Beach Energy Limited | ABN 20 007 617 969
Level 8, 80 Flinders Street Adelaide, South Australia 5000
GPO Box 175, Adelaide, South Australia 5001
T +61 8 8338 2833 | F +61 8 8338 2336
beachenergy.com.au

8 June 2021

Ref: BPT/37/21

By Email

ASX Limited

Kevin Lewis
Kevin.lewis@asx.com.au

Dear Kevin

Re: Submissions on Proposed Changes to ASX Listing Rules

Thank you for the opportunity to make a submission in respect of the proposed changes to Chapter 5 of the ASX Listing Rules. Beach has reviewed the proposed changes to the ASX listing rules as per the invitation to comment and our key comments are set out below. Beach understands that the main thrust of the proposed changes is for consistency with the 2018 update to the PRMS.

In our submission we are highlighting some areas where, in our opinion, the desired consistency is not being achieved. We have also included some requests for clarification particularly where increased disclosure is proposed.

Our detailed comments against specific draft changes to the listing rules are set out below. If you have any queries please feel free to contact me (daniel.murnane@beachenergy.com.au).

Yours sincerely

Daniel Murnane
Senior Legal Manager & Company Secretary
Beach Energy Limited

Detailed Comments against specific draft changes to listing rules

5.25.2

The draft change here is that reserves and resources must be sub-classified based on the project maturity sub-classes

This is at odds with the PRMS where the guideline is "may be sub-classified".

Feedback: (1) Change the "must" to "may" to be consistent with PRMS; (2) change the rule to say that "where companies have sub-classified reserves and resources the % in each category shall be reported to the ASX and material changes reconciled from year to year." This draft change also needs to be clarified and checked against rule 5.39.3 where the reconciliation is only required against 1P and 2P reserves.

5.25.5

The draft change here is that reserves must be net of royalties paid in kind or in cash. This will be difficult to work with as Beach royalties which are paid in cash, and accounted for in the OPEX, do NOT reduce volumes available for sales and hence reserves.

This draft change does not recognise that under the PRMS royalties are associated with an interest retained in the project by the lessor/host (PRMS 3.3.1.1). This is a very North American centric view.

For companies reporting to the ASX the "royalty" regime applicable is better described by clause 3.3.1.2 in the PRMS viz "…production taxes imposed by the host government may be referred to as royalties." This clause goes on to note that "the lessee/contractor who may … elect to report these obligations as a tax without a corresponding reduction in lessor/contractor's entitlement". In other word these taxes do NOT impact on reserves.

Feedback: Amend the change so that it is recognised that there are two kinds of "royalties" and they have different potential impacts on reserves. It is suggested that the ASX also includes a requirement to note which methodology is being used as with consumed in operations volumes.

5.26.1

The draft change says that entities must "have a high degree of confidence in the commerciality of the project and evidence of the economic producibility…". This change has been introduced to be consistent with PRMS and to reference both commerciality and economic producibility tests.

Clarification requested: Does the entity have to disclose the "evidence of the economic producibility"? Our view is that the proposed amendment would only require Beach to state that we complied with this section and have 'evidence'. However, if you were required to disclose the 'evidence' our view would be that would be onerous and would require disclose of commercial confidential information.

5.28.3

New rule prohibiting the disclosure of a mean estimate of prospective resources (alone). This is already prohibited for reserves and contingent resources.

Feedback: Beach is comfortable with this change as we do not typically disclose prospective resources and are comfortable complying with it in the event we chose to release prospective reserves in specific circumstances.

5.31.6

An expansion of the current rule around reporting of material projects and in particular the development status of the project. The rule has been expanded to include reporting on – the existence of a technically mature; feasible; development plan; financial appropriations that are in place; reasonable time frame for development; confirmation of economics and that it meets internal investment and operating criteria; key approvals that are in place or will be forthcoming INCLUDING social or economic concerns.

These things are all required by the PRMS and Beach notes this leads to additional consistency.

Clarification requested: Please provide an example(s) of what a "brief statement regarding" this reporting would look like to be acceptable to the ASX. In Beach's view a brief statement could be "Beach confirms that all the commerciality criteria of the PRMS have been met."

Beach would be happy to participate in a workshop with ASX and other entities to draw up examples. We see this as an area where there could be a great deal of inconsistency between reporting entities.

5.33.3

A new bullet point is added requiring that the entity provides an estimate of the chance of development for contingent resources.

This new rule is consistent with the statement in the PRMS (2.1.3.2 B) that once discovered the chance of commercial development is called the chance of development. This is simply a statement that this chance exists. Furthermore, the PRMS states that the chance of commerciality incorporates the chance of discovery (Pg) and the chance of development (Pd). The PRMS does not utilise these chances any further or provide any clarity as to how to assign projects to project maturity sub-classes based on the chance of commerciality.

Feedback: Beach feels that this expansion of the rule will not materially inform investors as there is no basis to compare these estimates between companies. Beach therefore suggests the additional bullet point is deleted effectively leaving the clause intact.