MMboe (Prior: 30 – 36 MMboe)
- 5 year free cash flow target increased to $2.7 billion, over $1 billion FCF in FY24
- Additional $1.5 billion of value accretive investment opportunities identified

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(1), (2) Refer to the additional reserves disclosure on page 4.

Underlying NPAT up 86 per cent to a record $560 million as Beach accelerates investment and lifts five-year outlook

Beach Energy has today released its FY19 Full Year results, in which underlying NPAT was up 86 per cent to a company-record $560 million.

The company also recorded its highest ever free cash flow of $559 million, while underlying EBITDA was up 80 per cent to a record $1.375 billion – well above initial guidance of $1.1–1.2 billion.

Beach Energy Managing Director Matt Kay said the results capped off a substantial year for the company as it also achieved record production of 29.4 MMboe, reached a net cash position two years ahead of schedule and delivered its best safety and environmental performance on record.

"To say that I am proud of what the Beach team has achieved would be a gross understatement. We have delivered on every promise we made at last year's investor briefing and the focus is now about investing in the company's high value growth assets," Mr Kay said.

"We have placed ourselves in a strong financial position that allows us to accelerate investment in our expanded growth portfolio as we continue our focus to deliver best-in-class returns for investment.

"I am particularly proud that we recorded our safest and best environmental performance on record – a testament to everyone in our business who all constantly strive for improvement."

Mr Kay also outlined an updated five-year production outlook to which has been increased to 34 - 40 MMboe (up from 30 – 36 MMboe), and projected cumulative free cash flow of $2.7 billion over the next five years.

"The Beach, focussed approach continues to generate value and reveal exciting new investment potential, demonstrated by a 204% organic 2P reserves replacement ratio we achieved in FY19. Our 85% drilling success rate provides confidence to increase investment.

"Our accelerated investment campaign will see approximately $1.5 billion of additional investment over five years, starting in FY20 where 90 per cent of our growth expenditure is projected to generate greater than 50 per cent rates of return," Mr Kay said.

"This means the drill-bit will see even more activity with participation in up to 196 wells, up from 134 in FY19 and utilising 10 rigs, up from 5. In particular, we'll be investing up to $200 million in Western Flank oil, with up to 16 horizontal wells and further appraisal of the high producing Bauer field.

"Our Victorian Otway Basin campaign will get underway in FY20 with the Black Watch onshore-to-offshore well, the first of as many as 10 drilling opportunities in the next few years ensuring continued supply to the Otway Gas Plant.

"In the Perth basin we will drill the Beharra Springs Deep-1 exploration well, commence construction of Waitsia Stage 1 expansion and target FID on Waitsia Gas Project Stage 2.

"As we move into the next phase of our growth story the focus remains the same – we will continue to execute our strategy, take a targeted and disciplined approach and deliver on our promises and driving best-in-class returns for our investors."

FY20 guidance

The following table summarises our FY20 guidance:

Item	FY20 guidance
Production	27 - 29 MMboe
Capital Expenditure	$750 – 850 million
Underlying EBITDA	$1.25 - $1.40 billion
DD&A	$17-18 / boe

Reserves and contingent resources

The following table is a summary of reserves at 30 June 2019 (developed plus undeveloped, net to Beach):

MMboe	FY18	FY19	Change
1P reserves	190	**201**	**+6%**
2P reserves	313	**326**	**+4%**
3P reserves	491	**514**	**+5%**
2C contingent resources	207	**185**	**(11%)**

- Beach ended FY19 with 2P oil and gas reserves of 326 MMboe
- 2P reserves increased by 13 MMboe from the prior year, resulting in a 204% organic reserves replacement ratio, well ahead of 100% five year average target
- 2P reserves life increased from 11.0 years to 12.4 years
- Western Flank oil and gas had total 2P reserves revision of 22 MMboe (309% reserves replacement ratio) resulting from exploration and appraisal success, reclassification of 2C contingent resources to 2P reserves and reservoir performance.
- 27 MMboe of Otway Basin 2P reserves were divested via the Otway sale, this was partially offset by 8 MMboe for the La Bella acquisition and 14 MMboe of other revisions as a result of updated reservoir modelling and field development planning (all 2P developed and undeveloped).
- 2C contingent resources reduced by 22 MMboe to 185 MMboe, with the majority of the change due to migration to 2P reserves.

Footnotes

1. FY19 organic 2P reserves replacement ratio calculated as 2P reserves additions, excluding acquisitions and divestments, of 60 MMboe divided by FY19 reported production of 29.4 Mmboe.
2. FY19 2P reserves life calculated as 326 MMboe 2P reserves, divided by FY19 Pro Forma production of 26.2 MMboe, which adjusts reported production to reflect Victorian Otway assets at 60% for the entire FY19.
3. Return on capital employed (ROCE) is defined as underlying net profit after tax (underlying NPAT) divided by the average of opening total equity and closing total equity.

Disclaimer

This release 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.

Underlying results in this release are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. The information has been extracted from the audited 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 2019 and represent Beach's share.

References to planned activities in FY20 and beyond FY20 may be subject to finalisation of work programs, government approvals, joint venture approvals and board approvals.

Reserves disclosure

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. The reserves and contingent resources presented in this report were originally disclosed to the market in the FY19 annual report released19 August 2019. Beach confirms that it is not aware of any new information or data that materially affects the information included in the aforesaid market announcement and that all the material assumptions and technical parameters underpinning the estimates in the aforesaid market announcement continue to apply and have not materially changed.

The reserves and resources information in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr David Capon (Manager Development Offshore Victoria, New Zealand and NT). Mr Capon is a full time employee of Beach Energy Limited and has a BSc (Hons) degree from the University of Adelaide and is a member of the Society of Petroleum Engineers. He has in excess of 25 years of relevant experience. The reserves and resources information in this presentation has been issued with the prior written consent of Mr Capon as to the form and context in which it appears.

Conversion factors used to evaluate oil equivalent quantities are sales gas and ethane: 5.816 TJ per kboe, LPG: 1.398 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, flare & vent and third party royalties.