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Beach Energy says two potential class actions are ‘baseless’ and outgoing boss should be celebrated

Beach Energy’s former boss Matt Kay did a “tremendous” job and should be celebrated, the AGM heard.

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- 1 COMMENT

Two potential class actions against Beach Energy were “absolutely baseless’’ and outgoing chief executive Matt Kay did a “tremendous” job and was not pushed, chairman Glenn Davis told the company’s annual meeting on Wednesday.

Mr Kay surprised the market by resigning unexpectedly earlier this month, after a six year stint with the Adelaide oil and gas company.

He oversaw strong share price growth up until early 2020, when highs of $2.77 were reached, but the company has had a difficult year in 2021, with the poor performance of its Western Flank oil assets forcing it to pull its guidance in April, causing a share price rout.

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In response to a question put to the annual meeting about whether Mr Kay was “pushed”, Mr Davis emphatically rejected this notion, saying he could “only sing Matt’s praises’’.

“He’s been a fantastic CEO and managing director for Beach Energy,’’ Mr Davis said.

“He’s done a tremendous job for which we’re very, very grateful and we wish him the very, very best. We should be celebrating that success.’’

Mr Kay said at the time he was leaving the company to pursue other opportunities.

Mr Davis also told the AGM the company currently had little information about two potential class actions being considered by law firms Slater and Gordon and Shine Lawyers.

Both firms are canvassing interest in actions relating to Beach’s optimism about the performance of the Western Flank oil assets, and their subsequent retraction of production forecasts and downgrades on the outlook for the Western Flank.

Neither firm has lodged an action to date, and Mr Davis said the company did not know much beyond what had been aired in the public domain.

“In that circumstance, it’s not really appropriate for me to say much more about it at this stage other than we think whatever has been asserted so far is absolutely baseless,’’ he said.

“If a claim is brought it will be very vigorously defended.’’

Herald Sun journalist Caleb Bond says it is important Australia keeps harvesting its natural resources because they can help provide affordable energy to “lift countries out of poverty”.

Mr Davis answered several questions from shareholders opposed to the company’s involvement in the oil and gas sector, but stated firmly that gas was essential to the transition to a low carbon economy, and was emphatic that the company would not be getting out of oil and gas.

“Whilst we do think that the products that we produce are necessary to supply society with the energy that it still needs, we accept that we need to do that in a sustainable manner,’’ Mr Davis said.

“It’s ... why we’ve committed tens of millions of shareholders money to the CCS (Moomba carbon capture and storage) project with joint venture operator Santos, so we take it very seriously.

“We continue our work, and we intend to continue to deliver gas to the market in a sustainable way.’’

Mr Davis said rumours that 30 per cent shareholder Seven Group Holdings was looking to exit the register were not correct, and Seven had rejected that notion.

“I also note that Seven Group did acquire another one and a half per cent of the register last financial year,’’ he said.

Beach’s acting chief executive Morne Engelbrecht earlier told the meeting that Beach had restarted the Western Flank drilling program and reset expectations around production, forecasting the company would hit 28 million barrels of oil equivalent by FY24 from already committed developments, excluding any exploration success.

Beach, before retracting its guidance in April, had been forecasting production in FY21 of 26-28.5mmboe. This eventually came in at 25.6mmboe.

Mr Engelbrecht said the company's balance sheet was "solid" with net cash of $43m at September 30, and Beach would have a stable platform of gas projects underpinning production in coming years.

"We have continued to strengthen our gas business, by reinvesting in our strategically positioned gas assets,'' he said.

"We will have a 16 per cent share of the east coast gas market, approximately 8 per cent share of the NZ market and our first ever LNG sales expected in the second half of 2023.

"Given the material and stable gas revenues, despite our reinvestments in FY22 and FY23, we don't see net gearing moving above 10 per cent for the next few years with the current portfolio.''

After suspending the Western Flank drilling campaign earlier this year, the company said on Wednesday that it had restarted drilling with a single-rig campaign, with a view to reducing production declines, discovering new oilfields, and discovering new gas fields to extend production at its Middleton gas Plant.

Mr Engelbrecht said the Western Flank remained a "low-cost, value accretive asset in the Beach portfolio''.

"With low cost tie-backs to existing infrastructure, the oil development well internal rates of return range from 15 to more than 100 per cent,'' Mr Engelbrecht said.

The 28mmboe forecast for FY24 excluded any potential exploration upside, and "comes from existing 2P reserves in committed projects including those currently in the execution phase''.

"In this base case scenario we assume that no production from any Western Flank

exploration success and a continued natural decline in production from the existing fields.

"The same is also assumed for Bass Gas in this time window.''

Mr Engelbrecht said by the end of 2023 the company expects to have eight operational gas plants serving four gas markets, including the global LNG market through its Waitsia Stage 2 offshore gas project in Western Australia.

"With the inclusion of LNG, our spread of portfolio provides material opportunities and

significant downside protection,'' he said.

“The reason Beach has deliberately positioned itself over recent years to be a material gas

player across multiple markets is because we fundamentally believe in the ongoing need

for natural gas in a decarbonising world.

“Tightness in LNG markets and the looming shortfalls on the East Coast of Australia only

reinforces that thinking.’’

Beach shares were 1.5 per cent lower at $1.29 around midday.

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