FULL-YEAR REPORT INCORPORATING APPENDIX 4E

for the year ended 30 June 2012

2012

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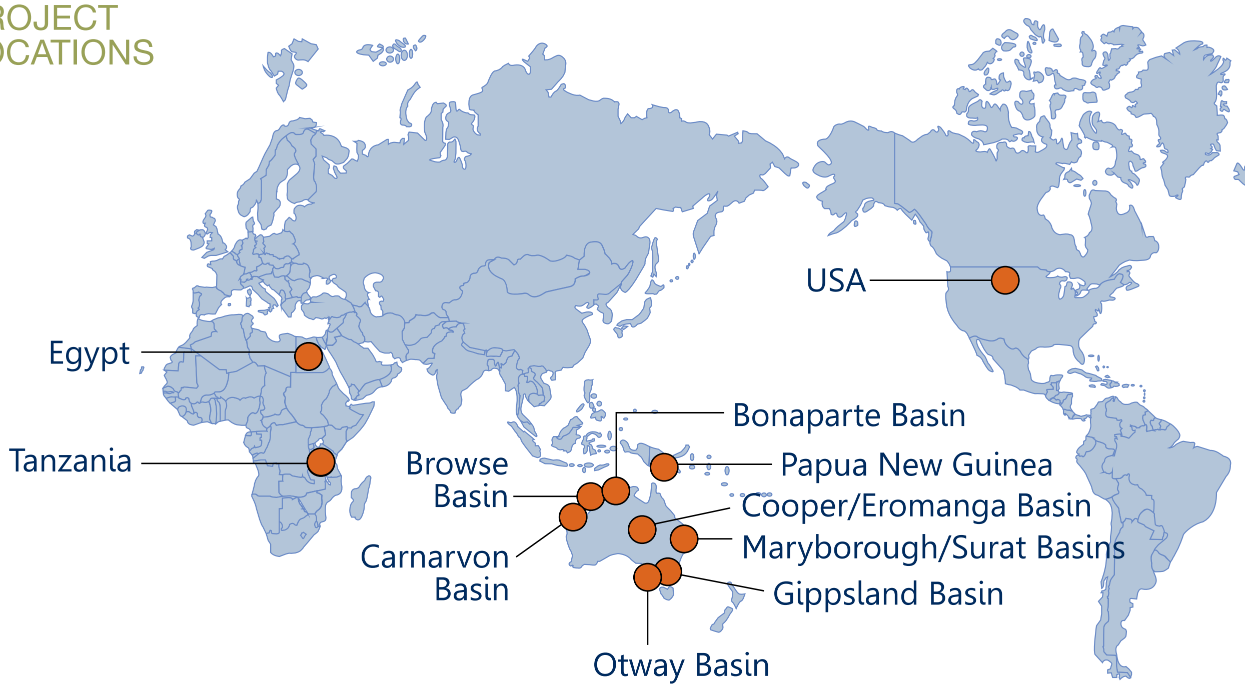
Competent Persons Statement

This report contains information on Beach's reserves and resources which has been compiled by Mr Gordon Moseby and Mr Neil Gibbins, who are full-time employees of Beach, are qualified in accordance with ASX listing rule 5.11 and have consented to the inclusion of this information in the form and context in which it appears.

PROJECT LOCATIONS



APPENDIX 4E

Preliminary Final Report for the year ended 30 June 2012 (Rule 4.3A)

This report is based on financial statements which have been audited

Results for announcement to the market

Previous corresponding period – 30 June 2011

		A$'000		A$'000
Revenues from ordinary activities	**UP**	121,045	to	**619,268**
Net profit after tax	**UP**	261,675	to	**164,225**
Profit from ordinary activities after tax attributable to members	**UP**	261,899	to	**165,108**
Profit for the period attributable to members	**UP**	261,899	to	**165,108**

24%
OPERATING REVENUE

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend (fully franked)	0.75 cents	0.75 cents
Final dividend (fully franked)	1.50 cents	1.50 cents
Record date for determining entitlements to the final dividend	7 September 2012	
Payment date for final dividend	28 September 2012	

50%
FINAL DIVIDEND

None of these dividends are foreign sourced.

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	$1.28	$1.15

11%
NET ASSET BACKING

Beach had an excellent year with 7.5 MMboe produced, record sales revenue of $619 million and record underlying net profit after tax of $122 million

Change in ownership of controlled entities

Control gained over entities having material effect	Adelaide Energy Pty Ltd Australian Unconventional Gas Pty Ltd Deka Resources Pty Ltd Well Traced Pty Ltd
Loss of control of entities having material effect	Somerton Energy Limited Essential Petroleum Exploration Pty Ltd

Dividends

	Current Period $ million	Previous Corresponding Period $ million
Ordinary Securities	$19.394	$19.175

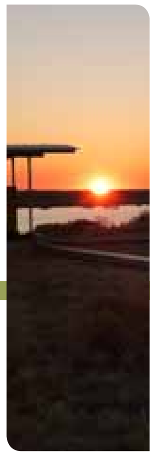
None of these dividends are foreign sourced.

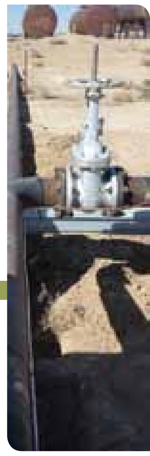
Discount Rate for Dividend Reinvestment Plan (DRP)	5%
Last election date for participation in the DRP	7 September 2012
Record date	7 September 2012
Period over which share price for DRP will be determined	5 trading day period will commence on Wednesday 12 September 2012 and end after Tuesday 18 September 2012
Date of payment	28 September 2012

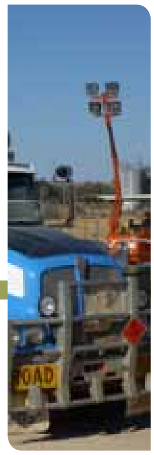
Dividend Reinvestment Plan

Beach has established a Dividend Reinvestment Plan, details of which are available on Beach's website at www.beachenergy.com.au

FY12 HIGHLIGHTS







Financial

- Revenue of $619.3 million, up 24% on prior year
- Net Profit After Tax (NPAT) of $164.2 million, up $261.7 million on prior year
- Record underlying NPAT of $122.1 million, up 190% on prior year
- $345 million capital raising, consists of $195 million in equity funding and $150 million in Convertible Notes
- Strong balance sheet position, cash on hand of $379 million at year end and a multi-option financing facility of $150 million available
- Cash flow from operations of $218.2 million, up 18% on prior year

Corporate

- Renegotiation of Delhi Petroleum's Exxon Mobil royalty (EMR)
- Successful on-market takeover of Adelaide Energy Limited ("Adelaide Energy")
- 55.44% interest in Somerton Energy Limited (Somerton) sold into the Cooper Energy Limited (Cooper) takeover of Somerton

Operations

- Total production of 7.5 MMboe, up 14% from 6.6 MMboe in FY11
- Fracture stimulation of Holdfast-1 and Encounter-1 unconventional gas exploration wells, with each yielding combined flow rates of around 2 MMscfd
- Moonta-1 deeper unconventional gas exploration well gas saturated through over 1,000 metres of Permian target zone
- Participation in 89 wells, up 128% on the prior year, with a success rate of 79%
- Bauer oil field in PEL 91 (Beach 40%) discovered and production initiated
- Three Egyptian oil discoveries in Abu Sennan (Beach 22%) and first oil production from North Shadwan (Beach 20%)
- First operated gas and gas liquids production from PEL 106B (Beach 50%)
- Growler oil field expansion in PRL 15 (Beach 40%)
- Oil pipelines connecting the Cooper Basin Western Flank with Moomba nearing completion

Subsequent Events

- Tanzanian 2D seismic survey covering 2,080 kilometres of the Lake Tanganyika South concession completed
- Moomba-191 unconventional vertical well flowed gas at a stable rate of 2.6 MMscfd

KEY FINANCIAL HIGHLIGHTS

Set out below is a summary of the full year financial results

KEY FINANCIAL HIGHLIGHTS				
		FY12	**FY11**	**Change**
Income				
Total revenue	$'000	619,268	498,223	24%
Cost of sales	$'000	(421,183)	(419,100)	(0)%
Gross profit	$'000	197,434	77,346	155%
Other income	$'000	45,306	26,043	74%
Net profit/(loss) after tax (NPAT)	$'000	164,225	(97,450)	261,675
Underlying NPAT	$'000	122,059	42,059	190%
Dividends paid	cps	1.75	1.75	0%
Dividends announced	cps	1.50	1.00	50%
Basic EPS	cps	14.43	(8.81)	23.24
Cash flows				
Operating cash flows	$'000	218,219	184,530	18%
Investing cash flows	$'000	(337,718)	(171,466)	(97)%
		As at 30 June 2012	**As at 30 June 2011**	**Change**
Financial position				
Net assets	$'000	1,611,847	1,272,522	27%
Cash balance	$'000	378,505	173,328	118%

CHAIRMAN'S REVIEW

Dear Fellow Shareholder

Beach's 51st year continued to build on the growth of the past few years, which culminated in the Company's entry into the ASX100 this year, a not inconsequential achievement in the worst economic conditions since the Great Depression.

Twelve years ago the Company had a market capitalisation of just over $20 million, whereas today Beach is a $1.5 billion oil and gas producer and explorer that has delivered the best underlying financial results in its history.

FY12 was an outstanding year financially for the Company, especially considering production was hampered by the decommissioning of the Santos operated Tantanna-Moomba pipeline and some extreme weather conditions at various times throughout the year. Total revenue of $619 million was driven by strong oil production and an oil price that was up 19% on the prior year. This revenue, along with the renegotiation of the Exxon Mobil royalty earlier in the year, has resulted in Beach delivering a record FY12 underlying NPAT of $122 million, an outstanding achievement and one which is expected to be improved on in FY13, once the full effect of new capital expenditure programs, such as construction of the extensive Western Flank oil pipeline network, are realised.

Beach continued to be corporately active, completing its second consecutive successful on-market takeover. Impress Energy Limited was acquired in FY11, with the acquisition of Adelaide Energy fully completed in May 2012. Adelaide Energy was very much a strategic acquisition aimed at acquiring the balance of PEL 218, thus putting our foot on 100% of the Permian JV within PEL 218 in the Cooper Basin's Nappamerri Trough, which will allow us to develop the unconventional gas play at our own pace. An added benefit of the Adelaide Energy takeover was the acquisition of a further 20% of ATP 855P. One of the key elements to our success in new plays, such as the unconventional shale and basin centred gas program in the Cooper Basin, is making sure that our footprint over quality acreage is extensive.

We seek success on a global scale, particularly in large oil plays, where the discovery and production of large volumes of liquids will cause a step change in the market capitalisation of the Company. The drive into Egypt and Tanzania, as described in the Managing Director's Review, highlights the potential of these plays. Beach has the potential to achieve the scale of some of Australia's major oil and gas companies through both its international opportunities and the exciting unconventional exploration and appraisal activity in the Cooper Basin.

To enable the Company to expand, develop and take advantage of its growth opportunities, Beach raised capital in a very difficult market. As always we are appreciative of the support from our shareholders and I welcome new shareholders as well as the convertible note holders to our register.

As a result of this year's success, the final dividend has been increased 50% over the final dividend paid last year as a way of sharing the rewards with our shareholders.

Beach continues to play a strong role in the community with a number of major sponsorships. For some time now we have supported the Adelaide Zoo/Conservation Ark, the Nature Foundation, the SA Museum and the Outback Gondwana Foundation, all aimed at building awareness around fauna and flora, present and past. In relation to indigenous programs, Beach is the principal sponsor of the Adelaide Crows Indigenous Management program, an Aboriginal youth leadership program, as well as a major sponsor of the Julian Burton Burns Trust, an educational program seeking to reduce the impact and incidence

Beach has the potential to achieve the scale of some of Australia's major oil and gas companies through both its international opportunities and the exciting unconventional activity in the Cooper Basin

of burn injury specifically targeting the indigenous community and the Port Power Aboriginal Cup, an annual indigenous youth football competition. Beach is also involved in sponsorship of the Arts, with the Australian Dance Theatre and the Come Out youth festival. This does not cover all of our sponsorships, with Beach currently contributing to sponsorships and donations to a wide range of charitable causes as part of its social licence to operate.

As previously announced, due to the requirements of the corporate governance advisers in relation to non-executive directors and the need for board renewal generally, I have decided, after almost 21 years in office, to vacate my position at the conclusion of the Annual General Meeting of shareholders (AGM) in November 2012.

I am delighted that the Deputy Chairman Mr Glenn Davis has been elected by your Board as the Chairman Elect with Mr Franco Moretti elected as the Lead Independent Director Elect and Ms Belinda Robinson the Chairman Elect of the Nomination and Remuneration Committee, all of whom take office immediately at the conclusion of the AGM,

Your Board is currently working diligently on director replacement and hopes to present at least one candidate to shareholders at the AGM.

I wish the Board and the Company every success in the future.

Yours sincerely

Bob Kennedy
Chairman
28 August 2012

MANAGING DIRECTOR'S REVIEW

Australia faces changing and challenging market dynamics for its energy security and economic welfare. Oil and gas will remain strongly at the forefront of these needs and Beach is particularly well positioned in this respect.

Oil Market Dynamics

In the short term, oil prices tend to reflect global economic conditions. Particularly with uncertainty in Europe at present, prices are soft. However, recent events in the Middle East and North Africa have heightened perceptions of geopolitical risk. In addition, OECD stocks remain low, while other issues are providing uncertainty over supply. North Sea output continues to decline and this decline has been exacerbated by strikes in Norway. Accordingly, the support for Brent benchmarked crude is strong, compared to West Texas Intermediate crude, which is important, as Beach sells most of its oil production in line with Brent pricing.

Domestic and International Oil Opportunities

We expect that Beach's Australian oil production will increase markedly over the coming year, with the prime contribution coming from its fields on the Western Flank of the Cooper Basin. Newly built pipelines and trunklines should remove the constraints of trucking and provide security of delivery, irrespective of weather conditions.

We have achieved a significant increase in Western Flank 2P oil reserves, of approximately 1.1 million barrels, through five new field discoveries and the successful development and expansion of the Growler and Bauer oil fields.

We anticipate that, as a result, oil production from the Western Flank will increase by around 50% for FY13. Beach is a low cost operator and we expect that the resulting high profit margin per barrel will underpin a strong net operating cash flow, subject as always to oil price.

This reserve growth and production is now supported in our international activities with first oil production in Egypt at North Shadwan in the Gulf of Suez, as well as oil from extended production tests at Abu Sennan in the Western Desert. As Beach's business builds in Egypt, we expect to see further successes there.

The Gulf of Suez has historically accounted for up to 70% of Egypt's annual oil production. It has yielded over 4.5 billion barrels over the last 40 years from numerous fields, including several giant fields.

The formation of the Red Sea – Gulf of Suez rift system was caused by the anticlockwise rotation of the Arabian Plate relative to the African Plate. Its long history of petroleum discovery and production serves as a guide to the potential of other rift systems in East Africa.

Nearly one third of petroleum accumulations discovered in the world to date have been found in rift basins. In recent years, there has been a renewed focus on rift basins, particularly those of East Africa.

Certainly, the series of discoveries made by Tullow Oil plc in the East African Rift system has drawn the attention of major oil companies such as the French super major, Total S.A. and the China National Offshore Oil Corporation (CNOOC) in multi-billion dollar transactions.

In Uganda, Tullow has drilled over 45 wells since 2006. Over one billion barrels (P50) of oil has been discovered in the Lake Albert Rift Basin with additional prospective resources yet to be drilled. Having sold two-thirds of its equity in the Lake Albert Rift Basin to CNOOC and Total in February 2012 for nearly US$3 billion, Tullow and its new partners are now working on a basin-wide development plan with the potential to produce in excess of 200,000 barrels of oil per day.

.... Beach is uniquely placed to act as an independent "swing" producer to meet the demands of both the domestic and export markets through its forefront position in identifying and confirming a huge unconventional gas resource in the Cooper Basin ....

Lake Albert is located in the north west of Uganda and is part of a rift zone which stretches from the northern end of Lake Albert to the southern end of Lake Tanganyika.

A measure of this heightened interest in this rift zone is that Total acquired a concession immediately to the north of Beach's Lake Tanganyika South concession in early 2012.

Beach acquired its Lake Tanganyika South concession in 2010, after investigating reported natural oil seeps in the region a few years earlier. Subsequent to year end, Beach completed the first high technology seismic survey ever to be conducted over the lake and I am delighted to report that the preliminary results indicate numerous features that we believe to be highly prospective.

I urge shareholders to follow our continued work in these rift zones closely. Our Lake Tanganyika activities and the imminent drilling of our Mesaha-1 well in the large and as yet untested Mesaha concession in southern Egypt will be most exciting.

Gas Market Dynamics

Australia has some looming critical energy needs.

There was a time ten years or so ago when the market expected the multi-billion dollar pipeline from Papua New Guinea to provide the east coast with all its gas needs. When that eventually fell by the wayside, ramp-up gas from coal seam gas feeding into LNG projects was confidently predicted to result in gas prices below $2 per gigajoule.

Those days are manifestly gone. I have argued in my reports to shareholders for some years now that natural gas supply for eastern Australia is in short supply even now and that this will continue to get worse.

Demand for gas is growing in eastern Australia. Envisaging only a medium case domestic demand in relation to the presently contracted supply for all sources of gas, it is clear that a large gap is about to emerge between demand and supply. That gap is emerging now, but we expect it could widen significantly by 2015-17, as older long term contracts wind out.

However, this is just the domestic market. Within the same time frame, there are strong signs that Gladstone-based LNG projects may impose additional demands beyond the coal seam gas (CSG) project areas. Our analysis is that that more than 80% of east coast 2P CSG reserves are owned by parties developing LNG projects, or with LNG aspirations.

Shareholders may recall that Beach was involved in CSG a few years ago, successfully developing a project in southeast Queensland to supply a local power station, so we do have some relevant experience and understanding of the issues. We chose to sell that asset – for a very handsome profit – because we had seen the potential for shale gas in Australia and because we could also see the issues that have since emerged in that industry as ultimately adding to the cost of producing CSG.

As supplies of crude oil start to decline – and, in particular, as Australia moves towards importing 50% or more of its demand for liquid transport fuels, gas will become increasingly important as a transport fuel, either as compressed natural gas, or through production of specialty fuels such as high purity, low particulate diesel or jet fuel.

We believe that Beach is uniquely placed to act as an independent "swing" producer to meet the demands of both the domestic and export markets through its forefront position in identifying and confirming a huge unconventional gas resource in the Cooper Basin, close to existing infrastructure and major trunk lines to capital cities.

Can Australia replicate the North American Shale Gas Boom?

The real question should be, "Why can't Australia replicate the North American shale gas boom?"

Let's examine what's happened in the USA.

In 2000, the EIA projected that gas from conventional fields would dominate future supply, with some significant contribution from tight gas. CSG was predicted to continue to provide about 7% to 8% of supply. But look at what actually happened and what today is predicted.

Shale and tight gas production has exceeded all expectations and is now predicted to supply around 70% of the USA's domestic needs by 2035, with CSG static at around 8% to 9%.

In my view, the very factors that have contributed to the rise and rise of shale and tight gas – which have capped the expansion of CSG production – are just as valid in Australia as in the USA.

Why we chose our Unconventional acreage

Beach saw the potential for shale gas to assume the same importance here as it has in the USA. This was back in 2007, when we began a comprehensive review of Australian basins.

Building on the US experience, we identified certain key attributes as necessary for success.

For any project to be economic, it needs to be geographically in the right spot, that is, close to markets and with established infrastructure. The second vital component is that there needs to be accessible hydrocarbons with the right levels of maturity, preferably with attributes to drive flow rates at an economic level.

This thinking underpinned our selection of the Nappamerri Trough for an unconventional gas play in the Cooper Basin. The trough is the principal source of gas accumulations trapped in the large gas fields around the Moomba region.

We knew that the shale packages extended over an area of several thousand square kilometres; that they were thick, with a high organic content and thermally mature. Even more compelling was the knowledge that they are over-pressured – a situation that results when more gas has been generated than can escape from the formations, so that subsurface pressure is significantly greater than would normally be encountered. The pressure gradients we have measured approach those of the prolific "core" region of the Haynesville Shale in the USA, where over-pressuring and thicker shales favour greater flow rates and more volumes of gas per well than on the flanks.

The unconventional gas program in the Cooper Basin to date

The initial results from our unconventional program last year were excellent in more ways than one. The year commenced with a significant gas flow of up to 2.0 MMscfd from our first unconventional exploration well, Holdfast-1. The results from this well were the catalyst for the takeover of Adelaide Energy, which increased our interest in the Permian joint venture (JV) of PEL 218 to 100% and in ATP 855P to 60%.

Holdfast-1 was followed by the drilling of the deeper Moonta-1 and Streaky-1 wells, with logs indicating a gas-saturated target zone of in excess of 1 kilometre in Moonta-1. It appears that the entire deeper section of the Nappamerri Trough is gas-saturated – in fact, a continuous, highly pressured gas accumulation within thick shales and potentially larger thick tight sandstones.

The fracture stimulation of the Encounter-1 well then delivered a combined flow rate of over 2.0 MMscfd, with a single fracture stimulation stage in the Patchawarra Formation delivering a very significant 750,000 scfd.

These preliminary results are hugely encouraging and will form the basis to design pilot production wells for drilling and stimulation over the next year or so.

Subsequent to year end, Santos Limited (Santos) announced excellent flow rates of up to 3 MMscfd from the REM section in the Moomba-191 well (Beach holds a 20.21% interest in this project). This is from a gas accumulation within the bounds of the Moomba field. We are very encouraged to see such good flow rates at depths where there is no over-pressuring, because we expect that over-pressuring in the deeper, core zone of the Nappamerri Trough will serve to enhance flow rates even further.

The unconventional program over the next year or so has the potential to unlock real value and define a huge energy resource that cannot be ignored. We believe that by 2015, the dynamics of supply and demand will be optimum for Beach as an independent producer with existing market penetration and large volumes of gas able to be developed on commercially attractive terms. We are therefore putting our efforts towards this end.

However, these are not the only opportunities that we will be pursuing over the course of the next year or so and you will be hearing more in due course, as we move to address the gas and liquid-rich potential of shales and other, more porous, interbedded rock types in the Company's large land positions within the onshore Otway Basin of south eastern Australia and the onshore Bonaparte Basin of the Northern Territory.

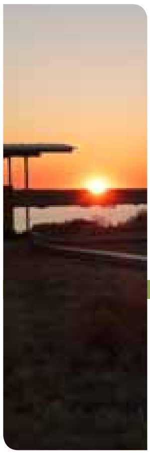
We firmly believe that the emergence of an Australian shale and tight oil and gas industry on a scale comparable to the USA

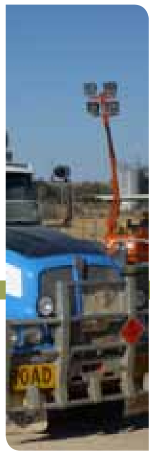
is inevitable. Beach will continue to be a leader in this charge.

As always, my thanks go out to the Beach team for all their efforts over the past twelve months and for what I know will be an extremely busy FY13. It is the people at Beach that make it such a great company for which to work. The support from the Board is also greatly appreciated and I look forward to the many uplifting challenges that we will face as a group over the coming year.

Yours sincerely

Reg Nelson
Managing Director
28 August 2012





Other Income

The significant increase in other income was due to the recognition of the mark to market adjustment on the derivative component of the Convertible Note ($21.6 million). This accounting adjustment resulted from the decrease in the share price from the date the Convertible Note was issued to 30 June 2012.

Other income for FY12 also included:

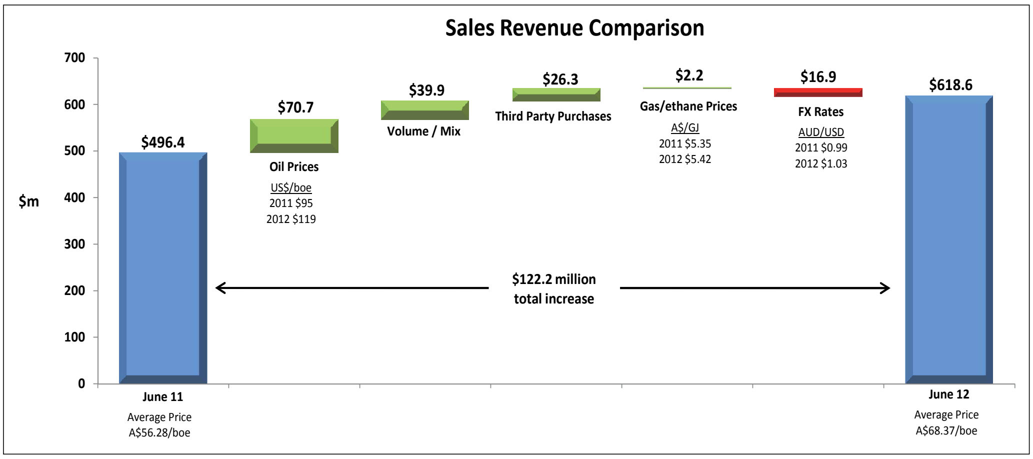
- The sale of Somerton shares ($8.0 million);
- The revaluation of Adelaide Energy shares held prior to its takeover ($3.6 million); and
- The sale of investments ($11.5 million).

Oil and gas sales revenue

Total sales revenue was up 25% to a record $619 million in FY12, from $496 million in FY11, mainly due to higher prices and volumes, partly offset by unfavourable foreign currency movements. Sales revenue from oil production was up $96 million, with increased 3rd party sales adding a further $26 million. The higher sales volumes relate primarily to increased oil production achieved in FY12, partly offset by lower gas and ethane sales volumes, as a result of certain contracts expiring during the period.

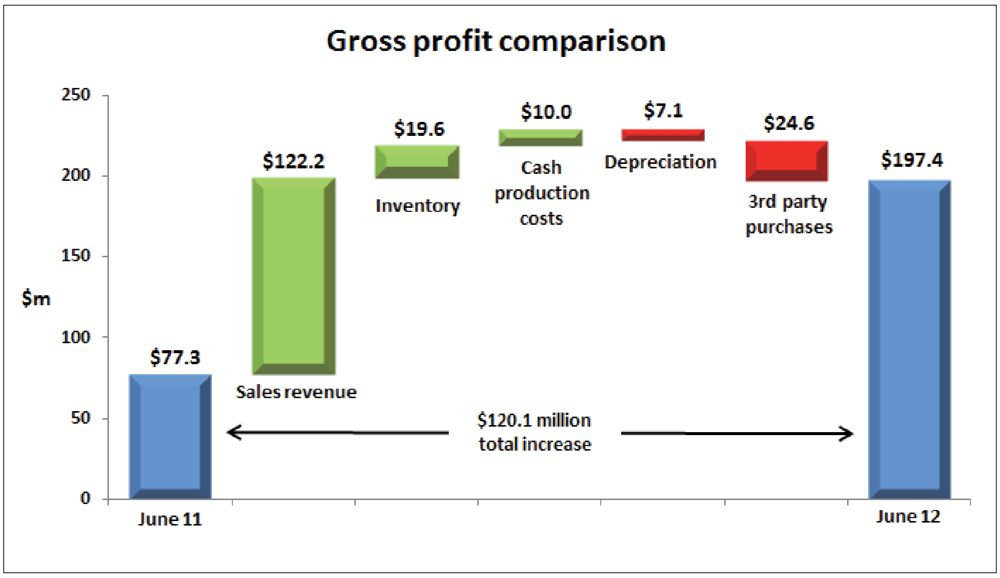
The US dollar (US$) oil price increased strongly during the year, up from an average of US$95/bbl in FY11 to US$119/bbl in FY12, although this was partially offset by a corresponding increase in the Australian dollar (A$) exchange rate from an average of US$0.99 in FY11 to US$1.03 in FY12. Average realised oil price in A$ for FY12 was $115/bbl, up 19% on FY11.

As detailed in the chart below, sales revenue has been driven by an increase in the US$ oil price and an increase in total sales volumes, with a small offset from an increase in the exchange rate.



Sales Revenue	A$000's	FY12	FY11	Variance	%
Gas and Gas Liquids		196,327	196,194	133	0.1%
Oil		316,087	220,366	95,721	43.4%
Sales Revenue Produced		512,414	416,560	95,854	23.0%
Third Party Sales		106,203	79,886	26,317	32.9%
Sales Revenue Total		618,617	496,446	122,171	24.6%

Gross Profit



In comparing the FY12 gross profit year on year, the key drivers of the 155% increase were:

- Higher sales revenue, as highlighted previously;
- A large draw down from inventory in FY11 with the sale of remaining crude in the Jackson-Moonie oil pipeline;
- Reduced cash production costs, driven by lower royalties ($29 million) mainly resulting from the renegotiation of the EMR, as well as lower field operating costs
($3 million), partly offset by higher tariffs ($22 million) from higher volumes, higher PEL 92 costs due to the outage of the Tantanna oil pipeline, and an additional adjustment for wharfage; and
- Third party purchases, which were higher due to increased deliveries of third party crude through Moomba.

Hedging/ Foreign Exchange

Beach recorded net hedging and foreign exchange losses of $1.2 million, which compared favourably to the $4.3 million loss in the previous financial period.

The FY12 loss was mainly due to additional expenditure realised on Beach's interest rate hedge, as a result of declining interest rates, as well as the cost of oil hedges executed during the year.

The hedging position at 30 June 2012 is shown below.

Net profit after tax (NPAT)

NPAT for FY12 was $164.2 million, a $261.7 million increase on the FY11 loss of $97.5 million, mainly due to the large impairment charge on the BMG project in FY11 and the associated costs of moving the project to a non-production phase.

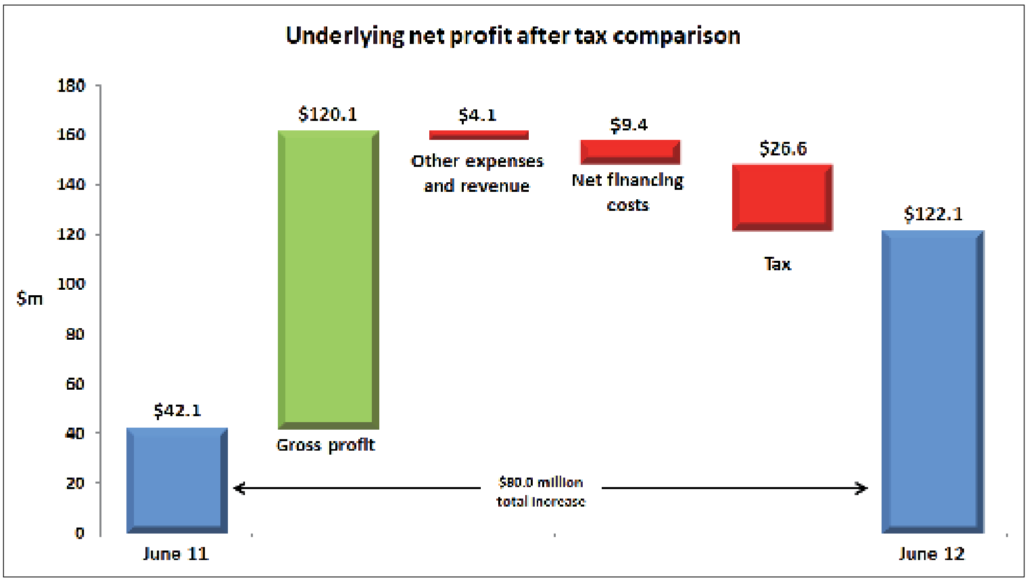
The underlying NPAT for FY12 was $122.1 million, up 190%, on FY11, which equated to a 19.7% return on sales when compared with that in FY11 of 8.5%.

This increase has been significantly driven by stronger sales and the reduction in the EMR, partly offset by higher financing costs in the reporting period.

	Oil Hedged At			
Period	Floor A$50/bbl BRENT	Floor A$55/bbl BRENT	Floor A$60/bbl BRENT	Total Hedged Volumes (bbls)
2012/2013	405,000	840,000	315,000	1,560,000
2013/2014		120,000		120,000
Total	405,000	960,000	315,000	1,680,000

Beach's sales revenue for the year ended 30 June 2012 increased by 25% to a record $619 million from $496 million in the previous corresponding financial year

Comparison of underlying profit	FY12 $'000	FY11 $'000	Change $'000
Net profit / (loss) after tax	**164,225**	**(97,450)**	**261,675**
Remove unrealised hedging gains	(3,184)	(1,583)	(1,601)
Remove revaluation of assets	–	(13,568)	13,568
Remove asset sales	(11,527)	(10,748)	(779)
Remove impairment of assets	18,111	157,940	(139,829)
Remove legal settlement	–	12,796	(12,796)
Remove BMG non production phase costs	–	29,629	(29,629)
Remove gain on acquisition / divestment of subsidiary	(11,616)	(1,143)	(10,473)
Remove gain on convertible note derivative	(21,564)	–	(21,564)
Remove takeover costs	2,149	1,500	649
Tax impact of above changes	10,363	(51,818)	62,181
Remove tax benefit from consolidation of subsidiary	(24,898)	(10,405)	(14,493)
Remove impact of PRRT adjustment	–	26,909	(26,909)
Underlying net profit after tax	**122,059**	**42,059**	**80,000**



Statement of Financial Position

As at 30 June 2012

Assets

Total assets have increased significantly by $560 million to $2.148 billion during the financial year ending 30 June 2012.

Cash balances increased by $205 million to $379 million primarily as a result of the following:

- Cash flow from operations of $218 million; and
- Capital raising of $345 million; party offset by
- Capital expenditure of $257 million; and
- Acquisition of Adelaide Energy for $79 million.

Trade and other receivables have increased by $60 million, mainly due to higher accrued sales, higher joint venture receivables and a tax refund owing as at 30 June 2012.

Inventories were consistent year on year.

Current financial assets declined with the sale of the Sundance Australia Resources Limited shares.

Available for sale assets increased with the increase in Beach's interest in Cooper, following the takeover of Somerton.

Fixed assets, development and exploration increased by $271 million due to capital expenditure of $259 million, increases for restoration $24 million and the acquisition of Adelaide Energy $119 million, partly offset by amortisation and depreciation of $109 million, impairment charges and the disposal of Somerton.

Prepayments for the year have increased by $14 million mainly due to prepaid royalties.

Liabilities

Total liabilities increased by $221 million to $536 million during the period, mainly due to the issue of the Convertible Note and associated derivative liability for conversion rights ($125 million), the recognition of a higher deferred tax liability ($74 million) associated mainly with the Adelaide Energy acquisition and the increase of the restoration provision ($29 million), offset by a decline in other payables and accruals by $7 million.

Equity

Equity has increased by $339 million to $1.612 billion, primarily due to the net profit after tax of $164 million and the issue of equity as a result of the capital raising, $195 million, offset by dividends paid during the year.

Dividends

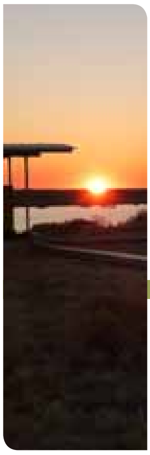
During the financial year the Company paid a fully franked final dividend payment of 1.00 cents per share from FY11 as well as an interim fully franked dividend of 0.75 cents per share. The Company will also pay a fully franked 1.50 cents per share final dividend.

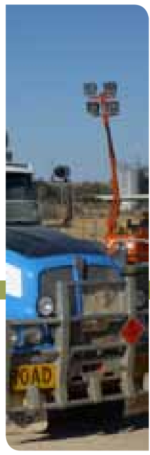
118%
CASH
($379 million)

18%
NET OPERATING CASH FLOW
($218 million)

190%
UNDERLYING NPAT
($122 million)

27%
NET ASSETS
($1.6 billion)





REVIEW OF OPERATIONS

Overview

Beach delivered a strong exploration, development and production performance despite the many challenges faced over the course of the year. Flood waters in the Cooper Basin receded from the previous year, which allowed for increased drilling and resulted in a number of significant exploration, appraisal and development well successes. Investment was also made in production infrastructure, such as new pipelines that will link the Cooper Basin Western Flank oil acreage to Moomba, to further protect the Company from future flood events and at the same time increase oil export capacity.

Beach's first operated gas and gas liquids production commenced in FY12 from PEL 106B (Beach 50%), which in turn resulted in the first independent gas and condensate sales to the South Australian Cooper Basin (SACB) JV (Beach 20.21%). The unconventional shale and basin centred gas exploration program in the Nappamerri Trough delivered excellent results from the first two vertical exploration wells in PEL 218 (Beach 100%), Holdfast-1 and Encounter-1. Two deeper vertical exploration wells were also drilled beyond 3,800 metres as the first two wells of a follow-up appraisal program. In PEL 91 (Beach 40%), the Bauer oil field was discovered and volumetric estimates increased through a campaign of appraisal/development wells. In PRL 15 (Beach 40%), Beach realised its first production from the Growler field, the known limits of which were extended as a result of a number of step out appraisal wells. The SACB JV drilled a number of successful infill wells with the new Saxon rigs which resulted in the conversion of approximately 15 MMboe (net) of resources to reserves.

Activity stepped up internationally, with first oil production in Egypt at North Shadwan, exploration success in the Abu Sennan concession of the Western Desert and the commencement of 2D seismic on Lake Tanganyika, Tanzania.

All of the above resulted in increased production on the prior year, up 14% to 7.5 MMboe, and an increase in 2P proved and probable reserves of 20% to 93 MMboe.

Beach participated in 89 wells, a 128% increase on the prior year, with a success rate of 79% for all wells.

For FY13, Beach has allocated capital expenditure to the following projects:

- Cooper Basin unconventional – seven vertical exploration wells and three horizontal pilot production wells to further define the production potential of the shale and basin centred gas play in the Nappamerri Trough.
- Cooper Basin, Western Flank oil – 36 well drilling campaign and the tie-in of new pipelines to Moomba.
- Cooper Basin conventional gas – SACB JV development infill drilling program aimed at resource to reserve conversion and expansion of the operated PEL 106B gas program.
- Egypt – Further exploration and extended production testing of existing discoveries in the Western Desert, a new development well in the Gulf of Suez and the first exploration well in the Mesaha concession.
- Tanzania – Completion of the 2D seismic over Lake Tanganyika, the processing and interpretation of the data to determine initial prospects and leads.
- Other Australia – Commencement of exploration in the Bonaparte and Otway Basins.

Production

	Area	Net Production	
		FY12	**FY11**
Oil (MMbbl)	Cooper & Eromanga Basins	2.8	2.0
	Egypt	0.0	0.0
	Gippsland Basin	0.0	0.1
	United States	0.0	0.0
Total Oil		**2.8**	2.1
Sales Gas & Ethane (PJ)	Cooper & Eromanga Basins	23.0	22.0
LPG (kt)	Cooper & Eromanga Basins	48.1	42.2
Condensate (MMboe)	Cooper & Eromanga Basins	0.3	0.3
Total Oil & Gas (MMboe)		**7.5**	6.6

Note: Cooper Basin and Eromanga Basin non operated numbers are preliminary

Beach production was up 14% on the prior year to 7.5 MMboe, mainly due to:

- Improved access to Cooper Basin operating areas due to receding floodwaters;
- PEL 92 (Beach 75%) Butlers and Parsons development wells tied-in and producing;
- Oil production from the Growler (PRL 15, Beach 40%) and Snatcher (PEL 111, Beach 40%) fields; and
- First operated gas and gas liquids production from the Middleton project in PEL 106B (Beach 50%).

New oil pipelines have been, and are being, put in place to link up the Western Flank with Moomba, with commissioning of all pipelines expected by the end of 2012. The Growler-Lycium (Beach 40%) 8,000 bopd capacity pipeline, and the Lycium-Moomba (Beach 60%) 15,000 bopd capacity trunkline (with approximately 20,000 bopd capacity with additional pump stations), were laid and are awaiting tie-in to Moomba. The construction of the 10,000 bopd Bauer-Lycium pipeline from PEL 91 (Beach 40%) is expected to commence in Q4 2012 and to be commissioned prior to the end of Q4 2012.

The construction of a pipeline to connect the Snatcher oil field (Beach 40%) and the Charo facility (Beach 20.21%), which is tied-in to Moomba, commenced subsequent to year end.

Oil

Cooper/Eromanga Basins

Oil production from the Cooper and Eromanga Basins was up 40% on the prior year, with increases realised across most of the operated and non-operated areas.

While the Cooper Basin still experienced some heavy localised rain throughout the year, the significant flood pulses from the 1 in 20 year flood event, over the past two years, receded to a level that allowed for a number of development wells to be drilled. These development wells resulted in first oil production from the Bauer oil field in PEL 91 (Beach 40%), processed through the new Bauer facility at an initial production rate of 800 bopd (320 bopd net) from Bauer-1 and -3. It is expected that this rate will rise to around 2,000 bopd (800 bopd net) later in 2012, as export constraints are reduced through additional trucking. Later in 2012, with the perforation of additional wells and commissioning of the Bauer to Lycium pipeline, production could be of the order of 5,000 bopd (2,000 bopd net) Subsequent to year end, both Bauer-5 and -7 successfully intersected the Namur target zone, with Bauer-5 flowing oil on test from the Birkhead Formation, the first oil from this zone in PEL 91. Both wells are yet to be completed and tied-in. The site of the Hanson production facility in PEL 91 was surveyed in preparation for the commencement of earthworks in Q3 2012, with the facility expected to be operational by the end of 2012.

Production from PEL 92 (Beach 75%) was impacted by the closure of the Santos operated Tantanna pipeline on 1 June 2012. This was mitigated somewhat by increased trucking. The Butlers-2, -3, -4, Parsons-5, Germein-1 and Elliston-1 wells were all completed, perforated and tied-in. Production from PEL 92 is expected to approach 7,000 bopd (gross) by the end of 2012.

During the year, the Growler (PRL15 Beach 40%) and Snatcher (PEL 111, Beach 40%) oil fields were brought back on-line following the flood interruptions of FY 11. Production generated from the Growler oil field reached 2,000 bopd (net), with Snatcher production limited to 100 bopd (net) due to continued flood water in the area around the Snatcher oil field.

Egypt

First oil production from the North Shadwan Concession (Beach 20%) was achieved with the NS 377 field on-line in March 2012, after agreement was reached to tie-in to the Eni/IEOC Ras Ghara facility and pipeline, at approximately 1,000 bopd (gross). It is expected that transportation will change to trucking during FY13, with oil to be delivered to Suco's Ras Budran facility, 120 kilometres North of the NS 377 field. Upon the completion of the NS385-1 development well, which is expected to spud in Q3 2012 and with trucking fully operational, it is anticipated that a combined rate of up to 2,500 bopd (gross) will be achieved from the NS 377 and NS 385 fields.

USA

At the end of FY12, the two wells in which Beach has an interest were flowing at a combined rate of approximately 260 bopd and 0.3 MMscfd (gross).

Gas and gas liquids

Cooper/Eromanga Basins

Production of gas and gas liquids from the Santos operated acreage increased by 2% on the prior year, primarily due to improved access as a result of receding floodwaters.

Gas and condensate production from PEL 106B (Beach 50%) commenced on 6 January 2012 and delivered the first independent gas sales to the SACB JV. A small gathering facility was constructed at Middleton from where gas and condensate are transported via pipeline to Moomba. Initial production of 24 MMscfd of gas and 325 bpd of condensate had reduced at year end to 19 MMscfd of gas and 240 bpd of condensate. As part of the continuing development of PEL 106B and PEL 107 (Beach 40%), the Canunda field is expected to be on-line in Q4 2012, with initial production of up to 5 MMscfd and approximately 750 barrels of condensate per day.

Reserves

Beach's 2P hydrocarbon reserves, at 30 June 2012, increased by 20% to 92.8 MMboe. This continues the successful reserves growth trend of recent years, the key contributors of which were:

- Cooper Basin oil reserves additions of almost 3.4 MMbbl, partly as a result of additional reserves identified through appraisal drilling, the production performance at Butlers, Growler and Callawonga, and exploration successes of more than 2.1 MMbbl, most notably with the new field discovery at Bauer; and
- Gas and gas liquids reserves additions of 21 MMboe, primarily due to the SACB JV infill drilling; offset by
- A reduction in Egyptian reserves of 1.7 MMbbl as a result of lower than expected production performance in the North Shadwan concession.

Area	2P Reserves 30 June 2012			
	Oil (MMbbl)	Gas Liquids (MMboe)	Gas (PJ)	Oil Equivalent (MMboe)
Cooper & Eromanga Basins	17.7	12.1	356.3	91.0
United States	0.2	0	0.3	0.3
Egypt	1.5	0	0	1.5
Total	**19.4**	**12.1**	**356.6**	**92.8**

Date	Proved and Probable Reserves (MMboe)
30 June 2002	3.8
30 June 2003	4.5
30 June 2004	4.3
30 June 2005	10.8
30 June 2006	36.2
30 June 2007	89.6
30 June 2008	145.2
30 June 2009	66.0
30 June 2010	66.0
30 June 2011	77.4
30 June 2012	**92.8**

Contingent Resources

Beach has voluntarily adopted revised reporting criteria based on the SPE-PRMS guidance for unconventional resource bookings as recommended by DeGolyer and MacNaughton. While not being required to adopt the revised criteria, Beach Management believes it is appropriate to be aligned with this approach.

SPE-PRMS guidelines recommend estimation of resource ranges (1C, 2C, 3C), whereas Beach only reported 2C resources at 30 June 2011. Estimates of potentially recoverable volumes are based on a defined area around a well, with that area now reduced relative to previous SPE-PRMS guidance. In 2011, Beach booked 2C resources over an area of 100 km^2 in all reservoir intervals around a flow-tested well. This area has been reduced to approximately 41 km^2 for shales and 28 km^2 for sandstones under the revised guidance. The resulting 2C resource booking is 1.3 Tcf, with Beach now also carrying a 3C resource of 2.6 Tcf and a resource of 0.6 Tcf in the more certain 1C category, attributable to the Holdfast-1 and Encounter-1 unconventional wells.

At this point in time, the revised classification criteria have only been applied to Beach's operated unconventional resource. It should be noted that the reclassification does not adversely affect the estimated size of the total resources for Beach's Nappamerri Trough tenements.

Beach expects to book a material increase in its resource in the near future, following the fracture stimulation and flow testing of the Moonta-1 and Streaky-1 wells, as well as the Halifax-1 well, which is currently being drilled.

The resource change associated with the SACB JV program is an overall reduction of 0.4 MMboe. This can be attributed to the conversion of contingent conventional resources to reserves (14.5 MMboe) plus a write down in the Carbonaceous Mixed Lithology component of the unconventional resource (9.2 MMboe), offset by the booking of new conventional resources (23.3 MMboe).

Beach Operated Unconventional Resource 30 June 2012*		
1C Resource TCF	2C Resource TCF	3C Resource TCF
0.6	**1.3**	**2.6**

* Based on Holdfast-1 and Encounter-1 only

Area	Contingent Resources (Most Likely or 2C) 30 June 2012			
	Oil (MMbbl)	Gas Liquids (MMboe)	Gas (PJ)	Oil Equivalent (MMboe)
Cooper Basin - Conventional	7.0	17.1	437.7	99.4
Cooper Basin - Unconventional	0	3.6	1,895.0	329.4
Other Resources	11.6	3.3	133.7	37.8
Total	**18.6**	**24.0**	**2,466.4**	**466.6**

Exploration & Development

Beach continued to build on its substantial land holding in the Cooper Basin in South Australia and Queensland, in the Marybourough Basin in Queensland and the Otway Basin in South Australia, through its acquisition of Adelaide Energy during the year.

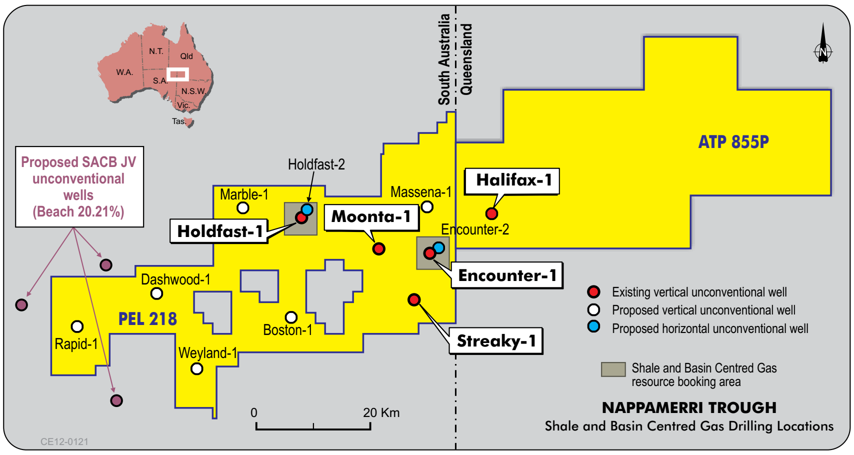
Key results for the FY12 exploration and development program were:

- Unconventional gas exploration in PEL 218 (Beach 100%) resulted in flow rates of 2.0 MMscfd from the Holdfast-1 well and over 2.0 MMscfd from the Encounter-1 well, post fracture stimulation. Two deeper vertical wells, Moonta-1 and Streaky-1 were drilled beyond 3,800 metres.
- In PEL 91 (Beach 40%), the program yielded two new field oil discoveries at Bauer-1 and Basham-1, with Bauer being the largest field discovered in PEL 91 to date.
- In PEL 92 (Beach 75%), there were new field discoveries at Rincon-1, Elliston-1 and Germein-1, whilst the Butlers and Christies Fields realised reserve additions from appraisal/development drilling.
- In PEL 106B (Beach 50%), four exploration wells were drilled. Coolawang-1 and Haslam-1 were cased and suspended as gas and gas liquids discoveries for extended production testing.
- Santos operated Gas and Permian Oil Development (Beach 20.21%) included the drilling of 24 gas appraisal/ development wells, all of which were cased and suspended as future Patchawarra Formation gas producers. This included the successful six well Tindilpie gas multi pad well drilling program in PPL 95.
- The SACB JV Moomba-191 unconventional gas exploration well was drilled and subsequent to the reporting period flowed gas at a stabilised rate of 2.6 MMscfd following fracture stimulation.
- In the Santos operated Block Oil program eight appraisal wells, nine development wells and one exploration well were drilled with an average success rate of 89%.
- In the Senex operated PEL 104/111 and PRL 15 (Beach 40%), a total of eight Birkhead Formation appraisal/ development wells were drilled, all of which were cased and suspended.
- In Abu Sennan in Egypt, three successful exploration wells flowed oil, gas and condensate.

Operated Cooper/Eromanga Basins

PEL 218 (Beach 100%)

The year commenced with the flowing of gas from Holdfast-1, following seven fracture stimulation stages across the Roseneath Epsilon Murteree (REM) and Patchawarra Formation, at 2.0 MMscfd. All zones fracture stimulated contributed gas, including the first 50 metres of the Patchawarra Formation. The Holdfast-1 flow test was followed by the drilling of the Moonta-1 and Streaky-1 wells, the first two deeper vertical wells of the 2012 shale and basin centred gas appraisal program. These deeper wells were drilled to the base of the Patchawarra Formation, at depths in excess of 3,800 metres, with logs from Moonta-1 indicating gas saturation over more than 1,000 metres of the Permian target zone. Core was recovered from the Epsilon and Patchawarra Formations at Streaky-1 to further assist with the evaluation of the shale and basin centred gas play in the Nappamerri Trough. Both Moonta-1 and Streaky-1 are expected to be fracture stimulated in Q4 2012.



The fracture stimulation of Encounter-1 was undertaken in two phases. The first phase was a single fracture stimulation stage of the Patchawarra Formation, which flowed for a period of four weeks at up to 0.75 MMscfd. The Patchawarra Formation was then isolated, which allowed for the second phase five stage fracture stimulation over a 250 metre section of the REM. Flow testing of the REM commenced with an initial flow of up to 1.3 MMscfd, delivering a combined flow rate for Encounter-1 of over 2.0 MMscfd.

The 1,500 horsepower drilling rig, Ensign 965, arrived in Australia in August 2012. The first well to be drilled by Ensign 965 will be Marble-1, a vertical well in PEL 218 which is expected to spud in September 2012. This will be followed by the Holdfast-2 horizontal well in Q4 2012.

Processing of the Regius 2D seismic, acquired during Q1 2012, was on-going at year end. This is expected to be completed in the Q3 2012.

Beach completed an Environmental Impact Report for the fracture stimulation of its unconventional gas targets in the Cooper Basin and an associated draft Statement of Environmental Objectives (SEO). These were submitted to the regulator, DMITRE and opened to public consultation between 16 April and 28 May 2012. The SEO was subsequently gazetted in August 2012.

ATP 855P (Beach 60%)

Acquisition of the 423 kilometre Gallus 2D seismic survey was completed. This was focused on supplementing the existing sparse seismic coverage and tying back to well control in PEL 218. Processing is expected to be completed in Q3 2012.

PEL 91 (Beach 40%)

A total of six wells were drilled during the year. The Bauer-1 new field oil discovery was followed by three successful appraisal and development wells (Bauer-2, -3, -4). Two further exploration wells were drilled, with success at Basham-1 which has been cased and suspended and Searcy-1 which has been plugged and abandoned.

In preparation for the FY13 drilling campaign, the 336 km^2 Aquillus 3D, the 151 km^2 Limbatus 3D and the 249 km Undatus 2D seismic surveys were completed, with interpretation of these surveys expected to be completed in Q3 2012. Initial interpretation of the Aquillus 3D has identified multiple Namur and Birkhead exploration targets.

PEL 92 (Beach 75%) and associated PPLs

A total of ten wells were drilled during the year. Four appraisal and development wells were drilled, three of which were successful (Butlers-4, and Christies-6 and -7), with Perlubie-2 plugged and abandoned. Six exploration wells were drilled, three of which were successful (Rincon-1, Elliston-1 and Germein-1), with Wheatons-1, Jaffa-1 and Riley-1 plugged and abandoned. Also completed within the permit were the 197 km^2 Rincon 3D and the 55 kilometre Fusinus 2D seismic surveys, with interpretation of these surveys to be undertaken in Q3 2012.

PEL 106B (Beach 50%) and PEL 107 (Beach 40%)

Following first production from 106B, a four well gas exploration program resulted in two wells, Coolawang-1 and Haslam-1, being cased and suspended as gas and gas liquids discoveries. Extended production testing will take place in Q3 2012 to determine volumes and liquids yields. A third well, Baird-1 was cased and suspended for further evaluation of the potential of the Patchawarra coal as well as a potential tight oil zone in the Lower Patchawarra/Upper Tirrawarra intervals. Admella-1 was plugged and abandoned after discovering sub-commercial gas.

Southend-1 in PEL 107 intersected two potential gas sands identified from wireline logs and pressure data. The well was cased and suspended, with an extended production test expected to take place in Q3 2012 to determine gas volume and liquids yields.

Subsequent to year end, extended production testing commenced at the Coolawang-1 well (cased and suspended in Q1 2012) in PEL 106B. Extended production tests on Haslam-1 and Southend-1 will follow Coolawang-1.

PEL 94 (Beach 50%)

The Davenport-1 well was designed to evaluate the unconventional gas potential of Permian coals and shales. The well was cased and suspended for future evaluation after intersecting over 110 metres of net coal, including one seam in the Patchawarra, with over 45 metres of net coal. Cores from two coal seams are being analysed for gas content and other physical parameters. Upon completion of this analysis in Q3 2012, a decision regarding the forward plan for the well will be made.

PEL 95 (Beach 50%)

Marsden-1 was also drilled as an exploration well to address the potential

of the unconventional gas targets in the Permian coals and shales. It was cased and suspended for further evaluation. Encouraging gas shows were observed in the coals, with core analysis underway. Results are expected in Q3 2012.

ATP 269P (Beach 93.2%)

The 65 km^2 Peregian 3D survey was completed and will be interpreted in Q3 2012. The Yaroomba-1 exploration well, drilled in December 2011, was plugged and abandoned after failing to intersect commercial hydrocarbons.

ATP 633P (Beach 50%)

A two well exploration program in ATP 633P was completed, with both wells, Noosa-1 and Coolangatta-2, plugged and abandoned after failing to encounter commercial hydrocarbons.

Non-operated Cooper/ Eromanga Basins

Santos operated - Gas and Permian Oil Development (Beach 20.21%)

24 successful gas development wells (Nephrite South-7, -8, -9, Tindilpie-11 to -18, Hackett-2, Dilchee-4, Moomba-188 to -190, Roti-4, Galex-3, Andree-4, Coonaberry-3, Leleptian-4, Merrimelia-62, Durham Downs North-3 and Durham Downs-5) were drilled during FY12. All have been cased and suspended as future Permian Formation gas producers.

All six wells in the Tindilpie gas multi pad well drilling program in PPL 95, were cased and suspended for future gas production. This six-well campaign addressed technical aspects of multi-well pad-drilling, the knowledge from which will be used to design future infill gas developments.

Of particular significance was the Moomba-191 unconventional gas exploration well. Subsequent to the reporting period and following fracture stimulation of the REM section, the well flow-tested at a stabilised rate of 2.6 MMscfd. The well will be tied into the Moomba gas infrastructure.

Block Oil Development

The Zeus-2 and Zeus-3 wells were drilled in ATP 259P (Total 66 Block , Beach 30%) and intersected 7 and 9 metre Hutton Sandstone oil columns. They were both cased and suspended.

An oil exploration well, Bullamakanka-1, was drilled in ATP 259P (Innamincka Block, Beach 30%) and plugged and abandoned with no indication of commercial hydrocarbons. Two oil appraisal wells, Munro-6 and -7 (PL 55, Beach 40%), were cased and suspended as future Birkhead oil producers.

All wells of the nine well Charo oil development campaign in PPL 177 (Beach 20.21%) intersected the mid-Birkhead reservoir and were cased and suspended as future oil producers. The wells drilled in this oil campaign will provide production and injection capacity to develop the Charo oil field.

A four well program in the Cook oil field in PL 97 (Beach 20%) in South West Queensland was completed. Cook-20, -21 and -23 were cased and suspended, with Cook-22 plugged and abandoned. This four well campaign appraised the north western margin of the field and delivered structural certainty for current reservoir modelling and development planning.

Senex Operated PEL 104/111, PRL 15 (Beach 40%)

A total of 12 wells were drilled during the year. Eight appraisal/development wells were drilled (Growler -6 to -11, Snatcher-4 and -5), all of which were cased and suspended as Birkhead oil producers. Four exploration wells were also drilled, all of which were plugged and abandoned (Jaguar-1, Spitfire-1, Thunderchief-1 and Tigercat-2).

Other Australian Exploration

Otway Basin

Beach various interests

Data acquisition for both the 100 km Mactra 2D seismic survey in PEP 168 (Beach 50% and operator) and the 60 km^2 Nunga Mia 3D seismic survey in PEL 186 (Beach 66.7%) was completed. The survey data is currently being processed.

Gippsland Basin

PRL 2 (Beach earning up to 45%)

The joint venture is still waiting on environmental approval from the DPI for the fracture stimulation of the Wombat-4 and Boundary Creek-2 wells.

Bonaparte Basin

EP 126, EPA 138 (Beach earning up to 90%), EPA 135, NTC/P 10 (Beach earning up to 55%)

Native Title Agreements between Territory Oil and Gas Pty Ltd and the traditional landowners, regarding exploration permit applications 135 and 138, were signed. It is expected that the exploration permits for these blocks, including NTC/P10, will be granted during the second half of 2012. Airborne gravity and magnetic data is expected to be acquired prior to the end of 2012.

Carnarvon Basin

WA-208P (Beach 10%)

Two offshore wells were approved for drilling by the joint venture parties. The first of these, Hoss-1, is an offshore oil exploration well which was spudded in August 2012 and has been plugged and abandoned after failing to encounter commercial hydrocarbons. Following Hoss-1, the Hurricane-3 offshore gas appraisal well, is expected to spud in Q4 2012.

WA-41R Corowa Retention Lease (formerly WA-264P) (Beach 16.67%)

The joint venture accepted the offer of a Retention Lease for the Corowa oil field, which was designated as WA-41R. The initial term is for five years.

Gippsland Basin

Basker Manta Gummy ("BMG") Project (Beach 30%)

BMG is now in a non-production phase, following the establishment of a monitoring and inspection program. On 14 January 2012, the hand-back of the Crystal Ocean took place, with the deconstruction of the subsea equipment and well intervention works completed in Q2 2012. The evaluation of options for a separate Phase-2 gas development is continuing.

Arrowie Basin

Paralana Geothermal Project (Beach 21%)

The Paralana-2 well underwent fracture stimulation and was flow tested. Results from the flow test are being analysed, which will be taken into consideration in the assessment of the forward plan for this project by the joint venture parties.

International

Egypt

North Shadwan (Beach 20%)

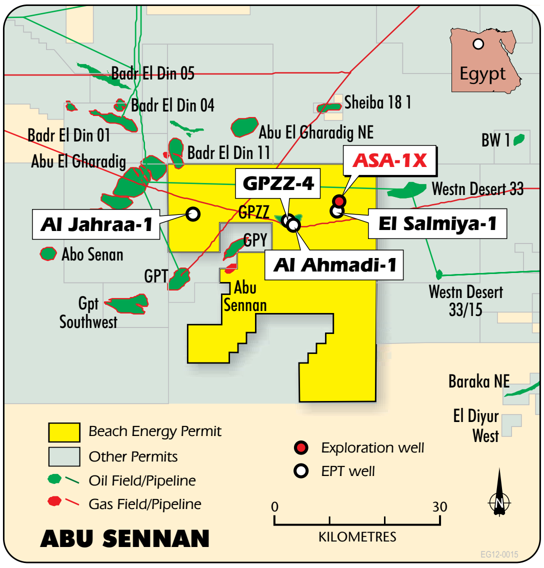
A declaration of commerciality and an associated field development plan for the NS394 (Burtocal) discovery, with an estimated recoverable volume of 3.5 MMbbl (gross), has been submitted for approval to the EGPC. Front end engineering design is expected to commence in Q4 2012.

Abu Sennan (Beach 22%)

The final five wells in a six well exploration program were drilled at the beginning of the financial year. In addition to success the previous financial year with the first well (GPZZ-4), the program delivered a further three discoveries which flowed oil, gas and condensate at a combined rate of approximately 12,000 boepd (gross).

Al Ahmadi-1, recorded gross flow rates of approximately 800 bpd of condensate and 13.5 MMscfd of gas from the Abu Roash "G" Member, and 70 bpd of condensate and 1 MMscfd of gas from the Lower Bahariya Formation. This equated to a gross equivalent flow rate of approximately 3,100 boepd.

The El Salmiya-1 well, located about 10 kilometres east of the Al Ahmadi-1 and ZZ-4 wells, recorded gross flows of approximately 2,500 bpd of condensate and 16 MMscfd of gas from the Abu Roash "C" Formation, and approximately 400 bopd from the Abu Roash "G" Member. The total cumulative flow from El Salmiya-1 during testing was approximately 5,600 boepd.



Al Jahraa-1, located about 20 kilometres west of the Al Ahmadi-1 and ZZ-4 wells, had gross flows from the Abu Roash "E" Member which were approximately 800 bopd with minimal gas.

The final two wells in the campaign, Salwa-1 and Hawalli-1, were drilled to the south of existing discoveries to test southern extremities of the play, prior to mandatory relinquishment of 25% of the concession area in May 2012. These wells were plugged and abandoned after failing to encounter any significant hydrocarbons.

The GPZZ-4, Al Ahmadi-1, El Salymiya-1 and Al Jahraa-1 discoveries are all located within 20 kilometres of existing pipeline infrastructure, which will expedite the tie-in of these wells. Development leases over these new discoveries were granted in June 2012 and extended production tests (EPT's) commenced in July 2012. The EPT's will take place over a six month period and will endeavour to establish production profiles and reserve estimates for the fields. The gross combined flows from the EPT's peaked at around 2,400 bopd, with associated gas.

A new three well exploration campaign was approved by the joint venture with the first well, ASA-1X spudded in August 2012. This well is targeting the GPZZ trend to the North East of the GPZZ field.

Mesaha (Beach 15%, Operator Melrose Resources)

The Deed of Assignment for the Mesaha Concession was signed by the Egyptian Minister for Petroleum, finalising the acquisition of Beach's interest. Existing 2D seismic data was processed, reprocessed and interpreted, with a rift graben identified as running North/South through the acreage. Preparations are being made to spud the first exploration well in Q4 2012.

Tanzania

Lake Tanganyika South (Beach 100%)

Beach commenced its 1,800 kilometre 2D seismic survey in early June 2012, after the upgrade of the seismic vessel, the MV Mwongozo, was completed. The survey was approximately 30% complete at year end and was subsequently completed during August 2012. The data quality is excellent, with some attractive structures identified from the field processed sections. These structures were the focus of 2D infill seismic with the final survey extended to approximately 2,100 kilometres of data acquisition.

New Zealand

PEP 38259 (Beach 35%)

Beach agreed to increase its equity from 20% to 35% following the withdrawal of Roc Oil Company Limited, and the election of New Zealand Oil and Gas Limited (NZOG) as operator. Subsequent to year end, the joint venture partners agreed, after an extensive technical and potential farm-down review, that the permit be relinquished back to the Crown.

USA

West Florence, Colorado (Beach 58.33%)

Located in the Denver Basin in Fremont County, and operated by StrataX, this permit was acquired as part of the Adelaide Energy takeover. The recently drilled Slanovich 32-23P well was plugged and abandoned as a result of hole stability issues, without reaching the target zone. The Joint Venture is analysing the results of this well before committing to any further wells.

Drilling Program

The drilling program for FY12 comprised 89 wells, 83 of which were drilled in the Cooper/Eromanga Basins. Internationally, five wells were drilled in Egypt and one in the Williston Basin, USA. Beach's exploration drilling success rate over the ten years since FY02 stands at 39% (67 discoveries from 171 wells). The total exploration and appraisal success rate over the same period is 56% (168 successes from 300 wells).

Area	Category	Wells drilled	Successes	Success Rate
Cooper/Eromanga	Exploration - Oil	17	5	29%
	Appraisal & Development - Oil	33	31	94%
	Exploration - Gas	9	7	78%
	Appraisal & Development - Gas	24	24	100%
Total Cooper		**83**	**67**	**81%**
Egypt	Exploration - Oil	5	3	60%
USA	Unconventional Appraisal - Oil	1	0	0%
Total		**89**	**70**	**79%**

Year	Number of Wells*		Drilling Success Rate		
	Exploration	Appraisal	Exploration	Appraisal	Total
FY03	6	1	50%	100%	57%
FY04	12	5	17%	60%	29%
FY05	7	8	14%	100%	60%
FY06	11	8	45%	88%	63%
FY07	35	31	34%	81%	56%
FY08	28	34	32%	68%	52%
FY09	14	16	64%	75%	70%
FY10	13	8	31%	88%	52%
FY11	13	4	54%	100%	65%
FY12	**32**	**14**	**47%**	**86%**	**59%**
Total	**171**	**129**	**39%**	**79%**	**56%**

*Excludes coal seam gas drilling

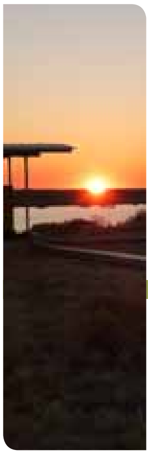
Drilling Program FY12

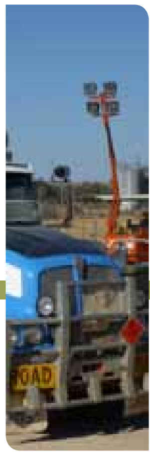
Category	Area	Well	Tenement	Result
Exploration - Oil	Cooper Basin	Wheatons-1	PEL 92	P&A
		Rincon-1	PEL 92	Oil Discovery
		Bauer-1	PEL 91	Oil Discovery
		Elliston-1	PEL 92	Oil Discovery
		Searcy-1	PEL 91	P&A
		Germein-1	PEL 92	Oil Discovery
		Basham-1	PEL 91	Oil Discovery
		Jaffa-1	PEL 92	P&A
		Jaguar-1	PEL 104	P&A
		Yaroomba-1	ATP 269P (ex Bargie/ Glenvale)	P&A
		Noosa-1	ATP 633P	P&A
		Spitfire-1	PEL 104	P&A
		Coolangatta-2	ATP 633P	P&A
		Bullamakanka-1	ATP 259P	P&A
		Thunder Chief-1	PEL 104	P&A
		Tigercat-2	PEL 104	P&A
		Riley-1	PEL 92	P&A
	Colorado, United States	Slanovich 32-23P	West Florence Lease	P&A
	Western Desert, Egypt	Al Ahmadi-1	Abu Sennan Concession	Oil & Gas Discovery
		El Salmiya-1	Abu Sennan Concession	Oil & Gas Discovery
		Hawalli-1	Abu Sennan Concession	P&A
		Salwa-1	Abu Sennan Concession	P&A
		Al Jahraa-1	Abu Sennan Concession	Oil Discovery
Appraisal - Oil	Cooper Basin	Zeus-2	ATP 259P	Oil Well
		Zeus-3	ATP 259P	Oil Well
		Perlubie-2	PEL 92	P&A
		Bauer-4	PEL 91	Oil Well

Category	Area	Well	Tenement	Result
		Bauer-3	PEL 91	Oil Well
		Munro-7	PL 55	Oil Well
		Bauer-2	PEL 91	Oil Well
		Munro-6	PL 55	Oil Well
		Cook-20	PL 97	Oil Discovery
		Cook-21	PL 97	Oil Well
		Cook-22	PL 97	P&A
		Cook-23	PL 97	Oil Well
Development - Oil	Cooper Basin	Butlers-4	PEL 92	Oil Well
		Growler-6	PRL 15	Oil Well
		Growler-9	PRL 15	Oil Well
		Growler-11	PRL 15	Oil Well
		Growler-7	PRL 15	Oil Well
		Charo-8	PPL 177	Oil Well
		Growler-8	PRL 15	Oil Well
		Charo-9	PPL 177	Oil Well
		Charo-10	PPL 177	Oil Well
		Growler-10	PRL 15	Oil Well
		Charo-11	PPL 177	Oil Well
		Charo-12	PPL 177	Oil Well
		Charo-13	PPL 177	Oil Well
		Charo-14	PPL 177	Oil Well
		Snatcher-4	PEL 111	Oil Well
		Charo-15	PPL 177	Oil Well
		Christies Dev A (Christies-6)	PPL 205	Oil Well
		Charo-16	PPL 177	Oil Well
		Snatcher-5	PEL 111	Oil Well
		Christies Dev C (Christies-7)	PPL 205	Oil Well
Exploration - Gas	Cooper Basin	Baird-1 (PEL-106-6)	PEL 106	C&S*
		Admella-1 (PEL-106-1)	PEL 106	P&A Gas Shows
		Coolawang-1	PEL 106	Gas Discovery

Category	Area	Well	Tenement	Result
		Marsden-1	PEL 95	C&S*
		Haslam-1 (PEL-106-4)	PEL 106	Gas Discovery
		Southend-1	PEL 107	C&S*
		Davenport-1ST1	PEL 94	C&S*
Unconventional Exploration - Gas	Cooper Basin	Streaky-1	PEL 218P	C&S*
		Moonta-1ST1	PEL 218P	C&S*
		Moomba-191	PPL 8	C&S*
Appraisal - Gas	Cooper Basin	Tindilpie-12	PPL 140	Gas Well
Development - Gas	Cooper Basin	Tindilpie-11	PPL 140	Gas Well
		Nephrite South-8	PPL 140	Gas Well
		Nephrite South-7	PPL 140	Gas Well
		Nephrite South-9	PPL 140	Gas Well
		Hackett-2	PPL 140	Gas Well
		Dilchee-4	PPL 72	Gas Well
		Moomba-188	PPL 8	Gas Well
		Moomba-190	PPL 8	Gas Well
		Merrimelia-62	PPL 7	Gas Well
		Coonaberry-3	PL 187	Gas Well
		Moomba-189	PPL 8	Gas Well
		Roti-4	PL 105	Gas Well
		Andree-4	PPL 50	Gas Well
		Galex-3	PL 105	Gas Well
		Durham Downs-5	PL 80	Gas Well
		Tindilpie-13	PPL 95	Gas Well
		Leleptian-4	PPL 238	Gas Well
		Durham Downs North-3	PL 80	Gas Well
		Tindilpie-14	PPL 95	Gas Well
		Tindilpie-15	PPL 95	Gas Well
		Tindilpie-16	PPL 95	Gas Well
		Tindilpie-17	PPL 95	Gas Well
		Tindilpie-18	PPL 95	Gas Well

* Cased and suspended for further evaluation



EXPLORATION AND PRODUCTION TENEMENTS as at 30 June 2012

Basin	State/Country	Beach Group Tenements	%
Cooper/Eromanga	Queensland	ATP 259P (Naccowlah Block and PLs) 1	38.5%
		ATP 259P (Alkina Block)	28%
		ATP 259P (Aquitaine A Block) 2	22.5%
		ATP 259P (Aquitaine B Block) 3	20%
		ATP 259P (Aquitaine C Block) 4	25.2%
		ATP 259P (Innamincka Block) 5	30%
		ATP 259P (Total 66 Block) 6	30%
		ATP 259P (Wareena Block) 7	28.8%
		PL 55 (50/40/10)	40%
		PL 31 (Bodalla South Oil Field)	100%
		PL 32 (Kenmore Oil Field)	100%
		PL 47 (Black Stump Oil Field)	100%
		PL 184 (Thylungra Gas Discovery) 8	80.396%
		ATP 269P (Glenvale / Bargie JV)	93.9%
		ATP 269P (Coolum / Byrock JV) 9	93.21%
		SWQ Gas Unit 10	23.2%
		ATP 633P 11	50%
		ATP 855P	60%
Surat	Queensland	ATP 849P	20%
		ATP 904P	100%
Maryborough	Queensland	ATP 613P 12	25%
		ATPA 674P 12	25%
		ATPA 733P 12	25%
Cooper/Eromanga	South Australia	PPL 203 (Acrasia Oil Field)	25%
		PPL 204 (Sellicks Oil Field)	75%
		PPL 205 (Christies Oil Field)	75%
		PPL 210 (Aldinga Oil Field)	50%
		PPL 211 (part of Reg Sprigg West Field)	25%
		Reg Sprigg West Unit	6.25%
		PPL 212 (Kiana Oil Field)	40%
		PPL 213 (Mirage Oil Field)	40%
		PPL 214 (Ventura Oil Field)	40%
		PPL 220 (Callawonga Oil Field)	75%
		PPL 224 (Parsons Oil Field)	75%

Basin	State/Country	Beach Group Tenements	%
		PPL 239 (Middleton/Brownlow Fields)	50%
		PEL 87	40%
		PEL 90 (Candra Block)	25%
		PEL 91	40%
		PEL 92	75%
		PEL 94	50%
		PEL 95	50%
		PEL 104	40%
		PRL 15 (Growler Block)	40%
		PEL 105	50%
		PEL 106 (Brownlow Block)	50%
		PEL 107	40%
		PEL 111	40%
		PEL 218 (Permian)	100%
		PEL 218 (Post Permian) 13	90%
		PEL 424	40%
		Udacha Unit	15%
		Patchawarra East 14	17.14%
		Fixed Factor Agreement 15	20.21%
		SA Unit	20.21%
Otway	South Australia	PEL 186	66.67%
		PEL 255	100%
		PEL 494	100%
		PEL 495	35%
		PEL 496	100%
		PPL 62 (Katnook)	100%
		PPL 168 (Redman)	100%
		PPL 202	100%
		PRL 1	100%
		PRL 2	100%
		PRL 13 (Killanoola Field)	100%
		GSRL 27	100%
Arrowie	South Australia	GEL 156	21%
		GEL 254	21%
		GEL 336	21%
Otway	Victoria	PPL 6 (McIntee Gas Field)	10%
		PPL 9 (Lavers Gas Field)	10%
		PRL 1 (Buttress North)	10%
		PEP 150 16	50%
		PEP 168	50%
		PEP 171 17	75%
Gippsland	Victoria	VIC L26 (Basker, Manta, Gummy)	30%
		VIC L27 (Basker, Manta, Gummy)	30%
		VIC L28 (Basker, Manta, Gummy)	30%
		PRL 2 (Wombat) 18	10%

Basin	State/Country	Beach Group Tenements	%
Browse	Western Australia	WA-281-P	7.3394%
		WA-411-P	9.7637%
Carnarvon	Western Australia	WA-208-P	10%
		WA-41-R (Corowa)	16.67%
Bonaparte Basin	Northern Territory	EP 126 [19]	90%
		EP(A) 138 [19]	90%
		EP(A) 135 [20]	55%
		NTC/P10 [20]	55%
Canterbury	New Zealand	PEP 38259	35%
Papuan	Papua New Guinea	PRL 1 (Pandora)	6.36%
Gulf of Suez	Egypt	North Shadwan	20%
		North Shadwan-1 Development Lease	20%
		North Shadwan-2 Development Lease	20%
Western Desert	Egypt	Abu Sennan Concession	22%
		Mesaha Graben Concession	15%
Florence	Colorado, USA	West Florence	58.33%
Williston	North Dakota, USA	Section 25-T150N-R95W	23.147% Wi
		Section 26-T150N-R95W	18.36% Wi
		Section 35-T150N-R95W	18.36% Wi
East African Rift	Tanzania	Lake Tanganyika South	100%

1 The Naccowlah Block consists of ATP 259P (Naccowlah) and PLs 23-26, 35, 36, 62, 76-79, 82, 87, 105, 107, 109, 133, 149, 175, 181, 182, 189 and 302. Note sub-leases of PLs (gas) to SWQ Unit.

2 The Aquitaine A Block consists of ATP 259P (Aquitaine A) and PLs 86, 131, 146, 177, 208 and 254. Note sub-leases of part PLs (gas) to SWQ Unit.

3 The Aquitaine B Block consists of ATP 259P (Aquitaine B) and PLs 59 – 61, 81, 83, 85, 97, 108, 111, 112, 132, 135, 139, 147, 151, 152, 155, 205 and 207. Note sub-leases of part of PLs (gas) to SWQ Unit.

4 The Aquitaine C Block consists of ATP 259P (Aquitaine C) and PLs 138 and 154.

5 The Innamincka Block consists of ATP 259P (Innamincka) and PLs 58, 80, 136, 137, 156,159 and 249. Note sub-leases of part PLs (gas) to SWQ Unit.

6 The Total 66 Block consists of ATP 259P (Total 66) and PLs 34, 37, 63, 68, 75, 84, 88, 110, 129, 130, 134, 140, 142 – 144, 150, 168, 178, 186, 193, 241, 255 and 301. Note sub-leases of part of PLs (gas) to SWQ Unit.

7 The Wareena Block consists of ATP 259P (Wareena) and PLs 113, 114, 141, 145, 148, 153, 157, 158, 187 and 188. Note sub-leases of part of PLs (gas) to SWQ Unit.

8 Registered interest of Beach is 69.59% and Mawson is 5.806%. Acquisition by Beach of 4.615% and Mawson of 0.385% subject to regulatory approval.

9 Beach holds a 65.62% interest and Mawson a 27.59% interest, subject to completion of assignment documentation and regulatory approval of the following assignments: Farmin assignments from Beach to Entek (28.15%), IOP (13.9%) and Gidgealpa (4.9%), Beach to acquire a 19.82% interest from Entek and 12.75% interest from IOP; and Mawson to acquire a 8.33% interest from Entek and a 5.36% interest from IOP.

10 The SWQ Gas Unit consists of subleases of PLs within the gas production area of Naccowlah Block, Aquitaine A Block, Aquitaine B Block, Innamincka Block, Wareena Block and Total 66 Block.

11 Previously 100%, assignment of 50% subject to completion of assignment documentation and regulatory approval.

12 Subject to confirmation and regulatory approval.

13 Registered interest is 90%. Assignment of 20% subject to completion of assignment documentation and regulatory approval. Assignment of further 46.67% is subject to completion of assignment documentation and regulatory approval.

14 Patchawarra East consists of PPLs 26, 76, 77, 118, 121 -123, 125, 131, 136, 147, 152, 156, 158, 167, 182, 187, 194, 201 and 229.

15 The Fixed Factor Agreement consists of PPLs 6 – 20, 22 - 25, 27, 29 - 33, 35 - 48, 51 - 61, 63 - 70, 72 - 75, 78 - 81, 83, 84, 86 - 92, 94, 95, 98 - 111, 113 - 117, 119, 120, 124, 126 - 130, 132 - 135, 137 - 140, 143 - 146, 148 - 151, 153 - 155, 159 - 166, 172, 174 - 180, 189, 190, 193, 195, 196, 228 and 230 - 238.

16 PEP 150 application area the subject of Native Title RTN Negotiations.

17 PEP 171 application area the subject of native Title RTN Negotiations.

18 Up to 45% can be earned in Phase 1 plus Phase 2, determined by farmin expenditure.

19 Up to 90% can be earned, determined by farmin expenditure. Subject to completion of assignment documentation and regulatory approval.

20 Up to 55% can be earned, determined by farmin expenditure. Subject to completion of assignment documentation and regulatory approval.

The following tenement changes occurred during FY12:

Tenements Acquired

ATP 849P, ATP 904P, PPL 239 (Middleton/Brownlow Fields), PEL 105, PEL 255, PEL 494, PEL 496, PPL 62 (Katnook), PPL 168 (Redman), PPL 202, PRL 1, PRL 2, PRL 13 (Killanoola Field), GSRL 27, PEP 171, EP 126, EP(A) 138, EP(A) 135, NTC/P10, North Shadwan-1 Development Lease, North Shadwan-2 Development Lease, West Florence

Tenements Divested

PRL 16 (Dunoon), PEL 113 (Saintly Block), PEL 113 (Harpoono/Dunoon Block), PPL 209 (Harpoono), WA-264-P, H22007 (Abiego), H22008 (Peraltilla), H22009 (Barbastro), H22010 (Binefar), Durresi Block, South East July

GLOSSARY OF TERMS

$	Australian dollars
1P	Proved
2P	Proved and Probable
3P	Proved, Probable and Possible
ATP	Authority to Prospect (QLD)
bbl	barrels
bbl/MMscfd	barrels per million standard cubic feet of gas
Bcf	billion cubic feet
boe	barrels of oil equivalent - the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy. For example, 1 Bcf of gas equals approximately 0.18 million boe, the exact conversion being dependent on the gas composition
bopd	barrels of oil per day
boe/d	barrels of oil equivalent per day
bw/d	barrels of water per day
BCG	Basin centred gas
BMG	Basker-Manta-Gummy oil and gas fields in the Gippsland Basin, offshore Victoria
C&S	Cased and suspended
CSG	Coal Seam Gas
DST	Drill Stem Test
EPT	Extended Production Test
FPSO	Floating Production, Storage and Offtake vessel
FSO	Floating Storage and Offtake vessel
FY	Financial year ended
GJ	gigajoule
kbbl	thousand barrels of oil
kboe	thousand barrels of oil equivalent
ktonne	thousand tonne
LPG	Liquid Petroleum Gas
MMbbl	million barrels of oil
MMboe	million barrels of oil equivalent
MMscfd	million standard cubic feet of gas per day
P&A	Plugged and abandoned
PEL	Petroleum Exploration Licence (SA)
PL	Petroleum Lease (QLD)
PPL	Petroleum Production Licence (SA)
PJ	petajoule
TCF	Trillion cubic feet
TJ	terajoule
TVT	true vertical thickness

CORPORATE GOVERNANCE

Part 1 – Introduction

Beach's goal is to be recognised as an innovative and successful explorer, discoverer, developer and producer of oil and gas. To achieve this it is committed to conducting a business that values, among other things, ethical and responsible conduct, integrity, accountability and respect for others. Beach has policies, procedures and systems designed to promote high standards of governance within Beach. Those policies, procedures and systems are regularly reviewed and revised as required to reflect changes in governance standards and practice. As part of its commitment to good corporate governance, Beach commissioned an external review of aspects of its governance practices to test the robustness of its framework particularly as the company is rapidly expanding and entered the S&P ASX 100 during the reporting period.

Details of the main policies (or summaries of them) that form the basis of the corporate governance framework of Beach are available in the corporate governance section of Beach's website, *www.beachenergy.com.au*. This statement summarises Beach's main corporate governance principles and practices and the extent to which Beach complied with the Corporate Governance Principles and Recommendations (Principles) released by the ASX Corporate Governance Council over the reporting period. The Board believes that Beach has complied with all of the Principles for the current reporting period. A checklist which cross references the Principles to the relevant part of this report or the Remuneration Report is found on pages 42 to 44.

Part 2 – The Board

The respective roles and responsibilities of both the Board and management are set out in the Board Charter which is available in the corporate governance section of Beach's website.

2.1 The Role of the Board and senior executives

The Board's responsibility is to oversee the management of Beach, approve the corporate strategy and annual budgets, appoint its Managing Director, oversee and monitor its systems of risk management and internal control and set and monitor the performance of management against company goals. More specifically the Board is responsible for:

- Providing oversight and final approval of Beach's corporate strategy;
- Monitoring senior executives implementation of Beach's corporate strategy;
- Approving and monitoring the business plan, budget and corporate policies;
- Monitoring and assessing the performance of Beach and the Board itself;
- Overseeing the risk management framework and monitoring of its material business risks;
- Requiring and monitoring legal and regulatory compliance;
- Approving financial reports;
- Ensuring an effective system of internal controls exists and is operating as expected;
- Establishing Beach's vision, mission, values and ethical standards to be reflected in a code of conduct;
- Delegating an appropriate level of authority to management;
- Appointment, succession, performance assessment, remuneration and dismissal of the Managing Director; and
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.

The Board has delegated management of the Company through the Board Charter and an approved delegation of authority to senior executives. This includes:

- Implementing the corporate strategy set by the Board;
- Assuming day to day responsibility for Beach's conformance with relevant laws and regulations and its compliance framework;
- Achieving the performance targets set by the Board;
- Developing, implementing and managing Beach's risk management and internal control frameworks;
- Providing sufficient and relevant information to the Board to enable the Board to effectively discharge its responsibilities; and
- Managing Beach's human, physical and financial resources to achieve Beach's objectives – essentially "RUN THE BUSINESS".

2.2 Board Composition and capabilities

The constitution of Beach specifies the number of directors shall be not less than three or more than seven. The Board may at any time appoint a director to fill a casual vacancy. At the date of this report, the Board has seven directors. The skills, experience, qualifications and expertise relevant to the position of each director who is in office at the date of this report, their special responsibilities and their term of office are detailed in the Directors' Report.

The Board should also consist of a majority of independent non-executive directors. The Board also considers that the role of the Chairman and the Managing Director must be filled by different people and that the Chairman should be an independent director. Board reviews are conducted regularly, in part, to ensure that individual directors have continuing capacity and commitment to contribute to the fulfilment of the Company's objectives.

The Board regularly reviews the size and composition of the Board to ensure that it continues to have the right combination of experience, diversity and competencies to fulfil its responsibilities effectively. In addition the mix of board capabilities is linked to the Company's goal to be recognised nationally and internationally as an innovative and successful explorer, discoverer, developer and producer of oil and gas. The mix of educational and industry skills that the Board regards as desirable to achieve this are:

- Knowledge of the resources sector;
- Financial and accounting qualifications and experience;
- Engineering and major projects qualifications and experience;
- Legal and governance and public policy qualifications and experience.

2.3 Directors' Independence

There is one executive director, Managing Director, Mr Nelson. The Board assesses independence of directors regularly against the criteria listed in its policy on director independence. In addition, directors are required to disclose information that may have an effect on their independent status. Using the criteria in its policy, the majority of the Board consists of independent directors. The independent directors are Mr Kennedy, Mr Davis, Dr Alley, Mr Butler, Ms Robinson and Mr Moretti.

Mr Kennedy has advised that he will not be seeking re-election as a director of Beach at the forthcoming Annual General Meeting expected to be held on 23 November 2012. Mr Kennedy who was appointed as a director on 5 December 1991 advised that his decision was partly based on Australian Council of Superannuation Investors Guidelines concerning longevity of non-executive directors and the need generally for renewal of the Board over time.

Mr Davis is a partner of law firm DMAW Lawyers which provides legal services to Beach. Mr Davis has been an employee of, or partner in, law firms that have provided legal services to Beach and the industry generally for more than 20 years. That collective knowledge and understanding of Beach and its assets and the industry generally was one of the reasons he was first appointed to the Board. DMAW Lawyers is instructed in the main in relation to operational oil and gas work. Mr Davis does not himself provide these services. Decisions to instruct DMAW lawyers are made at management and not board level. DMAW Lawyers has specialist oil and gas experience that has been provided to Beach over many years. That expertise and accumulated knowledge is of separate value to Beach from Mr Davis' role as a director.

The Board has determined that Mr Davis is an independent director. Using the materiality thresholds set by it and detailed below, the fees charged by DMAW lawyers to Beach are below these threshold amounts. This, and the fact the Board has seen no evidence that management's use of DMAW Lawyers impacts on the independence of Mr Davis, has led the Board to determine Mr Davis is independent.

The policy on director independence defines an independent director as a non-executive director (not a member of management) who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the independent exercise of their judgment.

In determining the independent status of a director the Board considers whether the director:

- Is a substantial shareholder of Beach or an officer of, or otherwise associated directly or indirectly with, a substantial shareholder of Beach;
- Is employed, or has previously been employed in an executive capacity by Beach or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Has within the last three years been a principal of a material professional adviser or a material consultant to Beach, or another group member, or an employee materially associated with the service provider;
- Is a material supplier or customer of Beach, or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has a material contractual relationship with Beach or another group member, other than as a director.

The Board has also adopted the following materiality thresholds to assist with determining independence:

- A professional adviser or consultant to Beach is material where the fees charged to the Beach group in a financial year is more than 10% of the annual gross revenue of the adviser or consultant or their firm or $1.5 million, whichever is the lesser;
- A supplier or customer of Beach is material where the value of the purchases or sales accounts for more than 5% of Beach's annual consolidated gross revenue or $1.5 million, whichever is the lesser;
- A contractual relationship with Beach is material where the value of the contract is more than 5% of Beach's annual consolidated gross revenue, or the contract is for more than 3 years.

2.4 Re-election of Directors, Director selection and Board renewal

The constitution of Beach and the ASX Listing Rules require that at each AGM, one third of directors (excluding the Managing Director) together with any director appointed since the last annual general meeting, retire from office. Retiring directors are eligible for re-election. Retiring directors, offering themselves for re-election, will have a performance review before their offer is accepted by the Board which includes an assessment of that director's competencies and ongoing capacity and commitment to fulfil the role. The procedure for re- election of incumbent directors is set out in the corporate governance section of Beach's website.

The Remuneration and Nomination Committee oversees the Board succession planning process. The procedure for selection and appointment of new directors is set out in the corporate governance section of Beach's website. The competencies that are considered in an individual candidate include:

- Industry knowledge or ability to acquire that knowledge;
- Independence determined in accordance with Beach's policy on independence (where relevant);
- Personal and professional integrity, good communication skills and ability to work harmoniously with fellow directors and management;
- Demonstrated and recognised knowledge, experience and competence in business including financial literacy;
- Ability to analyse information, think strategically and review and challenge management in order to make informed decisions and assess performance.

This process will be adopted in the appointment of a new director following Mr Kennedy's decision not to stand for re-election at the next AGM.

2.5 Conflicts of Interest

Beach has a Conflicts of Interest Policy to assist directors to identify and disclose actual or potential conflicts of interest. Each director has agreed in writing to provide the following information to Beach on a regular basis:

- Details of all securities held in Beach, registered both in the director's name and in any other entity in which that director has a relevant interest within the meaning of the Corporations Act; and
- Details of all contracts to which the director is a party to or under which the director is entitled to a benefit made available to him or her by Beach.

In addition, directors and senior executives must disclose to the Board any material contract in which they may have an interest. A director with a material personal interest in a matter being considered by the Board, must not be present when the matter is being considered, and must not vote on the matter, unless invited to vote and/or remain by the non-conflicted directors. A standing agenda item at the beginning of each Board meeting requires directors to make any disclosures of any matters that may be regarded as conflicts of interest.

2.6 Independent Professional Advice and Access to information

A director has the right to seek independent professional advice concerning or in relation to the rights, duties and obligations of the director in relation to the affairs of Beach, at Beach's expense. The Chairman's prior approval of such expenditure is required.

Directors have direct access to the company secretaries. Subject to obligations of confidentiality and privacy, directors also have access to Beach's information and records and employees. In addition to regular reports to the Board, directors may request further reports or information necessary to make informed decisions from management through the Managing Director and/or the Board at any time.

2.7 Performance Evaluation

An internal performance evaluation of the Board, each sub-committee of the Board and individual directors was undertaken during the reporting period using an external facilitator in accordance with the process for reviews disclosed in the corporate governance section of Beach's website. The evaluation was conducted by way of questionnaire. A report on the responses to the Board and subcommittee evaluations was presented to the Board. The outcomes of the review are taken into account in setting activities to continue to improve Board performance and efficiency.

The Managing Director and senior executives participate in annual performance reviews. Performance is measured against key performance indicators relevant to Beach's general objectives and to the executives' role. A performance evaluation for senior executives took place for the current reporting period in accordance with the process. A description of the performance evaluation process can be viewed in the corporate governance section of Beach's website.

2.8 Directors and Senior Executives Remuneration

Details of the remuneration structure of and remuneration paid to non-executive directors are set out in the Remuneration Report contained in the Directors' Report. The structure and details of the remuneration of the Managing Director and senior executives are also set out in the Remuneration Report contained in the Directors' Report. Details of the nature and amount of the remuneration and what the relationship is with the performance of Beach are also contained in the Remuneration Report.

Part 3 – Board Committees

The Board has an Audit Committee, Remuneration and Nomination Committee, a Corporate Governance Committee and a Corporate Development Committee to assist it to meet its responsibilities. Each committee has a specific function that has been detailed in a charter. Details of the number of committee meetings held and its attendee's are set out in the Directors' Report. Further details of the qualifications of each committee's members are set out in the Directors' Report. The Board considers the composition of each committee at least annually.

3.1 Audit Committee

The Audit Committee's members are independent non-executive directors and have financial qualifications. The committee:

- Monitors the integrity of the statutory financial statements;
- Reviews the statutory financial statements and reports and makes recommendations to the Board;
- Liaises with external auditors and reviews their reports;
- Reviews internal financial controls and internal control and risk management systems; and
- Makes recommendations to the Board concerning the appointment of Beach's external auditor.

Chairmanship and current membership of each of the board committees at the date of this report are as follows:

Committee	Chairman	Members
Audit	J C Butler	G S Davis, R M Kennedy
Corporate Governance	G S Davis	J C Butler, F G Moretti
Corporate Development	R M Kennedy	R G Nelson, F G Moretti
Remuneration and Nomination	R M Kennedy	G S Davis, N F Alley, B C Robinson [(1)]

[(1)] Ms Robinson was appointed to the Remuneration and Nomination Committee in May 2012

Ahead of the Chairman's decision to not seek re-election at the forthcoming AGM, the Board is proposing that the number of Board Committees and the composition of its committees, to ensure on-going compliance with committee structure required by the Principles, will be constituted as follows:

Committee	Chairman	Members
Audit	J C Butler	N F Alley, new Finance Director
Corporate Governance	F G Moretti	J C Butler, G S Davis
Remuneration and Nomination	B C Robinson	G S Davis, N F Alley

The committee meets at least three times a year and the external auditor, Managing Director and Chief Financial Officer/ Company Secretary are invited to attend the meetings, at the discretion of the committee. Its charter can be viewed in the corporate governance section of Beach's website.

3.2 Remuneration and Nomination Committee

The role of the committee is to review and make recommendations to the Board about:

- Senior executives' remuneration and incentives;
- Superannuation arrangements;
- The remuneration framework for directors;
- Equity incentive schemes for employees;
- Approval by the Board of any remuneration consultancy contract that is for services that include making a remuneration recommendation in relation to key management personnel;
- Ensuring compliance with the requirements for remuneration recommendations in relation to key management personnel;
- Beach's remuneration, recruitment, retention and termination policies for senior executives;
- The necessary and desirable competencies of Board members;
- The development of a process for the evaluation of the performance of the Board, its committees and directors;
- The appointment and re-election of directors;
- Reviewing Board succession plans;
- A diversity policy for approval by the Board.

Its charter can be viewed in the corporate governance section of Beach's website.

The composition of the committee is compliant with the required structure set out in the Principles.

3.3 Other Board Committees

Its role is to oversee the corporate governance policies and procedures of Beach. Its charter can be viewed in the corporate governance section of Beach's website.

The Corporate Development Committee's role is to consider and assess corporate opportunities for Beach and to oversee the process of strategic management of current corporate projects of Beach.

Part 4 – Promote Ethical and Responsible Behaviour

4.1 Code of Conduct

Beach has a code of conduct that sets out standards of behaviour expected of its directors and employees and those Beach contracts to do work for it. Those standards require:

- Compliance with the laws that govern Beach and its operations;
- Its people to act honestly and with integrity and fairness in all dealings with others and each other;
- Avoidance or management of conflicts of interest;
- Beach's assets to be used properly and efficiently for Beach's benefit;
- A contribution to the well being of Beach's key stakeholders;
- Exemplary corporate citizenship.

There is also a procedure to report breaches or possible breaches of the code of conduct. To complement the code of conduct a whistleblower policy and procedure have also been introduced to encourage the reporting of unethical behaviour in an environment free from reprisal or intimidation. The code of conduct can be viewed in the corporate governance section of Beach's website.

4.2 Trading in Beach Securities

Beach's securities trading policy restricts directors and employees from dealing in its securities where price sensitive information is known within Beach but is not generally available and in other specified non-trading periods. Directors and employees are obliged to give prior notice of an intended dealing in Beach's securities and seek confirmation that the proposed dealing complies with the policy. If the dealing is subsequently made, the details must be notified to Beach within two business days. The policy also prohibits directors and employees from hedging unvested securities, such as unvested options or options that are vested but under a holding lock, that were issued under a Beach equity based incentive plan. In addition directors undertake to provide all details of their dealings in Beach securities so that this information can be notified to the ASX. Beach's share trading policy can be viewed in the corporate governance section of Beach's website.

4.3 Diversity

Beach has adopted a diversity policy which is available in the corporate governance section of Beach's website. Beach is committed to a workplace culture that promotes the engagement of well qualified, diverse and motivated people across all levels to assist Beach to meet its objectives. Key principles to implement this policy include:

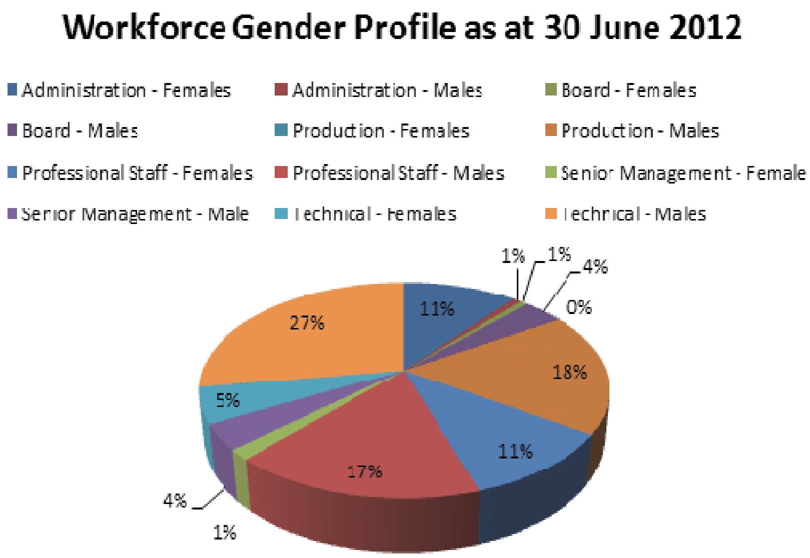
- Recruiting on the basis of skills, qualifications, abilities and achievements;

- Encouraging participation of its people in professional development to benefit Beach and the individual;
- Encouraging personal development for the benefit of Beach and the individual;
- Aiming to be an employer of choice and to provide a family friendly work environment;
- Promoting diversity through awareness and training;
- Establishing measurable objectives for achieving diversity; and
- Assessing annually both the objectives and progress in achieving them.

The table below sets out the measurable objectives for achieving gender diversity and Beach's progress in achieving these objectives:

Objective	Initiatives	Progress in achieving the objective
At least one female board director at all times *		Achieved in 2011 and ongoing
Review of gender pay equity particularly in technical and professional roles	Review of pay equity in 2010 and annually to ensure alignment of pay for the same roles	Achieved and is an ongoing annual process
Increase recruitment of women in technical roles	Reviewed advertising templates and rebranded to emphasise Beach's commitment to equal opportunity in employment Actively supporting female participation in Beach's work experience program Active participation in university career expos, industry nights, meetings with students and school work experience programme	Ongoing
Increase participation in leadership initiatives and in training and career development opportunities	Launched a pilot programme with Oz Minerals to provide strategic training and development opportunities for women in both organisations with mentors involved from the senior leadership teams Industry support through Women in Resources Group	Achieved in 2012 but ongoing
Employee Opinion Survey to measure a range of issue around conditions of employment	Positive feedback on balance between work and personal life Flexible and part time work offered to all employees with part time work by gender at 5% for males and 6% for females.	Achieved and likely to be ongoing

* Noting that the Board continues to consider opportunities to appoint a further suitable female director with the appropriate skill set for the position to be filled.

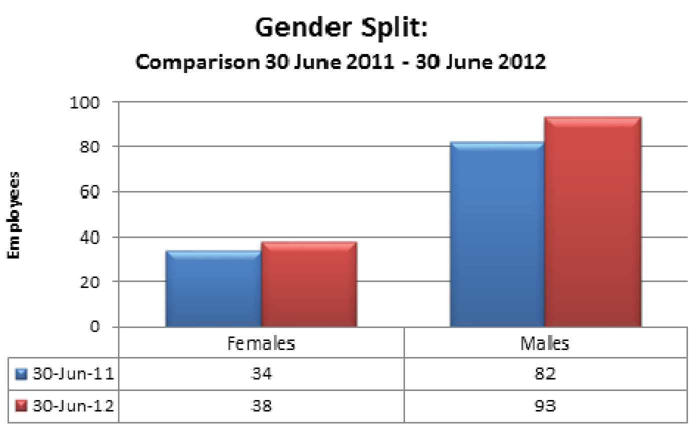


The Remuneration and Nomination Committee is responsible, at least annually, to review and report on the relative proportion of women and men in Beach's workforce at all levels. The details at the end of this reporting period are as follows:

Workforce gender profile for 2011 and 2012

As at 30 June 2011	Males	Females	Total
Administration	–	10	10
Board (non-executive)	5	1	6
Production	22	–	22
Professional Staff	20	17	37
Senior Management	4	2	6
Technical	31	4	35
TOTAL	**82**	**34**	**116**

As at 30 June 2012	Males	Females	Total
Administration	1	14	15
Board (non-executive)	5	1	6
Production	24	–	24
Professional Staff	22	14	36
Senior Management	5	2	7
Technical	36	7	43
TOTAL	**93**	**38**	**131**



Part 5 – Recognise and Manage Risk

5.1 Risk Oversight and Management

The Board has responsibility for overseeing Beach's risk management framework and monitoring risks including its material business risks. As set out in the Board Charter, senior management is required to develop, implement and manage Beach's risk management and internal control framework. This necessarily requires management to report to the Board on its management of these tasks and particularly whether Beach's material business risks are being managed effectively. Beach has a Risk Management Committee comprising one director and senior executives. The committee's role is to take responsibility for:

- The design and implementation of the risk management and internal control system to manage material business risks;
- Assisting the Board to review the effectiveness of those management systems; and
- Reporting to the Board on whether Beach's material business risks are being managed effectively.

An external review of the effectiveness of this committee has recently been conducted.

Beach's risk management system has a framework that is underpinned by various policies and practices that are intended to ensure:

- A consistent approach to managing risk, including maintaining a centralised corporate risk register;
- A consistent approach to monitoring and reviewing risk mitigation plans; and
- Regular reporting to relevant stakeholders including financial, operational and technical reports.

Risks are identified and ranked using a likelihood and consequence methodology. Risks identified as material are included in a material risk register which is regularly reviewed by the Risk Management Committee to ensure that action is implemented to manage and mitigate each of those risks. The Board receives a regular report from this committee which includes details of new material risks, alteration of risk profiles and current issues for consideration.

The Audit Committee has a role in assisting the Board to oversee risk management issues in the area of financial reporting risk management and internal control and to test the effectiveness of the system.

Beach's material business risks include operational risks, commercial risks, legal and contractual risks and financial risks. A description of Beach's risk management policy is available in the corporate governance section of Beach's website.

5.2 Statements on Risk Management

In addition to periodic reporting to the Board as detailed earlier, senior management has reported to the Board as to the effectiveness of Beach's management of its material business risks and that report has been received by the Board.

The Board has also received assurance from the Managing Director and the Chief Financial Officer that:

- The declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control; and
- The system is operating effectively in all material respects in relation to financial reporting risks.

5.3 External Audit

Beach's external auditor is Grant Thornton. The Audit Committee is responsible for making recommendations to the Board on the selection, appointment, reappointing or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting and rotation of audit partners. The lead audit partner and review partner of the external auditor must rotate every five years. The first rotation occurred in the 2007 reporting period as required by the Corporations Act.

The external auditor is not engaged to perform any non-audit services that may impair the judgment of the external auditor or independence in respect of Beach. It is the Audit Committee's role to assess and approve any audit and non-audit services that might be provided by the external auditor.

Part 6 – Disclosure to and Communication with Shareholders

6.1 Timely and Balanced Disclosure

Beach operates under the ASX's continuous disclosure regime whereby relevant information that could be seen to affect the share price in any way is immediately made available to shareholders and the public as a release to the ASX. The release is also placed on Beach's website. Beach's continuous disclosure policy sets out the requirements and processes put in place by Beach to ensure that its obligations to disclose relevant information are met and to ensure accountability at senior executive level for that compliance. The policy is available in the corporate governance section of Beach's website.

6.2 Communication with Shareholders

Beach's website is available for all shareholders and other interested parties to access current, publicly available information on Beach. In addition to the annual report, Beach distributes a half yearly review of its activities and results. These are also posted on the website and sent to shareholders. Shareholders can elect to receive communications by post or by email notification through Beach's website. Beach has also engaged investor relations personnel to assist in responding to shareholder enquiries.

Beach encourages its shareholders to attend its annual general meetings and to discuss and question the Board and management. Representatives of the external auditor are invited to attend the annual general meeting and will be available to answer questions from shareholders concerning the conduct of the audit and the preparation and content of the auditor's report.

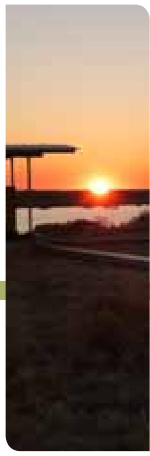
A description of the arrangements Beach has in place to promote communication with shareholders can be viewed in the corporate governance section of Beach's website.

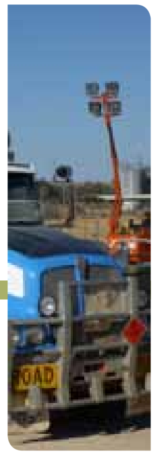
Checklist of Corporate Governance Principles & Recommendations	Reference
Principle 1 – Lay solid foundations for management and oversight	
1.1 Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2.1
1.2 Disclose the process for evaluating the performance of senior executives.	2.7
1.3 Provide the information indicated in Guide to reporting on Principle 1.	2 and 2.7
Principle 2 – Structure the Board to add value	
2.1 A majority of the board should be independent directors.	2.3
2.2 The chair should be an independent director.	2.2 and 2.3
2.3 The roles of the chair and chief executive officer should not be exercised by the same individual.	2.2
2.4 The board should establish a nomination committee.	3.2
2.5 Disclose the process for evaluating the performance of the board, its committees and individual directors.	2.7
2.6 Provide the information indicated in Guide to reporting on Principle 2.	2.2, 2.3, 2.6, 2.7 and 3.2

Principle 3 – Promote ethical and responsible decision-making	
3.1 Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in Beach's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	4.1
3.2 Establish a policy concerning trading in company securities by directors, officers and employees and disclose the policy or a summary of that policy.	4.2
3.3 Establish a policy concerning diversity and disclose the policy or a summary of the policy.	4.3
3.4 Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4.3
3.5 Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	4.3
3.6 Provide the information indicated in Guide to reporting on Principle 3.	4.1 and 4.2
Principle 4 – Safeguard integrity in financial reporting	
4.1 The board should establish an audit committee.	3 and 3.1
4.2 Structure the audit committee so that it : • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	3.1
4.3 The audit committee should have a formal charter.	3 and 3.1
4.4 Provide the information indicated in Guide to reporting on Principle 4.	3, 3.1 and 5.3
Principle 5 – Make timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	6.1
5.2 Provide the information indicated in Guide to reporting on Principle 5.	6.1

Principle 6 – Respect the rights of shareholders	
6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.	6.2
6.2 Provide the information indicated in Guide to reporting on Principle 6.	6.2
Principle 7 – Recognise and manage risk	
7.1 Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5.1
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	5.1 and 5.2
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	5.2
7.4 Provide the information indicated in Guide to reporting on Principle 7.	5.1 and 5.2
Principle 8 – Remunerate fairly and responsibly	
8.1 The board should establish a remuneration committee.	3 and 3.2
8.2 Structure the remuneration committee so that it : • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	3.2
8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	2.8 and Remuneration Report
8.4 Provide the information indicated in Guide to reporting on Principle 8.	2.8, 3.2, 4.2 and Remuneration Report

FINANCIAL REPORT





CONTENTS

The Financial Report is presented in Australian currency.

Beach Energy Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

25 Conyngham Street
GLENSIDE SA 5065

A description of the nature of the Company's operations and its principal activities are included in the Operations Report and in the Directors' Report released herewith.

The Financial Report was authorised for issue by the Directors on 28 August 2012. Beach has the power to amend and reissue the Financial Report.

Through the use of the internet, Beach has ensured that all corporate reporting is timely, complete, and available at minimum cost to Beach. All press releases, financial reports and other information are available on Beach's website: www.beachenergy.com.au.

Directors' Report

Your directors present their report for Beach Energy Limited (Beach or Company) on the consolidated accounts for the financial year ended 30 June 2012. Beach is a company limited by shares that is incorporated and domiciled in Australia.

The directors of the Company during the year ended 30 June 2012 and up to the date of this report are:

Robert Michael Kennedy (Non-Executive Chairman)
Glenn Stuart Davis (Non-Executive Deputy Chairman)
Reginald George Nelson (Managing Director)
John Charles Butler
Franco Giacomo Moretti
Neville Foster Alley
Belinda Charlotte Robinson

1

Principal activities

The principal activities of the consolidated entity continue to be oil and gas exploration, development and production and investment in the resources industry.

2

Consolidated results

	2012 $000	2011 $000
Consolidated entity profit/(loss) attributable to equity holders of Beach	**165,108**	(96,791)

3

Dividends paid or recommended

Since the end of the financial year the directors have resolved to pay a fully franked dividend of 1.5 cents per share to be paid on 28 September 2012. The record date for entitlement to this dividend is 7 September 2012. The financial impact of this dividend amounting to $18.8 million has not been recognised in the Financial Statements for the year ended 30 June 2012 and will be recognised in subsequent Financial Statements.

The details in relation to dividends paid during the reporting period are set out below:

Record Date	Date of payment	Cents per share	Total Dividends
9 September 2011	30 September 2011	1.00	$11.0 million
7 March 2012	23 March 2012	0.75	$ 8.4 million

For Australian income tax purposes, all dividends were fully franked and were not sourced from foreign income.

Directors' Report (continued)

4

Share options and rights

Share option and rights holders do not have any right to participate in any issue of shares or other interests in the Company or any other entity. There have been no unissued shares or interests under option of any controlled entity within the group during or since the reporting date. For details of options and rights issued to executives as remuneration, refer to the Remuneration Report.

During the financial year, the following movement in share options and rights to acquire fully paid shares occurred:

Employee Options

During the financial year, the Company re-tested unvested employee options and no further options vested during the financial year.

Options	Balance at beginning of financial year	Issued during the financial year	Cancelled during the financial year	Expired during the year and not exercised	Balance at end of financial year
2006 Employee Incentive Options Issued 1 December 2006	6,418,280	-	-	-	6,418,280
2007 Employee Incentive Options Issued 28 February 2008	2,258,977	-	-	-	2,258,977
Total	8,677,257	-	-	-	8,677,257

Employee Rights

On 1 December 2011, Beach issued a further 2,566,470 unlisted rights under the executive long term incentive plan. These rights, which expire on 30 November 2016, are exercisable for nil consideration and are not exercisable before 1 December 2014. During the financial year, the 2008 Rights vested and as such were converted into shares.

Rights	Balance at beginning of financial year	Issued during the financial year	Exercised during the financial year	Expired during the year and not exercised	Balance at end of financial year
2008 Employee Incentive unlisted rights Issued 1 December 2008 (Refer Note 38)	4,563,187	-	(4,563,187)	-	-
2010 Employee Incentive unlisted rights Issued 1 December 2010 (Refer Note 38)	5,453,895	-	-	-	5,453,895
2011 Employee Incentive unlisted rights Issue 1 December 2011 (Refer Note 38)	-	2,566,470	-	-	2,566,470
Total	10,017,082	2,566,470	(4,563,187)	-	8,020,365

5

Review of operations

A review of operations of the consolidated entity during the financial year and the results of those operations is included in the Operations Report contained in the Financial Report.

6

State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not disclosed elsewhere in the Financial Report.

Directors' Report (continued)

7

Matters arising subsequent to the end of the financial year

There has not arisen in the interval between 30 June 2012 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years unless otherwise noted in the Financial Report.

8

Future developments

Other than matters included in this report or elsewhere in the Financial Report, likely developments and business strategies of the operations of Beach and the expected results of those operations have not been disclosed as the directors believe that the inclusion would most likely result in unreasonable prejudice to Beach.

9

Indemnity of Directors and Officers

Beach has arranged directors' and officers' liability insurance policies that cover all the directors and officers of Beach and its controlled entities. The terms of the policies prohibit disclosure of details of the amount of the insurance cover, the nature thereof and the premium paid.

10

Rounding off of amounts

Beach is an entity to which ASIC Class Order 98/100 issued by the Australian Securities and Investments Commission applies relating to the rounding off of amounts. Accordingly, amounts in the directors' report and the financial statements have been rounded to the nearest thousand dollars, unless shown otherwise.

11

Environmental regulations and performance statement

Beach participates in projects and production activities that are subject to the relevant exploration and development licences prescribed by government. These licences specify the environmental regulations applicable to the exploration, construction and operations of petroleum activities as appropriate. For licences operated by other companies, this is achieved by monitoring the performance of these companies against these regulations.

There have been no known significant breaches of the environmental obligations of Beach's contracts or licences during the financial year.

Beach is implementing procedures to manage the reporting requirements under the Energy Efficiencies Opportunities Act and the National Greenhouse and Energy Reporting Act.

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Proceedings on behalf of Beach

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Beach, or to intervene in any proceedings to which Beach is a party, for the purpose of taking responsibility on behalf of Beach for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of Beach with leave of the Court under Section 237 of the *Corporations Act 2001*.

Directors' Report (continued)

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Information on Directors

The names of the directors of Beach who held office during the financial year and at the date of this report are:

Robert Michael Kennedy

Independent Non-Executive Chairman - *ASAIT, Grad Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD*

Experience and expertise

Mr Kennedy has been non-executive chairman of Beach since 1995 having joined Beach in December 1991 as a non-executive director. He is a Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded. Mr Kennedy brings to the Board his expertise and extensive experience as chairman and as a non-executive director of a range of listed public companies in the resources sector.

He conducts the review of the Board including the Managing Director in his executive role. Apart from his attendance at Board and Committee meetings Mr Kennedy leads the Board's external engagement of the Company's meetings with Government, joint venture partners, investors, attends APPEA's Annual Conference and is engaged with the media. He is a regular attendee of Audit Committee functions of the major accounting firms.

During the year he attended the Masterclass of the Australian Institute of Directors with members of top ASX200 company boards. He is a regular presenter on topics relating to directors with the AICD and the CSA. In the area of community engagement he regularly attends functions held by institutions which the Company supports as part of its community engagement and include a number of staff.

Current and former directorships in the last 3 years

Mr Kennedy is a director of ASX listed companies Flinders Mines Limited (since 2001), Ramelius Resources Limited (since listing in March 2003), Maximus Resources Limited (since 2004), ERO Mining Limited (since 2006), Monax Mining Limited (since 2004), Marmota Energy Limited (since 2006) and formerly Somerton Energy Limited (from 2010 to 2012). He was appointed the Chairman of the University of Adelaide's Institute of Minerals and Energy Resources in 2008.

Responsibilities

His special responsibilities include chairmanship of the Corporate Development and Remuneration and Nomination Committees and membership of the Audit Committee.

Glenn Stuart Davis

Independent Non-Executive Deputy Chairman - *LLB, BEc*

Experience and expertise

Mr Davis is a solicitor and partner of DMAW Lawyers, a firm he founded. He joined Beach in July 2007 as a non-executive director and was appointed non-executive Deputy Chairman in June 2009. Mr Davis brings to the Board his expertise in the execution of large legal and commercial transactions and his expertise and experience in corporate activity regulated by the Corporations Act and ASX Limited.

Current and former directorships in the last 3 years

Mr Davis is a director of ASX listed companies Monax Mining Limited (since 2004) and Marmota Energy Limited (since 2006).

Responsibilities

His special responsibilities include chairmanship of the Corporate Governance Committee and membership of the Audit Committee and Remuneration and Nomination Committee.

Directors' Report (continued)

13

Information on Directors (continued)

Reginald George Nelson
Managing Director - *BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD*

Experience and expertise

Mr Nelson joined Beach in May 1992 as an executive director, appointed Chief Executive Officer in October 1995 and then Managing Director in May 2002. He has had a career spanning over four decades as an exploration geophysicist in the minerals and petroleum industries. He was chairman of the peak industry organisation, the Australian Petroleum Production and Exploration Association (APPEA) from 2004 to 2006. Mr Nelson's contribution to the Board is his technical expertise and knowledge of the petroleum industry and broad experience in corporate matters. Mr Nelson's broad experience and knowledge of industry issues and future energy directions is directed towards broadening and strengthening the future growth of Beach.

Current and former directorships in the last 3 years
During the reporting period, Mr Nelson was also a director of ASX listed companies, Ramelius Resources Limited (from 1995 until August 2012), Monax Mining Limited (from 2004 until August 2012), Marmota Energy Limited (from 2006 until August 2012) and Sundance Energy Australia Limited (from 2010 until December 2011).

Responsibilities

In addition to his responsibilities as Managing Director, he is relied upon by the Board to lead the development of strategies for the development and future growth of Beach. He is also a member of the Corporate Development Committee.

John Charles Butler

Independent Non-Executive Director - *FCPA, FAICD, FIFS*

Experience and expertise

Mr Butler joined Beach in June 1999 as a non-executive director, having been previously the alternate director to Mr Nelson from 1994-1998. He brings to the Board financial and business experience from employment in senior management positions in the financial services industry from 1974 to 1992. He has been a business consultant and company director since 1992.

Current and former directorships in the last 3 years
He is the chairman of Lifeplan Australia Friendly Society Group and a director of Australian Unity Limited.

Responsibilities

His special responsibilities include chairmanship of the Audit Committee and membership of the Corporate Governance Committee.

Franco Giacomo Moretti

Independent Non-Executive Director - *BE (Hons), FIEAust, MAICD*

Experience and expertise

Mr Moretti joined Beach as a non-executive director in March 2005. He is an engineer with over 40 years' experience in engineering, procurement and project management of major projects as a consultant to government and private enterprise in the delivery of major infrastructure projects in Australia and overseas. Mr Moretti brings to the Board extensive experience in the delivery and management of major projects. Mr Moretti was formerly Chief Executive Officer of Asia Pacific Transport Pty Limited, responsible for building, owning, financing and operating the Alice Springs to Darwin railway project. He was previously with Kellogg Brown & Root as Director, Infrastructure Investment and Kinhill where he was a board director.

Responsibilities

His special responsibilities with Beach include membership of the Corporate Governance and Corporate Development Committees.

Directors' Report (continued)

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Information on Directors (continued)

Neville Foster Alley

Independent Non-Executive Director - *PhD, PSM*

Experience and expertise

Dr Alley joined Beach in February 2007 as an alternate director to Mr Moretti and was then appointed a director in July 2007. He is an internationally known earth science researcher and has wide experience in geological research in Australia and overseas. In 2004 he was awarded the Verco Medal for his contribution and leadership in the earth sciences and the Public Service Medal (PSM) in 2005 for outstanding contribution to geology and the minerals industry. Dr Alley's contribution to the Board is his technical and commercial knowledge of the resources industry.

Current and former directorships in the last 3 years

He is an executive director of ASX listed company Marmota Energy Limited (since 2007), Visiting Research Fellow, School of Earth and Environmental Sciences, the University of Adelaide (since 2004) and was a non-executive director of ASX listed company InterMet Resources Limited from 2005 until retiring from the Board in August 2009, non-executive director of ASX listed company Monax Mining Limited (2004 to 2011) and was a director of ASX listed company ERO Mining Limited from January until June 2011.

Responsibilities

His special responsibilities include membership of the Remuneration and Nomination Committee.

Belinda Charlotte Robinson

Independent Non-Executive Director – *BA, MEnv Law, GAICD*

Experience and expertise

Ms Robinson joined Beach in May 2011. Ms Robinson is the chief executive and executive director of Universities Australia, the national body representing Australia's 39 universities to Government. Prior to that Ms Robinson was the chief executive of the Australian Petroleum Production & Exploration Association (APPEA), a role she held for six and a half years. Having held a number of senior and senior executive positions within the federal Government, including almost a decade with the Department of the Prime Minister and Cabinet, and as a former chief executive of the Australian Plantation Products & Paper Industry Council, Ms Robinson brings to the Beach Board extensive knowledge and experience in public policy, government processes, political advocacy, change management and corporate governance. She is a graduate member of the Australian Institute of Company Directors, has completed the Company Director Diploma, was selected to participate in the AICD's ASX Chairman's Mentoring Program and has held positions on numerous not-for-profit boards and management/advisory committees.

Responsibilities

Her special responsibilities include membership of the Remuneration and Nomination Committee since May 2012.

Date of appointment of Directors

The names of those persons who were directors of Beach during the financial year and at the date of the report are as follows:

Name	Date of Appointment	
Robert Michael Kennedy	5 December 1991	Re-elected 26 November 2009
Glenn Stuart Davis	6 July 2007	Re-elected 24 November 2011
Reginald George Nelson	25 May 1992	Managing Director
John Charles Butler	23 June 1999	Re-elected 24 November 2011
Franco Giacomo Moretti	1 March 2005	Re-elected 25 November 2010
Neville Foster Alley	6 July 2007	Re-elected 25 November 2010
Belinda Charlotte Robinson	27 May 2011	Re-elected 24 November 2011

Directors' Report (continued)

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Information on Directors (continued)

Directors Interests in shares, options and rights

The relevant interest of each director in the ordinary share capital of Beach or in a related body corporate at the date of this report is:

Shares held in Beach Energy Limited	Shares	Employee Options	Rights
Mr R M Kennedy	1,495,000 (2)	-	-
Mr G S Davis	114,072 (1)	-	-
Mr R G Nelson	3,729,860 (1)	6,453,220 (1)	3,466,851 (1)
	1,195,431 (2)	-	
Mr J C Butler	167,393 (1)	-	-
Mr F G Moretti	262,058 (2)	-	-
Dr N F Alley	50,000 (1)	-	-
Ms B C Robinson	14,626 (1)	-	-

(1) Held directly (2) Held by entities in which a relevant interest is held

Directors' meetings

The Board of Beach met sixteen times, the Audit Committee met five times, the Corporate Governance Committee met twice, the Corporate Development Committee met once and the Remuneration and Nomination Committee met seven times during the financial year. In addition to formal meetings held, members of the Board also attended the annual conference of the Australian Petroleum Production and Exploration Association. The number of meetings attended by each of the directors of Beach during the financial year was:

	Number of Directors' Meetings		Audit Committee Meetings		Corporate Governance Committee Meetings		Corporate Development Committee Meetings		Remuneration and Nomination Committee Meetings	
	Held (1)	Attended	Held (1)	Attended	Held	Attended	Held	Attended	Held	Attended
Mr R M Kennedy	16	16	5	5	-	-	1	1	7	7
Mr G S Davis	16	16	5	5	-	-	1	1 (2)	7	7
Mr R G Nelson	16	16	5	5 (2)	-	-	1	1	7	6 (2)
Mr J C Butler	16	16	5	5	2	2	1	1 (2)	-	-
Mr F G Moretti	16	16	5	2 (2)	2	2	1	1	-	-
Dr N F Alley	16	16	5	2 (2)	2	2	1	1 (2)	7	6
Ms B C Robinson	16	16	5	2 (2)	-	-	-	-	-	-

(1) *The number of meetings held during the time the director held office during the year.*

(2) *The number of meetings attended by invitation.*

Board Committees

Chairmanship and current membership of each of the board committees at the date of this report are as follows:

Committee	Chairman	Members
Audit	J C Butler	G S Davis, R M Kennedy
Corporate Governance	G S Davis	J C Butler, F G Moretti
Corporate Development	R M Kennedy	R G Nelson, F G Moretti
Remuneration and Nomination	R M Kennedy	G S Davis, N F Alley, B C Robinson (1)

(1) *Ms Robinson was appointed to the Remuneration and Nomination Committee in May 2012*

Directors' Report (continued)

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Company Secretaries

Kathryn Anne Presser

Chief Financial Officer and Joint Company Secretary - *BA (Accounting), Grad Dip CSP, FAICD, FCPA, FCIS, AFAIM*

Ms Presser joined Beach in January 1997 and was appointed to the role of Company Secretary in January 1998. Appointed as the Chief Financial Officer in June 2005, Ms Presser has over 28 years' experience in senior accounting and company secretarial roles and is a qualified chartered secretary. She is currently a fellow and on the Committee of the South Australian Branch of Chartered Secretaries Australia, the Treasurer of the Women in Resources - South Australian Committee and is also a member of the Petroleum Exploration Society of Australia. She is a director of Mawson Petroleum Pty Limited. She is a Fellow of the Australian Institute of Company Directors and has completed the Company Director Diploma and was selected to participate in the AICD's ASX 200 Chairman's Mentoring Program and has held positions on numerous not-for-profit boards and management/advisory committees.

Catherine Louise Oster

General Counsel and Joint Company Secretary – *BA (Jurisprudence), LLM (Corporate & Commercial), FCIS*

Ms Oster was appointed joint Company Secretary in July 2005. Ms Oster has more than 20 years' experience as a lawyer and a partner in private practice, advising on corporate and commercial transactions. Ms Oster is a qualified chartered secretary. She is a member of Chartered Secretaries of Australia, the Law Society of South Australia, AMPLA and the Australian Corporate Lawyers Association.

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Non-audit services

Beach may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with Beach are important.

The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the audit independence requirement of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code – Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for Beach, acting as advocate for Beach or jointly sharing economic risk and reward.

Details of the amounts paid or payable to the external auditors, Grant Thornton South Australian Partnership for audit and non-audit services provided during the year are set out at Note 8 to the financial statements.

Directors' Report (continued)

Section 307C of the Corporations Act 2001 requires our auditors, Grant Thornton South Australian Partnership, to provide the directors of Beach with an Independence Declaration in relation to the review of the full year financial statements. This Independence Declaration is made on page 55 and forms part of this Directors' Report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the directors

R G Nelson
Managing Director
Adelaide, 28 August 2012

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF BEACH ENERGY LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Beach Energy Limited for the year ended 30 June2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 28 August 2012

2012 Remuneration Summary

This Remuneration Summary is in addition to Beach's reporting framework. It outlines Beach's key remuneration activities for the financial year ended 30 June 2012 and in particular discloses the actual amount of remuneration paid to its senior executives.

This summary should be read in conjunction with the Remuneration Report on pages 58 to 74 which provides disclosure of the remuneration framework of Beach in accordance with its statutory obligations and accounting standards.

Key 2012 Remuneration Outcomes

The key remuneration outcomes for the financial year are summarised as follows:

- Directors base fees and committee fees were increased by 5% after no increase in the previous reporting period;
- During the year, the Managing Director has agreed to a salary freeze on his fixed remuneration from 1 July 2012 for the remainder of his current employment contract;
- There were fixed remuneration increases for senior executives, comprising 5% for the Managing Director and the CFO, and from 9% to 29% for the remaining senior executives, some to reflect new roles and responsibilities;
- Performance conditions for the short term incentive scheme were met for the senior executives during the reporting period;
- Long term incentive plan rights were issued to senior executives during the reporting period following shareholder approval**;**
- 2008 long term incentive plan rights performance conditions were met for senior executives resulting in the vesting of the rights during the reporting period; and
- 2006 long term incentive plan options performance conditions were not met for senior executives so no options vested during the reporting period.

Details of the total package paid to Beach senior executives for the reporting period are detailed below. These salaries do not take into account the mandatory reporting of the long-term incentives which are valued for accounting purposes only and are included for statutory valuations in the later Tables.

Name	Fixed Cash Salary Payment $	Short Term Incentive Cash Payment [3] $	Short Term Share Incentive Rights Issue [4] $	Super Contribution $	Total Remuneration $
Mr R G Nelson					
2012	**1,296,940**	**556,250**	**556,250**	**50,000**	**2,459,440**
2011	1,225,309	-	-	50,000	1,275,309
Ms K A Presser					
2012	**487,400**	**174,216**	**174,216**	**25,000**	**860,832**
2011	462,994	-	-	25,000	487,994
Mr N M Gibbins					
2012	**470,092**	**174,216**	**174,216**	**42,308**	**860,832**
2011	445,005	-	-	25,000	470,005
Mr R Rayner					
2012 [1]	**305,810**	**113,333**	**113,333**	**27,523**	**559,999**
2011	-	-	-	-	-
Mr G M Moseby					
2012	**451,808**	**129,850**	**129,850**	**25,000**	**736,508**
2011	395,145	-	-	25,000	420,145
Mr S B Masters					
2012	**465,003**	**166,600**	**166,600**	**25,000**	**823,203**
2011	404,995	-	-	25,000	429,995
Ms C L Oster [2]					
2012	**312,557**	**57,166**	**57,166**	**23,713**	**450,602**
2011	244,128	-	-	21,972	266,100
TOTAL 2012	**3,789,610**	**1,371,631**	**1,371,631**	**218,544**	**6,751,416**
TOTAL 2011	3,177,576	-	-	171,972	3,349,548

(1) Appointed 1 November 2011. (2) Ms Oster was appointed on a full-time basis in a new role from 1 March 2012

(3) These amounts are the cash component of the STI payment that senior executives have become entitled to for the 2011/12 financial year due to the performance conditions for the year being met. These amounts have been accrued in the accounts for the year but have not been paid to senior executives until after the full year results have been released.

(4) These amounts are the value of the retention rights component of the STI payment that senior executives have become entitled to for the 2011/12 financial year due to the performance conditions for the year being met. These rights will be valued and expended over the 2 year vesting period and the relevant shares will be only issued to senior executives upon meeting retention criteria as outlined on page 63.

2012 Remuneration Summary

Beach continues to engage with its shareholders and governance specialists about its remuneration framework and takes the feedback it receives into account in its ongoing review of remuneration policy and structure.

In particular, Beach has been made aware that the 'at risk' remuneration component paid to its executives is relatively high. However, in the Board's view there are good reasons for this:

- Beach's size and scope of operations is such that there are few directly comparable peers by reference to its market capitalisation and its mix of exploration and production assets;
- Any comparison of remuneration does not take into account the practicalities of sourcing executives suited to Beach's operations;
- The pool of available executives with the requisite experience and technical skill are more likely to be sourced from the large oil and gas companies, with experience in exploration, development and production to match Beach's own areas of activity;
- These companies are themselves searching for talented, experienced senior people to assist in the large number of major projects underway in the sector in Australia at present;
- These executives are most likely to be sourced from these large companies' management ranks just below the disclosed executive level and whose pay levels are typically about 25% less in fixed pay than the disclosed levels in these large companies.

Specifically in relation to the Managing Director's fixed remuneration, it is considered relatively high in a benchmarking exercise. That said, the Board considers it to be appropriate because the Managing Director is a highly experienced oil and gas executive, recognised and decorated by his peers and is leading Beach's shale gas positioning.

Beach has a commitment to continually review its remuneration and benefits across the Company's workforce to ensure market competitiveness. It also engages in industry specific surveys such as the National Rewards Group. The Company expects that it will continue to face challenges for sourcing and retaining people in the resource sector as the Company continues to grow. Accordingly, Beach will continue to review its remuneration framework in order to gain and retain the highly skilled team of personnel that it employs, now and in the future.

Voting and comments made at the company's 2011 Annual General Meeting

Beach received more than 90% of "yes" votes on its Remuneration Report for the 2011 financial year. The Company did not receive any specific feedback at the 2011 AGM on its remuneration practices, and did appoint an independent adviser, as outlined in section 4 of the Remuneration Report.

Remuneration Report

The directors of Beach present the Remuneration Report prepared in accordance with the *Corporations Act 2001* for the Company and the group for the financial year ended 30 June 2012. This Remuneration Report which has been audited forms part of the Directors' Report.

1. What is in this report?

This report:

- Identifies Beach's key management personnel that this report relates to – see section 2;
- Explains Beach's policy for structuring and setting remuneration of its key management personnel to align with company objectives and performance - see section 3;
- Describes how Beach makes decisions about remuneration, including its use of external remuneration consultants – see section 4;
- Details the structure of remuneration for its senior executives – fixed remuneration and 'at risk' (STI and LTI) remuneration – see section 5;
- Describes LTI equity awards currently in operation including details of awards granted and vested during the year– see section 6;
- Describes the company performance for the year and remuneration outcomes for senior executives – see section 7;
- Details senior executive employment arrangements – see section 8;
- Details total remuneration for senior executives calculated pursuant to legislative and accounting standard requirements – see section 9;
- Explains Beach's remuneration policy for non-executive directors – see section 10; and
- Details total remuneration for non-executive directors calculated pursuant to legislative and accounting standard requirements- see section 11.

2. Key Management Personnel

In this report, Beach provides details of the remuneration of its directors and senior executives who are key management personnel. In addition Beach must provide details of the five company executives who received the highest pay during the reporting period. They are listed in Table 1 below. This report also includes relevant remuneration details for Beach's controlled subsidiary - Somerton Energy Limited (**Somerton**), of which Beach owned 55.44% until it sold its interest in the successful takeover of Somerton by Cooper Energy Limited during the year. The report also includes details of remuneration of key management personnel of Adelaide Energy Limited which Beach acquired by takeover during the year.

Table 1: Details of Beach directors and senior executives

Senior executives

Name	Position
Mr R G Nelson	Managing Director
Ms K A Presser	Chief Financial Officer/Company Secretary
Mr N M Gibbins	Chief Operating Officer
Mr R A Rayner	Group Executive Strategic Business and External Affairs (1)
Mr G M Moseby	General Manager - Business Review and Planning
Mr S B Masters	Chief Commercial Officer
Ms C L Oster	General Counsel/Joint Company Secretary (2)

(1) *Appointed 1 November 2011.*
(2) *Ms Oster held the role of Legal and Corporate Counsel/Joint Company Secretary until her appointment as General Counsel/Joint Company Secretary on 1 March 2012.*

Non-executive directors

Name	Position
Mr R M Kennedy	Chairman
Mr G S Davis	Deputy chairman
Mr J C Butler	Director
Mr F G Moretti	Director
Dr N F Alley	Director
Ms B C Robinson	Director

Remuneration Report

3. Beach's policy for structuring remuneration to meet company objectives

The Board believes that Beach has a remuneration policy and framework that is aligned with Beach's key objective to increase shareholders' wealth through profitable investment in exploration, development and production of oil and gas and related energy resources.

Beach's remuneration policy is designed to attract a diverse and well balanced group of non-executive directors who as a collective have the commitment to set the Company's key objective and oversee its implementation and achievement. In doing this, it also sets core values which it expects its senior executives to adhere to in achieving this objective.

Beach's remuneration policy for its senior executives is to reward performance by:

- Attracting, motivating and retaining a skilled senior executive team focused on achieving the Company's objective by offering fixed remuneration to align with the respective roles and responsibilities of the senior executive team in line market practice and prevailing economic conditions;
- Linking the reward of senior executives by 'at risk' performance based incentives that encourage the alignment of individual performance to focus on a mix of shorter term Company goals and longer term Company goals that contribute to the achievement of the Company's key objective; and
- Aligning the longer term 'at risk' incentive rewards to senior executives with expectations and outcomes that match shareholder objectives and interests by:
    - Benchmarking shareholder return against a peer group of companies who could be viewed as a similar alternative investment to Beach;
    - Giving share based rather than all cash based rewards to senior executives.

4. How Beach makes decisions about remuneration

The Board has responsibility for making decisions about the remuneration of its key management personnel. To do this a Board subcommittee, the Remuneration and Nomination Committee oversees remuneration matters concerning Beach's key management personnel. It makes recommendations to the Board for its approval about remuneration policy, fees and remuneration packages for non-executive directors and senior executives. Details of the committee's members and its responsibilities are set out on page 36 of the Corporate Governance Statement.

The Remuneration and Nomination Committee reviewed its charter during the year. It also adopted a protocol for the engagement of external remuneration consultants to ensure that the advice it receives is free from any undue influence from management. One aspect of this protocol is that the committee itself through its chairman appoints and engages directly with the consultant in relation to remuneration matters for key management personnel. Management is involved in this process only to extent that it can assist the consultant by providing factual information requested by the consultant.

Beach engaged an independent remuneration consultant, Guerdon and Associates during the year to advise on non-executive directors' fees, senior executive remuneration packages and incentive arrangements for the reporting period.

They were engaged by the Remuneration and Nomination Committee to provide remuneration recommendations to the committee in accordance with the protocol. The consultant benchmarked key management personnel fees and remuneration both fixed and at risk components. For these services it received fees of $48,722. The Board was satisfied that the remuneration recommendations made by its consultant were made free from undue influence by any of the key management personnel to whom the recommendations related.

In addition to engaging external consultants to provide advice on key management personnel remuneration issues, the committee may also request recommendations from the Managing Director about remuneration packages for Beach's senior executive team (other than the Managing Director). These recommendations may be taken into account in the recommendations made to the Board by the committee.

Remuneration Report

5. Senior Executive Remuneration Structure

This section details the remuneration structure for senior executives.

Remuneration mix

What is the balance between fixed and 'at risk' remuneration?	The remuneration structure and packages offered to senior executives for the period were:
	• Fixed remuneration;
	• Performance based remuneration consisting of an 'at risk' component comprising:
	  • Short term incentive (STI) - an annual cash and/or equity based incentive, which may be offered at the discretion of the Board, linked to Company and individual performance; and
	  • Long term incentive (LTI) - equity grants, which may be granted annually at the discretion of the Board, linked to performance conditions measured over an extended period,
	The balance between fixed and 'at risk' depends on the senior executives role in Beach. The Managing Director has the highest level of 'at risk' remuneration reflecting the greater level of responsibility of this role.
	Table 2 sets out the relative proportions of the three elements of the senior executives total remuneration packages for the 2010/11 and 2011/12 financial years that relate to performance and those that are not.

Table 2: Relative proportions of elements of remuneration packages

	Fixed Remuneration[1]	Performance based remuneration		At risk
Name		**STI[2]**	**LTI [3]**	
Mr R G Nelson	%	%	%	%
2012	**47**	**19**	**34**	**53**
2011	56	0	44	44
Ms K A Presser				
2012	**50**	**17**	**33**	**50**
2011	62	0	38	38
Mr N M Gibbins				
2012	**55**	**19**	**26**	**45**
2011	72	0	28	28
Mr R A Rayner				
2012	**64**	**21**	**15**	**36**
2011	-	-	-	-
Mr G M Moseby				
2012	**57**	**16**	**27**	**43**
2011	70	0	30	30
Mr S B Masters				
2012	**56**	**19**	**25**	**44**
2011	75	0	25	25
Ms C L Oster				
2012	**67**	**12**	**21**	**33**
2011	75	0	25	25

(1) Whilst remuneration for the 2010/11 year has all been paid in fixed remuneration, a relevant proportion in this year has been allocated to LTIs for the accounting of performance based remuneration from previous reporting periods.

(2) The percentages in the Table indicate STI paid for performance (at risk).

(3) The percentage of remuneration package that consisted of options and rights issued under the terms of the LTI plan. This percentage is calculated on the value allocated for the period as explained in Note 2 of Table 5.

Remuneration Report

Fixed remuneration

What is fixed remuneration?	Senior executives are entitled to a fixed remuneration amount inclusive of the guaranteed superannuation contribution. The amount is not based upon performance. The amount is determined by the Board based on independent external advice that takes account of the role and responsibility of each senior executive and relevant industry benchmark data. Senior executives may decide to salary sacrifice part of their fixed remuneration for additional superannuation contributions and other benefits.
How is fixed remuneration reviewed?	Fixed remuneration is reviewed annually against industry benchmarking information. For the reporting period there were fixed remuneration increases for senior executives, comprising 5% for the Managing Director and the CFO, and from 9% to 29% for the remaining senior executives, some to reflect new roles and responsibilities. Beach determines fixed remuneration having regard to the following: • Beach's size and scope of operations is such that there are few directly comparable peers by reference to its market capitalisation and its mix of exploration and production assets. Beach is in a unique position, as it is not at the small end of its sector, nor at the large; • Any comparison of remuneration does not take into account the practicalities of sourcing executives suited to Beach's operations; • Beach executives are unlikely to be sourced from smaller companies, given that they are typically at an earlier stage of asset discovery and size, and light on project development and operations activity and experience; • The pool of available executives with the requisite experience and technical skill are more likely to be sourced from the large oil and gas companies, with experience in exploration, development and production to match Beach's own areas of activity; • These companies are themselves searching for talented, experienced senior people to assist in the large number of major projects underway in the sector in Australia at present; • These executives are most likely to be sourced from these large companies' management ranks just below the disclosed executive level and whose pay levels are typically about 25% less in fixed pay than the disclosed levels in these large companies. Specifically in relation to the Managing Director's fixed remuneration, the Board considers it to be appropriate because: • The Managing Director is a highly experienced oil and gas executive, recognised and decorated by his peers and is leading Beach's shale gas positioning; • To attract someone of this level where competition for his services would exist in the large oil and gas companies requires a greater level of remuneration; and • During the year the Managing Director agreed to extend his employment to at least 30 June 2014 on his current fixed remuneration amount for the remaining period of this term.

Remuneration Report

Short Term Incentive (STI)

What is the STI?	The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12 month period coinciding with Beach's financial year. It is cash based and may include an equity component. It is offered annually to senior executives at the discretion of the Board.
How does the STI link to Beach's objectives?	The STI is an at risk opportunity for senior executives to be rewarded for meeting or exceeding key performance indicators that are linked to Beach's key business objective. The STI is designed to motivate senior executives to align their behaviours with Company expectations for success. Beach can only achieve its objectives if it not only attracts but retains valued high performing senior executives. An award made under the STI is also designed to act as a retention incentive for senior executives. Only a portion of an award is paid in cash. The remainder is issued as rights with a service condition component.
What are the performance conditions?	The performance conditions or key performance indicators (KPIs) are set by the Board for each 12 month period beginning at the start of a financial year. They reflect financial and operational goals of Beach that are essential in achieving Beach's key objective. Individual KPIs are given different weightings depending on their role or importance to Beach. The key financial performance measure is based on the net profit after tax for the relevant financial year. The increase in oil and gas reserves and level of production over the period are two other key performance measures. The financial measure may be adjusted by the Board to take account of major changes in operating conditions such as an acquisition made or sale of an asset through the period. These key performance conditions were chosen to link a proportion of an employee's remuneration with Beach's performance for the period. These measures have a weighting of 75% of the STI and each senior executive has these KPIs. Other performance conditions are either specific to a senior executives role at Beach or reflect Beach's core values that are essential to ensure that success is achieved in an appropriate manner. These KPIs include: • The level and manner of funding for Beach's activities; • Sourcing, evaluation and execution of new opportunities; • Conduct of production and operations; • Development of relationships with external parties such as shareholders; media, analysts, government, joint venture parties and contractors; • Governance; and • Staff morale. The other functional KPIs have a total weighting of 25% of the total STI that could be achieved.
Are there different performance levels?	The Board sets KPI measures at threshold, target and stretch levels. A threshold objective must be achieved in any individual KPI before a participant is entitled to any payment for that KPI. A stretch level indicates a maximum performance outcome for a KPI.
What is the value of the STI award that can be earned?	The incentive payment if the KPIs are achieved is based on a percentage of a senior executive's fixed remuneration. The Managing Director can earn from 25% to a maximum of 100% of his fixed remuneration. The value of the award that can be earned by other senior executives is from 10% to a maximum of 80% of their fixed remuneration.

Remuneration Report

Short Term Incentive (STI)

How are the performance conditions assessed?	Financial measures and production expectations are reviewed against budget. Reserves are reviewed against a calculation of the level that reserves are replaced from the end of the previous reporting period. The other functional performance measures are assigned a score on a ten point scale. Non-executive directors assess the extent to which KPIs were met for the period after the close of the relevant financial year and once results are finalised. The assessment of performance of senior executives other than the Managing Director is made by the non-executive directors on the Managing Director's recommendation. The non-executive directors assess the achievement of the KPIs for the Managing Director.
Is there a threshold level of performance before an STI is paid?	Yes there is. If a threshold level of the net profit after tax KPI is not met then no STI is awarded or paid.
What happens if an STI is awarded?	On achievement of the relevant KPIs, one half of the STI award is paid in cash. Any cash that is earned pursuant to the STI is included in the financial statements for the financial year but paid after the conclusion of the financial year, usually in September after release of annual financial results. The remaining half of the STI award value is issued in retention rights that vest progressively over the next one to two years, subject to the senior executive remaining employed with Beach at each vesting date. If a senior executive leaves Beach's employment other than on good terms the rights will be forfeited. Early vesting of the rights may occur at the discretion of the Board if the senior executive leaves Beach due to death or disability. The Board also reserves the right to exercise its discretion for early vesting in the event of a change of control of the Company. There is a general discretion available to the Board to allow early vesting of performance rights. However, the Board would require exceptional circumstances to exist before it would consider using its discretion.

Remuneration Report

Long Term Incentive (LTI)

What is the LTI?	The LTI is an equity based 'at risk' incentive plan. The LTI is intended to reward efforts and results that promote long term growth in shareholder value or total shareholder return (TSR). LTIs are offered to senior executives at the discretion of the Board.
How does the LTI link to Beach's key objective?	The LTI links to Beach's key objective by aligning the longer term 'at risk' incentive rewards to senior executives with expectations and outcomes that match shareholder objectives and interests by: • Benchmarking shareholder return against a peer group of companies who could be viewed as a similar alternative investment to Beach; • Giving share based rather than cash based rewards to executives to link their own rewards to shareholder expectations of dividend return and share price growth.
What equity based grants are given and are there plan limits?	Performance rights are granted. If the performance conditions are met, senior executives have the opportunity to acquire one Beach share for every vested performance right. There are no plan limits as a whole for the LTI. This is due to the style of the plan combined with the guidance requested from external remuneration consultants about appropriate individual plan limits. Those individual limits for the plans that are currently operational are set out in Table 4.
What is the performance condition?	Beach's TSR performance over the performance period is ranked against the TSR performance over the same period of companies in a comparator group of Australian oil and gas exploration and development companies and other companies in the S&P/ASX 300 Energy list. The list of comparator companies used for the different LTI grants is set out in Table 3. Under an old plan that senior executives participated in, they were issued options in 2006 that use an absolute TSR performance measure. That is a comparison between the market price of Beach's shares (adjusted for movements in issued capital and dividends) at the beginning and at the end of the measurement period. On advice from remuneration consultants the measure was later changed to one that is benchmarked against other companies.
Why choose this performance condition?	TSR is a measure of the return to shareholders over a period of time through the change in share price and any dividends paid over that time. The dividends are notionally reinvested for the purpose of the calculation. This performance condition was chosen to align senior executives' remuneration with a corresponding increase in shareholder value. The Board has reinforced the alignment to shareholder return by imposing two additional conditions. Firstly, the Board sets a threshold level that must be achieved before an award will be earned. Secondly, the Board will not make an award if Beach's TSR is negative.
Does Beach have a policy to prohibit hedging of rights or options held in a Company remuneration plan	Yes it does. Beach's share trading policy specifically prohibits a senior executive from entering into transactions that limit the economic risk of participating in unvested entitlements or vested entitlements subject to holding locks imposed by the Company in equity based remuneration schemes. The policy is enforced through a system that includes the requirement that a senior executive confirm compliance with the policy and/or provide confirmation of dealings in Beach securities on request. The share trading policy can be viewed on Beach's website.
Is shareholders equity diluted when shares are issued on vesting of performance rights or exercise of options?	The Board has not imposed dilution limits having regard to the structure of the LTI plan as a whole and that the historical level of options and rights on issue would result in minimal dilution. If all of the current performance rights and options under the LTI vested at 30 June 2012, shareholders equity would have diluted by 1%. It has been the practice of the Board when there is an entitlement to shares on vesting of performance rights to issue new shares. However, there is provision for shares to be purchased on market should the Board consider that dilution of shareholders equity is likely to be of concern.
What happens to LTI performance rights on a change of control?	The Board reserves the right to exercise its discretion for early vesting in the event of a change of control of the Company. Certain adjustments to a participant's entitlements may occur in the event of a company reconstruction and certain share issues.

Remuneration Report

Table 3: TSR Comparator Groups

Detailed below is the list of comparator companies used for the different LTI grants. This group is made up predominantly of Australian oil and gas exploration and development companies and other companies in the S&P/ASX 300 Energy list.
Companies removed from the TSR calculation because they have delisted are Arrow Energy Limited, Arc Energy Limited, Bow Energy Limited, Eastern Star Gas Limited and Innamincka Petroleum Limited.

Companies	2011 Rights	2010 Rights	2008 Rights	2007 Options
AED Oil Ltd			x	x
Australian Worldwide Exploration Ltd	x	x	x	x
Aurora Oil & Gas Ltd	x	x		
Dart Energy Ltd	x	x		
Horizon Oil Ltd	x	x	x	
Karoon Gas Australia Ltd	x	x		
Linc Energy Ltd	x	x		
Nexus Energy Ltd	x	x	x	x
Nido Petroleum Ltd			x	
New Zealand Oil and Gas Ltd			x	
Origin Energy Ltd				x
Oil Search Ltd	x	x	x	x
Petsec Energy Ltd				x
Queensland Gas Company Ltd				x
ROC Oil Company Ltd	x	x	x	x
Santos Ltd	x	x	x	x
Tap Oil Ltd			x	x
Woodside Petroleum Ltd	x	x	x	x

6. LTI equity awards currently in operation including details of awards granted and vested during the year

Details of the conditions of performance rights issued during this financial year (2011 Rights) to senior executives are set out below in Table 4.
Details of other LTI grants that are still in operation and are also listed in Table 4 are:

- Performance rights granted in the 2010/11 year (2010 Rights);
- Performance rights granted in the 2008/09 year (2008 Rights);
- Options granted in the 2007/08 year (2007 Options); and
- Options granted in the 2006/07 year (2006 Options).

Remuneration Report

Table 4 – Details of LTI equity awards issued, in operation or tested during the year

Details	2008 Rights, 2010 Rights & 2011 Rights	2007 Options	2006 Options
Type of Grant	Performance rights	Performance options	Performance options
Calculation of Grant limits for senior executives	**2011 Rights** Max LTI is 100% of Total Fixed Remuneration (TFR) for MD 60% - 80% of TFR for other senior executives according to position **2008 Rights and 2010 Rights** Max LTI is 200% of TFR for MD 60% - 120% of TFR for other senior executives according to position	TFR x Max LTI%/ market value of a share at grant date x 3: Where Max LTI =100% for MD and 40% - 60% for other senior executives	TFR x Max LTI%/ market value of a share at the grant date x 3: Where Max LTI =100% for MD and 60% for other senior executives
Grant Date	**2011Rights** 1 Dec 2011 **2010 Rights** 1 Dec 2010 **2008 Rights** 1 Dec 2008	28 Feb 2008	1 Dec 2006
Issue price of Rights or Options	Granted at no cost to the participant	Granted at no cost to the participant	Granted at no cost to the participant
Performance period	**2011Rights** 1 Dec 2011- 30 Nov 2014 **2010 Rights** 1 Dec 2010 – 30 Nov 2013 **2008 Rights** 1 Dec 2008 – 30 Nov 2011	28 Feb 2008 – 27 Feb 2011	1 Dec 2006 – 30 Nov 2009 with quarterly re-testing if unvested options remain
Performance Conditions for vesting	Where Beach's TSR relative to the comparator group over the performance period is ranked: • < 50th percentile - 0% vesting • = 50th percentile - 50% vesting; • > 50th percentile and < the 75th percentile - a prorated number will vest; • = or > the 75th percentile – 100% vesting Note: No vesting will occur if Beach has a negative TSR.		If Beach's TSR over the performance period is: • < 7% per annum compounded - 0% vesting; • = 7% per annum compounded – 25% vesting; • > 7% and < 12% per annum compounded – a pro-rated percentage will vest; • = 12% per annum compounded – 50% vesting; • > 12% and < 20% per annum compounded – a pro-rated percentage will vest; • = or > 20% per annum compounded – 100% vesting
Expiry /Lapse	Rights lapse if vesting does not occur on testing of performance condition	Options lapse if vesting does not occur on testing of performance condition	Unvested options are re-tested quarterly if vesting does not occur on testing of performance condition
Expiry Date	**2011Rights** 30 Nov 2016 **2010 Rights** 30 Nov 2015 **2008 Rights** 30 Nov 2013	**27 Feb 2013**	**30 Nov 2012**
Exercise price on vesting	Not applicable – provided at no cost	Market value of a Beach share calculated as the weighted average of the prices at which Beach shares traded in the ordinary course of trading on ASX during the period of one week up to and including the day the options were granted	
What is received on vesting?	One ordinary share in Beach for every one performance right	One ordinary share in Beach for each option that vests upon payment of the Exercise Price	

Remuneration Report

Specific details of the number of LTI performance rights and options issued vested and lapsed for individual senior executives are set out below in Table 5.

Table 5: Details of LTI Options and Rights

Name	Date of grant[2]	Options/ rights on issue at 30 June 2011	Fair Value $	Exercise Price $	Vested [1]	Lapsed [3]	Options/ rights on issue at 30 June 2012	Date options first vest and become exercisable
Mr R G Nelson	1 Dec 2006	2,000,000	0.870	1.406	2,000,000	-	2,000,000	1 July 2007
	1 Dec 2006	2,000,000	0.870	1.406	2,000,000	-	2,000,000	1 July 2008
	1 Dec 2006	1,232,220	0.358	1.406	-	-	1,232,220	1 Dec 2009
	28 Feb 2008	1,221,000	0.637	1.422	1,221,000	814,000	1,221,000	28 Feb 2011
	1 Dec 2008	2,500,000	0.445	-	2,500,000	-	-	1 Dec 2011
	1 Dec 2010	2,500,000	0.670	-		-	2,500,000	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	966,851	1 Dec 2014
Total		**11,453,220**			**7,721,000**	**814,000**	**9,920,071**	
Ms K A Presser	1 Dec 2006	425,000	0.870	1.406	425,000	-	425,000	1 July 2007
	1 Dec 2006	425,000	0.870	1.406	425,000	-	425,000	1 July 2008
	1 Dec 2006	336,060	0.358	1.406	-	-	336,060	1 Dec 2009
	28 Feb 2008	334,178	0.637	1.422	334,178	222,784	334,178	28 Feb 2011
	1 Dec 2008	660,944	0.445	-	660,944	-	-	1 Dec 2011
	1 Dec 2010	956,082	0.670	-	-	-	956,082	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	301,967	1 Dec 2014
Total		**3,137,264**			**1,845,122**	**222,784**	**2,778,287**	
Mr N M Gibbins	28 Feb 2008	221,519	0.637	1.422	221,519	147,679	221,519	28 Feb 2011
	1 Dec 2008	362,423	0.445	-	362,423	-	-	1 Dec 2011
	1 Dec 2010	613,878	0.670	-	-	-	613,878	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	301,967	1 Dec 2014
Total		**1,197,820**			**583,942**	**147,679**	**1,137,364**	
Mr R A Rayner	1 Dec 2011	-	1.411	-	-	-	294,659	1 Dec 2014
Total		**-**			**-**	**-**	**294,659**	
Mr G M Moseby	28 Feb 2008	221,519	0.637	1.422	221,519	147,679	221,519	28 Feb 2011
	1 Dec 2008	362,423	0.445	-	362,423	-	-	1 Dec 2011
	1 Dec 2010	561,633	0.670	-	-	-	561,633	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	288,766	1 Dec 2014
Total		**1,145,575**			**583,942**	**147,679**	**1,071,918**	
Mr S B Masters	28 Feb 2008	139,241	0.637	1.422	139,241	92,827	139,241	28 Feb 2011
	1 Dec 2008	250,358	0.445	-	250,358	-	-	1 Dec 2011
	1 Dec 2010	561,633	0.670	-	-	-	561,633	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	288,766	1 Dec 2014
Total		**951,232**			**389,599**	**92,827**	**989,640**	
Ms C L Oster	28 Feb 2008	121,520	0.637	1.422	121,520	81,012	121,520	28 Feb 2011
	1 Dec 2008	180,258	0.445	-	180,258	-	-	1 Dec 2011
	1 Dec 2010	260,669	0.670	-	-	-	260,669	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	123,494	1 Dec 2014
Total		**562,447**			**301,778**	**81,012**	**505,683**	
Grand Total		**18,447,558**			**11,425,383**	**1,505,981**	**16,697,622**	

(1) Some of these options have vested in previous reporting periods. Only the rights issued on 1 December 2008 vested in this reporting period. Upon vesting all of the rights issued on 1 December 2008 for the senior executives listed in the Table resulted in the issue of one ordinary share in Beach per right held at no cost to the senior executive. The value of the Shares issued is $6,011,207 calculated at $1.3926 per share based upon the 5 day weighted average actual price prior to the date of issue on 1 December 2012.

(2) The aggregate fair value of options granted on 28 February 2008 (at the date of their grant) was $2,828,253 of which $0 has been expensed in the 2011/12 financial year ($628,501 expensed in the 2010/11 financial year) with the remainder expensed in prior years. The aggregate value of options granted on 1 December 2006 (at the date of their grant) was $6,072,619 of which all has been expensed in previous financial years. The aggregate fair value of rights granted on 1 December 2008 (at the date of their grant) was $2,377,718 of which $330,238 was expensed in the 2011/12 financial year ($792,573 has been expensed in the 2010/11 financial year) with the remainder expensed in prior years. The aggregate fair value of rights granted on 1 December 2010 (at the date of their grant) was $3,654,110 of which $1,218,037 was expensed in the 2011/12 financial year ($710,521 has been expensed in the 2010/11 financial year) with the remainder to be expensed in subsequent years. The aggregate fair value of rights granted on 1 December 2011 (at the date of their grant) was $3,621,289 of which $704,140 was expensed in the 2011/12 financial year, with the remainder to be expensed in subsequent years. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options and rights as at the date of their grant has been determined in accordance with AASB 2. The calculations are performed using various approved option valuation methodologies. See Note 38 to the Financial Report. The total value of the options and rights, if the performance conditions are not met, is nil.

(3) The lapsed options were those granted on 28 February 2008 and which were tested in the previous financial year. The value of the options that lapsed was $959,310. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options and rights as at the date of their grant has been determined in accordance with AASB 2. The calculations are performed using various approved option valuation methodologies. The total value of the options and rights, if the performance conditions are not met, is nil.

Remuneration Report

Details of other plans that senior executive have participated in that are still in operation: Employee Incentive Plan (EIP)

Senior executives have previously participated in the shareholder approved Employee Incentive Plan where at the Board's discretion, employees may be offered fully paid ordinary shares or options to acquire fully paid ordinary shares in Beach by way of interest free loans. The Board determined that senior executives will not participate in the EIP in the future. However, the senior executives will continue to participate in the EIP in respect of the shares already issued to them under the EIP. As detailed below, the senior executives still have loans relating to shares in Beach that have previously been issued to them.

- The Managing Director, Mr Nelson, was advanced an interest free loan of $382,800 for the issue of 1,200,000 fully paid ordinary shares in Beach issued in November 2002 and it remains outstanding as at the end of the reporting period.
- Ms Presser was advanced an interest free loan of $163,100 under the terms of the Employee Incentive Plan for the issue of 478,572 fully paid ordinary shares in Beach in December 1997 and November 2002. Ms Presser has repaid the loan for the shares issued in December 1997, and in the financial year ending 30 June 2012, repaid the remaining loan of $127,600 outstanding from the issue of 400,000 fully paid ordinary shares in Beach as at the end of the reporting period. Ms Presser has no outstanding employee loans as at the end of the reporting period.
- Ms Oster was advanced an interest free loan of $320,555 under the terms of the Employee Incentive Plan for the issue of 75,000 fully paid ordinary shares in Beach in September 2005 and 166,666 fully paid ordinary shares in Beach in July 2006. This amount remains outstanding at the end of the reporting period.
- Mr Gibbins was advanced an interest free loan of $680,811 under the terms of the Employee Incentive Plan for the issue of 57,143 fully paid ordinary shares in Beach in December 1997, 21,429 fully paid ordinary shares in Beach in January 2000, 23,572 fully paid ordinary shares in Beach in December 2001, 400,000 fully paid ordinary shares in Beach in November 2002 and 312,500 fully paid ordinary shares in Beach in July 2006. Mr Gibbins has repaid the loan for the shares issued in December 1997, the shares in January 2000 and December 2001, leaving a loan of $618,225 outstanding for the issue of 712,500 fully paid ordinary shares as at the end of the reporting period.
- Mr Moseby was advanced an interest free loan of $570,374 under the terms of the Employee Incentive Plan for the issue of 250,000 fully paid ordinary shares in Beach in November 2002 and 312,500 fully paid ordinary shares in Beach in July 2006. During the financial year ended 30 June 2010, Mr Moseby sold some employee shares and repaid the applicable employee loan, leaving a loan of $530,499 outstanding for the issue of 437,500 fully paid ordinary shares as at the end of the reporting period.
- Mr Masters was advanced an interest free loan of $275,000 under the terms of the Employee Incentive Plan for the issue of 250,000 fully paid ordinary shares in Beach in March 2007. This amount remains outstanding at the end of the reporting period.

Remuneration Report

7. Describes the Company performance for the year and remuneration outcomes for senior executives

Beach's remuneration policy includes short and long term incentive plans that seek to encourage alignment of management performance and shareholder interests. The LTI in particular links long term management performance to an increase in shareholder value through a total shareholder return measure applied over an extended period.

The following Table shows Beach's gross revenue, net profit / (loss) after tax, dividends and reserves position for the last 5 financial years. It also shows the share price at the end of each of those financial years. The Table shows a consistent return to shareholders through dividends.

Table 6: Shareholder wealth indicators 2008 - 2012

	2008	2009	2010	2011	2012
Gross revenue	$566.3m	$583.6m	$489.2m	$498.2m	**$619.3m**
Net profit / (loss) after tax	$63.7m	$260.4m	$33.1m	$(97.5)m	**$164.2m**
Underlying net profit after tax	$52.9m	$61.3m	$38.7m	$42.1m	**$122.1m**
Share price at year-end	134.0 cents	79.0 cents	69.0 cents	91.5 cents	**94.0 cents**
Dividends declared	1.75 cents	3.75 cents(1)	1.75 cents	1.75 cents	**2.25 cents**
Reserves	145 MMboe	66 MMboe	66 MMboe	77 MMboe	**93 MMboe**

(1) *Includes a special dividend of 2.00 cents per share.*

STI Performance for the year

During the year the Board tested each senior executive's performance against the performance indicators set for the year. Those KPIs were discussed in section 5 of this report. A summary of the results is set out below:

- The stretch measure of net profit after tax and increase in reserves KPIs were achieved so an STI was awarded at the stretch level;
- The production level KPI was met at threshold level;
- Other functional or individual KPIs were met ranging from threshold to a maximum level of stretch.

As discussed in Section 5 of this report, half of the STI is paid in cash with the remainder to be awarded with the issue of retention rights. Payments of the cash component of the STI award will not be made to senior executives until September but have been accrued in the 2011/12 financial accounts as it is payable as at the end of the financial year. The amount of cash earned by each senior executive is shown in Table 7 below. Retention rights will be issued for the balance of the award in September. Vesting of the retention rights is contingent on continued employment of senior executives for up to two years and will be expensed over the life of the rights.

LTI Performance

During the year, the performance rights issued on 1 December 2008 (2008 Rights) were tested using the relative TSR measure. As Beach was ranked at the 92nd percentile for the group of companies it was compared to over a three year period and that measure was positive, all of the performance rights vested. Details are found in Table 5 of the number of the 2008 Rights that vested for each senior executive. The vesting resulted in the issue of one ordinary share for each performance right held at no cost to the participant.

Remuneration Report

8. Employment Agreements – Senior Executives

The senior executives have employment agreements with Beach.

The provisions relating to duration of employment, notice periods and termination entitlements of the senior executives are as follows:

Managing Director of Beach

The details of Mr Nelson's (Managing Director) agreement are as follows:

- The Managing Director's employment agreement commenced with effect 1 July 2009 and expires on 30 June 2014 unless terminated earlier as detailed below. There is an option for the term of employment to be extended for a further year if agreed by Beach and the Managing Director;
- Beach may terminate the Managing Director's employment at any time for cause (for example for serious breach) without notice;
- Any time after 30 June 2010, either Beach or the Managing Director may give six months' notice to the other of the termination of employment. The Managing Director may also give one months' notice of termination of his employment in the event that Beach requires him to permanently transfer to another location outside of the Adelaide metropolitan area;
- Upon termination of the appointment of the Managing Director for any reason (including by effluxion of time, death of the employee or total and permanent disablement) other than termination of his appointment by Beach without notice for cause, Beach will pay to the Managing Director a retirement payment equal to Final Average Remuneration. The Final Average Remuneration payment is calculated as the total of the remuneration received by the Managing Director from Beach in the three years immediately preceding the date of termination of employment, including salary, superannuation payments and the value of any non-monetary components of the annual remuneration package, but excluding any payments or other benefits under any incentive or bonus scheme, divided by 3.

Managing Director of Somerton

Mr Gordon was the Managing Director of Somerton until Somerton was successfully taken over by Cooper Energy Limited in 2012. He was appointed as Managing Director of Somerton on 22 April 2010 for three years. His employment may be terminated by Somerton:

- With cause or upon occurrence of certain events such as serious misconduct or bankruptcy; or
- By giving 3 months' notice to Mr Gordon on unsatisfactory performance where an opportunity to improve such performance has been given.

The employment may be terminated by Mr Gordon by giving six months' notice in writing.

Managing Director of Adelaide Energy

Mr Dorsch was the Managing Director Adelaide Energy until Beach successfully acquired the company by a takeover in 2012 at which time his employment was not continued. Mr Dorsch had an employment contract that provided that his employment could be terminated with cause or without cause on nine months' notice.

Other Beach Senior Executives

- Other senior executives of Beach have an employment agreement that is ongoing until terminated by either Beach on 12 months' notice or the senior executive upon giving three months' notice;
- Beach may terminate a senior executive's appointment for cause (for example, for breach) without notice. Beach must pay any amount owing but unpaid to the employee whose services have been terminated at the date of termination, such as accrued leave entitlements;
- In certain circumstances Beach may terminate employment on notice of not less than three months for issues concerning the senior executives performance that have not been satisfactorily addressed;
- If Beach terminates the senior executive's appointment other than for cause or he or she resigns due to a permanent relocation of his or her workplace to a location other than Adelaide, then they are entitled to an amount up to 1 times their final annual salary and in certain situations payment of relocation costs.

Remuneration Report

9. Details of total remuneration for senior executives calculated pursuant to legislative requirements for the 2010/11 and 2011/12 financial years

Details of the remuneration package by value and by component for senior executives in the reporting period and the previous period are set out in Table 7. These details differ from the actual payments made to senior executives for the reporting period that are set out in the 2012 Remuneration Summary at the beginning of this report. See note 3 below for an explanation of the reason why actual and reported remuneration differs.

Table 7: Senior executives' remuneration for the 2010/11 and 2011/12 financial years – Beach Energy Limited

Short-term benefits				Share Based Payments		
Name & Year	Salary [1]	STI[2]	Super Contribution	LTI Rights [3]	LTI Options [3]	Total
	$	$	$	$	$	$
Mr R G Nelson						
2012	**1,296,940**	**556,250**	**50,000**	**978,114**	**-**	**2,881,304**
2011	1,225,309	-	50,000	696,528	288,065	2,259,902
Ms K A Presser						
2012	**487,400**	**174,216**	**25,000**	**337,223**	**-**	**1,023,839**
2011	462,994	-	25,000	222,596	78,841	789,431
Mr N M Gibbins						
2012	**470,092**	**174,216**	**42,308**	**242,347**	**-**	**928,963**
2011	445,005	-	25,000	133,734	52,262	656,001
Mr R A Rayner						
2012	**305,810**	**113,333**	**27,523**	**80,844**	**-**	**527,510**
2011	-	-	-	-	-	-
Mr G M Moseby						
2012	**451,808**	**129,850**	**25,000**	**227,057**	**-**	**833,715**
2011	395,145	-	25,000	126,928	52,262	599,335
Mr S B Masters						
2012	**465,003**	**166,600**	**25,000**	**220,131**	**-**	**876,734**
2011	404,995	-	25,000	110,305	32,850	573,150
Ms C L Oster						
2012	**312,557**	**57,166**	**23,713**	**103,239**	**-**	**496,675**
2011	244,128	-	21,972	60,697	28,670	355,467
Total						
2012	**3,789,610**	**1,371,631**	**218,544**	**2,188,955**	**-**	**7,568,740**
2011	3,177,576	-	171,972	1,350,788	532,950	5,233,286

[1] Under the terms of the Managing Director's contract, until 30 June 2012, Beach was required to provide total and permanent disability insurance coverage. For the financial year ended 30 June 2011 an amount of $25,312 has been included in Mr Nelson's salary and for the financial year ended 30 June 2012 an amount of $34,444 has been included in Mr Nelson's salary.

[2] The cash component of the STI has been accrued as payable in the financial year ending 30 June 2012, based on KPIs met during the financial year but will only become payable in September 2012. The percentage of the STI that will be paid for the period and that was forfeited by each senior executive is set out below:

	Maximum STI payable		Total
Name	**Achieved**	**Forfeited**	
Mr R G Nelson	85%	15%	100%
Ms K A Presser	85%	15%	100%
Mr N M Gibbins	85%	15%	100%
Mr R A Rayner	85%	15%	100%
Mr G M Moseby	66%	34%	100%
Mr S B Masters	85%	15%	100%
Ms C L Oster	85%	15%	100%

Remuneration Report

9. Details of total remuneration for senior executives calculated pursuant to legislative and accounting standard requirements for the year and previous year (continued)

[3] In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options as at the date of their grant has been determined in accordance with principles set out in Note 38 to the Financial Report.

Tables 8 and 9 below give details of the remuneration of two senior executives employed by Beach's controlled subsidiaries during the year.

Table 8: Managing Director Remuneration for the 2010/11 and 2011/12 financial years – Somerton Energy Limited

Short-term benefits			Share Based Payments			
Name & Year	Salary [1]	STI	Super Contribution	LTI Rights	LTI Options	Total
	$	$	$	$	$	$
Mr H M Gordon						
2012	**307,372**	**-**	**27,663**	**233,260**	**-**	**568,295**
2011	617,525	-	49,991	129,000	-	796,516

[1] During the financial year ended 30 June 2011, Mr Gordon's salary was paid by Beach and Somerton Energy Limited with the value of his rights expensed in Somerton.

Table 9: Managing Director Remuneration for the 2010/11 and 2011/12 financial years – Adelaide Energy Limited

Short-term benefits			Share Based Payments			
Name & Year	Salary [1]	Termination	Super Contribution	LTI Rights	LTI Options	Total
	$	$	$	$	$	$
Mr C Dorsch						
2012	**207,370**	**134,435**	**44,934**	**-**	**-**	**386,739**
2011	-	-	-	-	-	-

[1] During the financial year, Beach acquired Adelaide Energy Limited, in which Mr C Dorsch was the Managing Director.

10. Remuneration policy for non-executive directors

The fees paid to non-executive directors are determined using the following guidelines. Fees are:

- Not incentive or performance based but are fixed amounts;
- Determined by reference to the nature of the role, responsibility and time commitment required for the performance of the role including membership of board committees;
- Are based on independent advice; and
- Driven by a need to attract a diverse and well-balanced group of individuals with relevant experience and knowledge.

The remuneration of Beach non-executive directors is within the aggregate annual limit of $900,000 approved by shareholders at the 2007 annual general meeting. There was a 5% increase in directors' fees for the reporting period. The remuneration consists of directors' fees, board committee fees and superannuation contributions to meet Beach's statutory superannuation obligations. Other than these superannuation contributions, Beach does not have a scheme for retirement benefits for non-executive directors.

Directors who perform extra services for Beach or make any special exertions on behalf of Beach may be remunerated for those services in addition to the usual directors' fees. Non-executive directors are also entitled to be reimbursed for their reasonable expenses incurred in the performance of their directors' duties.

The Board has determined that there will be an overall 7% increase in directors' fees post the AGM, taking into account changes in the composition of the Board and Board Committees.

Details of the fees payable (excluding superannuation) to non-executive directors for Board and committee membership are set out in Tables 10 and 11.

Remuneration Report

Non-executive director details for controlled subsidiaries

The following persons acted as non-executive directors of controlled subsidiaries Somerton and Adelaide Energy during or since the end of the financial year:

Adelaide Energy

- Mr N Martin - Non-Executive Chairman
- Mr P Hunt - Non-Executive Director
- Mr R Hollingsworth - Non-Executive Director

Somerton

- Mr R M Kennedy - Non-Executive Chairman
- Mr P F Mullins - Non-Executive Director

11. Details of total remuneration for non-executive directors calculated pursuant to legislative and accounting standard requirements

Table 10: Beach board and board committee fees for 2011/12 inclusive of statutory superannuation

Beach Energy	Board[1]		Board Committee[2]	
	Chairman/ Deputy Chairman	Member	Chairman	Member
	$	$	$	$
Fees for 2011/12	**264,380 / 120,173**	**96,138**	**18,026 / 9,013**	**9,013 / 6,008**
Fees for 2010/11	251,790 / 114,450	91,560	17,168 / 8,584	8,584 / 5,722

(1) The Chairman and Managing Director receive no additional fees for committee work.

(2) The first mentioned fees under this heading are Audit Committee fees.

Details of the nature and amount of remuneration for the financial year and the previous financial year of each non-executive Beach, Somerton and Adelaide Energy directors is detailed in Table11.

Table 11: Non-executive directors' remuneration for the 2010/11 and 2011/12 financial years

Beach	Year	Directors Fees $	Super Contribution [1] $	Total $
Mr R M Kennedy	**2012**	**248,604**	**15,775**	**264,379**
(Chairman)	2011	236,591	15,199	251,790
Mr G S Davis	**2012**	**144,207**	**-**	**144,207**
(Deputy Chairman)	2011	137,340	-	137,340
Mr J C Butler	**2012**	**110,250**	**9,923**	**120,173**
	2011	105,000	9,450	114,450
Mr F G Moretti	**2012**	**99,225**	**8,930**	**108,155**
	2011	94,500	8,505	103,005
Dr N F Alley	**2012**	**93,713**	**8,434**	**102,147**
	2011	89,250	8,033	97,283
Ms B C Robinson [2]	**2012**	**88,970**	**8,007**	**96,977**
	2011	7,969	717	8,686
Total	**2012**	**784,969**	**51,069**	**836,038**
	2011	670,650	41,904	712,554

(1) *No superannuation contributions were made on behalf of Mr Davis. Directors fees for Mr Davis are paid to a related entity.*

(2) *Ms Robinson was appointed to the Board on 27 May 2011.*

Remuneration Report

Non-executive director details for controlled subsidiaries (continued)

Table 11: Non-executive directors' remuneration for the 2010/11 and 2011/12 financial years (continued)

Somerton	Year	Directors Fees $	Super Contribution $	Total $
Mr R M Kennedy	**2012**	**108,167**	**9,735**	**117,902**
(Chairman)	2011	115,125	10,361	125,486
Mr P F Mullins	**2012**	**41,250**	**3,713**	**44,963**
(Deputy Chairman)	2011	45,000	4,050	49,050
Total	**2012**	**149,417**	**13,448**	**162,865**
	2011	160,125	14,411	174,536

Adelaide Energy Limited	Year	Directors Fees $	Super Contribution $	Total $
Mr N Martin	**2012**	**12,232**	**1,101**	**13,333**
Mr P Hunt	**2012**	**9,168**	**-**	**9,168**
Mr R Hollingsworth	**2012**	**4,205**	**378**	**4,583**
Total	**2012**	**25,605**	**1,479**	**27,084**

	Year	Directors Fees $	Super Contribution $	Total $
Total Directors Fees	**2012**	**959,991**	**65,996**	**1,025,987**
Total Directors Fees	2011	830,775	56,315	887,090

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 76 to 136 are in accordance with the *Corporations Act* 2001, including:

(i) complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the consoldiated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as noted in note 1 to the financial statements; and

(c) there are reasonable grounds to believe that Beach will be able to pay its debts as and when they become due and payable; and

(d) at the time of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32.

The directors have been given the declarations by the Managing Director and the Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors.

R G Nelson
Managing Director

Adelaide
28 August 2012

Income Statement

For the financial year ended 30 June 2012

	Note	Consolidated 2012 $000	Consolidated 2011 $000
Sales revenue	3(a)	**618,617**	496,446
Cost of sales	4(a)	**(421,183)**	(419,100)
Gross profit		**197,434**	77,346
Other revenue	3(b)	**651**	1,777
Other income	3(c)	**45,306**	26,043
Other expenses	4(b)	**(48,759)**	(228,998)
Operating profit/(loss) before financing costs		**194,632**	(123,832)
Interest income	4(c)	**7,779**	8,954
Finance expenses	4(c)	**(14,602)**	(6,390)
Profit/(loss) before income tax expense		**187,809**	(121,268)
Income tax (expense)/benefit	5	**(23,584)**	23,818
Net profit/(loss) after tax		**164,225**	(97,450)
Net profit/(loss) attributable to			
Owners of Beach Energy Limited		**165,108**	(96,791)
Non-controlling interests		**(883)**	(659)
		164,225	(97,450)
Basic earnings per share (cents per share)	34	**14.43¢**	(8.81¢)
Diluted earnings per share (cents per share)	34	**14.22¢**	(8.81¢)

The accompanying notes form part of these financial statements.

Statement of Other Comprehensive Income

For the financial year ended 30 June 2012

	Note	Consolidated 2012 $000	2011 $000
Net profit/(loss) after tax		**164,225**	(97,450)
Other comprehensive (loss)/income			
Net change in fair value of available for sale financial assets		**(5,575)**	6,491
Tax effect relating to components of other comprehensive income	5	**1,850**	(1,862)
Net loss on translation of foreign operations		**(130)**	(1,615)
Other comprehensive (loss)/income, net of tax		**(3,855)**	3,014
Total comprehensive income/(loss) after tax		**160,370**	(94,436)
Total comprehensive income/(loss) attributable to			
Owners of Beach Energy Limited		**161,253**	(93,777)
Non-controlling interests		**(883)**	(659)
		160,370	(94,436)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2012

	Note	Consolidated 2012 $000	2011 $000
Current assets			
Cash and cash equivalents	31	**378,505**	173,328
Trade and other receivables	9	**114,858**	54,375
Inventories	10	**64,425**	66,658
Financial assets	11	-	8,475
Derivative financial instruments	12	**322**	181
Other	13	**6,446**	5,502
Total current assets		**564,556**	308,519
Non-current assets			
Available for sale financial assets	14	**13,980**	5,789
Property, plant and equipment	15	**336,756**	318,510
Petroleum assets	16	**599,146**	535,687
Exploration and evaluation expenditure	17	**553,568**	364,720
Deferred tax assets	18	**67,008**	54,444
Derivative financial instruments	12	**134**	148
Other financial assets	19	**13,045**	17
Total non-current assets		**1,583,637**	1,279,315
Total assets		**2,148,193**	1,587,834
Current liabilities			
Trade and other payables	20	**121,026**	122,081
Provisions	21	**6,264**	13,393
Current tax liabilities	22	**301**	329
Derivative financial instruments	12	**-**	2,594
Total current liabilities		**127,591**	138,397
Non-current liabilities			
Borrowings	23	**113,376**	-
Derivative financial instruments	12	**11,775**	463
Deferred tax liabilities	24	**178,743**	104,676
Provisions	21	**104,861**	71,776
Total non-current liabilities		**408,755**	176,915
Total liabilities		**536,346**	315,312
Net assets		**1,611,847**	1,272,522
Equity			
Issued capital	25	**1,200,211**	1,000,801
Reserves	26	**15,153**	15,205
Retained earnings		**396,483**	250,769
Equity attributable to equity holders of Beach Energy Limited		**1,611,847**	1,266,775
Non-controlling interests		**-**	5,747
Total equity		**1,611,847**	1,272,522

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the financial year ended 30 June 2012

Consolidated entity	$000 Issued Capital (note 25)	$000 Retained Earnings	$000 Reserves (note 26)	$000 Total	$000 Non Controlling Interests	$000 Total Equity
Balance as at 30 June 2010	992,581	366,735	11,065	1,370,381	1,175	1,371,556
Loss for the year	-	(96,791)	-	(96,791)	(659)	(97,450)
Other comprehensive income	-	-	3,014	3,014	-	3,014
Total comprehensive (loss)/income for the period	-	(96,791)	3,014	(93,777)	(659)	(94,436)
Transactions with owners in their capacity as owners:						
Shares issued during the year	8,257	-	-	8,257	-	8,257
Transaction costs - net of tax	(37)	-	-	(37)	-	(37)
Increase in share based payments reserve	-	-	1,576	1,576	-	1,576
Share issues by subsidiary	-	-	(537)	(537)	5,162	4,625
Share based payments made by subsidiary	-	-	87	87	69	156
Dividends paid (note 6)	-	(19,175)	-	(19,175)	-	(19,175)
Balance as at 30 June 2011	**1,000,801**	**250,769**	**15,205**	**1,266,775**	**5,747**	**1,272,522**
Profit for the year	**-**	**165,108**	**-**	**165,108**	**(883)**	**164,225**
Other comprehensive loss	**-**	**-**	**(3,855)**	**(3,855)**	**-**	**(3,855)**
Total comprehensive income/(loss) for the period	-	**165,108**	**(3,855)**	**161,253**	**(883)**	**160,370**
Transactions with owners in their capacity as owners:						
Shares issued during the year	**204,526**	**-**	**-**	**204,526**	**-**	**204,526**
Transaction costs - net of tax	**(5,116)**	**-**	**-**	**(5,116)**	**-**	**(5,116)**
Increase in share based payments reserve	**-**	**-**	**3,354**	**3,354**	**-**	**3,354**
Disposal of subisidary	**-**	**-**	**527**	**527**	**(4,974)**	**(4,447)**
Other subsidiary transactions	**-**	**-**	**(78)**	**(78)**	**110**	**32**
Dividends paid (note 6)	**-**	**(19,394)**	**-**	**(19,394)**	**-**	**(19,394)**
Balance as at 30 June 2012	**1,200,211**	**396,483**	**15,153**	**1,611,847**	**-**	**1,611,847**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the financial year ended 30 June 2012

	Note	Consolidated 2012 $000	2011 $000
Cash flows from operating activities			
Receipts from oil and gas operations		**588,379**	511,495
Operating and personnel costs paid		**(364,985)**	(322,720)
Settlement of legal claim		-	(12,796)
Interest received		**4,805**	9,258
Dividends received		-	402
Other receipts		**651**	1,777
Financing costs		**(5,657)**	(734)
Derivative (payments)/receipts		**(4,974)**	235
Income tax paid		-	(2,387)
Net cash provided by operating activities	31(b)	**218,219**	184,530
Cash flows from investing activities			
Payments for property, plant and equipment (Australia)		**(51,056)**	(37,040)
Payments for property, plant and equipment (Overseas)		**(596)**	(3,008)
Payments for exploration and petroleum assets (Australia)		**(189,929)**	(95,134)
Payments for exploration and petroleum assets (Overseas)		**(14,993)**	(18,488)
Payments for restoration		**(9,502)**	(4,620)
Acquisition of subsidiary, net of cash acquired	40	**(79,376)**	(65,351)
Acquisition of Exploration interests		**(3,397)**	(21,380)
Payments for investments		**(6,649)**	(4,700)
Proceeds from sale of investments		**17,409**	34,551
Proceeds from sale of non-current assets		**252**	504
Sale of Tipton West assets – contingent proceeds received	37	**-**	43,200
Sale of subsidiary, net of cash disposed	31(d)	**119**	-
Net cash used in investing activities		**(337,718)**	(171,466)
Cash flows from financing activities			
Proceeds from issue of shares		**195,305**	-
Proceeds from issue of Somerton shares to non-controlling interests		**-**	5,162
Costs associated with issue of shares		**(6,061)**	(589)
Proceeds from issue of convertible notes		**150,000**	-
Costs associated with issue of convertible notes		**(4,865)**	-
Repayment of Employee Incentive Loans		**511**	814
Dividends paid		**(10,668)**	(12,140)
Net cash provided by/(used in) financing activities		**324,222**	(6,753)
Net increase in cash held		**204,723**	6,311
Cash at beginning of financial year		**173,328**	169,940
Effects of exchange rate changes on the balances of cash held in foreign currencies		**454**	(2,923)
Cash at end of financial year	31(a)	**378,505**	173,328

The accompanying notes form part of these financial statements

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Beach Energy Limited (Beach or the Company) for the financial year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 28 August 2012.

Beach Energy Limited (the parent) is a Company limited by shares incorporated in Australia whose shares are publicly listed on the Australian Securities Exchange (ASX) and is the ultimate parent entity in the group. The consolidated financial report of the Company for the financial year ended 30 June 2012 comprises the Company and its controlled entities (the group or consolidated entity)

Statement of Compliance

This general purpose financial report has been prepared in accordance with the relevant Australian Accounting Standards, Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Beach Energy Limited also comply with IFRSs.

Basis of Preparation

The financial report is presented in Australian dollars. The following is a summary of the significant policies adopted in the preparation of the financial report. These policies have been consistently applied to all the financial years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of Beach Energy Limited and its subsidiaries.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through the income statement and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Adoption of new and revised accounting standards

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

AASB 124	*Related Party Disclosures*
AASB 2011-1	*Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*
AASB 1054	*Australian Additional Disclosures*

The adoption of these standards did not have any effect on the financial position or performance of the group although it has enabled the removal of certain disclosures in relation to the franking of dividends and commitments.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting policies have been consistently applied with those of the previous financial year, unless otherwise stated.

(a) **Principles of consolidation:** The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Beach. A controlled entity is any entity controlled by Beach. Control exists where Beach has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Beach to achieve its objectives.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) **Interests in joint ventures:** The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included on a proportionate basis in the appropriate items of the income statement and statement of financial position.

(c) **Exploration and evaluation expenditure:** Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of proven and probable hydrocarbon reserves.

A bi-annual review in accordance with Note 1(f) is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

All exploration and evaluation expenditure will be capitalised until a "trigger event" occurs that will invoke impairment testing. A trigger event could arise from a significant change in the forward looking assessment of geo-technical and/or commercial factors. This could involve a series of dry holes, the relinquishment of an area, a significant farm-out of an area or any similar type event. Once impairment testing events arise, Beach will complete a full assessment of the recoverable value of the area of interest as compared to the carrying value of the area of interest. This may result in a write down of its carrying value.

Accumulated costs in relation to an abandoned area are written off in full in the income statement in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to petroleum assets and amortised over the life of the area according to the rate of depletion of the proven and probable hydrocarbon reserves.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) **Petroleum assets and plant and equipment:** Petroleum assets and plant and equipment are measured on the cost basis less depreciation, amortisation and impairment losses.

The carrying amount of petroleum assets and plant and equipment is reviewed bi-annually in accordance with Note 1(f) to ensure that they are not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal or by fair value less costs to sell. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation / Amortisation

The depreciable amount of all fixed assets including buildings but excluding freehold land, field buildings, production facilities, field equipment and petroleum assets, are depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Amortisation of petroleum and gas licences, production facilities, field equipment and buildings are determined based on the proven and probable hydrocarbon reserves.

The depreciation and amortisation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation / Amortisation Rate
Adelaide office building	2%
Leasehold improvements	4 – 5%
Office furniture and equipment	5 – 33%
Field buildings	Based on the proven and probable hydrocarbon reserves
Production facilities and field equipment	Based on the proven and probable hydrocarbon reserves
Other petroleum assets	Based on the proven and probable hydrocarbon reserves

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) **Financial instruments:**

Recognition: Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

- **Financial assets held for trading:** A financial asset is classified in this category if acquired principally for the purpose of selling in the near term. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.
- **Held-to-maturity investments:** These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments of the consolidated entity are stated at amortised cost using effective interest rate method.
- **Available-for-sale financial assets:** Available for sale financial assets include any financial assets not capable of being included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to the income statement.
- **Financial liabilities:** Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.
- **Fair value:** Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.
- **Impairment:** At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are transferred from the available for sale reserve to be recognised in the income statement.

(f) **Impairment of non-financial assets:** The carrying value of the group's assets, other than inventories and deferred tax assets are reviewed at the end of the reporting period to determine whether there are any indications of impairment.

Petroleum assets and property, plant and equipment are assessed for impairment on a cash-generating unit (CGU) basis. A cash-generating unit is the smallest grouping of assets that generates independent cash inflows, and generally represents an area of interest. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets on a pro-rata basis. Exploration and evaluation assets are assessed for impairment in accordance with Note 1(c). An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(g) **Accounts payable:** These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) **Investments in controlled entities:** Investments in controlled entities are included in other financial assets and are initially recorded in the financial statements at cost. These investments may have subsequently been written down to their recoverable amount determined by reference to the net assets of the controlled entities at the end of the reporting period where this is less than cost.

(i) **Inventories:** Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

(i) drilling and maintenance stocks, which include plant spares, consumables, maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; and

(ii) petroleum products, which comprise extracted crude oil, liquefied petroleum gas, condensate and naptha stored in tanks and pipeline systems and process sales gas and ethane stored in sub-surface reservoirs, are valued using the absorption cost method in a manner which approximates specific identification.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) **Employee benefits**: Provision is made for Beach's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits expected to be settled within one year together with entitlements arising from wages, salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on notional government bonds with terms to maturity that match the expected timing of cash flows.

Superannuation commitments: Each employee nominates their own superannuation fund into which Beach contributes. Beach contributes compulsory superannuation amounts to each employee’s nominated plan based on a percentage of each member’s salary. It is at the discretion of employees to seek their individual financial advice with regards to each employee’s own personal superannuation fund.

Termination benefits: Termination benefits are payable when employment is terminated before the normal retirement date, without cause, or when an employee accepts voluntary redundancy in exchange for these benefits. Beach recognises termination benefits when it is demonstrably committed to making these payments.

Equity settled compensation:

(i) Employee Incentive Plan - The consolidated entity operates an Employee Incentive Plan where employees may be issued shares and/or options. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of shares issued is determined with reference to the latest ASX share price. Options are valued using an appropriate valuation technique which takes into account the vesting conditions.

(ii) Long Term Incentive Options/Rights – The consolidated entity operates a Long Term Incentive Plan for key management personnel. The fair value of options/rights issued are recognised as an employee expense with a corresponding increase in equity. The fair value of the options/rights are measured at grant date and recognised over the vesting period during which the Key Management Personnel become entitled to the options/rights. There are a number of different methodologies that are appropriate to use in valuing options/rights. The fair value of the options/rights granted are measured using the most appropriate in the circumstances, taking into account the terms and conditions upon which the options/rights were issued.

(k) **Receivables:** Trade debtors to be settled within agreed terms are carried at amounts due. The collectability of debts is assessed at the end of the reporting period and specific provision is made for any doubtful accounts.

(l) **Revenue:** The consolidated entity’s revenue is derived primarily from the sale of petroleum products. Sales revenue is recognised on the basis of the consolidated entity's interest in a producing field, when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of ship or truck loading, or on the product entering the pipeline. All revenue is stated net of the amount of Goods and Services Tax (GST).

(m) **Tax:** Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the notional income tax rates adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Beach and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Beach is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The Australian Tax Office has notified Beach that it has been registered as an income tax consolidated group with effect 1 July 2003. The tax consolidated group has entered into tax sharing agreements with its wholly owned subsidiaries whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Petroleum Resource Rent Tax (PRRT) - PRRT is recognised as an income tax under *AASB112 - Income Taxes.*

On 18 March 2012, legislation to extend the PRRT regime to all Australian offshore and onshore oil and gas projects from 1 July 2012 was substantively enacted through the Senate. The legislation provides for the group to adopt a starting base for existing projects for tax purposes which is deductible in determining any future taxable profit. The group has generally determined the starting base including augmentation on expenditure categories in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements. Due to the significant value of the starting base, the group does not expect to pay PRRT in the short to medium term and as a result, no additional deferred tax asset has been recognised in the financial statements for the period ended 30 June 2012.

(n) **Rehabilitation and restoration costs:** A provision for rehabilitation and restoration is provided by the consolidated entity to meet all future obligations for the restoration and rehabilitation of petroleum assets when petroleum reserves are exhausted and the oil/gas fields are abandoned. Restoration liabilities are discounted to present value and capitalised as a component part of petroleum assets. The capitalised costs are amortised over the life of the petroleum assets and the provision revised at the end of each reporting period through the income statement as the discounting of the liability unwinds.

(o) **Transaction costs on the issue of equity instruments:** Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs related. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(p) **Goods and services tax:** Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST). The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a net basis.

(q) **Dividends:** A provision is recognised for dividends when they have been announced, determined or publicly recommended by the directors on or before the reporting date.

(r) **Cash:** For the purpose of the statement of cash flows, cash includes cash on hand, cash at bank and term deposits with banks.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) **Rounding of amounts:** Beach is a company of a kind referred to in Class Order 98 / 100 issued by the Australian Securities Commission and Investment Commission, relating to the rounding of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars or in certain cases the nearest dollar.

(t) **Borrowings:** Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the income statement over the period of the borrowings on an effective interest basis. Fees paid on the establishment of loan facilities which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity when the conversion option meets the equity definition at inception. Where the conversion option does not meet the definition of equity, as for convertible notes which include a cash settlement option or conversion price resets, the conversion option is fair valued at inception and recorded as a financial liability. The financial liability for the conversion option is subsequently remeasured at the end of the reporting period to fair value with gains and losses recorded in the statement of other comprehensive income. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(u) **Comparative figures:** When required by Accounting Standards or arising through changes in disclosure, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(v) **Derivative financial instruments:** The consolidated entity uses derivative financial instruments to hedge its exposure to changes in foreign exchange rates, commodity prices and interest rates arising in the normal course of business. The principal derivatives that may be used are forward foreign exchange contracts, foreign currency swaps, interest rate swaps and commodity crude oil price swap and option contracts. Their use is subject to policies and procedures as approved by the Board of Directors. The consolidated entity does not trade in derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are recognised at fair value. The derivatives are valued on a market to market valuation and the gain or loss on re-measurement to fair value is recognised through the income statement.

(w) **Business combinations:** The purchase method of account is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Transaction costs incurred in relation to the business combination are expensed as incurred to the income statement. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as an increase in the development / exploration assets acquired.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) **Foreign currency:** Both the functional and presentation currency of Beach is Australian dollars. Some subsidiaries have different functional currencies which are translated to presentation currency (see below).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Foreign exchange differences that arise on the translation of monetary items that form part of the net investment in a foreign operation are recognised in equity in the consolidated financial statements.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(y) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group:** The accounting standards that have not been early adopted for the year ended 30 June 2012, but will be applicable to the group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

(i) AASB 9 Financial Instruments (effective from 1 January 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The group's management have yet to assess the impact of these new and revised standards on the group's consolidated financial statements.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

(iii) AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

(iv) AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

(v) Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

(vi) AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The group's management have yet to assess the impact of this new standard.

(vii) AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

(viii) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The group's management have yet to assess the impact of these amendments.

These new accounting standards are not expected to materially impact the group's financial results upon adoption.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) **Earnings per share:** The group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the dilutive effect, if any, of outstanding share rights and share options which have been issued to employees.

(aa) **Share Capital:** Ordinary shares – Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as an equity transaction, net of any related income tax benefit.

(ab) **Transactions with non-controlling interests:** The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within equity attributable to owners of Beach Energy Limited. When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the available for sale reserve. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset.

(ac) **Parent Entity financial information:** The financial information for the parent entity, Beach Energy Limited, disclosed in Note 39, has been prepared on the same basis, using the same accounting policies as the consolidated financial statements.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial report requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of estimates and underlying assumptions are reviewed on an ongoing basis. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the annual reporting period are:

(a) Estimates of reserve quantities

The estimated quantities of proven and probable hydrocarbon reserves reported by the consolidated entity are integral to the calculation of amortisation (depletion), depreciation expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves. Management prepare reserve estimates which conform to guidelines prepared by the Society of Petroleum Engineers. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations.

(b) Exploration and evaluation

The consolidated entity's policy for exploration and evaluation is discussed at Note 1(c). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off through the income statement.

(c) Provision for restoration

The consolidated entity estimates the future removal and restoration costs of petroleum production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances the removal of these assets will occur many years in the future. The estimate of future removal costs therefore requires management to make adjustments regarding the removal date, future environmental legislation, the extent of restoration activities and future removal technologies. The unwinding of discounting on the provision is recognised as a finance cost.

(d) Impairment of non-financial assets

The consolidated entity assesses whether non-financial assets are impaired on a bi-annual basis. This requires an estimation of the recoverable amount of the area of interest to which each asset belongs. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is assessed on the basis of the expected net cash flows that will be received from the assets continued employment and subsequent disposal. For oil and gas assets the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices where applicable or based on market consensus prices where available. A recoverable amount is then determined by discounting the expected net cash flows to their present values using a pre-tax discount rate between 10% and 15%. Where an asset does not generate cash flows that are largely independent of other assets or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Petroleum Resource Rent Tax (PRRT)

On 18 March 2012, legislation to extend the PRRT regime to all Australian offshore and onshore oil and gas projects from 1 July 2012 was substantively enacted through the Senate. The legislation provides for the group to adopt a starting base for existing projects for tax purposes which is deductible in determining any future taxable profit. The group has generally determined the starting base including augmentation on expenditure categories in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements. Due to the significant value of the starting base, the group does not expect to pay PRRT in the short to medium term and as a result, no additional deferred tax asset has been recognised in the financial statements for the period ended 30 June 2012.

(f) Carbon tax

The Clean Energy Act introduces a carbon tax into the Australian economy from 1 July 2012 which will have an impact on the group's future cash flows. The impact of the carbon tax on the group's future cash flows has been included in the estimation of the recoverable amount of the group's cash-generating units when assessing impairment of oil and gas assets and other land, buildings, plant and equipment at 30 June 2012. The introduction of the carbon tax does not impact on the group's operating results for the period ended 30 June 2012.

On 1 July 2012 the Australian Government's Clean Energy legislation took effect. This legislation will require the operator of joint ventures in which Beach has an interest to surrender, to the Government, one carbon permit for each tonne of carbon dioxide equivalent (CO_2e) emitted in respect of affected joint venture facilities. The price set by the Government for the first compliance year of the scheme is $23 per tonne of CO_2e. The cost of carbon to Beach for the 2012/13 financial year in respect of its share of affected joint venture facilities is forecast to be in the range of $15-$20 million. Beach has sought to recoup carbon costs where possible via cost pass through in domestic sales agreements.

Note 3

REVENUE AND OTHER INCOME

		Consolidated 2012 $000	Consolidated 2011 $000
(a)	**Sales revenue**		
	Crude oil	**398,315**	271,104
	Gas and gas liquids	**220,302**	225,342
		618,617	496,446
(b)	**Other revenue**		
	Other	**651**	1,777
	Total revenue	**619,268**	498,223
(c)	**Other income**		
	Gain on sale of investments	**11,520**	10,451
	Gain on sale of non-current assets	**36**	479
	Mark to market of investments held for trading	**-**	13,568
	Gain on disposal of subsidiary (refer note 31(d))	**7,977**	-
	Foreign exchange gains	**570**	-
	Gain on acquisition of subsidiary (refer note 40)	**3,639**	1,143
	Unrealised movement in the value of convertible note conversion rights	**21,564**	-
	Dividends received	**-**	402
	Total other income	**45,306**	26,043

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 4

EXPENSES

		Consolidated 2012 $000	Consolidated 2011 $000
(a)	**Cost of sales**		
	Operating costs	**168,628**	149,704
	Royalties	**36,987**	65,841
	Total operating costs	**205,615**	215,545
	Depreciation of buildings	**940**	1,060
	Depreciation of property, plant and equipment	**32,400**	36,354
	Total depreciation	**33,340**	37,414
	Amortisation of petroleum assets	**75,339**	64,287
	Total amortisation and depreciation	**108,679**	101,701
	Third party oil and gas purchases	**104,345**	79,732
	Change in inventory	**2,544**	22,122
	Total cost of sales	**421,183**	419,100
(b)	**Other expenses**		
	Impairment		
	Impairment of exploration	**13,269**	8,423
	Impairment of development assets	**6,881**	151,233
	Total Impairment loss	**20,150**	159,656
	Reversal of impairment of trade receivable	**-**	(776)
	Net Impairment loss	**20,150**	158,880
	Hedging		
	Loss on interest rate hedging	**816**	214
	Loss on commodity hedging	**974**	3,388
	Foreign exchange losses	**-**	746
	Total hedging loss	**1,790**	4,348
	Other		
	Employee benefits expense	**17,243**	12,739
	Loss on sale of employee shares	**31**	409
	BMG non-production phase costs	**-**	29,629
	Settlement of legal claim	**-**	12,796
	Takeover and subsidiary merger costs	**2,149**	1,500
	Other	**7,396**	8,697
	Other expenses	**26,819**	65,770
	Total other expenses	**48,759**	228,998
(c)	**Net finance expenses/(income)**		
	Finance costs	**2,513**	732
	Interest expense	**4,146**	1
	Discount unwinding on convertible note	**1,336**	-
	Discount unwinding on provision for restoration	**6,607**	5,657
	Total finance expenses	**14,602**	6,390
	Interest income	**(7,779)**	(8,954)
	Net finance expenses/(income)	**6,823**	(2,564)

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 5

INCOME TAX EXPENSE

	Consolidated 2012 $000	Consolidated 2011 $000
Recognised in the income statement		
Current tax expense/(benefit)		
Current financial year benefit	**(2,932)**	(15,253)
Recognition of tax losses – benefit	**(1,581)**	(1,378)
Expense on derecognition of tax loss	**2,942**	1,705
Over provision in the prior year	**(10,232)**	(3,235)
	(11,803)	(18,161)
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	**35,335**	(32,059)
Under/(over) provision in the prior year	**52**	(507)
	35,387	(32,566)
Derecognition of deferred Petroleum resource rent tax (PRRT)	**-**	26,909
Total income tax expense/(benefit)	**23,584**	(23,818)

Numerical reconciliation between tax expense/(benefit) and prima facie tax expense/(benefit)

	Consolidated 2012 $000	Consolidated 2011 $000
Reconciliation of the prima facie income tax expense/(benefit) calculated on profit/(loss) before income tax expense included in the Income Statement		
Profit/(loss) before income tax expense	**187,809**	(121,268)
Prima facie income tax expense/(benefit) using an income tax rate at 30% (2011:30%)	**56,343**	(36,380)
Adjustment to income tax expense/(benefit) due to		
Non-deductible expenses	**1,121**	617
Tax losses of controlled entity not recognised	**2,942**	1,618
Adjustment to income tax expense/(benefit) due to		
Losses utilised	**(689)**	(1,300)
Non-taxable revenues	**(354)**	(351)
Tax consolidation	**(24,898)**	(10,404)
Other	**(701)**	(785)
Over provision in the prior year	**(10,180)**	(3,742)
Income tax expense/(benefit) on pre-tax profit	**23,584**	(50,727)
Derecognition of deferred Petroleum resource rent tax (PRRT)	**-**	26,909
Total income tax expense/(benefit)	**23,584**	(23,818)

Movement in temporary differences during the financial year

Consolidated entity	Balance 1 July 2011	Recognised through acquisition	Recognised in income	Recognised in equity	Balance 30 June 2012
	$000	$000	$000	$000	$000
Property, plant and equipment	(93,136)	(27,674)	(37,828)	-	(158,638)
Investments	(1,785)	(16)	(1,124)	1,850	(1,075)
Provisions	24,107	680	6,704	-	31,491
Employee benefits	1,382	55	344	-	1,781
Other Items	2,802	-	(11,898)	1,818	(7,278)
Tax value of losses carried forward	16,399	4,894	491	-	21,784
Inventories	(1)	-	201	-	200
	(50,232)	(22,061)	(43,110)	3,668	(111,735)
PRRT (net of income tax benefit)	-	-	-	-	-
Total	(50,232)	(22,061)	(43,110)	3,668	(111,735)

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 5

INCOME TAX EXPENSE (CONTINUED)

Movement in temporary differences during the previous financial year

Consolidated entity	Balance 1 July 2010	Recognised through acquisition	Recognised in income	Recognised in equity	Balance 30 June 2011
	$000	$000	$000	$000	$000
Property, plant and equipment	(78,696)	(23,138)	8,698	-	(93,136)
Investments	(2,227)	-	2,304	(1,862)	(1,785)
Provisions	22,872	-	1,235	-	24,107
Employee benefits	827	-	555	-	1,382
Other Items	(12,785)	256	15,315	16	2,802
Tax value of losses carried forward	2,800	8,740	4,859	-	16,399
Inventories	(14,856)	-	14,855	-	(1)
	(82,065)	(14,142)	47,821	(1,846)	(50,232)
PRRT (net of income tax benefit)	26,909	-	(26,909)	-	-
Total	(55,156)	(14,142)	20,912	(1,846)	(50,232)

Tax effects relating to each component of comprehensive income

	2012			2011		
	Before tax amount	**Tax benefit**	**Net of tax amount**	Before tax amount	Tax (expense)	Net of tax amount
Consolidated entity	**$000**	**$000**	**$000**	$000	$000	$000
Financial assets revaluation	**(5,575)**	**1,850**	**(3,725)**	6,491	(1,862)	4,629
Exchange difference on translating foreign controlled entities	**(130)**	**-**	**(130)**	(1,615)	-	(1,615)

	Consolidated	
	2012 $000	2011 $000

Note 6

DIVIDENDS

Final dividend of 1.0 declared on 30 August 2010, record date of 10 September 2010 and paid on 24 September 2010	**-**	10,929
Interim dividend of 0.75, declared on 28 February 2011, record date of 11 March 2011 and paid on 1 April 2011	**-**	8,246
Final dividend of 1.0 cents declared on 30 August 2011, record date of 9 September 2011 and paid on 30 September 2011	**11,037**	-
Interim dividend of 0.75 cents declared on 27 February 2012, record date of 7 March 2012 and paid on 23 March 2012	**8,357**	-
Total dividends paid or payable	**19,394**	19,175
Franking credits available in subsequent financial years based on a tax rate of 30% (2011 - 30%)	**39,707**	48,014

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 7

KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of key management personnel at any time during the financial year are as follows:

Beach Energy Limited

Name	Position
Mr R M Kennedy	Non Executive Chairman
Mr G S Davis	Non-Executive Deputy Chairman
Mr J C Butler	Non-Executive Director
Mr F G Moretti	Non-Executive Director
Dr N F Alley	Non-Executive Director
Ms B C Robinson	Non-Executive Director
Mr R G Nelson	Managing Director
Ms K A Presser	Chief Financial Officer (CFO) / Company Secretary
Ms C L Oster	General Counsel / Joint Company Secretary
Mr N M Gibbins	Chief Operating Officer (COO)
Mr G M Moseby	General Manager - Business Review and Planning
Mr S B Masters	Chief Commercial Officer
Mr R A Rayner	Group Executive - Strategic Business & External Affairs

Somerton Energy Limited

Name	Position
Mr R M Kennedy	Non-Executive Chairman
Mr H M Gordon	Managing Director
Mr P F Mullins	Non-Executive Director

Adelaide Energy Limited

Name	Position
Mr N Martin	Non-Executive Chairman
Mr C Dorsch	Managing Director
Mr P Hunt	Non-Executive Director
Mr R Hollingsworth	Non-Executive Director

	Consolidated	
	2012 **$000**	2011 $000
The key management personnel compensation is as follows:		
Short term benefits	**6,770,409**	4,625,875
Post employment benefits	**357,139**	278,279
Long term incentives	**2,422,214**	2,012,739
	9,549,762	6,916,893

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration reports section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with Beach or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. For details of other transactions with key management personnel, refer Note 29 - Related Party disclosures.

The following Table sets out details of the options granted by Beach to the Managing Director and senior executives as follows:

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 7

KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Equity Interests

Directors and key management personnel interests in shares, options and rights

The relevant interest of each director and key management personnel in the ordinary share capital of Beach or in a related body corporate at the date of this report are:

Shares held in Beach Energy Limited	Shares	Employee Options	Rights
Mr R M Kennedy	1,495,000 (2)	-	-
Mr G S Davis	114,072 (1)	-	-
Mr R G Nelson	3,729,860 (1)	6,453,220 (1)	3,466,851 (1)
	1,195,431 (2)	-	-
Mr J C Butler	167,393 (1)	-	-
Mr F G Moretti	262,058 (2)	-	-
Dr N F Alley	50,000 (1)	-	-
Ms B C Robinson	14,626 (1)	-	-
Ms K A Presser	1,100,000 (1)	1,520,238 (1)	1,258,049 (1)
Mr N M Gibbins	1,191,067 (1)	221,519 (1)	915,845 (1)
Mr G M Moseby	799,923 (1)	221,519 (1)	850,399 (1)
Mr S B Masters	500,358 (1)	139,241 (1)	850,399 (1)
Ms C L Oster	433,819 (1)	121,520 (1)	384,163 (1)
Mr R A Rayner	35,000 (2)	-	294,659 (1)
Total	**11,088,607**	**8,677,257**	**8,020,365**

(1) *Held directly* (2) *Held by entities in which a relevant interest is held*

Movement in shares held in Beach Energy Limited	Shares	Employee Options	Rights
Mr R M Kennedy			
1 July 2010	1,322,803	-	-
Issued 2010/11 - under the terms of the DRP	32,475	-	-
Purchased on market 2010/11	108,000	-	-
Issued 2011/12 - under the terms of the DRP	20,425	-	-
Issued under the terms of the Rights Issue	11,297	-	-
Balance 30 June 2012	**1,495,000**	**-**	-
Mr G S Davis			
1 July 2010	-	-	-
Purchased on market 2010/11	100,000	-	-
Issued 2011/12 - under the terms of the DRP	1,397	-	-
Issued under the terms of the Rights Issue	12,675	-	-
Balance 30 June 2012	**114,072**	**-**	-
Mr R G Nelson			
1 July 2010	2,301,903	7,267,220	2,500,000
Issued LTI rights 2010/11	-	-	2,500,000
Options cancelled due to non-performance	-	(814,000)	-
Issued 2011/12 - under the terms of the DRP	45,239	-	-
Shares issue upon vesting of rights	2,500,000	-	(2,500,000)
Issued LTI rights 2011/12	-	-	966,851
Issued under the terms of the Rights Issue	78,149	-	-
Balance 30 June 2012	**4,925,291**	**6,453,220**	**3,466,851**

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 7

KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Equity Interests

Directors and key management personnel interests in shares, options and rights

	Shares	Employee Options	Rights
Mr J C Butler			
1 July 2010	145,226	-	-
Issued 2010/11 - under the terms of the DRP	3,567	-	-
Issued under the terms of the Rights Issue	18,600	-	-
Balance 30 June 2012	**167,393**	**-**	-
Mr F G Moretti			-
1 July 2010	181,851	-	-
Issued 2010/11 - under the terms of the DRP	3,847	-	-
Purchased on market 2010/11	45,000	-	-
Issued 2011/12 - under the terms of the DRP	2,241	-	-
Issued under the terms of the Rights Issue	29,119	-	-
Balance 30 June 2012	**262,058**	**-**	-
Dr N F Alley			
1 July 2010	10,000	-	-
Purchased on market 2011/12	40,000	-	-
Balance 30 June 2012	**50,000**	**-**	-
Ms B C Robinson			
1 July 2010	-	-	-
Purchased on market 2010/11	10,579	-	-
Purchased on market 2011/12	2,558	-	-
Issued 2011/12 - under the terms of the DRP	148	-	-
Issued under the terms of the Rights Issue	1,341	-	-
Balance 30 June 2012	**14,626**	**-**	-
Ms K A Presser			
1 July 2010	660,000	1,743,022	660,944
Issued LTI rights 2010/11	-	-	956,082
Options cancelled due to non-performance	-	(222,784)	-
Sold on market 2011/12	(240,944)	-	-
Shares issue upon vesting of rights	660,944	-	(660,944)
Issued LTI rights 2011/12	-	-	301,967
Issued under the terms of the Rights Issue	20,000	-	-
Balance 30 June 2012	**1,100,000**	**1,520,238**	**1,258,049**
Mr N M Gibbins			
1 July 2010	828,644	369,198	362,423
Issued LTI rights 2010/11	-	-	613,878
Options cancelled due to non-performance	-	(147,679)	-
Shares issue upon vesting of rights	362,423	-	(362,423)
Issued LTI rights 2011/12	-	-	301,967
Balance 30 June 2012	**1,191,067**	**221,519**	**915,845**

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 7

KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Equity Interests

Directors and key management personnel interests in shares, options and rights

	Shares	Employee Options	Rights
Mr G M Moseby			
1 July 2010	437,500	369,198	362,423
Issued LTI rights 2010/11	-	-	561,633
Options cancelled due to non-performance	-	(147,679)	-
Shares issue upon vesting of rights	362,423	-	(362,423)
Issued LTI rights 2011/12	-	-	288,766
Balance 30 June 2012	**799,923**	**221,519**	**850,399**
Mr S B Masters			
1 July 2010	250,000	232,068	250,358
Issued LTI rights 2010/11	-	-	561,633
Options cancelled due to non-performance	-	(92,827)	-
Shares issue upon vesting of rights	250,358	-	(250,358)
Issued LTI rights 2011/12	-	-	288,766
Balance 30 June 2012	**500,358**	**139,241**	**850,399**
Ms C L Oster			
1 July 2010	249,991	202,532	180,258
Issued LTI rights 2010/11	-	-	260,669
Options cancelled due to non-performance	-	(81,012)	-
Shares issue upon vesting of rights	180,258	-	(180,258)
Issued LTI rights 2011/12	-	-	123,494
Issued under the terms of the Rights Issue	3,570	-	-
Balance 30 June 2012	**433,819**	**121,520**	**384,163**
Mr R A Rayner			
1 July 2010	35,000	-	-
Issued LTI rights 2011/12	-	-	294,659
Balance 30 June 2012	**35,000**	**-**	**294,659**
Total balance 30 June 2012	**11,088,607**	**8,677,257**	**8,020,365**
Total balance 30 June 2011	6,691,377	8,677,257	9,770,301

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 7

KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Loans advanced under the terms of the Employee Incentive Plan

The Managing Director and senior executives have previously participated in the shareholder approved Employee Incentive Plan (EIP) where at the Board's discretion, employees may be offered fully paid ordinary shares or options to acquire fully paid ordinary shares in Beach by way of interest free loans. The Board determined that the current participants in the STI and LTI plans will not participate in the EIP in the future. However, the Managing Director and the senior executives will continue to participate in the EIP in respect of the shares already issued to them under the EIP. As detailed below, the Managing Director and senior executives still have loans relating to shares in Beach that have previously been issued to them.

- The Managing Director, Mr Nelson, was advanced an interest free loan of $382,800 for the issue of 1,200,000 fully paid ordinary shares in Beach issued in November 2002 and it remains outstanding as at the end of the reporting period.
- Ms Presser was advanced an interest free loan of $163,100 under the terms of the Employee Incentive Plan for the issue of 478,572 fully paid ordinary shares in Beach in December 1997 and November 2002. Ms Presser has repaid the loan for the shares issued in December 1997, and in the financial year repaid the loan of $127,600 outstanding from the issue of 400,000 fully paid ordinary shares in Beach. Ms Presser has no outstanding employee loans at the end of the reporting period.
- Ms Oster was advanced an interest free loan of $320,555 under the terms of the Employee Incentive Plan for the issue of 75,000 fully paid ordinary shares in Beach in September 2005 and 166,666 fully paid ordinary shares in Beach in July 2006. This amount remains outstanding at the end of the reporting period.
- Mr Gibbins was advanced an interest free loan of $680,811 under the terms of the Employee Incentive Plan for the issue of 57,143 fully paid ordinary shares in Beach in December 1997, 21,429 fully paid ordinary shares in Beach in January 2000, 23,572 fully paid ordinary shares in Beach in December 2001, 400,000 fully paid ordinary shares in Beach in November 2002 and 312,500 fully paid ordinary shares in Beach in July 2006. Mr Gibbins has repaid the loan for the shares issued in December 1997, the shares in January 2000 and December 2001, leaving a loan of $618,225 outstanding for the issue of 712,500 fully paid ordinary shares as at the end of the reporting period.
- Mr Moseby was advanced an interest free loan of $570,374 under the terms of the Employee Incentive Plan for the issue of 250,000 fully paid ordinary shares in Beach in November 2002 and 312,500 fully paid ordinary shares in Beach in July 2006. During the financial year ended 30 June 2010, Mr Moseby sold some employee shares and repaid the applicable employee loan, leaving a loan of $530,499 outstanding for the issue of 437,500 fully paid ordinary shares as at the end of the reporting period.
- Mr Masters was advanced an interest free loan of $275,000 under the terms of the Employee Incentive Plan for the issue of 250,000 fully paid ordinary shares in Beach in March 2007. This amount remains outstanding at the end of the reporting period.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 8

	Consolidated 2012 $000	Consolidated 2011 $000
AUDITORS REMUNERATION		
Audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- auditing or reviewing the financial statements	**220**	282
- joint venture audits	**18**	16
	238	298
Amounts received or due and receivable by other firms for:		
- auditing or reviewing the financial statements	**29**	34
Total audit services	**267**	332
Non-audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- due diligence and other services	**49**	5
Amounts received or due and receivable by other firms for:		
- preparation of tax returns, report for prospectus and other services	**-**	54
Total non-audit services	**49**	59

Note 9

	2012 $000	2011 $000
TRADE AND OTHER RECEIVABLES		
Trade debtors	**90,721**	46,732
Cash on deposit held as collateral	**7**	7
Interest receivable from other corporations	**3,278**	303
Other debtors	**20,977**	7,458
Provision for Impairment	**(125)**	(125)
Total trade and other receivables	**114,858**	54,375

As at 30 June 2012, the consolidated entity did not have any additional trade receivables which were outside normal trading terms (past due but not impaired). Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. Refer to Note 33 for more information on the risk management policy of the consolidated entity and the credit quality of the consolidated entity's trade receivables.

Note 10

	2012 $000	2011 $000
CURRENT INVENTORIES		
Petroleum products	**54,273**	56,818
Drilling and maintenance stocks	**20,368**	19,594
Less provision for obsolesence	**(10,216)**	(9,754)
Total current inventories at lower of cost and net realisable value	**64,425**	66,658
Petroleum products included above which are stated at net realisable value	**32,157**	33,127

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

	Consolidated	
	2012 $000	2011 $000

Note 11

CURRENT FINANCIAL ASSETS

Shares in Australian listed corporations at fair value		
- Sundance Energy Australia Limited [1]	**-**	8,475
Total current financial assets	**-**	8,475

[1] *Mr Nelson ceased to be a director of Sundance Energy Australia Limited in December 2011.*

This investment was measured at fair value as discussed in Note 33 using the closing price on the reporting date as listed on the Australian Securities Exchange Limited (ASX). Prices from the ASX would be recognised as a Level 1 in the fair value hierarchy as defined under AASB 7 Financial Instruments: Disclosures.

Note 12

DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $000	2011 $000
Current assets	**322**	181
Non current assets	**134**	148
Derivative assets held	**456**	329
Current liabilities	**-**	(2,594)
Non current liabilities	**(11,775)**	(463)
Derivative liabilities held	**(11,775)**	(3,057)
Net derivative liabilities held	**(11,319)**	(2,728)

The amount shown for non-current liabilities for 30 June 2012 of $11.775 million is the fair value of the conversion rights relating to the Convertible Notes issued during the year. The conversion rights can be settled in cash or ordinary shares of the parent entity, at the option of the issuer, and the number of shares to be issued at conversion is subject to the conversion price which may reset under certain circumstances. Accordingly, the conversion rights are a derivative financial liability and are marked to market. Fair value of conversion rights at issuance on 3 April 2012 was $33.339 million. Refer to Note 23 for further details of the convertible notes issued.

Current assets and liaiblities reflect those instruments which are due for settlement within one year based on a valuation at year end including those instruments which have been settled prior to their expiry but subsequent to 30 June 2012.

Non current assets and liabilites relate to instruments which are due to settle in excess of 1 year based on a valuation at year end. Further information regarding derivatives is disclosed in Note 33.

These derivative financial instruments are measured at fair value using the valuation provided from the relevant financial institution. The valuations would be recognised as a Level 2 in the fair value heirarchy as defined under AASB 7 Financial Instruments: Disclosure, as they have been derived using inputs from a variety of market data.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

	Consolidated	
	2012 $000	2011 $000
Note 13		
OTHER CURRENT ASSETS		
Prepayments	**6,446**	5,456
Loans advanced as per the Employee Incentive Plan (1)(2)	**-**	46
Total other current assets	**6,446**	5,502

(1) *In 1997, shareholders of Beach approved an Employee Incentive Plan. This Plan enables the Board to offer eligible employees of Beach, fully paid ordinary shares and/or options over fully paid ordinary shares in Beach. Under the terms of the Plan, shares may be offered to permanent employees of Beach by way of an interest free loan, which is to be repaid in accordance with the terms and conditions of the Plan. The issue price of the shares is determined by the average share price for the previous five business days prior to issue.*

(2) *All shares issued under the terms of the Employee Incentive Plan subsequent to 7 November 2002 have been accounted for in accordance with AASB 2 – Share Based Payments, whereby the fair value of the "remuneration" component of shares issued is recognised as an expense. Refer Note 38 to the financial statements.*

Note 14

AVAILABLE FOR SALE FINANCIAL ASSETS		
Shares in listed corporation at fair value	**13,980**	5,789

These investments are measured at fair value using the closing price on the reporting date as listed on the Australian Securities Exchange Limited (ASX). Prices from the ASX would be recognised as a Level 1 in the fair value hierarchy as defined under AASB 7 Financial Instruments: Disclosures.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

	Consolidated 2012 $000	Consolidated 2011 $000

Note 15

PROPERTY, PLANT AND EQUIPMENT

Land and buildings		
Freehold land at cost	**2,136**	560
Buildings at cost	**23,999**	23,162
Less accumulated depreciation	**(12,708)**	(11,769)
Total land and buildings	**13,427**	11,953
Reconciliation of movement in land and buildings:		
Freehold land at cost	**560**	560
Additions	**41**	-
Acquisition of subsidiary	**1,535**	-
Total land	**2,136**	560
Balance at beginning of financial year	**11,393**	12,368
Additions	**838**	85
Depreciation expense	**(940)**	(1,060)
Total buildings	**11,291**	11,393
Total land and buildings	**13,427**	11,953

Office equipment		
Office equipment at cost	**5,626**	5,567
Less accumulated depreciation	**(4,777)**	(4,624)
Total office equipment	**849**	943
Reconciliation of movement in office equipment:		
Balance at beginning of financial year	**943**	1,394
Additions	**476**	297
Sale of subsidiary	**(20)**	-
Disposals	**(3)**	(2)
Depreciation expense	**(548)**	(746)
Foreign exchange movement	**1**	-
Total office equipment	**849**	943

Production facilities and field equipment		
Production facilities and field equipment	**639,845**	591,184
Less accumulated depreciation	**(317,365)**	(285,570)
Total production facilities and field equipment	**322,480**	305,614
Reconciliation of movement in production facilities and field equipment:		
Balance at beginning of financial year	**305,614**	352,882
Additions	**48,926**	37,523
Disposals	**(220)**	(7)
Impairment of production facilities and field equipment (1)	**-**	(49,164)
Depreciation expense	**(31,852)**	(35,608)
Foreign exchange movement	**12**	(12)
Total production and field equipment	**322,480**	305,614
Total property, plant and equipment	**336,756**	318,510

Assumptions and critical accounting estimates regarding Impairment calculations are discussed in Note 2(d).

(1) *Property, plant and equipment is assessed on a bi-annual basis and compared to the carrying values to determine if any impairment exists. In 2010/11, an impairment expense was recorded against Other Australian ($48.8m) and Cooper ($0.4m) assets.*

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

	Consolidated 2012 $000	Consolidated 2011 $000

Note 16

PETROLEUM ASSETS

	2012 $000	2011 $000
Petroleum assets at cost	**1,179,714**	1,040,870
Less accumulated amortisation	**(580,568)**	(505,183)
Total petroleum assets	**599,146**	535,687

Reconciliation of movement in petroleum assets

	2012 $000	2011 $000
Balance at beginning of financial year	**535,687**	573,892
Additions	**111,167**	63,465
Increase in restoration	**23,977**	3,687
Acquisitions through business combination	**-**	52,461
Sale of subsidiary	**(146)**	-
Transfer from exploration and evaluation expenditure	**10,895**	8,672
Disposals	**(391)**	(38)
Impairment of petroleum assets (1)	**(6,881)**	(102,069)
Amortisation expense	**(75,339)**	(64,272)
Foreign exchange movement	**177**	(111)
Total petroleum assets	**599,146**	535,687

Assumptions and critical accounting estimates regarding Impairment calculations are discussed in Note 2(d).

Retention of petroleum assets is subject to meeting certain work obligations/ commitments (refer to Note 35)

(1) *Petroleum assets are assessed on a bi-annual basis and compared to the carrying values to determine if any impairment exists. In 2011/12, An impairment expense was recorded on Other Australian assets ($6.9m). In 2010/11, an impairment expense was recorded against Other Australian ($101.1m) and Cooper ($1.0m) assets.*

Note 17

EXPLORATION AND EVALUATION EXPENDITURE

	2012 $000	2011 $000
Exploration and evaluation areas at beginning of financial year (net of amounts written off)	**364,720**	269,161
Additions	**97,668**	60,432
Acquisitions of joint venture interests	**3,397**	21,382
Acquisition of subsidiary	**117,198**	31,360
Transfer to petroleum assets	**(10,895)**	(8,672)
Impairment of exploration expenditure (1)	**(13,269)**	(8,441)
Disposal of subsidiary	**(4,897)**	-
Foreign exchange movement	**(354)**	(502)
Total exploration and evaluation expenditure	**553,568**	364,720

Assumptions and critical accounting estimates regarding Impairment calculations are discussed in Note 2(d).

Retention of exploration assets is subject to meeting certain work obligations/exploration commitments (refer to Note 35)

(1) *Exploration and evaluation carrying values are assessed on a bi-annual basis by senior management and where senior management concludes that the capitalised expenditure is unlikely to be recovered by sale or future exploitation, a recommendation is made to the Board to make the relevant adjustment through the income statement. As a result of this review in 2011/12, an impairment expense of $11.3m was recorded on International exploration assets along with $2.0m of expenditure in relation to new ventures which was written off in the year it was incurred. In 2010/11, Cooper ($4.0m) and International ($3.3m) exploration assets were impaired along with $1.4m of expenditure in relation to new ventures which was written off in the year it was incurred.*

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

	Consolidated	
	2012 $000	2011 $000

Note 18

RECOGNISED DEFERRED TAX ASSETS

	2012 $000	2011 $000
Deferred tax assets are attributable to the following:		
Property, plant and equipment	**1,738**	2,474
Provisions	**31,491**	24,107
Employee benefits	**1,782**	1,382
Other items	**7,228**	7,237
Tax value of loss carry-forwards	**21,784**	16,400
Inventories	**2,985**	2,844
Income tax assets	**67,008**	54,444
PRRT (net of income tax benefit)	-	-
Total tax assets	**67,008**	54,444

Unrecognised deferred tax assets

	2012 $000	2011 $000
Deferred tax assets have not been recognised in respect of the following items:		
Contingent consideration on sale of controlled entity	**1,387**	1,387
Tax losses (capital)	**10,958**	18,601
Revaluation of available for sale assets	**188**	188
Total	**12,533**	20,176

The taxation benefits will only be obtained if:

(i) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

(ii) conditions for deductibility imposed by the law are complied with; and

(iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Note 19

OTHER NON-CURRENT ASSETS

	2012 $000	2011 $000
Security deposits	**46**	17
Prepayments	**12,999**	-
Total other non-current assets	**13,045**	17

Note 20

CURRENT TRADE AND OTHER PAYABLES

	2012 $000	2011 $000
Trade creditors and accruals	**102,658**	116,329
Other creditors	**18,368**	5,752
Total trade and other payables	**121,026**	122,081

Notes to the Financial Statements
Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 21
PROVISIONS

	Consolidated 2012 $000	Consolidated 2011 $000
Current		
Employee benefits	**3,680**	2,727
Managing Director's retirement benefit	**1,391**	1,317
Restoration	**1,193**	9,349
Total short term provisions	**6,264**	13,393
Non-Current		
Employee benefits	**869**	574
Restoration	**103,199**	66,373
Take or pay gas	**793**	4,829
Total long term provisions	**104,861**	71,776

Movement in each class of provision excluding employee benefits are set out below:

Consolidated entity	Total Restoration $000	Take or Pay Gas contracts $000	Directors Retirement $000
Balance at 1 July 2011	75,722	4,829	1,317
Provision made during the year	29,962	585	74
Provision used during the year	(9,502)	(4,621)	-
Acqusitions/disposals of subsidiaries	1,603	-	-
Unwind of discount	6,607	-	-
Balance at 30 June 2012	**104,392**	**793**	**1,391**

Restoration

Provisions for future removal and restoration costs are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

Take or pay gas contracts

A provision is recognised for gas which has been paid for under various gas sales contracts for which delivery has not yet occurred.

Managing Director's retirement benefit

Under the service agreement with the Managing Director of Beach, a termination benefit may, in appropriate circumstances, become payable for which a provision has been recognised. Further details of this contract are contained in the Remuneration Report from page 70.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

	Consolidated 2012 $000	Consolidated 2011 $000

Note 22

CURRENT TAX LIABILITIES

	2012 $000	2011 $000
Tax payable	**301**	329

Note 23

NON-CURRENT BORROWINGS

	2012 $000	2011 $000
Convertible notes	**113,376**	-

Reconciliation of note issue

	2012 $000	2011 $000
Face value of notes issued	**150,000**	-
Less conversion rights (see derivatives Note 12)	**(33,339)**	-
Less transaction costs	**(4,621)**	-
Add finance costs	**1,336**	-
	113,376	-

On 3 April 2012, Beach issued A$150 million of Convertible Notes (Notes). The Notes carry a fixed coupon rate of 3.95% per annum, payable semi-annually in arrears, for a term of five years. They will rank as senior unsecured obligations of Beach and are listed on the Singapore Securities Exchange. Prior to maturity, the Notes are convertible into Beach Ordinary Shares at a price of A$2.00 per share (subject to certain adjustments), which reflects a premium of 28% to the theoretical ex-rights price of the entitlement offer of A$1.56. Beach has the right to redeem all of the Notes on or after the third anniversary of issue if Beach's share price exceeds 130% of the conversion price for a certain period of time or if 10% or less of the principal amount of the Notes remains outstanding. Holders have the right to have the Notes redeemed at the issue price together with any accrued interest on the third anniversary of issue or following a delisting or change of control event.

Notes were eligible for conversion commencing on or after 14 May 2012 (being 41 days following the issue date) and up to and including the close of business on 24 March 2017, into fully paid Ordinary Shares, unless previously redeemed, converted, purchased or cancelled. No Notes have been converted up to 30 June 2012. On conversion by the holder, and subject to any conversion price resets, Beach may elect to settle the Notes in cash or Ordinary Shares. Based on the initial conversion price, up to 75,000,000 new Beach Ordinary Shares could be issued. The final number of shares to be issued may be impacted by any adjustments to the conversion price under the terms of the Notes issue.

Note 24

DEFERRED TAX LIABILITIES

	2012 $000	2011 $000
Property, plant and equipment	**160,377**	95,610
Investments	**1,255**	2,100
Other items	**14,325**	4,120
Inventories	**2,786**	2,846
Total deferred tax liabilities	**178,743**	104,676

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 25

ISSUED CAPITAL

(a) Ordinary shares

	Number of Shares	$000
Issued and fully paid ordinary shares at 30 June 2010	1,092,366,847	992,581
Issued during the 2010/11 financial year		
8 July 2010 - Employee Incentive Plan	182,125	-
24 September 2010 – shares issued under the terms of the Dividend Reinvestment Plan for final 1 cent per share dividend	5,999,168	3,885
Less cost of share issues (net of tax)	-	(37)
3 December 2010 - Employee Incentive Plan	473,150	-
1 April 2011 – shares issued under the terms of the Dividend Reinvestment Plan for interim 0.75 cent per share dividend	3,767,021	3,149
28 June 2010 - Employee Incentive Plan	339,400	-
Repayment of employee loans and sale of employee shares	-	1,223
Issued and fully paid ordinary shares at 30 June 2011	**1,103,127,711**	**1,000,801**
Issued during the 2011/12 financial year		
30 September 2011 – shares issued under the terms of the Dividend Reinvestment Plan for final 1 cent per share dividend	**4,508,221**	**5,202**
22 December 2011 – Issue of shares on vesting of unlisted performance rights	**4,563,187**	**-**
28 February 2012 - Employee Incentive Plan	**1,297,932**	**-**
23 March 2012 – shares issued under the terms of the Dividend Reinvestment Plan for interim 0.75 cent per share dividend	**2,463,617**	**3,523**
April 2012 – 1 for 8 non-renounceable entitlement offer	**139,503,489**	**195,305**
Less cost of share issues (net of tax)	**-**	**(5,116)**
Repayment of employee loans and sale of employee shares	**-**	**496**
Issued and fully paid ordinary shares at 30 June 2012	**1,255,464,157**	**1,200,211**

In accordance with changes to applicable corporations legislation effective from 1 July 1998, the shares issued do not have a par value as there is no limit on the authorised share capital of the Company.

All shares issued under the Company's employee incentive plan are accounted for as a share-based payment. Refer Note 38 for further details.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 25

ISSUED CAPITAL (CONTINUED)

Voting rights - Fully paid ordinary shares: On a show of hands, every person qualified to vote, whether as a member or proxy or attorney or representative, shall have one vote. Upon a poll, every member shall have one vote for each share held.

(b) Current Options

Date of Issue	Number of shares subject to option	Exercise price	Exercisable by
2006 Employee Long Term Options			
1 December 2006	**6,418,280**	$1.406	1 December 2013
2007 Employee Long Term Options			
28 February 2008	**2,258,977**	$1.422	27 February 2015
Total options	**8,677,257**		

Refer Note 38 for more details on the terms of the Employee Long Term Incentive Option Plan

(c) Employee Incentive Plan

Beach has established an Employee Incentive Plan. Shares are allotted to employees under this Plan at the Board's discretion. Shares acquired by employees are funded by interest free loans for a term of 10 years which are repayable on cessation of employment with the consolidated entity or expiry of the loan term. At the end of the reporting period 14,019,262 (2011: 13,676,772) fully paid ordinary shares were on issue to employees. Information regarding the interest free loans is disclosed in Notes 7 and 13 to the financial statements.

The following employee shares are currently on issue:	No. of Shares on issue	Issue Price	Fair Value $000
Balance as at 30 June 2010	14,003,900		5,819
Issued during the financial year - 8 July 2010	182,125	$0.672	44
- 3 December 2010	473,150	$0.677	140
- 28 June 2011	339,400	$0.916	134
Sold / loan repaid during the financial year	(1,321,803)		
Balance as at 30 June 2011	**13,676,772**		**6,137**
Issued during the financial year – 28 February 2012	**1,297,932**	**$1.636**	**999**
Sold / loan repaid during the financial year	**(955,442)**		
Balance as at 30 June 2012	**14,019,262**		**7,136**

The closing ASX share price of Beach fully paid ordinary shares at 30 June 2012 was $0.94 as compared to $0.915 as at 30 June 2011.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 25

ISSUED CAPITAL (CONTINUED)

(d) Share Rights

Movements in unlisted incentive rights are set out below:

	2012	2011
	No.	No.
Balance at beginning of period	**10,017,082**	5,343,187
Issued during the period	**2,983,364**	5,453,895
Cancelled during the period	**-**	(780,000)
Vested during the period	**(4,563,187)**	-
Balance at end of period	**8,437,259**	10,017,082

(e) Dividend Reinvestment Plan

Beach has established a Dividend Reinvestment Plan under which holders of fully paid ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares rather than by being paid in cash. Shares are issued under this plan at a discount to the market price as set by the Board of Directors.

	Consolidated	
	2012 $000	2011 $000

Note 26

RESERVES

	2012 $000	2011 $000
Share based payments reserve [(1)]	**16,204**	12,851
Available for sale reserve [(2)]	**560**	4,285
Foreign currency translation reserve [(3)]	**(1,611)**	(1,481)
Transactions with non-controlling interests reserve [(4)]	**-**	(450)
Total reserves	**15,153**	15,205

[(1)] Share based payments reserve is used to recognise the fair value of shares, options and rights issued to employees of the Company. Refer Note 38.

[(2)] Available for sale reserve – Changes in the fair value of available for sale financial assets are recognised in this reserve. Amounts are recognised in the profit and loss when the associated assets are sold or impaired.

[(3)] Foreign currency translation reserve - Used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than Australian dollars.

[(4)] Transaction with non-controlling interests reserve – This reserve is used to record differences arising as a result of transactions with non-controlling interests that do not result in a loss of control, as described in Note 1(ab).

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 27

CONSOLIDATED ENTITIES

Name of Company	Place of incorporation	Percentage of shares held % 2012	% 2011
Beach Energy Limited	South Australia		
Beach Petroleum (NZ) Pty Ltd	South Australia	**100**	100
Beach Oil and Gas Pty Ltd	New South Wales	**100**	100
Beach Production Services Pty Ltd	South Australia	**100**	100
Beach Petroleum Pty Ltd	Victoria	**100**	100
Beach Petroleum (Cooper Basin) Pty Ltd	Victoria	**100**	100
Beach Petroleum (Egypt) Pty Ltd	Victoria	**100**	100
Beach Petroleum (Exploration) Pty Ltd	Victoria	**100**	100
Beach Petroleum (NT) Pty Ltd (1)	Victoria	**100**	-
Beach Petroleum Spain S.L.	Spain	**100**	100
Beach Petroleum (Tanzania) Pty Ltd	Victoria	**100**	100
Beach Petroleum (Tanzania) Limited	Tanzania	**100**	100
Beach (USA) Inc	USA	**100**	100
Ocita Pty Ltd (2)	Western Australia	**-**	100
Adelaide Energy Pty Ltd (3)	South Australia	**100**	-
Australian Unconventional Gas Pty Ltd	South Australia	**100**	-
Deka Resources Pty Ltd	South Australia	**100**	-
Well Traced Pty Ltd	South Australia	**100**	-
Australian Petroleum Investments Pty Ltd	Victoria	**100**	100
Delhi Holdings Pty Ltd	Victoria	**100**	100
Delhi Petroleum Pty Ltd	South Australia	**100**	100
Impress Energy Pty Ltd	Western Australia	**100**	100
Impress (Cooper Basin) Pty Ltd	Victoria	**100**	100
Springfield Oil and Gas Pty Ltd	Western Australia	**100**	100
Mazeley Ltd	Liberia	**100**	100
Mawson Petroleum Pty Ltd	Queensland	**100**	100
Claremont Petroleum (USA) Pty Ltd	Victoria	**100**	100
Wandata Pty Ltd (2)	New South Wales	**-**	100
Tagday Pty Ltd	New South Wales	**100**	100
Claremont Petroleum (PNG) Ltd	Papua New Guinea	**100**	100
Midland Exploration Pty Ltd	South Australia	**100**	100
Petrogulf Resources Ltd	New South Wales	**95**	95
Shale Gas Australia Pty Ltd	Victoria	**100**	100
Somerton Energy Limited (4)	Victoria	**-**	56
Essential Petroleum Exploration Pty Ltd	Victoria	**-**	100

All shares held are ordinary shares.

(1) *Beach Petroleum (NT) Pty Ltd was incorporated on 29 June 2012*

(2) *Ocita Pty Ltd and Wandata Pty Ltd were disposed on 18 October 2011*

(3) *Adelaide Energy group of companies were acquired on 11 November 2011 with Adelaide Energy Ltd being converted to a proprietary limited company on 28 March 2012*

(4) *Somerton Energy group of companies were disposed on 4 June 2012*

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 28

INTEREST IN JOINT VENTURES

The consolidated entity has a direct interest in a number of unincorporated joint ventures with those significant joint venture interests shown below:

Joint Venture	Principal activities	% interest 2012	% interest 2011
Oil and Gas interests			
Abu Sennan	Oil exploration	**22.0**	22.0
BMG Project	Oil production	**30.0**	30.0
Naccowlah Block	Oil production	**38.5**	38.5
North Shadwan	Oil production and exploration	**20.0**	20.0
PEL31,32,47	Oil production	**100.0**	100.0
PEL92	Oil production	**75.0**	75.0
PEL104	Oil production	**40.0**	40.0
PEL106	Gas exploration	**50.0**	50.0
PEL218 (Permian)	Shale gas exploration	**100.0**	90.0
ATP 855	Shale gas exploration	**60.0**	40.0
SA Fixed Factor Area	Oil and gas production	**20.2**	20.2
SA Unit	Oil production	**20.2**	20.2
South East July	Oil exploration	**-**	20.0
SWQ Unit	Gas production	**23.2**	23.2
Total 66 Block	Oil production	**30.0**	30.0

	Consolidated 2012 $000	Consolidated 2011 $000
INTEREST IN JOINT VENTURES		
Current assets	**100,638**	84,110
Non-current assets	**1,471,987**	1,203,320
Total assets	**1,572,625**	1,287,430
Current liabilities	**104,682**	116,171
Non-current liabilities	**103,993**	71,202
Total liabilities	**208,675**	187,373
Net assets	**1,363,950**	1,100,057
Revenue	**619,413**	498,648
Expenses (1)	**(444,456)**	(623,657)
Profit before income tax	**174,957**	(125,009)

(1) *Expenses include impairment of exploration and petroleum joint venture assets of $18.1 million (2011: $158.3 million), Other Australian non production costs of $nil (2011: $29.6 million) and $nil (2011: $12.8 million) for settlement of a legal claim.*

Details of commitments and contingent liabilities with respect to the group's interests in joint ventures are shown in Notes 35 and 36 respectively.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 29

RELATED PARTY DISCLOSURES

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Management Personnel

Disclosures relating to key management personnel are set out in note 7. Mr Kennedy and Mr Gordon were directors of Somerton Energy Limited during the year, a controlled subsidiary until being disposed of in June 2012.

Mr Nelson was a director of Sundance Energy Australia Limited (Sundance) until December 2011, a company in which Beach held an investment until being sold in July 2011 (refer Note 11). Beach is also in a joint venture with Sundance in the Williston Basin, North Dakota including an interest in the Section 26/35 acreage which was acquired in the previous year.

(b) Subisidiaries

Interests in subsidiaries are set out in Note 27.

(c) Transactions with wholly-owned controlled entities

Beach advanced interest free loans to wholly-owned controlled entities. In addition to these loans, Beach and wholly owned subsidiaries Mawson Petroleum, Impress Cooper Basin Pty Ltd and Springfield Oil & Gas Pty Ltd sold petroleum to wholly owned subsidiary Delhi Petroleum Pty Ltd. Somerton Energy Ltd, a subsidiary of Beach, until it's disposal in June 2012, was provided with an office and support services on commercial terms. Effects of these transactions have been eliminated in full on consolidation.

(d) Transactions with other related parties

During the financial year ended 30 June 2012, Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a partner. Beach paid $452,477, of which $194,527 related to the FY11 financial year (2011: $541,608) in the financial year to DMAW lawyers for legal and advisory services. In addition to fees paid during the year a further $22,911 (2011: $176,495) is payable to DMAW Lawyers as at 30 June 2012 for invoices received but not yet paid. Directors fees payable to Mr Davis for the year ended 30 June 2012 of $144,207 (2011: $137,340) were also paid directly to DMAW Lawyers.

Note 30

SEGMENT INFORMATION

The consolidated entity has identified its operating segments to be its Cooper Basin interests, Other Australia and International based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Managing Director for assessing performance and determining the allocation of resources within the consolidated entity.

The Other Australia operating segment includes the consolidated entity's interest in all on-shore and off-shore production and exploration tenements within Australia other than the Cooper Basin while the International operating segment includes the consolidated entity's interests in all areas outside Australia.

The consolidated entity operates primarily in one business, namely the exploration, development and production of hydrocarbons. Revenue is derived from the sale of gas and liquid hydrocarbons. Gas sales contracts are spread across major Australian energy retailers and industrial users with liquid hydrocarbon products sales being made to major multi-national energy companies based on international market pricing.

Details of the performance of each of these operating segments for the financial years ended 30 June 2012 and 30 June 2011 are set out as follows:

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 30

SEGMENT INFORMATION (CONTINUED)

	Cooper		Other Australia		International		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Segment revenue								
Oil and gas sales (1)	**615,384**	485,843	**-**	8,306	**3,233**	2,297	**618,617**	496,446

(1) *During the year revenue from two customers amounted to $321.7 million (2011: $223.1 million from three customers) arising from sales from the Cooper segment*

	Cooper 2012 $000	Cooper 2011 $000	Other Australia 2012 $000	Other Australia 2011 $000	International 2012 $000	International 2011 $000	Total 2012 $000	Total 2011 $000
Segment results								
Gross segment result before depreciation, amortisation and impairment	**305,317**	182,537	**(653)**	(5,363)	**1,449**	1,873	**306,113**	179,047
Depreciation & amortisation	**(108,079)**	(97,054)	**-**	(3,911)	**(600)**	(736)	**(108,679)**	(101,701)
	197,238	85,483	**(653)**	(9,274)	**849**	1,137	**197,434**	77,346
Other income							**651**	26,043
Other revenue							**45,306**	1,777
Net financing (costs)/income							**(6,823)**	2,564
Other expenses (1)							**(48,759)**	(228,998)
Profit before tax							**187,809**	(121,268)
Income tax (expense)/benefit							**(23,584)**	50,727
Petroleum resource rent tax (2)							**-**	(26,909)
Net profit after tax							**164,225**	(97,450)

(1) *Consolidated other expenses includes impairment of assets within Cooper segment of $nil (2011: $5 million), Other Australia segment of $8m (2011: $150 million) and International segment of $12 million (2011: $3 million), and non production / legal settlement costs within Other Australia segment of $nil (2011: $42 million)*

(2) *Relates to Other Australia segment*

	Cooper 2012 $000	Cooper 2011 $000	Other Australia 2012 $000	Other Australia 2011 $000	International 2012 $000	International 2011 $000	Total 2012 $000	Total 2011 $000
Segment assets	**1,258,954**	994,859	**59,686**	47,954	**265,525**	256,386	**1,584,165**	1,299,199
Total corporate and unallocated assets							**564,028**	288,635
Total consolidated assets							**2,148,193**	1,587,834
Segment liabilities	**173,943**	145,243	**33,280**	40,561	**1,681**	1,585	**208,904**	187,389
Total corporate and unallocated liabilities							**327,442**	127,923
Total consolidated liabilities							**536,346**	315,312
Additions and acquisitions of non current assets								
Exploration and evaulation assets	**188,577**	72,598	**11,010**	3,781	**18,676**	36,795	**218,263**	113,174
Oil and gas assets	**126,089**	113,219	**6,952**	4,972	**2,103**	1,422	**135,144**	119,613
Other land, buildings, plant and equipment	**50,036**	34,268	**204**	255	**624**	2,988	**50,864**	37,511
	364,702	220,085	**18,166**	9,008	**21,403**	41,205	**404,271**	270,298
Total corporate and unallocated assets							**952**	383
Total additions and acquisitions of non current assets							**405,223**	270,681

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 31

CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and highly liquid investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated 2012 $000	Consolidated 2011 $000
Cash	**15,992**	31,734
Cash on deposit	**362,513**	141,594
Total cash	**378,505**	173,328

b) Reconciliation of net profit/(loss) to net cash provided by operating activities:

	2012 $000	2011 $000
Net profit/(loss)	**164,225**	(97,450)
Less items classified as investing/financing activities:		
- Gain on disposal of non-current assets	**(36)**	(479)
- Recognition of deferred tax assets on items direct in equity	**2,776**	(1,846)
- Gain on disposal of investments	**(11,520)**	(10,451)
- Gain on disposal of subsidiary	**(7,977)**	-
- Net loss on sale of employee shares	**31**	409
	147,499	(109,817)
Add/(less) non-cash items:		
- Share based payments	**3,587**	1,729
- Depreciation and amortisation	**108,679**	101,701
- Impairment expenses	**20,150**	159,656
- Unrealised hedging (gain)/loss	**(3,587)**	1,090
- Borrowing costs	**8,945**	5,657
- Unrealised movement in the value of convertible note conversion rights	**(21,564)**	-
- Gain on acquisition of subsidiary (refer Note 40)	**(3,639)**	(1,143)
- Fair value gain on financial assets through the profit and loss	**-**	(13,568)
- Provision for stock obsolesence	**500**	483
- Provision for impairment on receivables	**-**	(776)
Net cash provided by operating activities before changes in assets and liabilities	**260,570**	145,012
Changes in assets and liabilities net of acquisitions / disposal of subsidiaries:		
- (Increase)/decrease in receivables	**(64,273)**	18,439
- Decrease in inventories	**1,984**	23,785
- (Increase)/decrease in other current assets	**(320)**	1,624
- Increase in provision for employee benefits	**1,134**	1,747
- Decrease in current tax liability	**(28)**	(5,294)
- (Increase)/decrease in deferred tax asset	**(9,021)**	18,445
- Increase/(decrease) in deferred tax liability	**39,281**	(37,511)
- Increase in other non current assets	**(12,960)**	-
- Increase in current payables	**1,852**	18,981
- Decrease in non-current payables	**-**	(698)
Net cash provided by operating activities	**218,219**	184,530

(c) Other non-cash investing and financing activities

Shares issued under the Company's dividend reinvestment plan and employee investment plan (Note 25).

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 31

CASH FLOW INFORMATION

(d) Sale of controlled entity

On 19 April 2012, Cooper Energy Limited (Cooper) announced its intention to merge with Somerton Energy Limited (Somerton) via an off-market takeover bid offering an all share alternative of one Cooper share for every 2.8 Somerton shares or a cash and shares alternative of one Cooper share for every 4.73 Somerton shares plus 9 cents for each Somerton share. On 4 June 2012, Beach accepted the shares and cash option for its 55.44% relevant interest in Somerton receiving approximately 17 million shares in Cooper and $7.2 million in cash.

	Sale Proceeds $000
Cash proceeds received	7,209
Cooper Energy Limited shares received	7,281
Total proceeds on sale	**14,490**

	Assets Disposed $000
Assets and liabilities disposed of :	
- Current asset	7,349
- Non-current assets	6,548
- Current liabilities	(1,434)
- Non-current liabilities	(1,302)
Net assets disposed	11,161
Less non-controlling interest (NCI)	(4,974)
Less transactions with NCI reserve	326
Net equity disposed	**6,513**
Gain on sale	**7,977**

	Cashflow on Disposal $000
Net cash disposed with the subsidiary	(7,090)
Cash received on disposal	7,209
Net cashflow on disposal	**119**

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 32

DEED OF CROSS GUARANTEE

Pursuant to Class Order 98/1418, wholly-owned subsidiaries Australian Petroleum Investments Pty Ltd and Delhi Petroleum Pty Ltd (Subsidiaries) are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Beach and each of the Subsidiaries (the Closed Group) entered into a Deed of Cross Guarantee on 27 June 2008 (Deed). The effect of the Deed is that Beach has guaranteed to pay any deficiency in the event of winding up of any of the Subsidiaries under certain provisions of the Corporations Act 2001. The Subsidiaries have also given a similar guarantee in the event that Beach is wound up. The consolidated income statement and statement of financial position of the Closed Group are as follows:

	Closed Group	
	2012	2011
	$000	$000
Consolidated income statement		
Sales revenue	**585,114**	482,625
Cost of sales	**(400,891)**	(407,776)
Gross profit	**184,223**	74,849
Other revenue	**10,432**	1,302
Other income	**11,721**	10,815
Other expenses	**(15,548)**	(203,620)
Operating profit/(loss) before financing costs	**190,828**	(116,654)
Interest income	**7,241**	8,427
Finance expenses	**(14,289)**	(6,264)
Profit/(loss) before income tax expense	**183,780**	(114,491)
Income tax (expense)/benefit	**(45,159)**	12,154
Profit/(loss) after tax for the year	**138,621**	(102,337)
Retained earnings at beginning of the year	**176,760**	298,272
Dividends paid to shareholders	**(19,394)**	(19,175)
Retained earnings at end of the year	**295,987**	176,760

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 32

DEED OF CROSS GUARANTEE (CONTINUED)

	Closed Group	
	2012 $000	2011 $000
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	**374,139**	161,396
Trade and other receivables	**93,694**	45,170
Inventories	**64,093**	66,254
Financial assets	**-**	8,475
Derivative financial instruments	**322**	181
Other	**6,441**	5,434
Total current assets	**538,689**	286,910
Non-current assets		
Receivables	**152,997**	170,711
Other financial assets	**195,002**	105,432
Available for sale financial assets	**13,915**	5,789
Derivative financial instruments	**134**	148
Property, plant and equipment	**323,545**	311,528
Petroleum and gas licences	**516,880**	439,254
Exploration and evaluation expenditure	**159,021**	112,257
Deferred tax assets	**65,939**	52,065
Other	**11,344**	-
Total non-current assets	**1,438,777**	1,197,184
Total assets	**1,977,466**	1,484,094
Current liabilities		
Trade and other payables	**105,843**	115,219
Provisions	**5,421**	12,927
Derivative financial instruments	**-**	2,594
Total current liabilities	**111,264**	130,740
Non-current liabilities		
Borrowings	**113,376**	-
Deferred tax liabilities	**128,300**	88,961
Provisions	**99,765**	69,233
Derivative financial instruments	**11,775**	463
Total non-current liabilities	**353,216**	158,657
Total liabilities	**464,480**	289,397
Net assets	**1,512,986**	1,194,697
Equity		
Issued capital	**1,200,211**	1,000,801
Reserves	**16,788**	17,136
Retained earnings	**295,987**	176,760
Total equity	**1,512,986**	1,194,697

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 33

FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial market risks (including currency, commodity, interest rate, credit and liquidity risk). The consolidated entity's financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as foreign exchange contracts, commodity contracts and interest rate swaps to hedge certain risk exposures.

Financial risk management is carried out by Management. The Board sets the risk management policies and procedures by which Management are to adhere to. Management identifies and evaluates all financial risks and enters into financial risk instruments to mitigate these risk exposures in accordance with the policies and procedures as outlined by the Board. The consolidated entity does not trade in derivative financial instruments for speculative purposes.

The Board actively reviews all hedging on a monthly basis. Reports providing detailed analysis of all of the consolidated entity's hedging are continually monitored against the Company policy. Regular updates are provided to the Board from independent consultants/banking analysts to keep the Board fully informed of the current status of the financial markets.

(a) Market Risk

Details of financial instruments held by the group are shown in note 33(d).

(i) Foreign currency risk
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity sells its petroleum and commits to contracts in US dollars. Australian dollar oil option contracts (see Note 33(a)(ii)) are used by the consolidated entity to manage its foreign currency risk exposure. Any foreign currencies held which are surplus to forecast needs are converted to Australian dollars as required.

Currency Hedges outstanding as at 30 June 2012

- There are no currency hedges outstanding as at 30 June 2012.

Currency Hedges outstanding as at 30 June 2011

- There were no currency hedges outstanding as at 30 June 2011.

Sensitivity analysis - changes in Australian/US dollar exchange rate
The following Table demonstrates the estimated sensitivity to a 10% increase/decrease in the Australian/US dollar exchange rate, with all variables held constant, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the US dollar exchange rate on future cash flows.

	Consolidated	
	2012 $000	2011 $000
Impact on post-tax profit		
AUD/US$ + 10%	**(20,465)**	(9,715)
AUD/US$ - 10%	**25,013**	12,692
Impact on equity		
AUD/US$ + 10%	**(20,465)**	(9,715)
AUD/US$ - 10%	**25,013**	12,692

Whilst the Table demonstrates the impact on post tax profit, it does not take into account the cash flow effect which may be different as a result of the consolidated entity's currency hedge book.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 33

FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Commodity risk
The consolidated entity is exposed to commodity price fluctuations through the sale of petroleum products and other oil-linked contracts. Option contracts are used by the consolidated entity to manage its forward commodity risk exposure. The consolidated entity's policy is to hedge up to 80% of forecast oil production by way of Australian dollar denominated oil floor contracts for up to 18 months.

Changes in fair value of these derivatives are recognised immediately in the Income Statement.

Commodity Hedges outstanding at 30 June 2012

- Oil Price Fixed Floor on Brent Monthly for A$50/bbl for 45,000 bbls/month for the period July 2012–March 2013.
- Oil Price Fixed Floor on Brent Monthly for A$55/bbl for 40,000 bbls/month for the period July 2012–September 2012, 80,000 bbls/month for the period October 2012–June 2013, and 40,000 bbls/month for the period July 2013–September 2013.
- Oil Price Fixed Floor on Brent Monthly for A$60/bbl for 70,000 bbls/month for the period July 2012–September 2012, and 35,000 bbls/month for the period October 2012–December 2012.

Commodity Hedges outstanding at 30 June 2011

- Oil Price Fixed Floor on Brent Monthly for A$50/bbl for 80,000 bbls/month for the period July 2011–September 2011, and 40,000 bbls/month for the period October 2011–December 2011.
- Oil Price Fixed Floor on Brent Monthly for A$55/bbl for 60,000 bbls/month for the period July 2011–March 2012, and 30,000 bbls/month for the period April 2012–June 2012.
- Oil Price Fixed Floor on Brent Monthly for A$60/bbl for 40,000 bbls/month for the period October 2011–December 2011, 80,000 bbls/month for the period January 2012–June 2012, 70,000 bbls/month for the period July 2012–September 2012, and 35,000 bbls/month for the period October 2012–December 2012.

Sensitivity analysis - changes in US$ oil price
The following Table demonstrates the estimated sensitivity to a US$10 increase / decrease in the oil price, with all variables held constant, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the oil price on future cash flows.

	Consolidated	
	2012 $000	2011 $000
Impact on post-tax profit		
US$ oil price + $10	**19,177**	15,181
US$ oil price - $10	**(19,907)**	(15,181)
Impact on equity		
US$ oil price + $10	**19,177**	15,181
US$ oil price - $10	**(19,907)**	(15,181)

Whilst the Table demonstrates the impact on post tax profit, it does not take into account the cash flow effect which may be different as a result of the consolidated entity's commodity hedge book.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 33

FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk

Interest Rate Swap

The consolidated entity had an interest rate swap contract in place with the Commonwealth Bank fixed at 6.54% based on a notional amount of $300 million, amortised quarterly, through to 16 August 2012. During June 2012, the consolidated entity made a payment of $0.9 million to extinguish the interest rate swap.

Sensitivity analysis - changes in interest rates

The following Table demonstrates the estimated sensitivity to a 1% increase/decrease in the interest rates, with all variables held constant, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the oil price on future cash flows.

	Consolidated	
	2012 **$000**	2011 $000
Impact on post-tax profit		
Interest rates + 1%	**2,407**	3,933
Interest rates - 1%	**(2,407)**	(3,933)
Impact on equity		
Interest rates + 1%	**2,407**	3,933
Interest rates - 1%	**(2,407)**	(3,933)

Whilst the Table demonstrates the impact on post tax profit, it does not take into account the cash flow effect which may be different as a result of the consolidated entity's interest rate hedge book.

Weighted average interest rates on floating and fixed interest financial instruments are detailed in Note 33(c).

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and represents the potential financial loss if counterparties fail to perform as contracted. Management monitors credit risk on an ongoing basis. Refer to the Table within Note 33(c) for weighted average interest rates and floating and fixed interest financial instruments. The majority of oil and gas contracts are spread across major Australian energy retailers and industrial users.

In addition, receivables balances are monitored on an ongoing basis with the result that Beach's exposure to bad debts is not significant. The consolidated entity does not hold collateral, nor does it securitise its trade and other receivables. At 30 June 2012, Beach does not have any material trade and other receivables which are outside standard trading terms which have not been provided against.

At the balance sheet date there were no significant concentrations of credit risk within Beach and financial instruments are spread amongst a number of financial institutions to minimise the risk of default by counterparties.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The consolidated entity aims at maintaining flexibility in funding to meet ongoing operational requirements, exploration and development expenditure, and small-to-medium-sized opportunistic projects and investments, by keeping committed credit facilities available. Details of Beach's financing facilities are outlined in Notes 23 and 36.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 33

FINANCIAL RISK MANAGEMENT (CONTINUED)

The consolidated entity's exposure to interest rate and liquidity risk for each class of financial assets and financial liabilities is set out below:

		Floating interest rate		Fixed interest maturing in 1 year or less		Fixed interest maturing in Over 1 to 5 years		Non-interest bearing[(1)]		Total	
	Note	**2012 $000**	2011 $000	**2012 $000**	2011 $000	**2012 $000**	2011 $000	**2012 $000**	2011 $000	**2012 $000**	2011 $000
Financial assets											
Cash	31	**68,505**	88,413	**310,000**	84,915	**-**	-	**-**	-	**378,505**	173,328
Current receivables	9	**7**	7	**-**	-	**-**	-	**114,851**	54,368	**114,858**	54,375
Financial assets	11	**-**	-	**-**	-	**-**	-	**-**	8,475	**-**	8,475
Current derivatives	12	**-**	-	**-**	-	**-**	-	**322**	181	**322**	181
Other current	13	**-**	-	**-**	-	**-**	-	**6,446**	5,502	**6,446**	5,502
Available for sale	14	**-**	-	**-**	-	**-**	-	**13,980**	5,789	**13,980**	5,789
Non-current derivatives	12	**-**	-	**-**	-	**-**	-	**134**	148	**134**	148
Other non-current	19	**-**	-	**-**	-	**-**	-	**13,045**	17	**13,045**	17
		68,512	88,420	**310,000**	84,915	**-**	-	**148,778**	74,480	**527,290**	247,815
Weighted average effective interest rate		***3.14%***	*4.28%*	***5.73%***	*5.69%*	**-**	-	**-**	-	**-**	-
Financial liabilities											
Current payables	20	**-**	-	**-**	-	**-**	-	**121,026**	122,081	**121,026**	122,081
Current derivatives	12	**-**	-	**-**	-	**-**	-	**-**	2,594	**-**	2,594
Non-current convertible notes	23	**-**	-	**-**	-	**113,376**	-	**-**	-	**113,376**	-
Non-current derivatives	12	**-**	-	**-**	-	**-**	-	**11,775**	463	**11,775**	463
		-	-	**-**	-	**113,376**	-	**132,801**	125,138	**246,177**	125,138
Weighted average effective interest rate		**-**	-	**-**	-	***3.95%***	-	**-**	-	**-**	-
Net financial assets/(liabilities)		**68,512**	88,420	**310,000**	84,915	**(113,376)**	-	**15,977**	(50,658)	**281,113**	122,677

[(1)] *All non-interest bearing balances mature in 1 year or less except for non-current balances which mature in over 1 to 5 years.*

(d) Fair values

The financial assets and liabilities of the consolidated entity and Beach are recognised in the statement of financial position at their fair value in accordance with the accounting policies in Note 1. The consolidated entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 - the fair value is calculated using quoted prices in active markets;
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Trade and other receivables

The carrying value is a reasonable approximation of their fair values due to the short term nature of trade receivables.

Held-for-trading and available for sale financial assets

The fair value of held-for-trading and available for sale financial assets is determined by reference to their quoted closing price at the reporting date.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 33

FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values (continued)

	Asset		Liability	
2012	Current $000	Non-current $000	Current $000	Non-Current $000
OIL				
Crude floor – Brent A$50/bbl	**13**	**-**	**-**	**-**
Crude floor – Brent A$55/bbl	**289**	**134**	**-**	**-**
Crude floor – Brent A$60/bbl	**20**	**-**	**-**	**-**
	322	**134**	**-**	**-**
OTHER				
Convertible note conversion rights	**-**	**-**	**-**	**(11,775)**
	322	**134**	**-**	**(11,775)**

2011				
OIL				
Crude floor – Brent A$50/bbl	2	-	-	-
Crude floor – Brent A$55/bbl	95	-	-	-
Crude floor – Brent A$60/bbl	84	148	-	-
	181	148	-	-
OTHER				
AUD interest rate swap – fixed rate 6.54%	-	-	(2,594)	(463)
	-	-	(2,594)	(463)
	181	148	(2,594)	(463)

(e) Capital management

Management is responsible for managing the capital of the consolidated entity, on behalf of the Board, in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure the consolidated entity can fund its operations with secure, cost-effective and a flexible sources of funding to enable it to meet all of its operating and capital expenditure requirements and continue as a going concern. The consolidated entity's debt and capital includes ordinary shares, borrowings and financial liabilities including derivatives supported by financial assets. Management effectively manages the capital of the consolidated entity by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of debt levels, dividends to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital during the year although with the issue of convertible notes in the current financial year, the consolidated entity's gearing ratio has increased to 7.6% (2011: 0.7%). Gearing has been calculated as financial liabilities including borrowings, derivatives and bank guarantees as a proportion of these items plus shareholder's equity.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Consolidated

	2012 $000	2011 $000

Note 34

EARNINGS PER SHARE

(a) Earnings after tax used in the calculation of earnings per share (EPS) is as follows:

	2012 $000	2011 $000
Basic earnings per share	**165,108**	(96,791)
After tax interest saving on convertible notes assuming conversion for the period since issue	**1,000**	-
Diluted earnings per share	**166,108**	(96,791)

(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of earnings per share is as follows:

	2012 Number	2011 Number
Basic earnings per share	**1,144,056,501**	1,098,361,769
Convertible notes	**18,082,192**	-
Share rights	**5,674,335**	-
Diluted earnings per share	**1,167,813,028**	1,098,361,769

In accordance with AASB 133, the following potential ordinary shares were not considered dilutive during the period and so have been excluded from the calculation of diluted earnings per share:

- 8,677,257 employee options (2011: 8,677,257) as their exericse price makes them 'out of the money' when compared to the average share price of Beach in each respective financial year
- 2,566,470 share rights (2011: 9,770,301) as vesting would not have occurred based on the status of the required vesting conditions at the end of the current reporting period fro 2012 and for 2011 due to the loss recorded for Beach.

Since the end of the current financial year and before the completion of this report, no ordinary shares were issued.

(c) Earnings per share attributable to equity holders of Beach:

	2012 cents	2011[1] cents
Basic earnings per share	**14.43**	**(8.81)**
Diluted earnings per share	**14.22**	**(8.81)**

(1) Prior year basic and diluted EPS has been restated from a loss of 8.87 cents based on the net loss after tax attributable to the owners of Beach.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 35

COMMITMENTS

(a) Capital Commitments

The consolidated entity has contracted the following amounts for capital expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.

	Consolidated 2012 $000	Consolidated 2011 $000
Due within 1 year	**52,825**	31,281
Due within 1-5 years	**12,125**	-
Due later than 5 years	**-**	-
	64,950	31,281

(b) Minimum Exploration Commitments

The consolidated entity is required to meet minimum expenditure requirements of various government regulatory bodies and joint ventures. These obligations may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

	Consolidated 2012 $000	Consolidated 2011 $000
Due within 1 year	**68,760**	38,004
Due within 1-5 years	**14,616**	31,564
Due later than 5 years	**1,000**	-
	84,376	69,568

The group's share of the above commitments that relate to it's interest in joint venture interests are $65.0 million (2011: $24.6 million) for capital commitments and $68.0 million (2011: $69.0 million) for minimum exploration commitments.

Default on permit commitments by other joint venture participants could increase the group’s expenditure commitments by up to $89 million over the forthcoming 5 year period and/or result in relinquishment of tenements. Any increase in the group’s commitments that arises from a default by a joint venture party would be accompanied by a proportionate increase in the group’s equity in the tenement concerned.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 36

CONTINGENT LIABILITIES

The directors are of the opinion that the recognition of a provision is not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Service agreements

Service agreements exist with other executive officers under which termination benefits may, in appropriate circumstances, become payable. The maximum contingent liability at 30 June 2012 under the service agreements for the other executive officers (excluding the Managing Director) is $2,954,800 (2011: $2,084,000).

Bank guarantees

The Commonwealth Bank of Australia has provided Beach with a $150 million Multi-Option Facility which currently expires in January 2014. At 30 June 2012, $7.4 million of this facility has been utilised by way of bank guarantees with the remaining facility amount undrawn as at the date of this report.

Dispute with Esso Australia Resources Pty Ltd (Settled)

Delhi Petroleum Pty Ltd (Delhi), a wholly owned subsidiary of Beach, and Esso Australia Resources Pty Ltd (EARL), a wholly owned subsidiary of Exxon Mobil Corporation, renegotiated the confidential royalty agreement relating to Delhi's Cooper and Eromanga Basin assets in South Australia and Queensland. The new royalty agreement, which is effective from 1 July 2011 and expires on 31 December 2030, is now based on a percentage of net cash flow (before corporate tax) of Delhi's Cooper and Eromanga Basin business, subject to a total minimum payment of $40 million over the first five years. An additional one-off payment of $8 million has already been made this financial year. EARL and Delhi have also resolved EARL's previous claim that Delhi underpaid royalties due to Delhi's method of calculating royalties.

Parent Company Guarantees

Beach has provided parent company guarantees in respect of performance obligations under production sharing contracts.

Note 37

CONTINGENT ASSETS

Tipton West Contingent Payments

In April 2009, Beach announced that it had executed an agreement to sell its 40% interest in the Tipton West Joint Venture coal seam gas (CSG) asset to Arrow Energy Limited. Beach received $330 million of the expected consideration of up to $400 million with the remaining $70 million classified as contingent assets and not recognised as income to Beach in the financial year ended 30 June 2009.

The $70 million contingent payments are made up as follows:

- Up to $40 million cash for the booking of additional gross 3P gas reserves;
- $15 million cash upon gas owned by Arrow supplying any LNG project no later than 31 December 2016; and
- $15 million cash upon any LNG project producing an annualised equivalent of 1 million tonnes per annum of LNG using gas supplied from Arrow's tenements no later than 31 December 2017.

In the 2009/10 financial year, the group recognised a receivable for $43.2 million (of the $70 million total) for a payment due to Beach from Arrow which was received in September 2010 in relation to the sale of Beach's interest in the Tipton West Joint Venture in April 2009. No payments were received during the 2011/12 financial year. The remaining $23.8 million remains contingent on certain events occurring and so will only be booked as revenue when the group is of the belief that these payments are certain and can be reliably measured.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 38

SHARE BASED PAYMENTS

	Consolidated 2012 $000	Consolidated 2011 $000
Share Based Payments Reserve		
Opening balance	**12,851**	11,275
Fair value of shares/options/rights issued	**3,353**	2,238
Forfeiture of options/rights	**-**	(662)
Closing balance	**16,204**	12,851

Employee Incentive Plan

In 1997, shareholders of Beach approved an Employee Incentive Plan. The terms and conditions of this plan are disclosed in the Remuneration Report.

During the financial year, shares were issued to employees pursuant to the Employee Incentive Plan. The fair value of issuing these shares has been calculated using the Binominal Pricing Model. The terms and conditions of shares issued during the reporting period are as follows:

Employee Shares issued during 2011/12 financial year

	Issued February 2012
Total fair value at grant date	$999,408
Number of securities issued	1,297,932
Share price	$1.636
Volatility	37.8%
Term	10 years
Risk free rate	3.98%
Dividend yield	1.5%

Employee Shares issued during 2010/11 financial year

	Issued December 2010	**Issued June 2011**
Total fair value at grant date	$139,579	$133,724
Number of securities issued	473,150	339,400
Share price	$0.677	$0.916
Volatility	37.4%	44.7%
Term	10 years	10 years
Risk free rate	5.47%	5.07%
Dividend yield	2.3%	1.9%

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 38

SHARE BASED PAYMENTS (CONTINUED)

Long Term Incentive (LTI)

The LTI is an equity based incentive plan. The LTI is intended to reward efforts and results that promote long term growth in shareholder value. LTIs are paid at the discretion of the Board. Shareholders approved the LTI plan at Beach's 2006 annual general meeting. Features of the plan include:

What is the LTI?	The LTI is an equity based 'at risk' incentive plan. The LTI is intended to reward efforts and results that promote long term growth in shareholder value or total shareholder return (TSR). LTIs are offered to senior executives at the discretion of the Board.
How does the LTI link to Beach's key objective?	The LTI links to Beach's key objective by aligning the longer term 'at risk' incentive rewards to senior executives with expectations and outcomes that match shareholder objectives and interests by: • benchmarking shareholder return against a peer group of companies who could be viewed as a similar alternative investment to Beach; • giving share based rather than cash based rewards to executives to link their own rewards to shareholder expectations of dividend return and share price growth.
What equity based grants are given and are there plan limits?	Performance rights are granted. If the performance conditions are met, senior executives have the opportunity to acquire one Beach share for every vested performance right. There are no plan limits as a whole for the LTI. This is due to the style of the plan combined with the guidance requested from external remuneration consultants about appropriate individual plan limits. Those individual limits for the plans that are currently operational are set out in the Remuneration report.
What is the performance condition?	Beach's TSR performance over the performance period is ranked against the TSR performance over the same period of companies in a comparator group of Australian oil and gas exploration and development companies and other companies in the S&P/ASX 300 Energy list. The list of comparator companies used for the different LTI grants is set out on the following page. Under an old plan that senior executives participate in, they were issued options in 2006 that use an absolute TSR performance measure. That is a comparison between the market price of Beach's shares (adjusted for movements in issued capital and dividends) at the beginning and at the end of the measurement period. On advice from remuneration consultants the measure was later changed to one that is benchmarked against other companies.
Why choose this performance condition?	TSR is a measure of the return to shareholders over a period of time through the change in share price and any dividends paid over that time. The dividends are notionally reinvested for the purpose of the calculation. This performance condition was chosen to align senior executives' remuneration with a corresponding increase in shareholder value. The Board has reinforced the alignment to shareholder return by imposing two additional conditions. Firstly, the Board sets a threshold level that must be achieved before an award will be earned. Secondly, the Board will not make an award if Beach's TSR is negative.
Does Beach have a policy to prohibit hedging of rights or options held in a Company remuneration plan	Yes it does. Beach's Share Trading Policy specifically prohibits a senior executive from entering into transactions that limit the economic risk of participating in unvested entitlements or vested entitlements subject to holding locks imposed by the Company in equity based remuneration schemes. The policy is enforced through a system that includes the requirement that a senior executive confirm compliance with the policy and/or provide confirmation of dealings in Beach securities on request. The Share Trading Policy can be viewed on Beach's website.
Is shareholders equity diluted when shares are issued on vesting of performance rights or exercise of options?	The Board has not imposed dilution limits having regard to the structure of the LTI plan as a whole and the historical level of options and rights on issue would result in minimal dilution. If all of the current performance rights and options under the LTI vested at 30 June 2012, shareholders equity would have diluted by 1%. It has been the practice of the Board when there is an entitlement to shares on vesting of performance rights to issue new shares. However, there is provision for shares to be purchased on market should the Board consider that dilution of shareholders equity is likely to be of concern.
What happens to LTI performance rights on a change of control?	The Board reserves the right to exercise its discretion for early vesting in the event of a change of control of the Company. Certain adjustments to a participant's entitlements may occur in the event of a company reconstruction and certain share issues.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 38

SHARE BASED PAYMENTS (CONTINUED)

Long Term Incentive (LTI)

TSR Comparator Groups

Detailed below is the list of comparator companies used for the different LTI grants. This group is made up predominantly of Australian oil and gas exploration and development companies and other companies in the S&P/ASX 300 Energy list.

Companies removed from the TSR calculation because they have delisted are Arrow Energy Limited, Arc Energy Limited, Bow Energy Limited, Eastern Star Gas Limited and Innamincka Petroleum Limited.

Companies	2011Rights	2010 Rights	2008 Rights	2007 Options
AED Oil Ltd			x	x
Australian Worldwide Exploration Ltd	x	x	x	x
Aurora Oil & Gas Ltd	x	x		
Dart Energy Ltd	x	x		
Horizon Oil Ltd	x	x	x	
Karoon Gas Australia Ltd	x	x		
Linc Energy Ltd	x	x		
Nexus Energy Ltd	x	x	x	x
Nido Petroleum Ltd			x	
New Zealand Oil and Gas Ltd			x	
Origin Energy Ltd				x
Oil Search Ltd	x	x	x	x
Petsec Energy Ltd				x
Queensland Gas Company Ltd				x
ROC Oil Company Ltd	x	x	x	x
Santos Ltd	x	x	x	x
Tap Oil Ltd			x	x
Woodside Petroleum Ltd	x	x	x	x

Long Term Incentive (LTI)

LTI equity awards currently in operation including details of awards granted and vested during the year

Details of the conditions of performance rights issued during this financial year (2011 Rights) to senior executives are set out on the following page.

Details of other LTI grants that are still in operation and are also listed on the following page are:

- performance rights granted in the 2010/11 year (2010 Rights);
- performance rights granted in the 2008/09 year (2008 Rights);
- options granted in the 2007/08 year (2007 Options); and
- options granted in the 2006/07 year (2006 Options).

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 38

SHARE BASED PAYMENTS (CONTINUED)

Details of LTI Equity awards issued, in operation or tested during the year

Details	2008 Rights, 2010 Rights & 2011 Rights	2007 Options	2006 Options
Type of Grant	Performance rights	Performance options	Performance options
Calculation of Grant limits for senior executives	**2011 Rights** 100% of Total Fixed Remuneration (TFR) for MD 60% - 80% of TFR for other senior executives according to position **2008 Rights and 2010 Rights** 200% of TFR for MD 60% - 120% of TFR for other senior executives according to position	TFR x Max LTI%/ market value of a share at grant date x 3: Where Max LTI =100% for MD and 40% - 60% for other senior executives	TFR x Max LTI%/ market value of a share at the grant date x 3: Where Max LTI =100% for MD and 60% for other senior executives
Grant Date	**2011Rights** 1 Dec 2011 **2010 Rights** 1 Dec 2010 **2008 Rights** 1 Dec 2008	28 Feb 2008	1 Dec 2006
Issue price of Rights or Options	Granted at no cost to the participant	Granted at no cost to the participant	Granted at no cost to the participant
Performance period	**2011Rights** 1 Dec 2011- 30 Nov 2014 **2010 Rights** 1 Dec 2010 – 30 Nov 2013 **2008 Rights** 1 Dec 2008 – 30 Nov 2011	28 Feb 2008 – 27 Feb 2011	1 Dec 2006 – 30 Nov 2009 with quarterly re-testing if unvested options remain
Performance Conditions for vesting	Where Beach's TSR relative to the comparator group over the performance period is ranked: • < 50^{th} percentile - 0% vesting • = 50^{th} percentile - 50% vesting; • > 50^{th} percentile and < 75^{th} percentile - a prorated number will vest; • = or > the 75^{th} percentile – 100% vesting Note: No vesting will occur if Beach has a negative TSR.		If Beach's TSR over the performance period is: • < 7% per annum compounded - 0% vesting; • = 7% per annum compounded – 25% vesting; • > 7% and < 12% per annum compounded – a pro-rated percentage will vest; • = 12% per annum compounded – 50% vesting; • > 12% and < 20% per annum compounded – a pro-rated percentage will vest; • = or > 20% per annum compounded – 100% vesting
Expiry /Lapse	Rights lapse if vesting does not occur on testing of performance condition	Options lapse if vesting does not occur on testing of performance condition	Unvested options are re-tested quarterly if vesting does not occur on testing of performance condition
Expiry Date	**2011Rights** 30 Nov 2016 **2010 Rights** 30 Nov 2015 **2008 Rights** 30 Nov 2013	**27 Feb 2013**	**30 Nov 2012**
Exercise price on vesting	Not applicable – provided at no cost	Not applicable – provided at no cost	Market value of a Beach share calculated as the weighted average of the prices at which Beach shares traded in the ordinary course of trading on ASX during the period of one week up to and including the day the options were granted
What is received on vesting?	One ordinary share in Beach for every one performance right	One ordinary share in Beach for each option that vests upon payment of the Exercise Price	

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 38

SHARE BASED PAYMENTS (CONTINUED)

Specific details of the number of LTI performance rights and options issued vested and lapsed for individual senior executives are set out below:

Details of LTI Options and Rights

Name	Date of grant[(2)]	Options/ rights on issue at 30 June 2011	Fair Value $	Exercise Price $	Vested [(1)]	Lapsed [(3)]	Options/ rights on issue at 30 June 2012	Date options first vest and become exercisable
Mr R G Nelson	1 Dec 2006	2,000,000	0.870	1.406	2,000,000	-	2,000,000	1 July 2007
	1 Dec 2006	2,000,000	0.870	1.406	2,000,000	-	2,000,000	1 July 2008
	1 Dec 2006	1,232,220	0.358	1.406	-	-	1,232,220	1 Dec 2009
	28 Feb 2008	1,221,000	0.637	1.422	1,221,000	814,000	1,221,000	28 Feb 2011
	1 Dec 2008	2,500,000	0.445	-	2,500,000	-	-	1 Dec 2011
	1 Dec 2010	2,500,000	0.670	-		-	2,500,000	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	966,851	1 Dec 2014
Total		**11,453,220**			**7,721,000**	**814,000**	**9,920,071**	
Ms K A Presser	1 Dec 2006	425,000	0.870	1.406	425,000	-	425,000	1 July 2007
	1 Dec 2006	425,000	0.870	1.406	425,000	-	425,000	1 July 2008
	1 Dec 2006	336,060	0.358	1.406	-	-	336,060	1 Dec 2009
	28 Feb 2008	334,178	0.637	1.422	334,178	222,784	334,178	28 Feb 2011
	1 Dec 2008	660,944	0.445	-	660,944	-	-	1 Dec 2011
	1 Dec 2010	956,082	0.670	-	-	-	956,082	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	301,967	1 Dec 2014
Total		**3,137,264**			**1,845,122**	**222,784**	**2,778,287**	
Mr N M Gibbins	28 Feb 2008	221,519	0.637	1.422	221,519	147,679	221,519	28 Feb 2011
	1 Dec 2008	362,423	0.445	-	362,423	-	-	1 Dec 2011
	1 Dec 2010	613,878	0.670	-	-	-	613,878	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	301,967	1 Dec 2014
Total		**1,197,820**			**583,942**	**147,679**	**1,137,364**	
Mr R A Rayner	1 Dec 2011	-	1.411	-	-	-	294,659	1 Dec 2014
Total		**-**			**-**	**-**	**294,659**	
Mr G M Moseby	28 Feb 2008	221,519	0.637	1.422	221,519	147,679	221,519	28 Feb 2011
	1 Dec 2008	362,423	0.445	-	362,423	-	-	1 Dec 2011
	1 Dec 2010	561,633	0.670	-	-	-	561,633	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	288,766	1 Dec 2014
Total		**1,145,575**			**583,942**	**147,679**	**1,071,918**	
Mr S B Masters	28 Feb 2008	139,241	0.637	1.422	139,241	92,827	139,241	28 Feb 2011
	1 Dec 2008	250,358	0.445	-	250,358	-	-	1 Dec 2011
	1 Dec 2010	561,633	0.670	-	-	-	561,633	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	288,766	1 Dec 2014
Total		**951,232**			**389,599**	**92,827**	**989,640**	
Ms C L Oster	28 Feb 2008	121,520	0.637	1.422	121,520	81,012	121,520	28 Feb 2011
	1 Dec 2008	180,258	0.445	-	180,258	-	-	1 Dec 2011
	1 Dec 2010	260,669	0.670	-	-	-	260,669	1 Dec 2013
	1 Dec 2011	-	1.411	-	-	-	123,494	1 Dec 2014
Total		**562,447**			**301,778**	**81,012**	**505,683**	
Grand Total		**18,447,558**			**11,425,383**	**1,505,981**	**16,697,622**	

(1) Some of these options have vested in previous reporting periods. Only the rights issued on 1 December 2008 vested in this reporting period. Upon vesting all of the rights issued on 1 December 2008 for the senior executives listed in the Table resulted in the issue of one ordinary share in Beach per right held at no cost to the senior executive. The value of the Shares issued is $6,011,207 calculated at $1.3926 per share based upon the 5 day weighted average actual price prior to the date of issue on 1 December 2012.

(2) The aggregate fair value of options granted on 28 February 2008 (at the date of their grant) is $2,828,253 of which $0 has been expensed in the 2011/12 financial year ($628,501 expensed in the 2010/11 financial year) with the remainder expensed in prior years. The aggregate value of options granted on 1 December 2006 (at the date of their grant) was $6,072,619 of which all has been expensed in previous financial years. The aggregate fair value of rights granted on 1 December 2008 (at the date of their grant) was $2,377,718 of which $330,238 was expensed in the 2011/12 financial year ($792,573 has been expensed in the 2010/11 financial year) with the remainder expensed in prior years. The aggregate fair value of rights granted on 1 December 2010 (at the date of their grant) is $3,654,110 of which $1,218,037 was expensed in the 2011/12 financial year ($710,521 has been expensed in the 2010/11 financial year) with the remainder to be expensed in subsequent years. The aggregate fair value of rights granted on 1 December 2011 (at the date of their grant) was $3,621,289 of which $704,140 was expensed in the 2011/12 financial year, with the remainder to be expensed in subsequent years. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options and rights as at the date of their grant has been determined in accordance with AASB 2. The calculations are performed using various approved option valuation methodologies. The total minimum value of the options and rights, if the performance conditions are not met, is nil.

(3) The lapsed options were those granted on 28 February 2008 and which were tested in the previous financial year. The value of the options that lapsed was $959,310. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options and rights as at the date of their grant has been determined in accordance with AASB 2. The calculations are performed using various approved option valuation methodologies. The total minimum value of the options and rights, if the performance conditions are not met, is nil.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 39

PARENT ENTITY INFORMATION

Selected financial information of the parent entity, Beach Energy Limited, is set out below:

(a) Financial performance

	Parent	
	2012 $000	2011 $000
Net profit/(loss) after tax	**94,357**	(112,848)
Other comprehensive (loss)/income, net of tax	**(3,700)**	4,629
Total comprehensive income/(loss)	**90,657**	(108,219)
Total current assets	**1,159,307**	181,988
Total assets	**1,747,836**	1,212,868
Total current liabilities	**145,464**	58,918
Total liabilities	**379,143**	118,201
Issued capital	**1,200,211**	1,000,801
Share based payments reserve	**16,204**	12,851
Available for sale reserve	**585**	4,285
Retained earnings	**151,693**	76,730
Total equity	**1,368,693**	1,094,667

(b) Expenditure Commitments

The Company has contracted the following amounts for expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.

Captial expenditure commitments	**27,275**	1,253
Minimum exploration commitments	**50,809**	59,211

(c) Contingent liabilities

Details of contingent liabilities for the Company in respect of service agreements, bank guarantees and parent company guarantees are disclosed in Note 36.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 40

BUSINESS COMBINATION

Acquisition of the Adelaide Energy Ltd group of companies in 2011/12

Beach Energy Ltd announced on 7 November 2011 an unconditional on-market cash offer of 20 cents per share for all of the issued and outstanding shares of Adelaide Energy Ltd it did not own. Beach gained majority control of Adelaide Energy Ltd on 11 November 2011 and increased its relevant interest in Adelaide Energy Ltd to 97% as at 22 December 2011 when the offer closed. Beach subsequently completed compulsory acquisition of all remaining shares and obtained 100% ownership of Adelaide Energy in the 2011/12 financial year.

A gain of $3.6 million on the revaluation of Beach's initial 19.9% interest in Adelaide Energy to fair value was recognised in the income statement along with the expensing of takeover costs for the period of $1.2 million.

The acquisition had the following effect on the consolidated entity:

	$000
Purchase consideration	94,392
Fair value of net assets acquired	94,392
Goodwill on acquisition	-
Purchase consideration	94,392
Less initial investment purchased in previous financial years	(2,515)
Less gain on revaluation of initial investment prior to takeover	(3,639)
Cash purchase consideration	88,238
Cashflow on acquisition	
Net cash acquired with the subsidiary	8,862
Cash paid	(88,238)
Net cashflow on acquisition	(79,376)

Acquisition of the Adelaide Energy Ltd group of companies

	Assets Acquired $000	**Fair Value of assets acquired $000**
Assets and liabilities held at acquisition date:		
- Current assets	9,690	9,430
- Non-current assets	28,712	122,734
- Current liabilities	(752)	(834)
- Non-current liabilities	(2,000)	(36,938)
Net assets	35,650	94,392

For the 2011/12 financial year, the Adelaide Energy group of companies contributed nil to group revenues and a $1.4m loss to the consolidated profit before tax. If the acquisition had occurred on 1 July 2011, management estimates that the contribution from Adelaide Energy for the 2011/12 financial year would have been revenue of $0.4 million and a loss before tax of $3.8 million.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 40

BUSINESS COMBINATION (CONTINUED)

Acquisition of the Impress Energy Ltd (Impress) group of companies in 2010/11

Beach Energy Ltd announced on 6 December 2010 a recommended and unconditional on-market cash offer of 8.5 cents per share for all of the issued and outstanding shares of Impress Energy Ltd it did not own. Beach gained majority control of Impress on 14 December 2010 and increased its relevant interest in Impress to 64% as at 31 December 2010. Beach subsquently moved to 100% ownership on 7 April 2011. Beach also purchased all outstanding convertible notes of Impress Energy for $478,125.

A gain of $1.143 million on the revaluation of Beach's initial 4.9% interest in Impress Energy to fair value was recognised in the income statement along with the expensing of takeover costs of $1.5 million.

The acquisition had the following effect on the consolidated entity:

	$000
Purchase consideration	75,670
Fair value of net assets acquired	75,670
Goodwill on acquisition	-

	Assets Acquired $000	Fair Value of assets acquired $000
Assets and liabilities held at acquisition date:		
- Current assets	7,162	7,160
- Non current assets	17,032	92,831
- Current liabilities	(211)	(211)
- Non current liabilities	(1,710)	(24,110)
Net assets	22,273	75,670

The acquisition of Impress resulted in a net cash outflow of $65.4 million for the group comprising $71.9 million in payments for Impress shares and a $0.5 million payment for Impress convertible notes partly offset by cash acquired on the acquisition of $7.0 million. The purchase consideration of $75.7 million comprised $71.9 million in payments for Impress shares as well as $3.8 million for the fair value of an initial shareholding the Company held in Impress prior to the acqusition.

The fair value assigned to non-current assets of $92.8 million included $52.5 million for development assets and $31.4 million for exploration.

In the full year to 30 June 2011, Impress contributed $0.9 million to group revenues and $0.7 million to the consolidated loss before tax.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2012

Note 41

SUBSEQUENT EVENTS

There has not arisen in the interval between 30 June 2012 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years unless otherwise noted in the Financial Statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BEACH ENERGY LIMITED

Report on the financial report

We have audited the accompanying financial report of Beach Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Beach Energy Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Beach Energy Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 28 August 2012

Corporate Information

Annual meeting

The annual meeting will be held as follows:	
Place	ADELAIDE CONVENTION CENTRE NORTH TCE, ADELAIDE SA 5000
Date	FRIDAY 23 NOVEMBER 2012
Time	10.30 AM
Approximate date the Annual Report will be available	23 OCTOBER 2012

Corporate Directory

Chairman
Robert Michael Kennedy
ASAIT, Grad Dip (Systems Analysis),
FCA, ACIS, Life Member AIM, FAICD
Non-Executive

Deputy Chairman
Glenn Stuart Davis
LLB, BEc
Non-Executive

Directors
Reginald George Nelson
BSc, Hon Life Member Society of Exploration
Geophysicists, FAusIMM, FAICD
Managing Director

John Charles Butler
FCPA, FAICD, FIFS
Non-Executive

Franco Giacomo Moretti
BE(Hons), FIEAust, MAICD
Non-Executive

Belinda Charlotte Robinson
BA, MEnv Law, GAICD
Non-Executive

Neville Foster Alley
PhD, PSM
Non-Executive

Company Secretaries
Kathryn Anne Presser
BA(Acc), Grad Dip CSP, FAICD, FCPA, FCIS, AFAIM
Chief Financial Officer and
Company Secretary

Catherine Louise Oster
BA (Jurisprudence), LLM (Corporate & Commercial), FCIS
General Counsel and
Joint Company Secretary

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Share Registry - South Australia
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell St
ADELAIDE SA 5000
Telephone: (08) 8236 2300
Facsimile: (08) 8236 2305

Auditors
Grant Thornton South Australian Partnership
Level 1
67 Greenhill Rd
WAYVILLE SA 5034

Securities Exchange Listing
Beach Energy Limited shares and options are listed on the Australian Securities Exchange Limited
(ASX Code: Shares: BPT)
91 King William Street
ADELAIDE SA 5000

Beach Energy Limited convertible notes are listed on the Singapore Securities Exchange (SGX)

Beach Energy Limited
ACN 007 617 969
ABN 20 007 617 969

Website
www.beachenergy.com.au