



ASX Announcement

Beach Energy FY21 Full Year results

Reference #035/21

Date

16 August 2021

FY21 summary

- Final Investment Decision at Waitsia Gas Project Stage 2
- Conducted Waitsia LNG marketing negotiations, targeting execution of LNG sales contract in FY22
- Two exploration successes (Enterprise 1 and Artisan 1) in Otway exploration program
- Successfully drilled Geographe 4 development well, offshore Otway Basin, results in-line with expectation¹
- Completed Cooper and Otway Basin Lattice GSA price reviews with favourable outcomes to Beach
- Two strategic bolt-on acquisitions in the Cooper and Bass Basins
- Downgrade of Western Flank 2P reserves, as previously announced²
- Estimated FY21 emissions³ 12% lower than FY18 levels and on track to reach 25 by 25 emissions target
- Progressing FEED studies for the 1.7 million tonnes CO₂ per annum Moomba CCS project (Beach ~33%)
- Beach announces its aspiration to reach net zero Scope 1 and 2 operated emissions by 2050

Operational summary

- Safest year on record with three million hours worked without a Lost Time Injury
- Production of 25.6 MMboe, down 4% on FY20, primarily due to lower Western Flank oil volumes
- Otway Gas plant operated at 99.3% reliability, with Kupe and Middleton facilities at ~98.5%
- Progressed Kupe compression project to commissioning stage on budget
- Completion of 28-day statutory shutdown at the Otway Gas Plant in November 2021, on time and budget

Financial summary

- Net profit after tax (NPAT) of \$317 million, impacted by \$117 million non-cash, pre-tax impairment
- Underlying net profit after tax (NPAT) of \$363 million
- Underlying EBITDAX of \$1,010 million and underlying EBITDA of \$953 million, supported by favourable arbitral outcome in relation to the carbon liability associated with a Kupe GSA
- Strong balance sheet maintained to deliver on gas growth projects with net debt of \$48 million, net gearing of 1.5% and liquidity of \$402 million at 30 June 2021
- Beach in net cash position as of 13 August 2021
- Final dividend of 1.0 cps, fully franked

¹ Geographe 4 is located in production licence VIC/L23 (Beach: 60% and operator, O.G. Energy 40%), offshore Victoria, encountered 79 metres of net pay (TVD) in the primary targets of the Flaxman and Waarre Formations from 4,680 to 4,887 metres measured depth. Wireline evaluation confirmed the presence of gas in communication with the main field, as expected.

² Refer to ASX announcement #013/21 from 30 April 2021: "Business Update".

³ Subject to final National Greenhouse Emissions Reporting Scheme (NGERs) numbers.

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Investor relations Chris Morbey, Head of Investor Relations

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Beach ends year of mixed fortunes with good progress on gas growth

Beach Energy has today released its FY21 Full Year results as well as FY22 guidance, announcing an underlying Net Profit After Tax of \$363 million.

Beach retained a strong balance sheet with net debt of \$48 million, net gearing of 1.5% and liquidity of \$402 million at year end. Despite the recent downgrade to Western Flank production and reserves, the Board has maintained its 1 cent per share dividend for shareholders.

The Company's underlying EBITDA of \$953 million was towards the mid-point of original FY21 EBITDA guidance of \$900 – 1,000 million provided in August 2020. This was supported by two favourable arbitration outcomes over a contract dispute relating to a Kupe GSA and the Otway Lattice gas price review.

Managing Director, Matt Kay, said that while FY21 was a challenging year for Beach on the Western Flank, the Company remains in a strong position as it delivers on its gas growth projects, primarily in the Perth and Victorian Otway Basins.

"Beach had two exploration successes in the Victorian Otway, we delivered two value accretive bolt-on acquisitions to grow existing production hubs, and we reached FID on the Waitsia Gas Project Stage 2, bringing Beach closer to supplying gas into the global LNG market for the first time.

"In our 60-year history, there has never been a bigger project than our Otway Offshore campaign. This saw the successful drilling of Geographe 4 and Xmas trees placed on top-hole locations at Geographe 4 and 5.

"We also doubled the production deliverability at our Perth Basin facilities, and we are in the final stages of commissioning at the Kupe compression project, extending the life of this important asset in New Zealand.

Commenting on FY22 guidance, Mr Kay said that Beach expects production to be further impacted by the declining Western Flank fields, ahead of the ramp up of production in the Perth Basin and Victorian Otway Basin development projects.

"The Offshore Otway campaign will progress throughout the year with first gas from the new Geographe development wells on track for mid-FY22 and all six development wells expected to be drilled by the end of FY22, pending stable weather conditions.

"These wells, once connected to the Otway Gas Plant, will help to supply the constrained East Coast gas market, which is facing supply shortfalls in the coming years.

"We are also excited to see construction commence at the Waitsia 250 TJ/day gas processing facility.

"FY21 was also Beach's safest year on record, and we have chalked up 3 million hours without a Lost Time Injury - that alone, is a reason to be very proud of the efforts of the Beach team.

"On the sustainability front, Beach commenced FEED studies on the Santos-operated Moomba CCS project in the Cooper Basin, where we have a 33% interest. The project plans to leverage existing Cooper Basin JV infrastructure and sequester up to 1.7 million tonnes of CO₂ per annum. It is supported by the Federal Government and was recently granted \$15 million of funding from the Carbon Capture Use and Storage Development Fund.

"Beach also announces an aspiration of reaching net zero Scope 1 and 2 operated emissions by 2050 and made progress on our 25 by 25 emissions targets, delivering five key emission reduction initiatives. At the end of FY21 our estimated emissions were 12 per cent lower than they were in FY18."

Updated FY22 guidance

The following table summarises the prior and updated guidance for FY22.

	FY21 actual	FY22 guidance
Production (MMboe)	25.6	21.0 – 23.0
Capital expenditure ⁴ (\$ million)	\$671	\$900 – 1,100
Unit field operating cost ⁵ (\$ per boe)	\$10.15 ⁶	\$11.50 – 12.50
Unit DD&A ⁷ (\$ per boe)	\$17.00 ⁶	\$15.75 – 16.75

Reserves and contingent resources

The following table summarises Beach's reserve and contingent resources as at 30 June 2021 (developed plus undeveloped, net to Beach).

(MMboe)	FY20	FY21	Change (%)
1P Reserves	202	183	(9%)
2P Reserves	352	339	(4%)
3P Reserves	576	531	(8%)
2C Contingent Resources	180	191	6%

Key highlights:

- FY21 production of 25.6 MMboe⁸, 4% year-on-year variance
- 2P reserve life unchanged at 13 years⁹
- 2P gas and associated liquids reserve life of 16 years
- Sales gas and ethane volumes contribute 79% of 2P reserves
- Three-year 2P reserve replacement ratio¹⁰ (RRR) of 132%
- Four-year Western Flank 2P oil RRR of 125%, despite FY21 downgrade
- No impairment of Cooper Basin cash generating unit as a result of Western Flank reserve downgrade

⁴ Excludes abandonment activities and corporate capital expenditure.

⁵ Unit field operating costs exclude pipeline and tariffs, royalties and third-party purchases.

⁶ Unit field operating costs and unit DD&A are based on production of 24.8 MMboe, reflecting the accounting completion dates of 1 January 2021 for the Mitsui Bass Basin asset acquisition and 1 March 2021 for the Senex Cooper Basin asset acquisition.

⁷ Excludes corporate DD&A.

⁸ Includes production from the acquisition of Senex Energy's Cooper Basin and Mitsui's Bass Basin assets, with an effective date of 1 July 2020.

⁹ FY21 2P reserves life calculated as 339 MMboe 2P reserves, divided by FY21 production of 25.6 MMboe.

¹⁰ Reserve replacement ratio (RRR) is defined as 2P reserve additions during the period divided by reported production for the same period.

- Net 18 MMboe 2P oil and gas reserve¹¹ reduction resulting from Western Flank revisions¹²
- Addition of 20 MMboe net 2P reserves at the Enterprise gas discovery
- Reserves include the impact of asset acquisitions of Mitsui's Bass Basin interests (+14 MMboe) and Senex's Cooper Basin assets (+7 MMboe) from 1 July 2020
- Net 7 MMboe 2C resource Artisan gas field discovery in offshore Otway Basin
- La Bella reclassified from reserves to contingent resource following Otway exploration success
- Beach has an effective interest of 35.2% for CBJV 2P reserves

Authorisation

This release has been authorised for release by the Beach Energy Board.

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: COVID-19 risks, 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 financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. The information has been extracted from the audited financial statements.

Free cash flow in this release is defined as cash flows from operating activities plus cash flows from investing activities less cash flows from acquisitions and divestments less lease liability payments.

All references to dollars, cents or \$ in this release 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 2021 and represent Beach's share.

References to planned activities in FY22 and beyond FY22 may be subject to finalisation of work programs, government approvals, joint venture approvals and board approvals.

¹¹ Reduction to Western Flank 2P oil and gas reserve of 25 MMboe, offset by 7 MMboe 2P oil and gas reserve increase following acquisition of Senex Energy's Cooper Basin assets

¹² Refer to ASX announcement #013/21 from 30 April 2021: "Business Update".

Due to rounding, figures and ratios may not reconcile to totals throughout this release.

Disclaimer

FY22 guidance is uncertain and subject to change. FY22 guidance has been estimated on the basis of the following assumptions: 1. various economic and corporate assumptions; 2. assumptions regarding drilling results; and 3. 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

Reserves disclosure

Beach prepares its reserves and resources estimates in accordance with the 2018 update to the Petroleum Resources Management System sponsored by the Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers (SPE-PRMS).

The reserves and resources estimates in this report are based on, and fairly represent, information and supporting documentation prepared by, or under the supervision of, qualified petroleum reserves and resources evaluators: Ian Cockerill (GM Exploration & Subsurface), Jason Storey (GM Exploration & Subsurface), Scott Delaney (Manager Exploration & Subsurface) and Mark Sales (Manager Exploration & Subsurface). All QPRRE are employees of Beach and are members of SPE. The reserves and resources information in this presentation has been issued with the prior written consent of the respective QPRRE as to the form and context in which it appears. The reserves statement as a whole has been approved by Ms Paula Pedler, Head of Reservoir Engineering. Ms Pedler is a full-time employee of Beach and a member of the SPE. She has a Bachelor of Engineering Degree (Honours) from the University of Adelaide and has in excess of 25 years of relevant experience. The reserves statement has been issued with the prior written consent of Ms Pedler as to the form and context in which it appears.

The reserves and resources in this presentation have been estimated at 30 June 2021 using a combination of probabilistic and deterministic methods. Each category is aggregated by arithmetic summation. Note that the aggregated 1P category may be a very conservative estimate due to the portfolio effects of arithmetic summation.

Reserves are stated net of fuel, flare and vent at reference points defined by the custody transfer point of each product. Waitsia reserves include 3.4 MMboe of fuel used for LNG processing through the NWS facilities in Karratha between the second half of 2023 and the end of 2028. Conversion factors used to evaluate oil equivalent quantities are sales gas and ethane: 171,940 boe per PJ, LPG: 8.458 boe per tonne, condensate: 0.935 boe per bbl and oil: 1 boe per bbl.

An independent audit of Beach's reserves at 30 June 2021 was conducted by RISC Advisory Pty Ltd (RISC). In RISC's opinion the YEJ21 reserves estimates are reasonable and have been prepared in accordance with the definitions and guidelines contained within the SPE-PRMS and generally accepted petroleum engineering and evaluation principles. The audit encompassed 52% of 2P reserves and included 69% of developed reserves and 38% of undeveloped reserves. Contingent resources have not been audited.