



ASX Release

Beach Energy Ltd
ABN: 20 007 617 969
ASX Code: BPT

25 Conyngham Street
GLENSIDE SA 5065

GPO Box 175
ADELAIDE SA 5001

Tel: +61 8 8338 2833
Fax: +61 8 8338 2336

Web:
www.beachenergy.com.au
Email:
info@beachenergy.com.au

For immediate release – 28 September 2017

Ref. #049/17

ASX Ltd
Companies Announcement Office
Electronic Lodgement System

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

BEACH ENERGY ANNOUNCES TRANSFORMATIONAL ACQUISITION OF LATTICE ENERGY AND A \$301 MILLION 3 FOR 14 PRO-RATA ENTITLEMENT OFFER

- **Beach Energy to acquire all of the shares in Lattice Energy for \$1,585 million**
- **Transformational acquisition enhancing growth, scale and diversity of operations**
- **Increases 2P reserves by ~200% to 232 MMboe¹ and FY18 production guidance by ~150% to 25-27 MMboe²**
- **Portfolio of producing assets underpinned by long term contracts delivering strong and stable cash flow with development upside**
- **Significant portfolio upside through exploration, strategic partnering and infrastructure ownership**
- **Increased exposure to the strong market fundamentals of the Australian east coast gas market**

- **Value creation through scale, operating capabilities and synergies**
- **Acquisition delivers per share reserves, operating cash flow and value accretion**
- **Target net gearing ratio of <25% by end of FY19 with anticipated strong deleveraging thereafter**
- **Acquisition to be funded through a \$301 million pro-rata accelerated non-renounceable entitlement offer and new committed senior secured syndicated debt facilities**
- **Beach's largest shareholder, Seven Group Holdings, is strongly supportive of the transaction**

¹ Calculated as Pro forma Beach and Lattice 2P reserves divided by Beach's 2P reserves as at 30 June 2017. Refer Appendix D of the investor presentation that Beach has lodged with the ASX today for further detail.

² Pro forma production calculation based on Beach's advised FY18 guidance as presented in Beach's FY17 Preliminary Full Year Results released to the ASX on 21 August 2017 combined with Beach's estimate of potential FY18 production range for Lattice Energy's assets.



Beach Energy Ltd (ASX: BPT, "Beach") is pleased to announce that it has entered into a binding agreement with Origin Energy Limited ("Origin") to acquire all of the shares in Lattice Energy Limited ("Lattice") for \$1,585 million (the "Acquisition") on a cash and debt free basis, with Beach to receive the benefit of Lattice cash flows from 1 July 2017.

The acquisition of Lattice is transformational for Beach, significantly enhancing Beach's scale and creating the leading ASX-listed oil and gas mid-cap with diversity of production and growth options.

The Acquisition is subject to approvals from the New Zealand Overseas Investment Office ("OIO") and the New Zealand Minister of Energy and Resources noting that economic exposure to Lattice transfers to Beach from 1 July 2017.

Beach CEO, Matt Kay, said "The acquisition of Lattice is transformational for Beach and represents a significant milestone as we execute our strategy to become a premier upstream oil and gas company. The transaction greatly enhances our platform for continued growth, delivers a diverse asset portfolio with significant upside and provides material value accretion for Beach shareholders."

"It establishes Beach as a major supplier of gas to domestic markets, and provides a step-change in production, operating capabilities and geographic exposure. It also provides attractive long-term gas contracts with Origin Energy and other high quality counterparties which underpin returns, cash flow generation and a rapid deleveraging profile."

"We now look forward to completing the transaction, welcoming Lattice's staff and integrating these complementary businesses with highly capable oil and gas teams. We also look forward to continuing our longstanding relationship with Origin."

Acquisition Rationale and Benefits to Beach Shareholders

Lattice is a complementary portfolio of assets with diversified exposure to the Australian East Coast, West Coast and New Zealand gas markets with a mix of production and exploration assets.

The combination significantly expands Beach's footprint across multiple basins, production hubs and jurisdictions, increasing Beach's 2P reserves by ~200% to 232 MMboe³ and FY18 production guidance by ~150% to 25-27 MMboe⁴.

Lattice delivers a step-change in operatorship capabilities and expertise, including gas processing and offshore production. Operated production increases from ~50% to ~70% and offshore operations are expected to account for ~50% of production⁵.

The key production and development projects and the exploration portfolio will position Beach for longer-term growth. Furthermore, there is significant upside potential through optimal allocation of capital, strategic partnering and infrastructure ownership across the portfolio.

³ Calculated as Pro forma Beach and Lattice 2P reserves divided by Beach's 2P reserves as at 30 June 2017. Refer Appendix D of the investor presentation that Beach has lodged with the ASX today for further detail.

⁴ Pro forma production calculation based on Beach's advised FY18 guidance as presented in Beach's FY17 Preliminary Full Year Results released to the ASX on 21 August 2017 combined with Beach's estimate of potential FY18 production range for Lattice Energy's assets.

⁵ Refer Appendix D of the investor presentation that Beach has lodged with the ASX today for detail.



Beach will become a material supplier of gas to east coast markets, with Lattice increasing Beach's attributable east coast sales gas and ethane production by ~310% to 95PJ⁶ from three core gas processing hubs with combined net FY17 production equivalent to ~15% of the east coast gas demand last year⁷. Beach will have increased ownership interests in key infrastructure and a material equity position in three development projects, Thylacine, Geographe and Black Watch.

The transaction is financially compelling and value accretive:

- ~155% 2P reserves accretive on a per share basis (reserves as at 30 June 2017);
- >60% operating cash flow accretive on a per share basis in first full year of ownership;
- Materially value per share accretive;
- Return on equity on incremental equity raised of 30%+; and
- Ramping up to an annual run-rate of \$20 million of readily identifiable synergies (pre-tax) during the first full year of ownership⁸.

Gas Sales Arrangements

The Acquisition will deliver strong and stable cash flow generation underpinned by a number of long term Gas Sales Agreements (GSAs) with multiple high quality counterparties.

These include GSAs with Origin and AGL to supply gas from the Australian East Coast assets, Alinta in the Australian West Coast and Genesis in New Zealand. The Origin GSAs are at fixed prices (with CPI linkage and annual pricing step-ups) for the first 3-4 years followed by market prices (with CPI linkage) for the remaining term. Under the GSAs, Beach has secured Origin as a likely offtaker for exploration success on market terms with Beach control over project sanctioning.

The blended FY18 portfolio gas price is in excess of Beach's FY17 average realised gas price (\$6.10/GJ) and reflects a blend of new GSAs with Origin (with geographic pricing differentials) in addition to existing Lattice legacy contracts.

Acquisition Funding

Beach intends to raise approximately \$301 million through a 3 for 14 pro-rata accelerated non-renounceable entitlement offer to partially fund the acquisition ("Entitlement Offer"). Approximately \$233 million of the Entitlement Offer will be fully underwritten. The remaining \$68 million of the Entitlement Offer represents the pro-rata entitlements of major shareholder, Seven Group Holdings Limited ("SGH"). Entities controlled by SGH have committed to take up their entitlements in full and sub-underwrite the Entitlement Offer up to 68,260,311 New Shares, as described in the investor presentation which Beach has filed with the ASX today, which could take their overall shareholding from 22.73% to 25.73%.

⁶ Pro forma FY17 east coast gas production based on Beach's internal sales gas and ethane production data together with Lattice's FY17 production figures reported in Origin's 31 July 2017 ASX announcement and adjusted to include Benaris' working interest share of Otway Gas Project production.

⁷ Based on combined Beach and Lattice Energy FY17 east coast gas production and the estimated FY17 East Coast gas demand of 624PJ from AEMO actual delivery data over the period 1 July 2016 to 30 June 2017 less delivery to the LNG proponents in Gladstone.

⁸ Annual run-rate synergies (pre-tax) post integration comprising overhead and corporate savings.



The balance of the Acquisition will be funded through new committed senior secured syndicated debt facilities of up to \$1,575 million. These new facilities represent a refinancing of existing facilities and cover general operations, bonding and the acquisition financing.

Beach intends to maintain a strong financial position, with a target pro forma net gearing ratio of <35% at completion⁹, pro forma liquidity at completion of greater than \$300 million, a target pro forma net gearing ratio of <25% by the end of FY19¹⁰, and the potential to be in a net cash position as early as end of FY21.

Entitlement Offer

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 3 new Beach shares ("New Shares") for every 14 existing Beach shares held as at Monday, 2 October 2017. All New Shares in the Entitlement Offer will be issued at a price of \$0.75 per New Share ("Offer Price"), which represents a discount of:

- 9.1% to the last close of \$0.825 on Wednesday, 27 September 2017; and
- 7.6% to the theoretical ex-rights price ("TERP") of \$0.812¹¹.

The Entitlement Offer will consist of:

- An accelerated institutional component to be conducted from Thursday, 28 September 2017 to Friday, 29 September 2017 ("Institutional Entitlement Offer"); and
- A retail component which will open on Thursday, 5 October 2017 and close at 5.00pm Sydney time on Monday, 16 October 2017 ("Retail Entitlement Offer").

At the time of allotment, the New Shares issued under the Entitlement Offer will rank equally with existing shares on issue.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer and can choose to take up all, part or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional investors at the Offer Price (subject to SGH's sub-underwriting arrangements).

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer and can choose to take up all, part or none of their Entitlement. Eligible retail shareholders wishing to participate should carefully read the Retail Offer Booklet and accompanying personalised entitlement and acceptance form, which are expected to be despatched on Thursday, 5 October 2017. Retail

⁹ Net gearing calculation is net debt / (net debt + book equity). Assumes completion will take place by the end of March 2018.

¹⁰ Net gearing calculation is net debt / (net debt + book equity).

¹¹ The Theoretical Ex-Rights Price ("TERP") is a theoretical price at which Beach's shares trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Beach's shares trade at that time will depend on many factors and may not be equal to TERP. TERP is calculated by reference to Beach's closing price of \$0.825 on 27 September 2017.

shareholders with a registered address outside Australia or New Zealand will be ineligible to participate in the Retail Entitlement Offer.

Summary of Key Dates

Event	Date
Trading halt and announcement of Transaction and Entitlement Offer	Thursday, 28 September 2017
Institutional Entitlement Offer and Bookbuild opens	Thursday, 28 September 2017
Institutional Entitlement Offer and Bookbuild closes	Friday, 29 September 2017
Results of Institutional offer announced and trading halt lifted	Monday, 2 October 2017
Record Date for the Entitlement Offer	Monday, 2 October 2017
Despatch of Retail Offer Booklet and Retail Entitlement Offer opens	Thursday, 5 October 2017
Settlement of the Institutional Entitlement Offer	Monday, 9 October 2017
Issue and quotation of New Shares issued under the Institutional Entitlement Offer	Tuesday, 10 October 2017
Retail Entitlement Offer closes	Monday, 16 October 2017
Settlement of the Retail Entitlement Offer	Monday, 23 October 2017
Issue of New Shares under the Retail Entitlement Offer	Tuesday, 24 October 2017
Normal trading of New Shares issued under the Retail Entitlement Offer	Wednesday, 25 October 2017

Beach has been advised on this transaction by Credit Suisse and Luminis Partners with legal advice from Gilbert + Tobin and Chapman Tripp.

Shareholder Enquiries

Eligible retail shareholders will be sent further details about the Entitlement Offer via a retail offer booklet to be lodged with ASX and despatched on Thursday, 5 October.

Further information in relation to the Acquisition of Lattice and the Entitlement Offer is set out in an investor presentation which Beach has filed with the ASX today. The investor presentation contains important information including key risks, key assumptions relating to certain forward looking information in this announcement and international selling restrictions with respect to the Entitlement Offer.

For more information please contact the following on +61 8 8338 2833

Derek Piper – Investor Relations Manager, Beach Energy



Conference Call and Webcast

Beach advises that a conference call for analysts and investors has been scheduled for today, Thursday, 28 September 2017, at 10:15am (Sydney time) and is accessible via live webcast and dial in.

Investors wishing to access the live webcast may do so through the 'Latest News' section in the Investors Centre on the Beach website (www.beachenergy.com.au).

Analysts and investors wishing to dial into the conference call may do so through the details below:

Conference ID: 9286 2558

Dial in number: Australian toll-free: 1800 123 296 (Australian toll: +61 2 8038 5221)

Singapore toll-free: 800 616 2288

Hong Kong toll-free: 800 908 865

UK toll-free: 0808 234 0757

US toll-free: 1855 293 1544

Important notice and disclaimer

This Announcement contains information about Lattice Energy which is currently owned by Origin Energy. Certain of this information has been sourced from Origin Energy as part of the sale process of Lattice Energy. In addition, some of the information has been sourced from information that Origin Energy has lodged with the ASX pursuant to its continuous disclosure obligations under the Corporations Act. Neither Beach Energy nor any other person makes any representation or warranty with respect to the fairness, accuracy, completeness or adequacy of such information. Investors should refer to the Investor Presentation for further information.

Not for distribution or release in the United States

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States, or in any other jurisdiction in which such an offer would be unlawful. The entitlements and the new securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

The distribution of this announcement in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Forward looking statements

This Announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements, including projections, guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This Announcement contains such statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to the following risks: earnings, capital expenditure, cash flow and capital structure risks and general business risks. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Beach Energy). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

The forward-looking statements in this Announcement speak only as of the date of this Announcement. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, Beach Energy and its directors, officers, employees, advisers, agents, and intermediaries (including the underwriters) disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this Announcement to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this Announcement will under any circumstances create an implication that there has been no change in the affairs of Beach Energy since the date of this Announcement.

Financial Information

Investors should also be aware that certain financial data included in this Announcement are considered "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information published by the Australian Securities and Investments Commission and "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934. The disclosure of such non-IFRS financial information and non-GAAP financial measures in the manner included in this Announcement would not be permissible in a registration statement under the U.S. Securities Act. The non-IFRS financial information and the non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although Beach Energy believes this non-IFRS financial information and non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS or non-GAAP financial measures included in this Announcement.