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## ASX release

23 November 2018

Ref: #059/18

### **2018 Annual General Meeting Addresses and Presentation**

Attached is a copy of the Chairman's address and CEO's address to be made at the Beach Energy Annual General Meeting commencing at 10:30am (ACDT) today, along with the presentation slides. The AGM will also be webcast and can be accessed from the Beach website [www.beachenergy.com.au/videos-webcasts/](http://www.beachenergy.com.au/videos-webcasts/) or at [youtu.be/A6DBeLNT5so](https://youtu.be/A6DBeLNT5so)

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Investor Relations      Nik Burns, Investor Relations Manager

Media                      Rob Malinauskas, Head of Corporate Affairs and Community Relations

## Chairman Address

### GD: Slide 1 – Annual General Meeting

#### Good Morning

Good morning ladies and gentlemen, and thank you for taking the time to be here today. I declare open the 2018 Beach Energy Annual General Meeting. A quorum is present.

#### Safety

As I always do, I would like to start with a safety message. In the unlikely event of an emergency evacuation you will hear an alarm. On hearing that alarm please evacuate in a calm manner through the exits and follow the instructions from the Convention Centre staff who will direct you to a safe assembly point.

#### Acknowledgement of Country

Like safety, respect is one of our core values at Beach and we respect the traditional custodians of Australia. We acknowledge that we are meeting today on the traditional country of the Kurna People of the Adelaide Plain and we pay our respect to their Elders past, present and future. We also recognise and respect their cultural heritage, beliefs and spiritual relationship with the land and acknowledge that they are of continuing importance to the Kurna People today.

#### House Keeping

A few housekeeping matters for good order:

- If you haven't already done so, could you please turn your mobile phone to silent.
- I would also ask you to note that any unauthorised recording or photography during the course of the meeting today is prohibited.
- Lastly, the presentation is being recorded and will be available on the Beach website after the meeting.

### GD: Slide 2 – Compliance statements

Our compliance statements are set out on slide 2 of today's AGM presentation for those of you who wish to review them later. I specifically point out that Beach's five year outlook that we reference in this presentation is an outlook and not guidance.

### GD: Slide 3 – Chairman's address

#### Introductions

There are of course others with me on stage today. To make sure everybody knows who we are, moving down the line from my immediate right are:

- Matt Kay, Chief Executive Officer
- Colin Beckett, Deputy Chairman
- Ryan Stokes, who is seeking your approval for re-election to the board
- Joycelyn Morton, who is seeking your approval for election to the board following her appointment earlier this year

- Non-executive directors Richard Richards, Peter Moore, Philip Bainbridge and Jim McKerlie

### **Jim McKerlie**

As announced on the 22<sup>nd</sup> of August, Jim informed the board he would not stand for re-election at this year's AGM and would be retiring as a director from the company on that date. Jim joined the board of Beach in March 2016 following the successful merger with Drillsearch Energy, where he served as director and chairman for 11 years. We thank Jim for his significant contribution to Beach and wish him all the very best for the future.

## **GD: Slide 4 – Delivering On Our Strategy**

### **Four Pillars**

As you know across recent years we have delivered against our 4 pronged strategy.

Through the acquisition of Lattice Energy, and more broadly across the business, we continue to deliver strongly against that strategy.

### **Optimise Our Core in the Cooper Basin**

We are optimising our core business in the Cooper Basin. We have done so through the acquisition of additional reserves in the Cooper as well as adding significant reserves through drilling and field efficiencies. 2P reserves across the Cooper increased by 71% to 128 million barrels of oil equivalent at 30 June 2018. The Cooper comprises a significant gas business with further growth and a tremendous oil business that continues to deliver excellent returns. We continue to see strong performance from our core in the Cooper Basin.

### **Pursue Compatible Growth**

We have grown substantially and expanded the business beyond the Cooper Basin. Beach now has producing assets in the Otway Basin, the Bass Basin and the Taranaki Basin as well as the Cooper. We now also have an exciting development asset in the Perth Basin. With multiple production hubs, significant infrastructure and exploration and development opportunities across a broad portfolio, our expansion beyond the Cooper Basin is well in train.

### **Build a Complementary East Coast Gas Business**

We have grown Beach's East Coast gas business. Beach now supplies approximately 15% of East Coast gas demand. We continue drilling in the Cooper Basin and will soon commence a significant campaign in the Otway Basin to further deliver into that market. With around 70% of currently planned capex over the next 5 years going into the Cooper and Otway Basins, we are doing all we can to supply the East Coast market.

### **Maintain Financial Strength**

And throughout we have maintained Beach's financial strength. Underlying NPAT for the year was \$302 million with operating cash flow of \$663 million, increases of 86% and 108% respectively. Liquidity was \$664m at the end of the first quarter and continues to improve, we have a strong balance sheet and we are on track to be debt free within 12 months.

On the topic of financial strength, I know that at least some retail shareholders would prefer to see some of that significant cash flow returned in dividends. In a year where capital growth was over 200%, and in more recent times very volatile markets, the board has taken what it considers to be the prudent approach of using cash flow to continue to de-lever the balance sheet. As a board we believe prudent capital management dictates that course. You'll see that our net gearing ratio has reduced

significantly, from 33% in January to 20% in September and \$250 million of debt has been repaid. Recent history in our industry has shown the importance of prudent balance sheet management.

## **GD: Slide 5 – Delivering On Our Strategy: Efficiently**

### **Low Cost Operating Model**

And before I leave strategy it's important to reaffirm the execution of our strategy in the context of our low-cost operating model.

We are already world class with field operating costs in FY18 in our operated Cooper Basin assets under \$5 per barrel of oil equivalent.

We continue to find efficiencies and drive down cost. We are on target for annual synergies and operating efficiencies in Lattice of \$60m per annum. We are improving base production using industry best practice and technology. We are driving a sustainable further reduction in direct operating costs - we are targeting, and believe we can deliver, \$30m per annum in additional savings in our controllable operating costs by the end of FY20.

## **GD: Slide 6 – Delivering On Our Strategy: Safely**

When you read our annual report you will see that safety is the first of our core values. At Beach safety continues to take precedence in everything that we do.

Beach's 'Lost Time Injury Frequency Rate' reduced further in FY 18 to 1.3, down from 1.6. This marked 5 years of continuous improvement in our safety record.

On acquisition Lattice Energy had a higher lost time injury frequency rate at 2.6. We are working hard across the entire business to now reduce our overall company-wide lost time injury frequency rate even further.

In fact, in the new organisation Health, Safety, Environment and Risk is now represented at the executive level – being integral in interactions across all parts of the business. And in this financial year we are reviewing our standards of personal safety management across the entire business with a view to harmonising systems across all operations.

## **GD: Slide 7 – Delivering On Our Strategy: In Compliance**

We take the regulatory regime in which we operate and the culture of how we operate very seriously. Parts of corporate Australia have recently been found wanting in this regard. Like safety, integrity is a core value at Beach.

Through a number of processes including the audit committee, the risk committee, the internal audit function, our external auditors, our policies and ongoing training and ultimately the board, Beach constantly reviews all aspects of its business to ensure its operations are conducted in accordance with the law, good governance and ethically.

We were in FY18, and remain today, free of any known breach.

## **GD: Slide 8 – Delivering On Our Strategy: With Good People**

Our workforce is a critical asset.

We have undertaken extensive work to get it to the right size, the right structure and with the right people in the right place.

We continue to invest in our people. We continue to undertake leadership for high-performance programs amongst our senior people. We continue to develop a high-performance culture throughout all levels of the business. We are completing verification of competency certifications across all operations.

Some of that investment has borne corresponding fruit in the performance of our assets and the company as a whole.

We do, like most of corporate Australia, still have more work to do on diversity.

At our last AGM I mentioned to you that gender diversity is important to Beach and we commenced a search for new directors with a focus on improving our diversity. I am pleased to introduce Joycelyn Morton to you today, Joycelyn was appointed to the board on the 21<sup>st</sup> of February this year and is chair of our audit committee. Joycelyn brings over 38 years of accounting and finance experience to the board, including global leadership roles in Australia and internationally within the Shell Group of companies.

The board now has 2 vacancies. We continue to work on diversity. Having Joycelyn on board and settled in we are again in a process with a focus on improving our diversity. We do not, however, appoint directors and then recommend them to you our shareholders for election for the sake of it. They are important decisions that need to be made after a proper process and thorough due diligence. We are, as I say, in that process again but we will not rush it for the sake of rushing. Having said that I do repeat we remain committed to continuing to improve our diversity at board level.

There is also positive news on diversity. The key management personnel level of female representation rose to 38% (up from 14%) and senior management representation rose to 17%. Pleasingly, in this regard, according to Workplace Gender Equality Agency data we are much better than the industry average at these levels in our organisation.

## **GD: Slide 9 – Delivering on Our Strategy: Transformation to a more robust model**

Beach is transforming. It is not the business it was. It is stronger, larger, more diverse and delivering stronger returns on our shareholders' equity. That transformation is something that Matt will take you through now.

Delivering on our strategy, and in a transformational way, has taken a lot of hard work. I thank and congratulate Matt and all of our employees for being a part of that. I also thank the directors for their hard work, guidance and oversight of the business.

Finally, I thank you our shareholders for your support. We hope that you are at least reasonably pleased with the performance of the company over the 2018 financial year and we expect to continue to generate good returns on the capital the business deploys in this current financial year.

That's enough from me ladies and gentlemen. I'll now hand over to Matt who will take you through in some detail the strong performance of the business and how FY19 is shaping up.

## CEO Address

### **MK: Slide 10 – CEO’s Address**

Thank you Glenn and hello and welcome to everyone joining us today. For those who don’t know me, my name is Matt Kay and I am the Chief Executive Officer of Beach Energy.

I’m particularly proud to stand before you today to run through some of our achievements in the 2018 financial year, and our priorities for the 2019 financial year and beyond.

### **MK: Slide 11 – FY18: A Transformational Year**

We came to last year’s AGM having only just announced the Lattice Energy acquisition. The transaction completed in January this year and I’m pleased to report that the integration has gone extremely well. Safety has remained a primary focus of the organisation through this process. Pleasingly, the opportunity set within Lattice is turning out to be even better than we initially expected, leading to an increase in our synergy and efficiency target to \$60 million per annum which we are on track to achieve by the end of this financial year.

The Lattice acquisition significantly improves the risk profile of Beach. Historically we were reliant on our product going through a single facility in the Cooper Basin. Today, Beach is a much bigger company, with approximately 500 full time staff, 5 separate production hubs, onshore and offshore capabilities, genuine gas processing infrastructure and a diversified geographic footprint.

In recent weeks we have witnessed significant oil price volatility and whilst Beach remains a significant oil producer, today approximately 65% of Beach’s production is sales gas. Much of this gas is sold into contracts that are not oil-linked, providing a high level of revenue certainty irrespective of oil price movements.

What this means is that Beach is extremely well placed to weather a prolonged period of lower oil prices if that were to occur. The highly discretionary nature of our capital expenditure program means that we can generate positive free cash flow down to an oil price of US\$15 per barrel if we needed to reduce our exploration spend.

With all of this, Beach is now a far more resilient company.

Our focus on operational performance was maintained through FY18.

We participated in 96 wells, with a success rate of 82%. The combination of strong operational performance, new wells online and the acquired assets resulted in record annual production of 19 million barrels of oil equivalent.

The strong operational performance combined with higher commodity prices led to a historic full year result for Beach. Sales revenue was up 92% on the prior year and our underlying net profit after tax of \$302 million was up 86% on the prior year. As you know, we announced dividends totalling 2 cents per share.

We generated operating cash flow of \$663 million, which helped to drive net gearing below 26% at 30 June. This has improved further, to 20% at the end of September, which is 9 months ahead of schedule. We are now on track to be debt-free within 12 months, a remarkable achievement considering we only completed the Lattice acquisition in January.

During the year our 2P reserves more than quadrupled to 313 million barrels of oil equivalent. Pleasingly, this increase in reserves wasn’t solely attributable to the Lattice acquisition, with more

than one third of the increase due to the underlying performance of the assets. Our 2P reserves life, has increased from 7 years to 11 years at the end of FY18.

With this foundation and a portfolio of highly value-accretive investment opportunities, the time is right to accelerate growth and so we have announced that FY19 will be a record investment year for Beach. We expect capital expenditure to be in the range of 440 to 520 million dollars. This investment in our portfolio will underpin our medium term production target of 30 to 36 million barrels of oil equivalent by FY23.

Importantly, more than half of our discretionary investment is aimed at bringing new gas supplies into the East Coast gas market. I am sure you are all acutely aware, the East Coast gas market needs more supply. Beach is ready, willing and able to play its part.

## **MK: Slide 12 – Our Top Priority**

Health, safety and the environment remain a top priority at Beach. We want to ensure our workers and contractors stay safe, the environment is respected and we retain our license to operate.

We maintained a strong safety performance in FY18.

Our staff kept their ‘safety-focus’ through this period and on a like-for-like basis, Beach recorded its fifth consecutive year of improved ‘Lost Time Injury Frequency Rate’ performance. Consolidation of the Lattice assets saw a small uptick year-over-year.

Even with this pleasing FY18 result, zero LTIs is always our goal, and with that in mind, following the acquisition we completed a comprehensive process safety review across the five basins where we operate and had no significant risk findings.

In terms of our environmental performance, we continued our sustained and material improvement in crude oil spills with the lowest level achieved for the company.

Loss of gas containment events is trending down and is now 80% below 2 years ago.

## **MK: Slide 13 – The Beach Approach**

Beach has a proud track record of being a low cost operator in the Cooper Basin. Our operating cost per barrel has remained below \$5, even with the:

- increasing number of producing wells;
- producing wells with artificial lift; and
- increasing water production.

We intend to maintain our firm grasp on costs, as well as look for opportunities to apply our low cost approach to the expanded portfolio. We are targeting to deliver an additional \$30 million per annum of direct cost reductions across FY19 and FY20.

## **MK: Slide 14 – Time is Right to Accelerate Organic Growth**

The time is right for Beach to accelerate investment in our organic growth opportunities. The reasons for this are clear.

- One. Our portfolio has expanded significantly over FY18. In the second half of the year we completed a detailed review of the entire growth portfolio and this yielded a list of highly value-accretive investment opportunities.

Our discretionary investment program in FY19 will target these quality projects, with over two thirds of our discretionary investment expected to generate a rate of return greater than 40%, based on our internal economic assumptions.

The oil investment opportunities in our portfolio are expected to generate even higher returns, with more than two thirds of discretionary oil investment expected to generate rates of return over 100%.

- Two. Prevailing market conditions are supportive of investment, including current oil prices and of course the East Coast gas market needing additional supplies.

Importantly, our investment program is highly flexible – we can adjust our investment plans quickly if changes in market conditions require us to do so.

- Three. A third of our discretionary capital expenditure will be spent on exploration and appraisal.

This investment will underpin production growth in the years beyond FY19 as we target 30 to 36 million barrels of oil equivalent by FY23. This is not a blue sky scenario – it represents growth that is readily achievable from within our existing portfolio.

- Four. Even with our increased capital program in FY19, we expect to generate significant free cash flow and reduce debt further. As I mentioned, net gearing is at 20%, 9 months ahead of our original schedule, and we are on track to be debt free within 12 months - a good indicator of the quality of the asset portfolio and financial strength of your company.

## **MK: Slide 15 – Experienced Executive Team in Place**

To execute on our strategy and become a genuine mid-cap oil and gas company in Australia we have refreshed our entire executive team.

This new, expanded team shown on the slide behind me has extensive experience across all facets of the exploration and production business including onshore, offshore – oil, pipeline gas and LNG. Collectively, the group has worked in almost all major global geographies and brings some of the best attributes from world class companies like Chevron, BP, Shell, Ras Gas and Woodside.

As Chief Executive Officer of Beach, it is a team that I am very proud to lead and be a part of.



## **MK: Slide 16 – Ready to Unlock Our Reserves and Cash Flow Potential**

Moving ahead, this slide is from our recent investor day presentation and provides a high level snapshot of our exciting 5 year outlook for capital expenditure, production and free cash flow.

Starting on the left you can see our outlook for investment over the next 5 years, with capital expenditure to average close to \$500 million per annum. The important takeaway from this chart is the low level of fixed capital expenditure – represented by the dark blue band at the bottom of the columns. Low fixed capital expenditure means that most of the investment we are planning is discretionary in nature, and driven by the high returns on offer.

This investment will drive production over the next 5 years, targeting 30 to 36 million barrels of oil equivalent by FY23, as shown in the middle chart.

The chart on the right shows free cash flow after all capital expenditure and before any dividends. In total, Beach is targeting more than \$2.6 billion of free cash flow over the next 5 years.

## **MK: Slide 17 – Victorian Otway Asset Sale**

I wanted to touch on the recent sale of the 40% interest in our Victorian Otway assets to OG Energy for \$344 million cash. The sale was announced after Beach ran an extensive sale process with a large number of bidders engaged. We are very pleased to welcome OG Energy, the energy division of Ofer Global, into our joint venture. The transaction ticks all the right boxes for Beach:

- It brings in an aligned partner committed to the rapid development and exploration of the offshore Otway Basin acreage;
- From a risk management perspective it reduces our share of future investment by approximately \$450 million, and we can apply the proceeds of sale to fund our share of future investment;
- And we retain a majority stake and operatorship.

The transaction remains subject to a number of customary terms and conditions, including FIRB approval, with completion expected to occur in the March quarter of 2019.

## **MK: Slide 18 – Key Activities in FY19**

Let's focus on FY19 and key activities for the current financial year.

A review of our expanded portfolio has revealed opportunities to reduce controllable operating costs by 20% by FY20. In addition, we see opportunities to increase plant reliability from 94% in FY18 to 98% by the end of FY20. The combination of these activities is expected to lead to at least an additional \$50 million in pre-tax cash flows, over and above the \$2.6 billion five year free cash flow outlook.

The health and safety of our staff remains our top priority, as does our care for the environment. Our FY19 goals include specific targets around the level of recordable injury and spill events.

In terms of drilling, in the Cooper Basin we expect to participate in up to 130 wells, which represents a 37% increase on FY18 levels. Within this program we plan to drill up to 15 horizontal development wells to exploit the oil in our western flank oil fields.

In the Otway Basin, preparations are underway to drill 2 wells in the South Australian section of the Otway: the Dombey-1 exploration well and the Haselgrove-4 appraisal well. We are also progressing the development of the Haselgrove discovery to supply gas into the South East of South Australia.

In Victoria we are moving ahead with preparation to develop the Black Watch gas field, expecting to commence activities in late FY19.

Over on the west coast of Australia, in the Perth Basin, we hope to be in a position to drill the exciting Beharra Springs Deep exploration well in late FY19. The well will target the same prolific play type found at the nearby Waitsia gas field, where we are progressing commercialisation with operator Mitsui.

## **MK: Slide 19 – FY19 Guidance**

And I am pleased to report we are off to a very good start in FY19. Our quarterly report released last month showed better than expected production performance thanks to improved facility reliability and strong customer demand. Production and earnings before interest, tax, depreciation and amortisation are trending towards the upper end of our guidance ranges. FY19 capital expenditure guidance remains unchanged

## **MK: Slide 20 – Key Takeaways**

Moving from our key activities for the current financial year, to the longer-term.

Slide 20, is another slide from our recent investor day that outlines the five key takeaways that I believe clearly demonstrate the compelling 5 years that Beach has ahead.

- One. We have genuine production growth from within our current portfolio – targeting up to 36 million barrels of oil equivalent in 5 years.
- Two. Our capital spend is predominantly discretionary to drive growth. More than two third of this achieves a rate of return greater than 40%
- Three. We are highly profitable with return on capital employed targets for the next 5 years of between 17% and 20%.
- Four. We believe that we will deliver over \$2.6 billion in free cash flow over the next five years.
- Five. We expect to be debt free within 12 months, which provides us with capital management optionality.

## **MK: Slide 21 – Capital Management**

On the subject of capital management, I know this is an issue close to many of you, so I wanted to spend a bit of time addressing this topic.

First and foremost, Beach is and remains a growth-oriented company. You should not expect us to become a large dividend paying company in the short to medium term. We believe total shareholder return will be achieved from investing in our portfolio of highly value-accretive growth opportunities.

Our medium term target is for net gearing to average between 15 and 25%. That we expect to be below this range, in fact debt-free within 12 months, provides us with flexibility for a number of things:

- One. Accelerate organic growth investment further, and with two thirds of our projects generating rates of return in excess of 40%, this should be a priority for Beach; or
- Two. Evaluate other M&A and exploration opportunities, with a primary focus being on leveraging Beach's expanded skill set and infrastructure footprint; or
- Three. Consider increased shareholder returns;
- Or four, a combination of any of the above

Irrespective of which path we take, our primary consideration is creating shareholder value. We will be patient and disciplined in investing your capital.

## **MK: Slide 22 – Our Vision, Purpose and Values**

I wanted to finish today with a reminder of our vision, purpose and values.

Our vision is to be Australia's premier multi-basin upstream oil and gas company. And our purpose is to deliver sustainable growth in shareholder value. We do this in accordance with Beach's values.

In FY18 in particular, we have taken a significant step towards our *vision*. And I think you have witnessed through our actions over the past 3 years that we are genuinely focussed as a team on our *purpose*.

Beach's *values* are steady and strong and have helped us immensely as we have brought the former Lattice staff into the Beach fold.

We see a lot of opportunity in the portfolio we now have and we want to become the best team that we can be. We aim to deliver on our promises, and always challenge for continual improvement in a respectful way. And do this with safety and environmental performance at front of mind.

We know that will help reward our shareholders.

I will now hand back to Glenn to commence the formal part of the meeting.

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# ANNUAL GENERAL MEETING



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23 November 2018



# COMPLIANCE STATEMENTS



## 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.

Underlying EBITDAX (earnings before interest, tax, depreciation, amortisation, evaluation, exploration expenses and impairment adjustments), underlying EBITDA (earnings before interest, tax, depreciation, amortisation, evaluation and impairment adjustments), underlying EBIT (earnings before interest, tax, 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 by Beach's external auditors but have been extracted from audited 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 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 2018 and represent Beach's share.

Certain FY19 planned activities are subject to joint venture approvals. References to planned activities beyond FY19 are subject to finalisation of work programs, government approvals, joint venture approvals and board approvals.

Due to rounding, figures and ratios may not reconcile to totals throughout the presentation.

## 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 presentation were originally disclosed to the market in ASX release #034/18 from 2 July 2018. Beach confirms that it is not aware of any new information or data that materially affects the information included in this presentation 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.

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.

## Assumptions

The outlook set out in this presentation is not guidance. The outlook is uncertain and subject to change. The outlook has been estimated on the basis of the following assumptions: 1. a US\$74.25/bbl Brent oil price in FY19 and a US\$70/bbl Brent oil price from FY20; 2. 0.77 AUD/USD exchange rate in FY19 and 0.75 AUD/USD exchange rate from FY20; 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.

FY19 guidance and 5 year outlook estimates set out in this presentation have been prepared on the basis that the proposed sale of a 40% interest in its Victorian Otway Basin assets to O.G. Energy (announced to the ASX on 5<sup>th</sup> October 2018) completes in Q3 FY18. Completion remains subject to satisfaction of customary conditions, including FIRB approval, some of which are outside of the control of Beach and as a result the timing of settlement may differ from the assumption used in this release.

# CHAIRMAN'S ADDRESS

Glenn Davis, Chairman



# DELIVERING ON OUR STRATEGY: THE FOUR PILLARS



## Optimise Our Core in the Cooper Basin



- ✓ Cooper Basin 2P oil and gas reserves increased 71% to 128 MMboe at 30 June 2018

## Pursue Compatible Growth



- ✓ Broad portfolio with multiple production hubs
- ✓ Significant infrastructure

## Build a Complementary East Coast Gas Business



- ✓ Supply ~ 15% of east coast domestic gas demand

## Maintain Financial Strength



- ✓ Balance sheet is rapidly de-gearing
- ✓ Low-cost operating model

# DELIVERING ON OUR STRATEGY: EFFICIENTLY



- Low-cost operating model
- We continue to find efficiencies and drive down cost





# DELIVERING ON OUR STRATEGY: SAFELY



- Five years of continuous improvement in safety
- HSER (Health, Safety, Environment, Risk) now has representation at the executive level



# DELIVERING ON OUR STRATEGY: IN COMPLIANCE



- Beach conducts its operations in accordance with the law, good governance and ethically
- We were in FY18, and remain today, free of any known breach



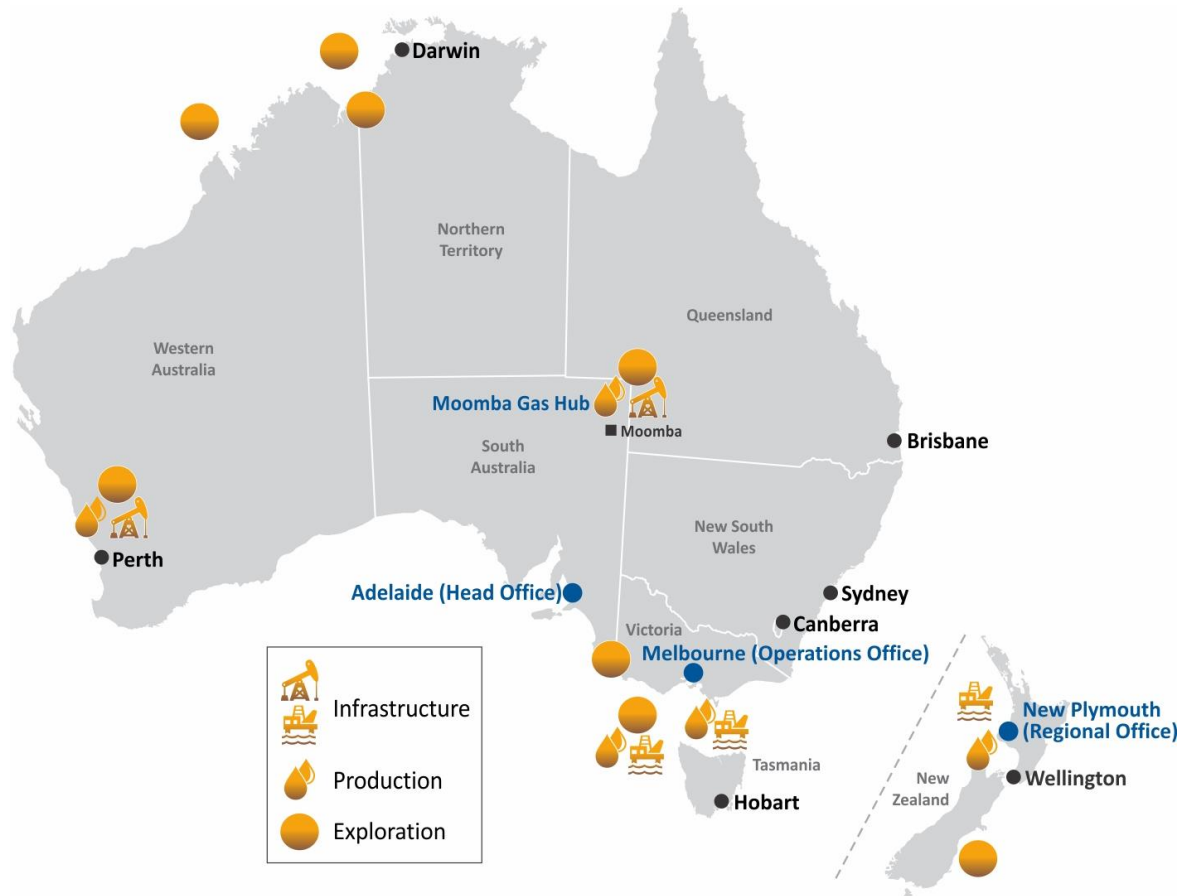
# DELIVERING ON OUR STRATEGY: WITH GOOD PEOPLE



- Our workforce is a critical asset
- We continue to invest in our people
- We continue our work on diversity



# DELIVERING ON OUR STRATEGY: TRANSFORMATION TO A MORE ROBUST MODEL



## Portfolio

- Production diversity
- Exposure to 3 gas markets

## East coast gas market exposure

- Supplying 15% of east coast domestic market
- Beach committed to bringing more supplies online

## Funding in place to pursue growth

- High returning investment portfolio
- Balance sheet that is rapidly de-gearing

**Creating shareholder value is our priority**

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# CEO'S ADDRESS

Matt Kay



# FY18: A TRANSFORMATIONAL YEAR



## Transformational Lattice acquisition

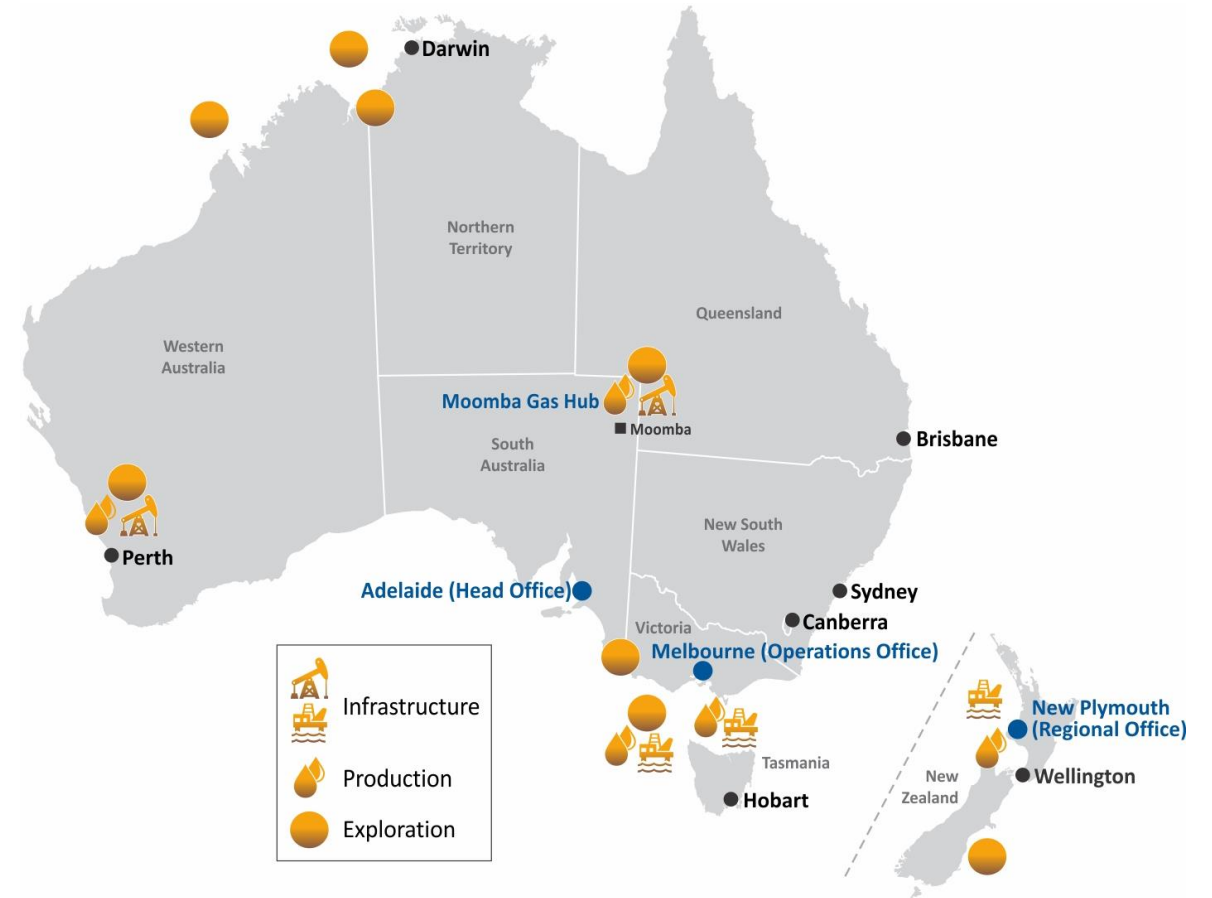
- Material increase in company size and geographic footprint

## Excellent FY18 operational performance

- 96 wells drilled at a success rate of 82%
- Annual production of 19.0 MMboe, up 80%
- 2P reserves life increased to 11 years

## Historic full year result

- Underlying NPAT<sup>1</sup> \$302 million, up 86%
- Operating cash flow of \$663 million, up 108%
- On track to be debt-free within 12 months



**Focus turns to accelerating growth**

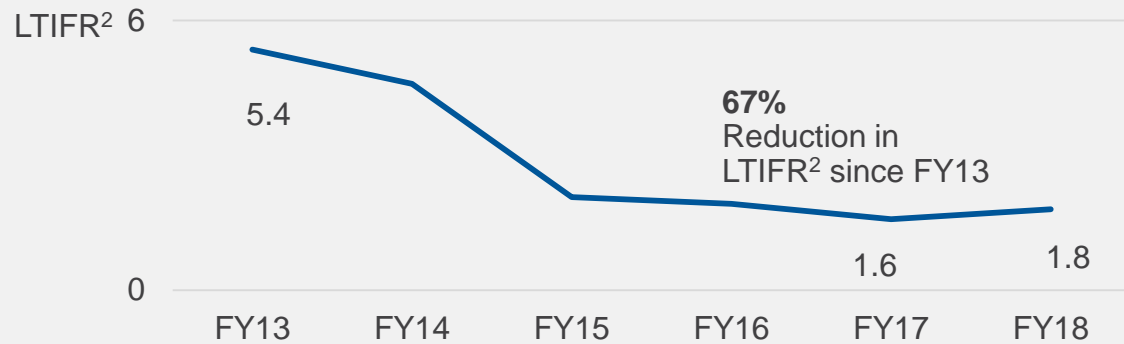
1. Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit by Beach's external auditors, however have been extracted from the audited financial statements.

# OUR TOP PRIORITY

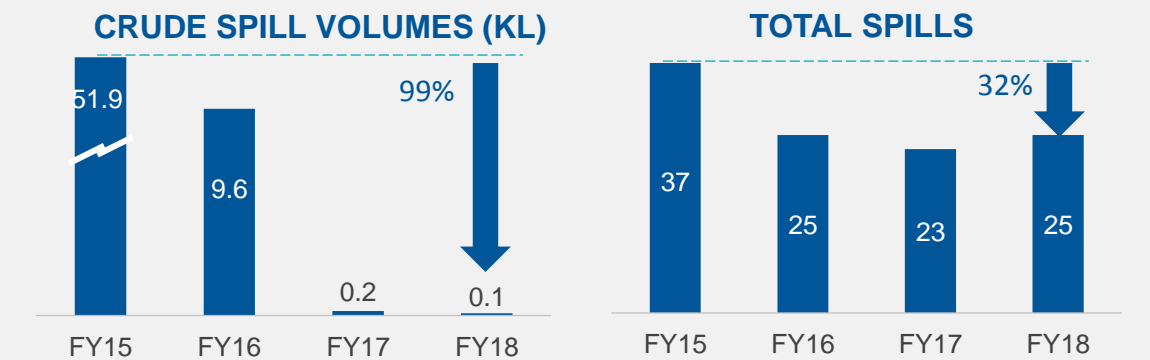
## STRONG SAFETY AND ENVIRONMENTAL PERFORMANCE A KEY PRIORITY



### Safety performance<sup>1</sup>



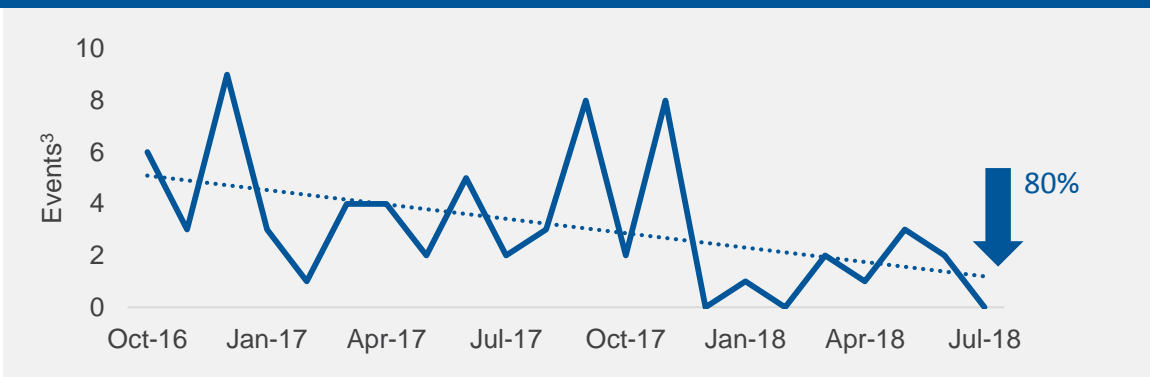
### Environmental performance<sup>1</sup>



### Maintaining strong HSE performance

- Safety: Zero contractor LTIs for FY18
- Environment: Lowest ever crude spill volumes
- Process safety review across 5 basins complete with no significant risk findings

### Loss of containment (gas)



1. Includes Lattice assets from 1 January 2018.  
 2. LTIFR: Lost Time Injury Frequency Rate, calculated as lost time injuries per million hours worked (Beach employees and contractors).  
 3. Based on Process Safety Events as defined within API 754/IOGP 456.

# THE BEACH APPROACH

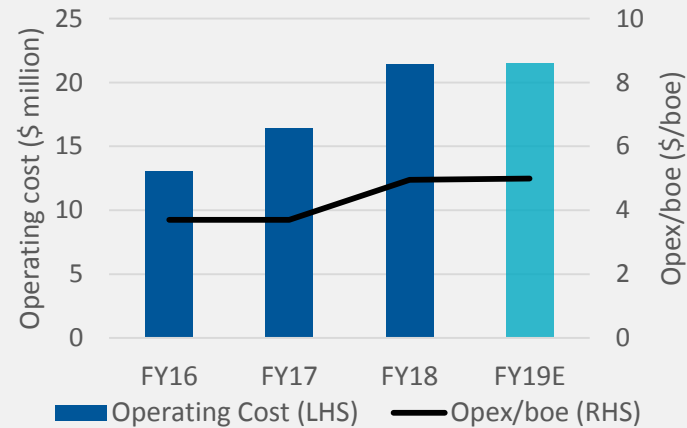
## TRACK RECORD OF LOW COST COOPER BASIN OPERATIONS



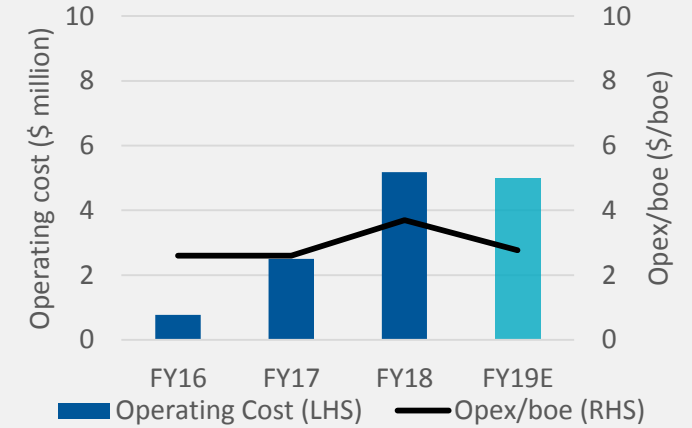
- ✓ Decades of Cooper Basin experience
- ✓ Safe operation of over 130 oil and gas wells and multiple facilities
- ✓ Own critical processing infrastructure
- ✓ Low cost operator in the basin, driving efficiency
- ✓ Strong collaboration with JV parties delivering efficiencies

### Cooper Basin operated performance

OIL FIELD OPERATING COSTS<sup>1</sup>



GAS FIELD OPERATING COSTS<sup>1</sup>



**Beach has successfully kept Cooper Basin field unit operating costs below \$5/boe**

1. Source Beach data. Field operating costs defined as operating costs before tariffs, tolls and royalties. Estimates based upon Beach outlook. Outlook is not guidance. Outlook is determined using the assumptions set out on the "Compliance Statements" slide. Any changes to the underlying assumptions could cause actual reported results to differ materially to the outlook presented.



# TIME IS RIGHT TO ACCELERATE ORGANIC GROWTH



## Beach has a high quality portfolio of investment opportunities

- ✓ Over two thirds of all discretionary investment to generate IRR > 40%<sup>1</sup>
- ✓ Over two thirds of oil discretionary investment to generate IRR > 100%<sup>1</sup>

## Positive market dynamics + funding capacity + quality assets = right time to increase investment

- ✓ FY19 capital expenditure \$440 – 520 million
- ✓ Over 80% of capital expenditure is classified as discretionary

## Capital expenditure supports medium term production growth

- ✓ FY19 exploration/appraisal expenditure to support production volumes in future years
- ✓ Beach targeting production of 30 – 36 MMboe by FY23

## Beach is on track to be debt-free within 12 months

- ✓ Otway sale combined with strong free cash flow to generate > \$2.6 billion over next 5 years
- ✓ Board to consider use of capital with capital allocation framework

1. Refers to discretionary investment in FY19. Discretionary investment defined as capital expenditure not related to stay in business activities. Internal rate of return (IRR) calculated based on internal assumptions. Refer to the "Compliance Statements" slide for further detail regarding assumptions.

# EXPERIENCED EXECUTIVE TEAM IN PLACE



| Executive Role  | Name                     | Commenced      | Experience | Prior experience                   |
|---|--------------------------|----------------|------------|------------------------------------|
| Chief Executive Officer                                   | <b>Matt Kay</b>          | May 2016       | > 25 years | Oil Search, Woodside, Santos       |
| Chief Financial Officer                                   | <b>Morné Engelbrecht</b> | September 2016 | > 18 years | InterOil, Newcrest, PwC            |
| Chief Operating Officer                                   | <b>Dawn Summers</b>      | February 2018  | > 25 years | Origin (Lattice), BP, Genel Energy |
| Group Executive<br>– Development                          | <b>Geoff Barker</b>      | February 2018  | > 30 years | RISC, Woodside, Shell              |
| Group Executive<br>– Exploration and Appraisal            | <b>Jeffrey Schrull</b>   | January 2017   | > 30 years | Chevron, Addax Petroleum           |
| Group Executive<br>– Corporate Strategy & Commercial      | <b>Lee Marshall</b>      | January 2018   | > 20 years | Woodside                           |
| Group Executive – Health, Safety,<br>Environment and Risk | <b>Brett Doherty</b>     | February 2018  | > 30 years | INPEX, Ras Gas, Santos             |

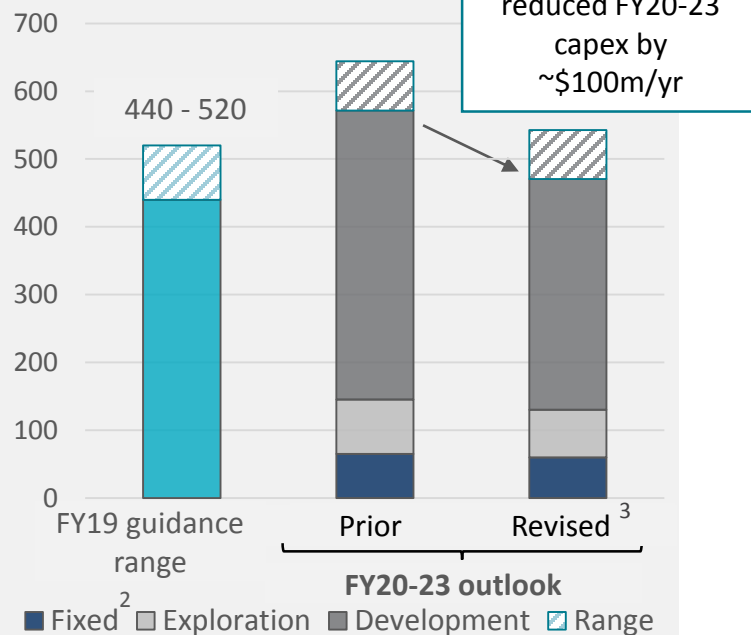
**A driven team with significant offshore and international experience**

# READY TO UNLOCK OUR RESERVES AND CASH FLOW POTENTIAL



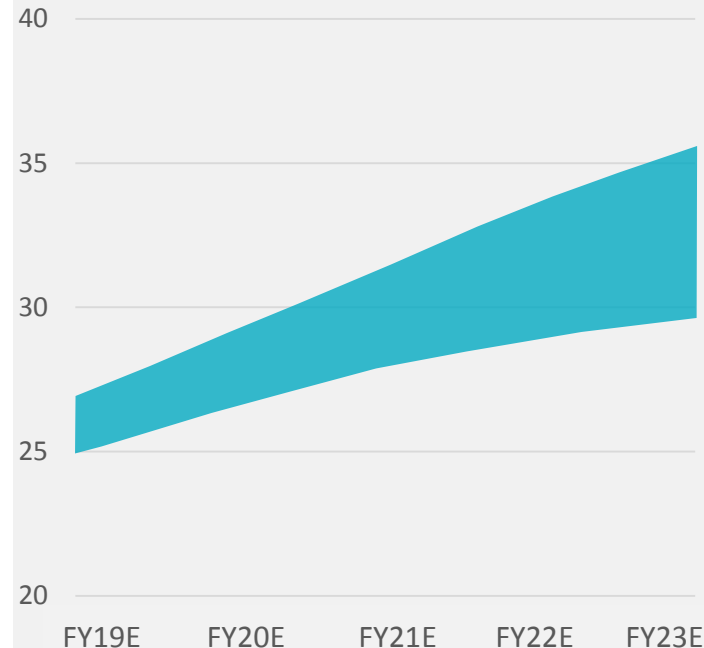
## Disciplined discretionary investment...

### CAPITAL EXPENDITURE OUTLOOK<sup>1</sup> (\$ MILLION)



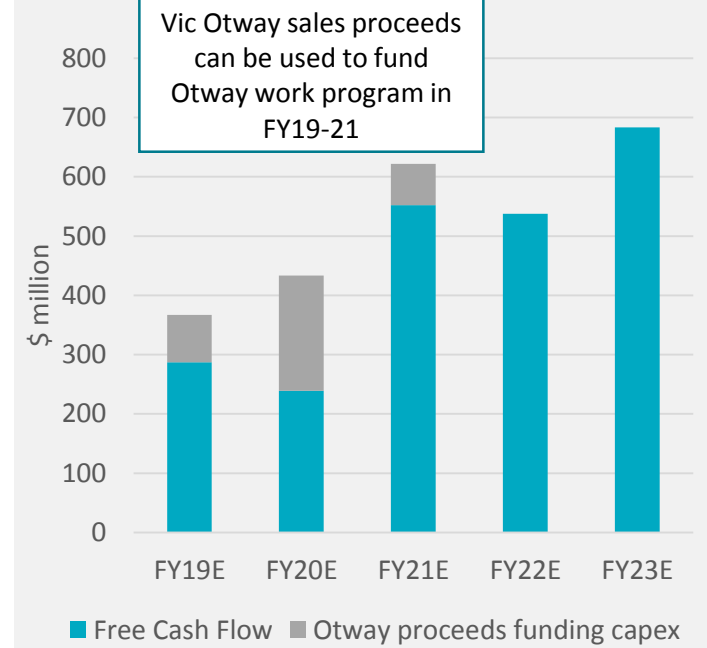
## ...driving medium term production growth...

### PRODUCTION OUTLOOK<sup>1</sup> (MMBOE)



## ...generating > \$2.6 billion of free cash flow over 5 yrs

### FREE CASH FLOW OUTLOOK<sup>1</sup> (\$ MILLION)



1. Outlook is determined using the assumptions set out on the "Compliance Statements" slide. Outlook is presented on the basis that the proposed sale of a 40% interest in the Otway Basin is completed  
 2. "Fixed" refers to stay-in-business capital expenditure. 19% of FY19 capex guidance is classified as fixed.  
 3. Revised capex is based on sale of 40% interest in Victorian Otway basin assets.

# VICTORIAN OTWAY ASSET SALE

## BEACH TO SELL A 40% INTEREST IN OTWAY PERMITS TO O.G. ENERGY

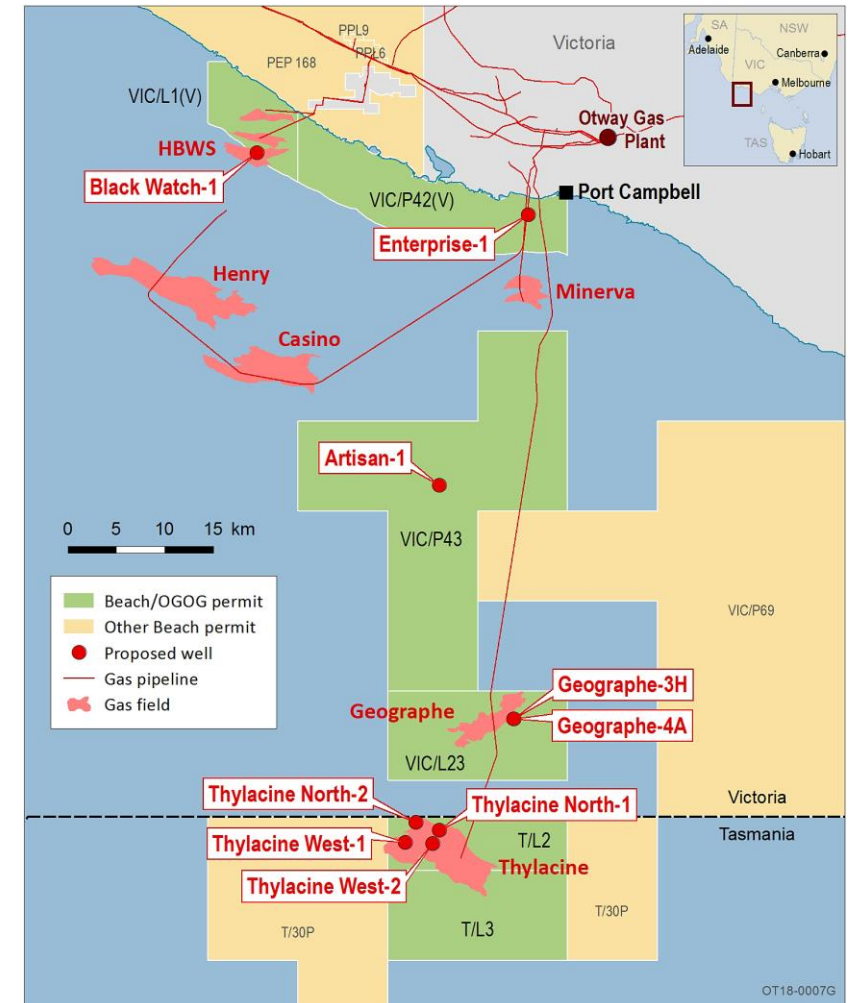


### Transaction overview

- Purchaser is O.G. Energy, the energy division of Ofer Global
- Sale includes interests in Otway Gas Plant, existing gas fields (Geographe, Thylacine, Halladale, Speculant, Black Watch) and exploration targets Enterprise and Artisan.
- Total consideration is \$344 million (cash)
- Effective date of the transaction is 1 July 2018
- The sale is subject to customary terms and conditions, including FIRB. Completion is currently expected to occur Q3 FY19

### Strategic rationale for sale

- Brings in aligned partner, committed to rapid development and exploration
- Reduces Beach share of FY19-23 expenditure by ~\$450 million
- Proceeds from sale can be used to fund a portion of Beach's future capex
- Beach to retain operatorship and 60% interest



# KEY ACTIVITIES IN FY19



## Operating Excellence

- Target 20% reduction in direct controllable operating costs by FY20
- Target increase in plant reliability from 94.3% in FY18 to 98% by end FY20
- HSE remains key focus

## Cooper Basin

- Beach to participate in up to 130 wells, a 37% increase on FY18 levels
- Expansion of horizontal drilling program in Cooper Basin (15 wells to be drilled)

## Otway Basin

- Preparation underway to drill 2 wells in South Australian Otway Basin in H2 FY19
- Preparation underway to commence drilling in Victorian Otway basin by end FY19
- Complete sale of 40% interest in Victorian Otway Basin assets to O.G. Energy

## Perth Basin

- Prepare for drilling Beharra Springs Deep in late FY19 (subject to JV approval)
- Progress gas commercialisation activities for Waitsia

# FY19 GUIDANCE

## UPDATED COMMENTS POST Q1 FY19 QUARTERLY REPORT



|                 | Guidance range        | Comment                    |
|-----------------|-----------------------|----------------------------|
| FY19 production | 25 – 27 MMboe         | Trending towards upper end |
| FY19 capex      | \$440 – 520 million   | No change                  |
| FY19 DD&A       | \$395 – 445 million   | Trending towards upper end |
| FY19 EBITDA     | \$1.05 – 1.15 billion | Trending towards upper end |



Only 7% of FY19 production is derived from FY19 capital expenditure. The majority of FY19 capex is driving medium term production growth

Please note: FY19 guidance has been prepared on the basis that (for accounting purposes) Beach will continue to report beneficial ownership of a 100% interest in its Victorian Otway assets in H1 FY19 and then report 60% interest from H2 FY19 on completion. An adjustment will be made to the purchase price at settlement to account for cash flows occurring between the valuation date of the transaction and settlement. Completion remains subject to satisfaction of customary conditions precedent, which are outside of the control of Beach and as a result the timing of settlement may differ from the assumption used in this release

# KEY TAKEAWAYS

## A COMPELLING FIVE YEAR OUTLOOK<sup>1</sup>



**Portfolio provides growth**

✓ Production growing to 30 - 36 MMboe

**High return / low risk investment**

✓ Over two thirds of discretionary investment > 40% IRR<sup>2</sup>

**Profitability**

✓ ROCE target 17 - 20%

**Free cash flow generation**

✓ Target of > \$2.6 billion in cumulative free cash flow

**Debt free**

✓ Provides capital management optionality

1. Estimated based upon Beach outlook. Outlook is not guidance. Outlook is determined using the assumptions set out on the "Compliance Statements" slide. Outlook is presented on the basis that the proposed sale of a 40% interest in the Otway Basin is completed.  
2. Refers to discretionary investment in FY19. Discretionary investment defined as capital expenditure not related to stay in business activities. Internal rate of return (IRR) calculated based on internal assumptions, set out on the "Compliance Statements" slide.

# CAPITAL MANAGEMENT



- Beach remains a growth-oriented company, with TSR to be primarily achieved via share price appreciation
- Growth to be achieved through the investment in our portfolio of value-accretive opportunities
- Beach is on track to be debt free within 12 months, thanks to free cash flow generation (and subject to completion of the Otway sale)
- Beach's target net gearing range is 15 – 25%, providing balance sheet flexibility to:
  - **Accelerate organic growth investment** in highly value-accretive opportunities
  - **Evaluate M&A opportunities** that leverage off Beach's skill set and infrastructure footprint
  - **Consider increased shareholder returns**
- Of primary consideration in the decision-making process is a focus on creating shareholder value via the disciplined allocation of capital.



# OUR VISION, PURPOSE AND VALUES



## Our vision

We aim to be Australia's premier multi-basin upstream oil and gas company

## Our purpose

To deliver sustainable growth in shareholder value

## Our values

Our values define us, guide our actions, our decisions and our words

- |                    |  |
|--------------------|--|
| <b>Safety</b>      | Safety takes precedence in everything we do                |
| <b>Creativity</b>  | We continuously explore innovative ways to create value    |
| <b>Respect</b>     | We respect each other, our communities and the environment |
| <b>Integrity</b>   | We are honest with ourselves and others                    |
| <b>Performance</b> | We strive for excellence and deliver on our promises       |
| <b>Teamwork</b>    | We help and challenge each other to achieve our goals      |

**We have delivered on promises since 2016 and intend to continue**

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# Q&A

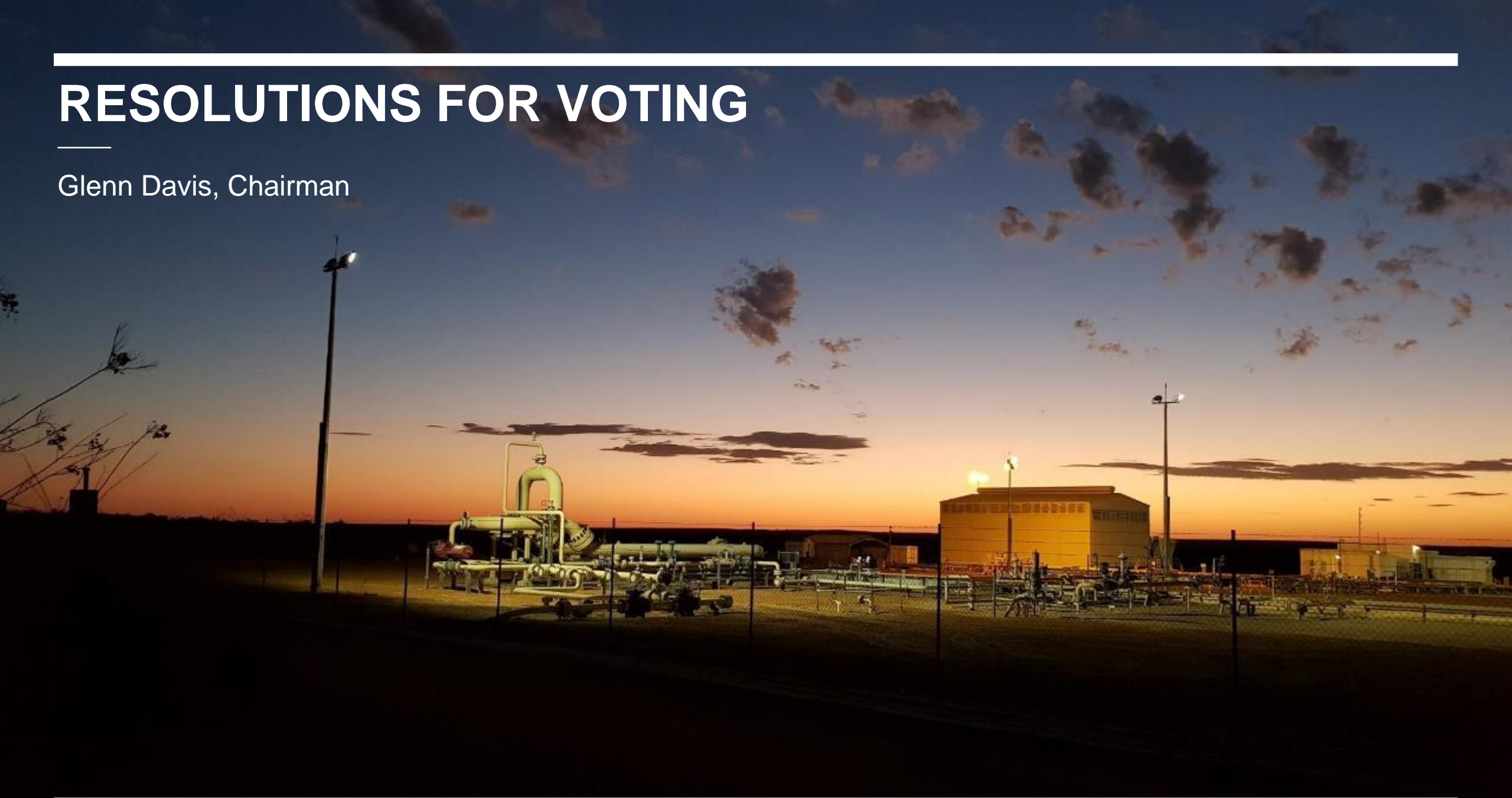
Glenn Davis, Chairman



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# RESOLUTIONS FOR VOTING

Glenn Davis, Chairman



# PROXY VOTES



- Beach has received 1,771,340,912 valid proxy votes
- Represents 77.79% of total votes

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# FINANCIAL STATEMENTS



- The first item of business is to receive and consider the financial statements and the reports of the directors and auditor for the financial year ended 30 June 2018

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# RESOLUTION 1

## ADOPTION OF THE REMUNERATION REPORT



- To consider and put to a non-binding vote the following resolution:

*“That the remuneration report for the financial year ended 30 June 2018 be adopted.”*

# RESOLUTION 1

## ADOPTION OF THE REMUNERATION REPORT



|                                 | <b>For</b>    | <b>Against</b> | <b>Open-Usable</b> | <b>Total Valid Available Votes</b> | <b>Abstain</b> |
|---------------------------------|---------------|----------------|--------------------|------------------------------------|----------------|
| Adoption of remuneration report | 1,747,859,865 | 17,283,010     | 6,198,037          | 1,771,340,912                      | 1,551,622      |
|                                 | 98.67%        | 0.98%          | 0.35%              | 100.00%                            |                |

# RESOLUTION 2

## RE-ELECTION OF GLENN DAVIS AS A DIRECTOR



- To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That Glenn Davis, who retires by rotation pursuant to clause 13.3 of the constitution of Beach and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election, is re-elected as a director of Beach.”*



# RESOLUTION 2 RE-ELECTION OF GLENN DAVIS AS A DIRECTOR



|                            | <b>For</b>    | <b>Against</b> | <b>Open-Usable</b> | <b>Total Valid Available Votes</b> | <b>Abstain</b> |
|----------------------------|---------------|----------------|--------------------|------------------------------------|----------------|
| Re-election of Glenn Davis | 1,608,982,862 | 156,630,819    | 6,597,600          | 1,772,211,281                      | 1,210,552      |
|                            | 90.79%        | 8.84%          | 0.37%              | 100.00%                            |                |

# RESOLUTION 3

## RE-ELECTION OF RYAN STOKES AS A DIRECTOR



- To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That Ryan Stokes, who retires by rotation pursuant to clause 13.3 of the constitution of Beach and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election, is re-elected as a director of Beach.”*

# RESOLUTION 3 RE-ELECTION OF RYAN STOKES AS A DIRECTOR



|                            | <b>For</b>    | <b>Against</b> | <b>Open-Usable</b> | <b>Total Valid Available Votes</b> | <b>Abstain</b> |
|----------------------------|---------------|----------------|--------------------|------------------------------------|----------------|
| Re-election of Ryan Stokes | 1,705,788,038 | 59,963,079     | 6,623,453          | 1,772,374,570                      | 1,047,263      |
|                            | 96.25%        | 3.38%          | 0.37%              | 100.00%                            |                |

# RESOLUTION 4 ELECTION OF JOYCELYN MORTON AS A DIRECTOR



- To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That Joycelyn Morton, who was appointed as a director subsequent to the last annual general meeting of Beach and being eligible, offers herself for election, is elected as a director of Beach.”*

# RESOLUTION 4 ELECTION OF JOYCELYN MORTON AS A DIRECTOR



|                             | <b>For</b>    | <b>Against</b> | <b>Open-Usable</b> | <b>Total Valid Available Votes</b> | <b>Abstain</b> |
|-----------------------------|---------------|----------------|--------------------|------------------------------------|----------------|
| Election of Joycelyn Morton | 1,759,233,913 | 5,790,260      | 6,627,757          | 1,771,651,930                      | 1,769,903      |
|                             | 99.30%        | 0.33%          | 0.37%              | 100.00%                            |                |

# RESOLUTION 5

## APPOINTMENT OF AUDITOR



- To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That, for the purposes of section 327B(1)(b) of the Corporations Act 2001 (Cth) and for all other purposes, Ernst & Young, having consented in writing to act as auditor of Beach, is appointed auditor of Beach.”*

# RESOLUTION 5 APPOINTMENT OF AUDITOR



|                        | <b>For</b>    | <b>Against</b> | <b>Open-Usable</b> | <b>Total Valid Available Votes</b> | <b>Abstain</b> |
|------------------------|---------------|----------------|--------------------|------------------------------------|----------------|
| Appointment of auditor | 1,739,456,487 | 26,172,966     | 6,580,692          | 1,772,210,145                      | 1,211,688      |
|                        | 98.15%        | 1.48%          | 0.37%              | 100.00%                            |                |

# RESOLUTION 6 APPROVAL OF BEACH ENERGY EMPLOYEE SHARE PLAN



- To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That for the purposes of Listing Rule 7.2 (exception 9(b)) and all other purposes, the establishment, operation and administration of a Beach Energy Ltd Employee Share Purchase Plan (Plan), as described in the Explanatory Statement to this Notice of Meeting, and the issue of shares under the Plan until 23 November 2021, be approved.”*



# RESOLUTION 6 APPROVAL OF BEACH ENERGY EMPLOYEE SHARE PLAN



|                                  | <b>For</b>    | <b>Against</b> | <b>Open-Usable</b> | <b>Total Valid Available Votes</b> | <b>Abstain</b> |
|----------------------------------|---------------|----------------|--------------------|------------------------------------|----------------|
| Beach Energy Employee Share Plan | 1,756,730,834 | 8,775,707      | 6,310,846          | 1,771,817,387                      | 1,414,088      |
|                                  | 99.14%        | 0.50%          | 0.36%              | 100.00%                            |                |

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# RESOLUTION 7 REINSTATEMENT OF PARTIAL TAKEOVER PROVISIONS IN THE CONSTITUTION



- To consider and, if thought fit, pass the following resolution as an ordinary resolution:  
  
*“That Clause 6.4 of Beach’s constitution is reinstated in the constitution for a further three years after the date of this annual general meeting.”*

# RESOLUTION 7 REINSTATEMENT OF PARTIAL TAKEOVER PROVISIONS IN THE CONSTITUTION



|  | <b>For</b>    | <b>Against</b> | <b>Open-Usable</b> | <b>Total Valid Available Votes</b> | <b>Abstain</b> |
|--|---------------|----------------|--------------------|------------------------------------|----------------|
| Reinstatement of Partial Takeover Provisions | 1,760,221,852 | 4,801,219      | 6,574,495          | 1,771,597,566                      | 1,824,267      |
|  | 99.36%        | 0.27%          | 0.37%              | 100.00%                            |                |

# QUESTIONS AND MEETING CLOSE



## Beach Energy Limited

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