BEACH ENERGY

ASX Release

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For immediate release – 22 January 2016
Ref. #003/16

ASX Ltd
Companies Announcement Office
Electronic Lodgement System

REVISED FY16 GUIDANCE, LIQUIDITY UPDATE AND ANTICIPATED IMPAIRMENT CHARGES

- **Narrowed production guidance of 8.0 – 8.6 MMboe (previously 7.8 – 8.6 MMboe)**
- **Reduced capital expenditure guidance of $180 – $210 million (previously $240 – $270m)**
- **Cash balance of $164 million at 31 December 2015; $150 million drawn debt and $350 million undrawn facilities**
- **Anticipated H1 FY16 impairment charges in the range of $450 – $650 million (pre-tax)**

Beach Energy Limited (ASX: BPT, "Beach") advises of the following revisions to production and capital expenditure guidance for the 2016 financial year ("FY16"), its liquidity position as at 31 December 2015, and anticipated non-cash impairment charges.

Production guidance

Beach has revised its FY16 production guidance to **8.0 – 8.6 MMboe** (from 7.8 – 8.6 MMboe). The narrowed range reflects outperformance in H1 FY16, with production of approximately 4.5 MMboe (net to Beach). Sustained production levels through H1 FY16 were supported by better than expected performance from the Bauer Field, new facilities at Stunsail and Pennington, and strong performance from both operated and non-operated gas fields. Lower production in H2 FY16 is expected due to natural field decline, well connection deferrals and reduced drilling activity across operated and non-operated permits.

Capital expenditure guidance

In order to maintain financial strength, Beach continues to review and adjust its capital expenditure program in response to declining oil prices. Within the constraints of existing contracts and committed expenditure, Beach has identified savings and reduced its FY16 capital expenditure guidance to **$180 – $210 million** (previously $240 – $270 million). The reduced range reflects savings achieved in H1 FY16 of approximately $20 million and further reductions and deferrals identified for H2 FY16 of up to $40 million.

Subject to joint venture approval, the identified savings are expected to be achieved through:

- A curtailed operated drilling program, with a reduction of up to 10 wells in H2 FY16;
- Well inventory management, with completions and connections deferred where appropriate;
- Deferral of the Bauer facility upgrade and non-critical projects; and
- A reduced capital program within the SACB and SWQ JVs.

Components of the revised FY16 capital expenditure guidance are summarised below.

Revised FY16 Capital Expenditure Guidance ($ million)	H1 (Actual)	H2 (Revised[1])	FY16 (Revised[1])
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**
Revised FY16 Capital Expenditure Guidance	**122**	**60 – 90**	**180 – 210**

1. Certain reductions subject to joint venture approval

Liquidity update

As at 31 December 2015, cash reserves were $164 million, representing a $6 million decrease during the first six months of FY16. Despite a 33% reduction in the average realised oil price over this period, Beach's disciplined approach to controlling capital and operational costs has helped preserve its cash position. Such measures include expected full year FY16 operational cost savings of approximately 15% across Beach's operated oil and gas assets. Corporate cost savings are also being achieved, including an approximate 7% reduction in headcount during H1 FY16.

As announced on 7 December 2015, Beach strengthened its financial capacity by entering into a $530 million (+$210 million) senior secured syndicated corporate debt facility, which replaced existing lending arrangements. The new facility was drawn to $170 million to refinance outstanding borrowings ($150 million) and letters of credit ($20 million), with remaining headroom available for capital expenditure programs, working capital requirements and potential growth opportunities. The new facility was provided by Beach's existing lenders, with improved pricing and terms in recognition of existing Balance Sheet strength and Beach's resilient business model.

Anticipated impairment charges

Accounting Standard AASB 136 - Impairment of Assets requires an entity to assess at the end of each reporting period whether there is an indication that asset carrying values may be impaired. If indications exist, the entity shall estimate the recoverable value of such assets and consider whether an impairment charge is required to reduce asset carrying values to recoverable values. AASB 136 requires that an entity consider, among other things, the carrying amount of the net assets being more than its market capitalisation to be an indicator of impairment. At 31 December 2015, the market capitalisation of Beach was materially lower than the carrying value of the net assets of Beach, which is an indicator that Beach must undertake a review of the recoverable value of its oil and gas assets.

Beach recorded impairment charges for the financial year ended 30 June 2015 (refer announcement of 21 August 2015). At that time, the following oil price assumptions were adopted: US$62.50/bbl in FY16, US$75/bbl in FY17, US$85/bbl in FY18 and US$90/bbl beyond FY18. Since 30 June 2015, oil prices have declined, with market commentators and analysts reducing their oil price forecasts to levels below those noted above. Other factors which influence asset carrying values have also been impacted, including development plans.

A review of asset carrying values is currently underway in conjunction with finalisation of half year accounts for the period ended 31 December 2015 (due for release on 26 February 2016). Following this review and reflecting lower short and long term oil price forecasts, it is expected that non-cash impairment charges will be recorded in the half year accounts, predominantly in relation to non-operated Cooper Basin oil and gas assets. Although the quantum is still to be confirmed, the non-cash impairment charge is likely to be within the range of $450 - $650 million on a pre-tax basis.

Acting Chief Executive Officer, Neil Gibbins, said "During these challenging times it is extremely pleasing to demonstrate Beach's ability to live within its means and maintain financial strength. Despite lower oil prices, over the past six months we have held our net cash position relatively constant, secured increased debt financing facilities on improved terms, and identified up to $40 million of H2 FY16 savings and deferrals in our capital program.

Operationally, we continue to perform well. Production levels were maintained during the second quarter of FY16, giving us greater confidence in our full year guidance, and recent infrastructure projects have delivered results better than expected.

We have also flagged expected impairments largely reflecting continuing oil price declines. However, we note these are non-cash in nature and do not impact the underlying strong financial position of the company, and our very good operating performance.

The updates provided today highlight the resilient nature of Beach's business model, which helps us navigate current challenges."

Yours sincerely,

Neil Gibbins
Acting Chief Executive Officer

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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.