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ASX Announcement

Business update

Reference	#012/20	Date	27 March 2020

Beach Energy Limited (ASX: BPT, Beach) provides the following business update.

Key points

- Beach has taken rapid and decisive action in response to the lower oil price environment
- At the end of February 2020 Beach had $151 million net cash, with access to over $600 million in liquidity via a $450 million committed revolving credit facility
- While Beach's strong balance sheet means the company is well placed to continue growth investment, recognising the current downturn, the company is targeting up to a 30% deferral in FY21 capital investment relative to its prior planning[1]
- Revenues from Beach's gas business cover all group operating and stay-in-business costs, i.e. projected FY21 free cash flow break even oil price is less than US$0/bbl before growth investment[2]
- Beach crude oil sells at a material premium to Brent and the declining Australian dollar provides a further buffer against lower US dollar oil prices
- More than 97% of forecast East Coast gas sales in FY20/21 is expected to be sold under term contract, with less than 25% of these volumes oil-linked
- FY20 underlying EBITDA guidance lowered to $1.175 – 1.250 billion (circa 8% below the midpoint of prior guidance), reflecting the lower oil price environment
- FY20 production, capital expenditure and DD&A guidance unchanged, with the company now guiding toward the lower end of the range for each metric
- Following the oil price downturn, Beach is also reviewing its 5 Year Outlook, which is currently planned to be released after the FY20 full year results

[1] FY21 investment expenditure assumed in the 5 year Free Cash Flow outlook in the FY19 full year results presentation, dated 19th August 2019
[2] Assumes oil production is shut in at zero oil price, reducing tolls and tariff expenses

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Investor relations	Nik Burns, Investor Relations Manager
Media	Rob Malinauskas, Head of Corporate Affairs and Community Relations

Beach well positioned to navigate lower oil prices

Prudent financial management, a diversified natural gas business and strict operating discipline means Beach is well positioned to manage an extended period of low oil prices, as well as the impact of COVID-19.

Beach Managing Director and Chief Executive Officer, Matt Kay said while the global economy is going through unprecedented times, the company's primary focus is to protect its workforce and communities, while protecting shareholder value during the rapidly changing operational and economic environment.

"Beach is in a fortunate position where our prudent financial management over the last three years places us in an incredibly strong position to handle the current market disruption," Mr Kay said.

"Our balance sheet is in strong shape while revenues from our gas sales cover our group operating and stay-in-business costs, making our business highly resilient.

"To ensure we are in the best possible position, we are taking steps to defer or minimise some near-term discretionary capital expenditure. This is consistent with our mantra of conservatism and maintaining financial strength, as evidenced by our $151m net cash position at the end of February.

"Our operated Western Flank oil assets are low cost with field operating costs of approximately $5/bbl and are being actively managed to ensure the value of these assets is maximised.

"Our investors can rest assured that Beach is focussed on ensuring our business continues to perform strongly in this period of disruption and the board and all staff are committed to continuing to sustainably deliver energy to the communities we serve."

COVID-19 response

Mr Kay said Beach is taking all reasonable steps to protect its workforce, while also ensuring the business can continue to operate safely and efficiently.

"Our Crisis Management Team has been active on this matter since February, we have enacted our Business Continuity Plans across all areas of our operations and we continue to monitor the relevant health advice from authorities." Mr Kay said.

"We have also taken strong steps in ensuring the safety of our staff and continuity of operations. All of our office-based staff are working from home, while critical site operations staff are complying with strict new protective procedures."

"The safety of our workforce, contractors and the community remains our number one priority," Mr Kay said.

"Beach will continue to monitor this situation and put in place measures that place the health and safety of our people and the community first, in line with advice from health authorities."

Strong balance sheet position and cost discipline

- At 31 December 2019 Beach reported net cash of $60 million
- At 29 February 2020 Beach's net cash position had increased to $151 million
- Our committed $450 million revolving credit facility (with a maturity date of November 2022) combined with our net cash position means Beach has access to over $600 million in liquidity

With $151 million net cash, $600 million in liquidity and gas revenues that cover all operating and stay-in-business costs, Beach is in a very strong financial position to weather a sustained period of low oil prices. The robust nature of its business gives Beach confidence to invest in our assets through the cycle.

Even with its strong financial position, Beach believes the prudent course of action is to target a material reduction in growth activities in FY21. To this end, it expects to reduce growth investment in FY21 by up to 30% relative to prior planning[3]. This is expected to be achieved via the deferral and re-phasing of drilling and development activity, or where there is heightened execution risk due to COVID-19 travel restrictions. Beach will keep the market informed of our decisions.

Updated FY20 guidance

The following table summarises the guidance for FY20:

Item	Prior FY20 guidance	Updated FY20 guidance / comment
Production	27 – 28 MMboe	Unchanged – lower end
Capital Expenditure	$875 – 950 million	Unchanged – lower end
Underlying EBITDA	$1.275 – 1.35 billion[4]	$1.175 – 1.25 billion[5]
DD&A	$17 – 17.5 / boe	Unchanged – lower end

Considering the lower oil price environment and the economic effects of COVID-19, Beach provides an update to its FY20 market guidance.

FY20 production, capital expenditure and DD&A guidance is reaffirmed, with each item trending towards the lower end of its respective guidance range, based on current expectations.

FY20 Underlying EBITDA guidance range is reduced by $100 million (8% from the prior midpoint), primarily reflecting a material reduction in forecast Brent oil price for the remainder of FY20. The revised guidance range of $1.175 – 1.25 billion is based on actual realised oil price in January and February 2020 of A$100/bbl, with forecast Brent oil price of US$30/bbl and 0.60 AUDUSD from March to June 2020.

[3] FY21 investment expenditure assumed in the 5 year Free Cash Flow outlook in the FY19 full year results presentation, dated 19th August 2019

[4] Based on H1 FY20 actual underlying EBITDA, US$60/bbl Brent oil price and 0.68 AUDUSD in H2 FY20

[5] Based on FY20 year to date data to end February 2020, US$30/bbl Brent oil price and 0.60 AUDUSD for March to June 2020

Authorisation, disclaimer and other information

Authorisation

This release has been authorised for release by Matt Kay, Managing Director and CEO of Beach Energy.

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.

All references to dollars, cents or $ 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.

Assumptions

FY20 guidance is uncertain and subject to change. FY20 guidance has been estimated on the basis of actual results achieved in H1 FY20; and the following assumptions for H2 FY20: 1. actual oil price data to end February 2020, then US$30/bbl Brent oil price for March to June 2020; 2. actual exchange rate data to end of February 2020, then 0.60 AUD/USD exchange rate for March to June 2020; 3. various other economic and corporate assumptions; 4. assumptions regarding drilling results; and 5. Expected future development, appraisal and exploration projects being delivered in accordance with their current expected project schedules.

These future development, appraisal and exploration projects are subject to approvals such as government approvals, joint venture approvals and board approvals. Beach expresses no view as to whether all required approvals will be obtained in accordance with current project schedules.