



Full – Year Report

Incorporating Appendix 4E

Preliminary Final Report
under ASX Listing Rule 4.3A
for the year ended
30 June 2013.

This report is based on
financial statements which
have been audited.

delivering tomorrow's energy





Full –Year Report Incorporating Appendix 4E

Beach Energy Limited

**Preliminary Final Report under ASX Listing Rule 4.3A
for the year ended 30 June 2013. This report is based
on financial statements which have been audited.**

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ABOUT BEACH

Beach Energy Limited (Beach) was established in the early 1960s by the late Dr. Reg Sprigg, a highly regarded Australian oilman, geologist, explorer and conservationist.

It is an innovative oil and gas company where people and safety come first.

Beach has been growing its assets steadily through its 50 year history and is now recognised as the largest net oil producer in the Cooper Basin.

Beach holds interests in more than 300 exploration and production tenements in Australia, USA, Egypt, Tanzania, Romania and New Zealand. Beach continues to seek additional domestic and international opportunities.

APPENDIX 4E

Preliminary Final Annual Report for the year ended 30 June 2013 (Rule 4.3A)

Results for announcement to the market

Previous corresponding period – 30 June 2012

		\$A'000		\$A'000
Revenues from ordinary activities	UP	81,192	to	700,460
Net profit after tax	DOWN	10,575	to	153,650
Profit from ordinary activities after tax attributable to members	DOWN	11,458	to	153,650
Profit for the period attributable to members	DOWN	11,458	to	153,650

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)	2.00 cents	2.00 cents
Record date for determining entitlements to the final dividend	9 September 2013	–
Payment date for final dividend	27 September 2013	–

None of these dividends are foreign sourced

Competent Persons Statement

This report contains information on Beach's Reserves and Resources which have been compiled by Mr Tony Lake, who is a full time employee of Beach, is qualified in accordance with ASX listing rule 5.11 and has consented to the inclusion of this information in the form and context in which it appears.

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	\$1.41	\$1.28

Change in ownership of controlled entities

Control gained over entities having material effect	Not applicable
Loss of control of entities having material effect	Not applicable

Dividends

	Current Period \$million	Previous Corresponding Period \$million
Ordinary Securities	\$28.341	\$19.394

None of these dividends are foreign sourced.

Discount Rate for Dividend Reinvestment Plan (DRP)	2.5%
Last election date for participation in the DRP	9 September 2013
Record date	9 September 2013
Period over which share price for DRP will be determined	5 trading day period will commence on Thursday 12 September 2013 and end after Wednesday 18 September 2013
Date of payment	27 September 2013

Dividend Reinvestment Plan

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



FULL FINANCIAL REPORT

INCORPORATING

DIRECTORS' REPORT

REMUNERATION REPORT

FULL FINANCIAL STATEMENTS

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 2013 (FY13). 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 2013 and up to the date of this report are:

Surname	Other Names	Position
Davis	Glenn Stuart	Non-Executive Chairman ⁽¹⁾
Nelson	Reginald George	Managing Director
Butler	John Charles	Non-Executive Director
Moretti	Franco Giacomo	Non-Executive Lead Independent Director
Robinson	Belinda Charlotte	Non-Executive Director
Bennett	Fiona Rosalyn Vivienne	Non-Executive Director ⁽²⁾
Schwebel	Douglas Arthur	Non-Executive Director ⁽²⁾
Kennedy	Robert Michael	Non-Executive Chairman ⁽³⁾
Alley	Neville Foster	Non-Executive Director ⁽⁴⁾

(1) Non-Executive Chairman from 23 November 2012 and Non-Executive Deputy Chairman from 1 July to 23 November 2012

(2) Non-Executive Director from 23 November 2012

(3) Non-Executive Chairman from 1 July to 23 November 2012

(4) Non-Executive Director from 1 July to 23 November 2012

Directors Interests in shares, options and rights

The relevant interest of each director in the ordinary share capital of Beach at the date of this report is:

Shares held in Beach Energy Limited	Shares	Employee Options	Rights
Mr G S Davis	116,077 ⁽²⁾	-	-
Mr R G Nelson	2,495,389 ⁽¹⁾	5,221,000 ⁽¹⁾	4,946,556 ⁽¹⁾
	1,216,434 ⁽²⁾	-	-
Mr J C Butler	167,393 ⁽¹⁾	-	-
Mr F G Moretti	265,275 ⁽²⁾	-	-
Ms B C Robinson	14,884 ⁽¹⁾	-	-
Ms F R V Bennett	-	-	-
Dr D A Schwebel	-	-	-

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

Details of the qualifications, experience, special responsibilities and meeting attendance of each of the directors are set out later in the Directors Report.

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.

Directors' Report

Review and Results of Operations

A review of the operations and of the results of those operations of the consolidated entity during the year is as follows:

In FY13, Beach secured its position as the largest net producer of oil in the Cooper Basin. Total production was 8.0 million barrels of oil equivalent (MMboe), 47% of which was oil and 53% gas and gas liquids. Oil production was up 34% on FY12, primarily due to exploration and development success and increased oil transport capacity out of the Western Flank, with gas and gas liquids production down 10%, mainly due to Moomba shutdowns and natural field decline.

Cooper Basin

Delhi

The Delhi operations incorporate the South Australian Cooper Basin Joint Venture (SACB JV) (Beach 20.21%, Santos Ltd 66.6%, Origin Energy Ltd 13.19%) and the South West Queensland Joint Ventures (SWQ JVs) (Beach 20-40%). Non-operated Cooper Basin sales gas and ethane production was 19.2 petajoules (PJ), 12% down on FY12, mainly due to higher plant downtime and natural field decline. Beach's share of condensate production was 0.3 million barrels (MMbbl), which was in line with FY12.

Non-operated net oil production from the Cooper Basin was 0.9 MMbbl, the highest produced since FY10. This was mainly driven by the Zeus and Cook field drilling campaigns, as well as improved performance from the Charo field.

The Moomba-191 well was commissioned in late September 2012, and is Australia's first shale gas well on production. The well flowed at an average rate of 2.7 million standard cubic feet per day (MMscfd) for the first month, with the work undertaken to date confirming the extension of the Nappamerri Trough natural gas play that Beach is leading.

Western Flank

Significant infrastructure investment was undertaken, with the installation and commissioning of flowlines, and new and upgraded facilities. The new oil flowlines connected the Growler and Bauer fields to the Lycium hub, which in turn was connected to the Moomba facility. The trunkline from the Lycium hub to Moomba was transporting 18,000 barrels of oil per day (bopd) by the end of the financial year. With the addition of pumping capacity, this main line into Moomba has the potential to reach in excess of 20,000 bopd.

As a result of the above, net oil production reached in excess of 10,000 bopd for 12 days in June. Oil exploration success on the Western Flank remained high at almost 60%, as a result of a targeted program utilising the extensive coverage of 3D seismic data.

PEL 91 (Beach 40% and operator, Drillsearch Energy Ltd 60%)

Production levels were significantly higher when compared with the prior year. In excess of 4,000 bopd (net) was produced toward the end of the June quarter, with net full year production of 0.5 MMbbl. Both pipeline and trucking were used to transport oil to Lycium and Moomba. The Bauer field was extended through the drilling of six appraisal and development wells, with eight wells currently tied-in to the Bauer facility. Exploration success was realised with five new field discoveries, all of which is expected to be tied in during FY14.

PEL 92 (Beach 75% and operator, Cooper Energy Ltd 25%)

Production levels averaged around 3,500 bopd (net), slightly down on FY12. Four development wells were drilled, two in the Butlers field, which resulted in an increase in the size of Butlers, and two in the Callawonga field, which are expected to increase production when brought on-line. Two new field exploration successes which are expected to be tied in during FY14.

Directors' Report

Review and Results of Operations (continued)

PEL 104 and 111 (Beach 40%, Senex Energy Ltd 60% and operator)

Full year production was approximately 1,800 bopd (net), which was significantly up on the prior year. This was mainly due to full year production from the Snatcher field, higher production from Growler due to additional development wells on-line, and reduced transportation downtime. Five development wells increased the size of the Snatcher field to the North, with two exploration successes at Spitfire and Mustang, which are already on-line.

PEL 106B (Beach 50% and operator, Drillsearch 50%)

A new gas sales agreement (GSA) was signed with the SACB JV in the March quarter, after the field was shut-in with the expiry of the previous GSA in the December quarter of 2012. Despite this lengthy shutdown period, full year production was in line with FY12.

Nappamerri Trough Natural Gas

An active exploration and appraisal program continued over the course of the financial year, with seven vertical wells and one horizontal well drilled, five wells fracture stimulated and two flow tested. Two rigs were operating for the majority of the year.

Chevron Australia Holdings Pty Ltd (Chevron) became a joint venture participant via a farm-in agreement, with the assignment of a 30% equity interest in PEL 218 and 18% in ATP 855. Cash payments were made by Chevron to Beach for the cash component of the farm-in on both permits, the carry of Beach's equity share of work completed on Stage 1 in PEL 218, as well as the Chevron equity share of costs incurred in Stage 1 in PEL 218. At the end of Stage 1, Chevron has the option to proceed to a second stage farm-in, where further cash payments in both permits, and carry in PEL 218, would result in the transfer of a further 30% equity in PEL 218 and 18% in ATP 855.

The work undertaken to date continues to increase the understanding of the geology and technical approach to gas extraction from the target Permian formations. The program remains on track to meet its agreed targets within the set joint venture timeframes.

International

In Egypt, the first long-offset development well was drilled and completed in the NS385 field in the North Shadwan concession. This commenced production in February 2013. This production, in addition to the first full year production from the NS377 field, and production from three development leases in the Abu Sennan concession, delivered Beach a total of 130 kbbl for the year. In the Abu Sennan concession, three exploration and appraisal wells and one development well were drilled. Two of the exploration wells had hydrocarbon shows, with testing on these wells on-going.

In Tanzania, Beach completed interpretation of the 2012 2D seismic program on Lake Tanganyika South, and is assessing its inventory of high potential prospects and leads prior to the commencement of a farm-down process. This will take place during the first half of FY14. A baseline metocean study, which commenced in FY13, will continue in FY14 and run for approximately 12 months. The studies will gather information in relation to the Lake that will assist in the design of suitable drilling solutions.

In Romania, Beach completed its farm-in of the off-shore Est Cobalcescu block, with 3D seismic data acquired and the first well expected to be drilled during the September 2013 quarter.

In New Zealand, Beach successfully farmed-down 50% of PEP 52717 to New Zealand Oil and Gas Ltd.

Directors' Report

Review and Results of Operations (continued) Summary of Financial results

	FY13 \$'000	FY12 \$'000
Consolidated entity profit attributable to equity holders of Beach	153,650	165,108

KEY FINANCIAL RESULTS				
		FY13	FY12	Change
Income				
Sales revenue	\$'000	698,211	618,617	13%
Total revenue	\$'000	700,460	619,268	13%
Cost of sales	\$'000	(467,200)	(421,183)	(11)%
Gross profit	\$'000	231,011	197,434	17%
Other income	\$'000	29,370	45,306	(35)%
Net profit after tax (NPAT)	\$'000	153,650	164,225	(6)%
Underlying NPAT	\$'000	140,756	122,059	15%
Dividends paid	cps	2.25	1.75	29%
Dividends announced	cps	2.00	1.50	33%
Basic EPS	cps	12.17	14.43	(16)%
Underlying EPS	cps	11.15	10.72	4%
Cash flows				
Operating cash flow	\$'000	263,994	218,219	21%
Investing cash flow	\$'000	(282,496)	(337,718)	16%
Financial position				
		As at 30 June 2013	As at 30 June 2012	Change
Net assets	\$'000	1,782,506	1,611,847	11%
Cash balance	\$'000	347,601	378,505	(8)%

Directors' Report

Review and Results of Operations (continued)

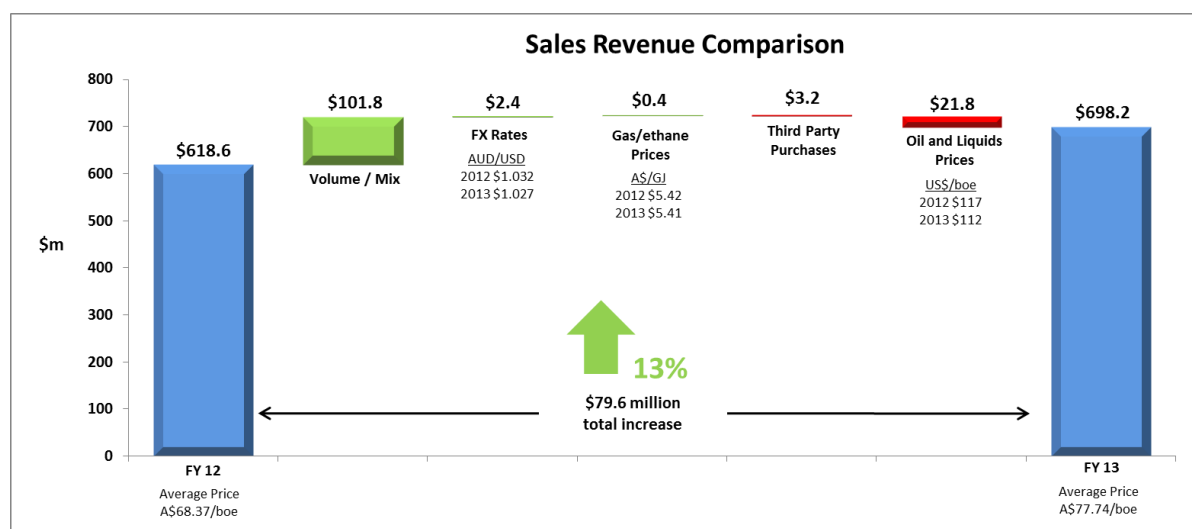
Summary of Financial results

Revenue

Sales revenue was up 13% from \$619 million, to a record \$698 million, mainly due to higher oil sales volumes and favourable foreign currency movements, partly offset by lower prices. Sales revenue from production was \$83 million higher, partly offset by a \$3 million fall in 3rd party sales. Sales volumes were in line with the prior year, with increased sales volumes from higher oil production, offset by lower gas and ethane sales volumes driven by certain contracts expiring during the period.

The average realised oil price fell to A\$111/bbl compared to A\$115/bbl in FY12, due to a lower US\$ oil price with minimal change to the average AUD/USD exchange rate during the year.

Total revenue for FY13 increased by 13% to a record \$700 million, up from \$619 million in FY12.



Directors' Report

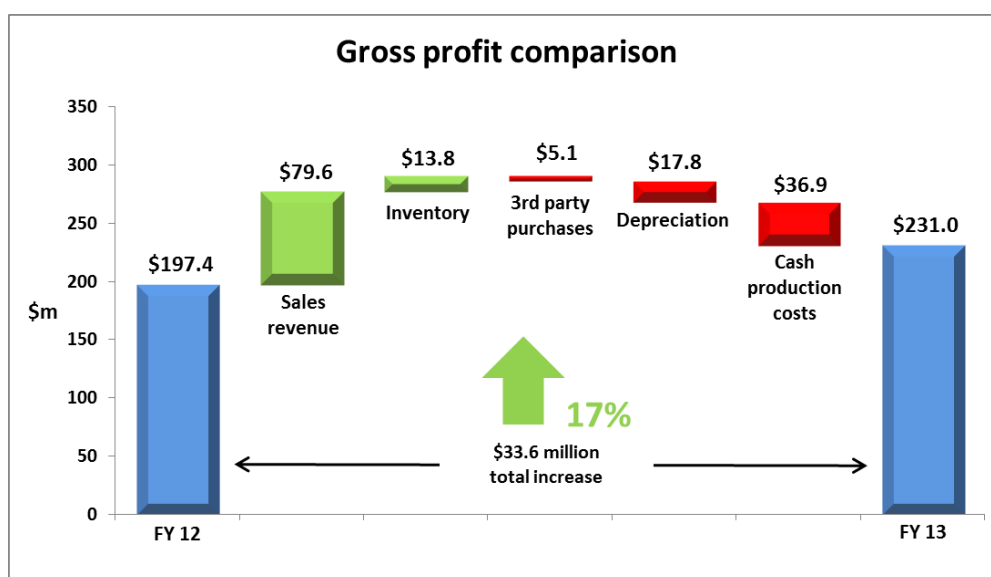
Review and Results of Operations (continued)

Gross Profit

Total cost of sales was \$467 million for FY13, up 11% from FY12, primarily due to higher royalties - \$20 million, carbon cost - \$13 million, depreciation - \$18 million, higher third party purchases - \$5 million and higher operating costs, partly offset by increased inventories - \$14 million. The increases in operating costs, royalties and depreciation are mainly due to increased production and activity on the Cooper Basin Western Flank. With the introduction of the Clean Energy Legislation from 1 July 2012, carbon costs were incurred for the first time for Beach's share of emissions from joint venture facilities. Third party purchases increased due to additional oil deliveries through the SACB JV facilities at Moomba, with a further build up in third party oil inventories not yet sold at 30 June 2013.

In comparing the FY13 gross profit to that of FY12, as summarised in the waterfall below, the key drivers are as follows:

- Higher sales revenue from higher oil sales volumes; and
- A build-up of third party inventory in FY13, offset by
 - Carbon costs incurred for the first time in FY13;
 - Higher royalties from increased sales; and
 - Higher depreciation from increased production.



Net profit after tax (NPAT)

Other income was \$29 million, down by \$16 million from FY12, and mainly consisted of \$27 million of gains on the sale of joint venture interests, including the farm-out of 18% of ATP 855 to Chevron.

Other expenses were down \$8 million to \$41 million, mainly due to reduced impairment losses.

The NPAT for FY13 of \$154 million is \$10 million lower than FY12, primarily due to a loss in FY13 on the mark to market of the convertible note conversion rights as compared to a gain in FY12, as well as FY12 recognising a tax benefit on the acquisition of Adelaide Energy Limited partly offset by a higher gross profit in FY13.

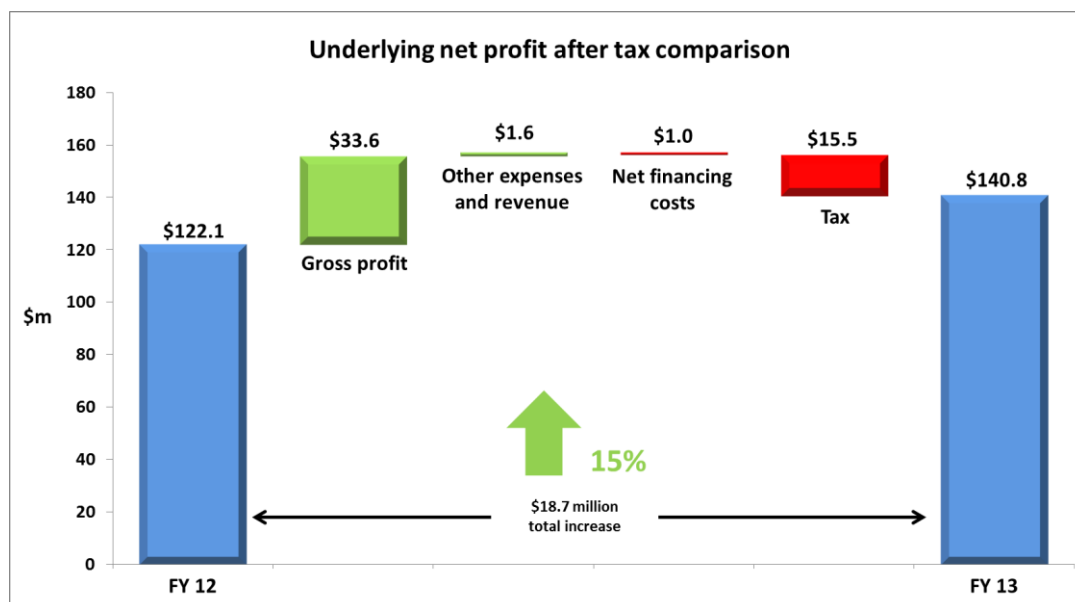
Directors' Report

Review and Results of Operations (continued)

Underlying NPAT

By adjusting FY13 NPAT to exclude impairment, unrealised and non-recurring items (as per the table below), the underlying NPAT for the consolidated entity for FY13 is \$141 million. This represents a 15% increase on FY12, driven primarily by a stronger operating result with increased oil sales volumes.

Comparison of underlying profit		FY13	FY12	Movement from PCP
Net profit after tax	\$'000	153,650	164,225	(10,575)
Remove unrealised hedging (gains) / losses	\$'000	404	(3,184)	3,588
Remove mark to market of convertible note derivative	\$'000	3,091	(21,564)	24,655
Remove profit on asset sales	\$'000	(26,563)	(11,527)	(15,036)
Remove impairment of assets	\$'000	3,475	18,111	(14,636)
Remove gains on acquisition/disposal of subsidiaries	\$'000	-	(11,616)	11,616
Remove takeover costs	\$'000	-	2,149	(2,149)
Remove tax benefit from consolidation of subsidiary	\$'000	-	(24,898)	24,898
Tax impact of above changes	\$'000	6,699	10,363	(3,664)
Underlying net profit after tax	\$'000	140,756	122,059	18,697



Directors' Report

Review and Results of Operations (continued)

Financial Position

Assets

Total assets have increased significantly by \$257 million to \$2,405 million.

Cash balances decreased by \$31 million to \$348 million, primarily due to:

- Capital expenditure of \$426 million; and
- Purchase of exploration interests and investments (\$52 million); partly offset by
 - Cash flow from operations of \$264 million;
 - Sale of joint venture interests totalling \$95 million;
 - Reimbursement of exploration expenditure of \$101 million; and
 - Dividends paid of \$16 million.

Trade and other receivables increased by \$54 million, mainly due to higher sales volumes booked at the close of the financial year with increased oil production.

Inventories were \$12 million higher due to increases in third party oil inventories held at year end, with higher deliveries through the SACB JV Moomba facility.

Available for Sale (AFS) assets increased by \$28 million due to purchase of additional listed investments of \$32 million less revaluation adjustments of \$3 million booked through the AFS reserve.

Fixed assets, development and exploration increased by \$187 million, due to capital expenditure of \$426 million, increases for restoration of \$3 million, the acquisition of exploration interests of \$20 million and foreign exchange movements of \$28 million, partly offset by amortisation and depreciation of \$127 million, impairment charges of \$6 million and the farm-out on PEL 218/ATP 855 to Chevron of \$155 million.

Prepayments for the year increased by \$8 million, mainly due to prepaid royalties.

Directors' Report

Review and Results of Operations (continued)

Liabilities

Total liabilities increased by \$86 million to \$622 million, mainly due to tax payable for FY13 of \$29 million and increased deferred tax liability of \$29 million arising from timing differences on capital expenditure incurred during the period. Borrowings increased by \$7 million and non-current provisions increased by \$10 million, mainly due to the unwinding of the discount on the convertible note and restoration provision, as well as the restoration costs for new wells drilled during the period. Other movements included an increase in creditors (\$6 million) and current provisions (\$3 million), due to the carbon tax, as well as an increase in derivative liabilities of \$3 million, due to the change in value of the convertible note conversion rights.

Equity

Equity increased by \$171 million, mainly due to the net profit after tax of \$154 million, shares issued during the year primarily from the dividend reinvestment plan (\$14 million), foreign currency reserve movements (\$30 million), offset by dividends paid during the year (\$28 million).

Dividends

During the financial year the Company paid the FY12 final fully franked dividend of 1.5 cents per share, as well as an interim fully franked dividend of 0.75 cents per share. The Company will also pay a FY13 fully franked 2.0 cents per share final dividend.

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 Directors' Report.

Matters arising subsequent to the end of the financial year

On 31 July 2013, Beach entered into a secured \$320 million refinancing of its current \$150 million secured Multi-Option Facility, which was due to expire in 2014. The new facility consists of three tranches being a \$150 million three year revolving loan facility, a \$150 million five year revolving loan facility and a \$20 million letter of credit facility.

On 23 August 2013, Beach completed a sale of its joint venture interests in the Williston Basin, USA for \$US14.5 million. This will result in a pre-tax profit of approximately \$11 million being recognised in FY14.

On 26 August 2013, Beach announced that it had discovered oil and associated gas in a new zone at the El Salmiya-2 well in the Abu Sennan concession in the Western Desert in Egypt. An initial oil flow rate of 3,530 barrels per day was generated from a drill stem test from the Kharita Formation. The operator, Kuwait Energy Egypt has estimated gross 2P reserves of 18.5 MMbbl of oil and 142 Bcf of gas in the Kharita Formation only.

There has not arisen in the interval between 30 June 2013 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.

Directors' Report

Future developments

The Australian and international drilling program in FY14 is expected to include up to 130 wells, evenly split between development and exploration/appraisal wells. This would equate to an approximate 35% increase in drilling activity on FY13. Production guidance for FY14 is 8.7 to 9.3 MMboe, with capital expenditure \$420 to \$480 million.

Production increases, are expected to be driven by continued exploration, appraisal and development success. Increases are expected from the Western Flank oil portfolio, the operated gas and gas liquids from PEL 106B, enhanced by the connection of the Canunda well, and conventional gas production from the SACB JV, as a result of infill development drilling. Oil production increases are also expected from Egypt, due to FY14 being the first full year of production.

Beach anticipates it will be able to fund its FY14 capital expenditure activities in full, as a result of its financial position, and an expected increase in production and resultant improvement in operating cash flow.

Cooper Basin

Delhi

A significant portion of capital expenditure for FY14 will be undertaken in the SACB JV and SWQ JV acreage, with 50-60 wells to be drilled. Of this, up to 40-50 wells will be drilled as part of the infill gas development program, with the balance to be directed at oil development, appraisal and exploration.

The total Delhi capital expenditure is expected to be up to \$200 million, which will be equally split between wells drilled and infrastructure upgrades, mainly relating to the Moomba facility.

Three further unconventional gas exploration wells will be drilled in and around the Moomba area as part of the continuing assessment of the Roseneath Epsilon Murteree (REM) and Patchawarra Formation gas potential.

Western Flank of the Cooper Basin

Over the course of FY14, Beach will endeavour to keep its Western Flank flowlines at maximum available capacity. This will be driven by existing wells, development wells (seven operated and four non-operated) and exploration success, with 16 operated and 14 non-operated wells planned. Additional seismic operations are planned for the region with 450 kilometres of 2D and 919 km² of 3D data to be acquired in FY14. Total capital expenditure for the Western Flank will be approximately \$110 million. Should these flowlines remain at maximum available capacity, it would underpin an increase in Beach's Australian oil production over the coming year. The newly built flowlines will reduce reliance on trucking and provide security of delivery, irrespective of weather conditions.

Nappamerri Trough Natural Gas

It is anticipated that the exploration and appraisal phase of the Nappamerri Trough Natural Gas ventures will be near completion at the end of the financial year.

Over the coming 12 months, it is anticipated that nine wells will be fracture stimulated across the two permits. This, together with wells already fracture stimulated but not yet tested, gives an inventory of some 12 wells to be flow tested. At least four more wells are expected to be drilled across the permits during the financial year.

International

Beach will continue with its strategy of building its exposure to oil plays through its international business. This is reflected in the planned drilling program of 11 wells in Egypt (six development and five exploration and appraisal).

Beach is assessing its inventory of high potential prospects and leads prior to the commencement of a farm-down process in its Lake Tanganyika South block in Tanzania. This process will seek to identify potential farm-in partners to participate in further exploration and drilling within the permit.

Two exploration wells will also be drilled in Romania, targeting gas in the shallow off-shore Est Cobalcescu permit, adjacent to recent significant gas discoveries in this region of the Black Sea.

Planning is underway for a 700 km² 3D seismic survey in PEP 52717 in New Zealand. The seismic is expected to be acquired in the second half of FY14, aimed at defining the optimal drilling location on the Barque/Tartan Wedge plays.

Directors' Report

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.

Dividends paid or recommended

Since the end of the financial year the directors have resolved to pay a fully franked dividend of 2.0 cents per share on 27 September 2013. The record date for entitlement to this dividend is 9 September 2013. The financial impact of this dividend, amounting to \$25.4 million, has not been recognised in the Financial Statements for the year ended 30 June 2013 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
7 September 2012	28 September 2012	1.50	\$18.8 million
8 March 2013	5 April 2013	0.75	\$9.5 million

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

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. The 2006 Tranche C Long Term Incentive Options lapsed during the year pursuant to their terms of issue without exercise

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 LTI Options					
Issued 1 December 2006	6,418,280	-	-	(1,568,280)	4,850,000
2007 LTI Options					
Issued 28 February 2008	2,258,977	-	-	-	2,258,977
Total	8,677,257	-	-	(1,568,280)	7,108,977

Directors' Report

Employee Rights

On 14 September 2012, Beach issued 1,503,990 unlisted rights pursuant to the Executive Incentive Plan for the 2011 short term incentive offer. Half of the unlisted performance rights vest 1 July 2013 with the balance vesting on 1 July 2014 subject to the holder of the rights remaining employed with Beach on the vesting dates. On 21 December 2012, Beach issued a further 1,848,839 unlisted rights under the Executive Long Term Incentive plan. These rights, which expire on 30 November 2017, are exercisable for nil consideration and are not exercisable before 1 December 2015.

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
2010 LTI unlisted rights					
Issued 1 December 2010 (Refer Note 37)	5,453,895	-	-	-	5,453,895
2011 LTI unlisted rights					
Issue 1 December 2011 (Refer Note 37)	2,566,470	-	-	-	2,566,470
2011 STI unlisted rights					
Issue 14 September 2012 (Refer Note 37)	-	1,503,990	-	-	1,503,990
2012 LTI unlisted rights					
Issue 21 December 2012 (Refer Note 37)	-	1,848,839	-	-	1,848,839
Total	8,020,365	3,352,829	-	-	11,373,194

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:

Glenn Stuart Davis

Independent Non-Executive 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 and Chairman in November 2012. 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 membership of the Corporate Governance Committee and Remuneration and Nomination Committee.

Date of appointment

Mr Davis was elected to the Board on 6 July 2007, last having been re-elected to the Board on 24 November 2011

Directors' Report

Reginald George Nelson

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

Experience and expertise

Mr Nelson is an exploration geophysicist with experience in the minerals and petroleum industries spanning more than four decades. He has been recognised by these industries, notably through honorary Life Membership of the Society of Exploration Geophysicists (awarded in 1989), the Prime Minister's Centenary Medal for services to the Australian mining industry (awarded in 2002) and APPEA's Reg Sprigg Gold Medal (awarded in 2009) for outstanding services to the Australian oil and gas exploration and production industry. He has also been recognised for his support of environmental and conservation matters by the honorary award of Life Membership of Nature Foundation SA in 2010.

Mr Nelson has wide experience in technical, corporate and government affairs throughout Australia and internationally, particularly in the petroleum and mineral industries, and was formerly Director of Mineral Development for the State of South Australia. He was a director of the Australian Petroleum Production and Exploration Association (APPEA) for eight years, which is recognised as the principal oil and gas industry body for Australia, as well as being the Chairman of its board of directors from 2004 to 2006.

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 in the previous reporting period, 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.

Date of appointment

Mr Nelson was appointed on 25 May 1992.

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.

Date of appointment

Mr Butler was elected to the Board on 23 June 1999, last having been re-elected to the Board on 24 November 2011.

Directors' Report

Franco Giacomo Moretti

Non-Executive Lead Independent 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

In August 2012, Mr Moretti was appointed as the Lead Independent Director. His special responsibilities with Beach include chairmanship of the Corporate Governance Committee.

Date of appointment

Mr Moretti was elected to the Board on 1 March 2005, last having been re-elected to the Board on 25 November 2010.

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 chairmanship of the Remuneration and Nomination Committee since November 2012, having been a member of this committee since May 2012.

Date of appointment

Ms Robinson was elected to the Board on 27 May 2011, last having been re-elected to the Board on 24 November 2011.

Fiona Rosalyn Vivienne Bennett

Independent Non-Executive Director – *BA(Hons) FCA, FAICD, FAIM*

Experience and expertise

Ms Bennett joined Beach in November 2012. Ms Bennett is a Chartered Accountant with over 30 years' experience in business and financial management, corporate governance, risk management and audit. She has previously held senior executive positions at BHP Billiton Limited and Coles Group Limited, and has been the Chief Financial Officer at several organisations within the health sector. Ms Bennett is a graduate of The Executive Program at the University of Virginia's Darden Graduate School and the AICD Company Directors' course.

Current and former directorships in the last 3 years

She is currently a director of Hills Holdings Limited (since 2010) and Boom Logistics Limited (since 2010).

Responsibilities

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

Date of appointment

Ms Bennett was elected to the Board on 23 November 2012.

Directors' Report

Douglas Arthur Schwebel

Independent Non-Executive Director – *PhD B. Sc (Hons) (Geology)*

Experience and expertise

Dr Schwebel joined Beach in November 2012. Dr Schwebel has over 30 years' experience in the resources sector, having held various senior executive positions with ExxonMobil including Exploration Director for its Australian upstream subsidiaries. His 26-year career with ExxonMobil included exploration and resource commercialisation and strategy roles in Australia, the USA and Asia. Between 2008 and 2011 he was Chief Executive Officer of the privately owned Pexco NV and its Australian subsidiary Benaris International Pty Ltd.

Current and former directorships in the last 3 years

He is currently a director of Tap Oil Limited (since 2012) and has also served as a nonexecutive director on the boards of Roc Oil Limited and Great Artesian Oil & Gas Limited.

Responsibilities

His special responsibilities include membership of the Audit Committee since November 2012.

Date of appointment

Dr Schwebel was elected to the Board on 23 November 2012.

The names of the directors of Beach who held office during the financial year and are no longer on the Board of Directors are:

Robert Michael Kennedy

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

Experience and expertise

Mr Kennedy was the non-executive chairman of Beach since 1995 having joined Beach in December 1991 as a non-executive director until November 2012 when he retired from the Board.

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 included chairmanship of the Remuneration and Nomination Committees and membership of the Audit Committee.

Neville Foster Alley

Independent Non-Executive Director - *PhD, PSM*

Experience and expertise

Dr Alley joined Beach in February 2007 as an alternate director to directors.

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 included membership of the Remuneration and Nomination Committee.

Directors' Report

Directors' meetings

The Board of Beach met twelve times, the Audit Committee met four times, the Corporate Governance Committee met three times and the Remuneration and Nomination Committee met eight times during the financial year. In addition to formal meetings held, a number of 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		Remuneration and Nomination Committee Meetings	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held	Attended	Held ⁽¹⁾	Attended
Mr G S Davis	12	12	4	4	3	3	8	8
Mr R G Nelson	12	12	-	-	-	-	-	-
Mr J C Butler	12	12	4	4	3	3	-	-
Mr F G Moretti	12	12	-	-	3	3	-	-
Ms B C Robinson	12	12	-	-	-	-	8	8
Ms F R V Bennett	7	7	3	3	-	-	5	5
Dr D A Schwebel	7	7	3	3	-	-	-	-
Mr R M Kennedy	5	5	1	1	-	-	3	3
Dr N F Alley	5	5	-	-	-	-	3	3

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

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	F R V Bennett, D A Schwebel
Corporate Governance	F G Moretti	J C Butler, G S Davis
Remuneration and Nomination	B C Robinson	G S Davis, F R V Bennett

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.

Directors' Report (continued)

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 30 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 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 in 2012 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.

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.

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.

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

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 the following page 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, 27 August 2013

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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 June 2013, 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, 27 August 2013

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Remuneration Report

The directors of Beach present the Remuneration Report prepared in accordance with section 308(3C) of the *Corporations Act 2001 (Cth)* (Corporations Act) for the consolidated entity for the financial year ended 30 June 2013 (FY13). This Remuneration Report has been audited and forms part of the Directors' Report.

This report details the key remuneration activities for the financial year ending 30 June 2013 and provides remuneration information in relation to the Company's directors, the Managing Director and the Company's senior executives who are the key management personnel (KMP) of the consolidated entity for the purpose of the Corporations Act and the Accounting Standards.

Key 2013 Remuneration Outcomes

Fixed Remuneration	The Managing Director and the senior executives' total fixed remuneration did not increase in this financial year.
Short Term Incentive (STI)	Following a review by an independent remuneration expert of the level of awards available to senior executives under the STI, the maximum percentage of fixed remuneration payable to senior executives in the reporting period (excluding the Managing Director) was reduced from 80% to 45%. Whilst the Company did not meet all of its operational or financial targets, it did meet and exceed other targets as assessed by the Board, which resulted in an average STI award being made of 15% of the maximum that could be paid. Half of this award is paid in cash and has been included in FY13, with the remaining to be awarded in retention rights.
Long Term Incentive (LTI)	Following a review by an independent remuneration expert of the level of awards available to senior executives under the LTI, the maximum percentage of fixed remuneration payable to senior executives in the reporting period (excluding the Managing Director) was reduced from a range of 60 - 80% to 50%. LTI plan rights which are subject to performance conditions to be measured over three years were issued to senior executives during the reporting period following shareholder approval at the 2012 annual general meeting. 2006 LTI plan options were re-tested and as the performance condition was not met they lapsed without vesting.
Non-executive directors	The Chairman's fees were reduced by 10% from the previous year and as has been the practice, the Chairman did not receive additional committee fees. All other non-executive directors base fees and committee fees increased by an average of 15%.

Remuneration paid to Senior Executives in FY13

Disclosures required by the Corporations Act and Accounting Standards, particularly with the inclusion of accounting values included for LTIs awarded but not vested, can significantly vary from the remuneration actually paid to senior executives. The Accounting Standards require a value to be placed on an option or right granted to a senior executive based on probabilistic models (such as Black Scholes) and included in a senior executive's salary package, even if ultimately the senior executive does not receive the benefit if the hurdles are not met and as such the options or rights do not vest. This has occurred in the past in relation to options granted in 2006 and could continue to occur with the ongoing testing of options and rights issued from 2010 onwards that may not vest.

Beach believes that providing a summary in the table below of what was paid to senior executives, reflects the remuneration "actually realised" by those senior executives named in the report. This summary has been provided as a result of its continual engagement 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.

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 Inc. The Company expects that it will continue to face challenges for sourcing and retaining people in the oil and gas 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.

Remuneration Report

Realised Remuneration for Senior Executives for FY13

Name	Fixed Remuneration ⁽¹⁾ \$	Short Term Incentive Cash Payment ⁽²⁾ \$	Other ⁽³⁾ \$	Total Remuneration \$
Mr R G Nelson				
Managing Director	1,312,500	164,063	-	1,476,563
Ms K A Presser				
Chief Financial Officer/ Company Secretary	512,400	28,823	-	541,223
Mr N M Gibbins				
Chief Operating Officer	512,400	28,823	5,151	546,374
Mr R Rayner				
Group Executive Strategic Business and External Affairs	500,000	28,125	-	528,125
Mr G M Moseby				
General Manager - Business Review and Planning	481,856	27,563	569	509,988
Mr S B Masters				
Chief Commercial Officer	490,000	27,563	-	517,563
Ms C L Oster				
General Counsel/Joint Company Secretary	450,000	25,313	-	475,313
TOTAL 2013	4,259,156	330,273	5,720	4,595,149

⁽¹⁾ Fixed remuneration comprises base salary and superannuation

⁽²⁾ These amounts are the cash component of the STI payment that senior executives have become entitled to for the FY13 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.

⁽³⁾ Other remuneration includes allowances paid under the terms and conditions of employment.

The total remuneration amounts determined in accordance with the requirements of the Corporations Act are set out in Table 9.

Voting and comments made at the company's 2012 Annual General Meeting

Beach received more than 97% of "yes" votes on its Remuneration Report for FY12. The Company did not receive any specific feedback at the 2012 annual general meeting on its remuneration practices.

Remuneration Report

1. What is in this report?

This report:

- Explains Beach's policy and framework for structuring and setting remuneration of its KMP to align with company objectives and performance - see section 2;
- Describes how Beach makes decisions about remuneration – see section 3;
- Describes how Beach engages with external remuneration consultants – see section 4;
- Details the structure of remuneration for its senior executives - see section 5;
- Describes how the company links incentives to company performance – see section 6;
- Details senior executive employment arrangements – see section 7;
- Details total remuneration for senior executives calculated pursuant to legislative and accounting standard requirements – see section 8;
- Explains Beach's remuneration policy for non-executive directors – see section 9; and
- Details total remuneration for non-executive directors calculated pursuant to legislative and Accounting Standard requirements- see section 10.

2. Beach's policy and framework

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 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.

3. How Beach makes decisions about remuneration

The Board has responsibility for making decisions about the remuneration of its KMP. To do this a Board subcommittee, the Remuneration and Nomination Committee oversees remuneration matters concerning Beach's KMP. It makes recommendations to the Board for its approval about remuneration policy, fees and remuneration packages for non-executive directors and senior executives.

The Committee's charter can be viewed or downloaded from the Company's website at www.beachenergy.com.au. In FY13, the Committee comprised the following non-executive directors, including the Chairman, Mr G S Davis.

Name	Position
Ms B C Robinson	Committee Chairman (from 24 November 2012)
Mr R M Kennedy	Committee Chairman (from 1 July 2012 to 23 November 2012)
Mr G S Davis	
Ms F R V Bennett	(from 24 November 2012)

The Managing Director also attends parts of committee meetings that do not involve discussion on his own remuneration arrangements. Other executives may also attend committee meetings to provide management support.

Remuneration Report

4. External advisors and remuneration advice

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

It was engaged by the Remuneration and Nomination Committee to provide remuneration recommendations to the committee in accordance with its protocol. The protocol for the engagement of external remuneration consultants is used to ensure that the advice the committee and the Board 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 KMP. The terms of engagement by Guerdon and Associates were finalised by the Chairman of the committee and all remuneration recommendations are provided directly to the committee chairman. Management is involved in this process only to extent that it can assist the consultant by providing factual information requested by the consultant.

The consultant benchmarked executive KMP fees and remuneration both fixed and at risk components. For these services it received fees of \$123,572 (FY12\$48,722). Guerdon and Associates also reviewed the format for all executive KMP incentive plans and received fees of \$7,890 for these services. The Board was satisfied that the remuneration recommendations made by its consultant were made free from undue influence by any of the KMP to whom the recommendations related. Guerdon and Associates are independent remuneration consultants that only provide services in relation to executive and board remuneration consulting. Therefore the scope for potential conflicts of interest is minimised.

During the financial year, Guerdon and Associates was also engaged to provide independent advice in respect to benchmarking of director and committee fees, in particular in relation to the appointment of two new directors. For these services it received fees of \$14,863.

In addition to engaging external consultants to provide advice on KMP 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.

Guerdon and Associates was also appointed to provide advice that did not involve making a remuneration recommendation. This work was a valuation of the Company's incentive rights and options issued to senior executives. For this work, it received fees of \$46,502.

5. Senior Executive Remuneration Structure

This section details the remuneration structure for senior executives.

Table 1: Details of Beach 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
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

Remuneration Report

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 FY12 and FY13 financial years that relate to performance and those that are not.
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Table 2: Relative proportions of elements of remuneration packages

	Fixed Remuneration ⁽¹⁾	Performance based remuneration		At risk
Name	%	STI %	LTI %	%
Managing Director				
2013	36	36	28	64
2012	36	36	28	64
Senior Executives				
2013	51	23	26	49
2012 ⁽²⁾	38/50	31/20	31/30	62/50

⁽¹⁾These figures do not reflect the actual relative value derived by the Senior Executives from each of the components, which is dependent on actual performance targets for the "at risk" elements. These figures represent the maximum potential for each component.

⁽²⁾In FY12, the components of the at risk elements of the remuneration packages varied across the Senior Executives. Upon receiving independent advice these were aligned in FY13.

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. 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 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. It is reviewed annually against industry benchmarking information including the National Awards Group Incorporated remuneration survey. For the reporting period there were no fixed remuneration increases for senior executives.

Remuneration Report

6. Describes how the Company links performance to incentives

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 3: Shareholder wealth indicators 2009 - 2013

	2009	2010	2011	2012	2013
Gross revenue	\$583.6m	\$489.2m	\$498.2m	\$619.3m	\$700.5m
Net profit / (loss) after tax	\$260.4m	\$33.1m	\$(97.5)m	\$164.2m	\$153.7m
Underlying net profit after tax	\$61.3m	\$38.7m	\$42.1m	\$122.1m	\$140.8m
Share price at year-end	79.0 cents	69.0 cents	91.5 cents	94.0 cents	113.5 cents
Dividends declared	3.75 cents ⁽¹⁾	1.75 cents	1.75 cents	2.25 cents	2.75 cents
Reserves	66 MMboe	66 MMboe	77 MMboe	93 MMboe	93 MMboe

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

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.

Remuneration Report

Short Term Incentive (STI) (continued)

	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. In a review by independent remuneration consultants of the level of STI awards paid to other senior executives, the board determined to reduce the levels which previous ranged from 10% to 80% of fixed remuneration. The value of the award that can now be earned by other senior executives ranges from 15% to a maximum of 45% of fixed remuneration.
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?	For the current year, unless the Beach group achieves a return on capital of at least 5% based on statutory net profit after tax 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

STI Performance for the year

During the year the Board tested each senior executive's performance against the STI 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:

Table 4: STI Outcomes for FY13

KPI	FY13 Measure	Weight	FY13 Financial Year Award
Return on capital (ROC)	Based on statutory NPAT / average total equity (being the average total equity at the beginning and end of the financial year) of at least 5% to equate to shareholder expectation of return on investment	Gate or minimum benchmark performance	Achieved
NPAT, Reserves and Production	KPI measurable parameters based on growth of between 5% and 20% on each of the targeted KPIs.	75%	Not achieved
Functional or individual measures	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.	25%	Achieved
Total		100%	

As discussed above, 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 in FY13 will not be made to senior executives until September 2013 but have been accrued in the FY13 financial accounts as it is payable as at the end of the financial year. The amount of cash earned by each senior executive in FY13 is shown in Table 9. Retention rights will be issued for the balance of the award in September 2013. 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.

Remuneration Report

STI Performance for the year (continued)

In September 2012, STI rights were issued for the 2011 STI offer. Details of the number of rights issued to each senior executive are found in Table 10. Those rights will not vest unless senior executives continue their employment with Beach for up to two years.

Table 5: STI Performance rights issued in FY13

The fair value of services received in return for STI rights granted is measured by reference to the fair value of STI rights granted calculated using the Binomial or Black-Scholes Option Pricing Models. The contractual life of the STI rights is used as an input into the valuation model. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the rights), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate is based on Commonwealth Government bond yields relevant to the term of the performance rights.

STI Performance Rights		
	STI	
	Sep 12 Rights	Sep 12 Rights
Number of securities issued	751,995	751,995
Share price	0.912	0.912
Exercise price	-	-
Volatility (average)	45.814%	41.872%
Vesting Period (years)	1.0	2.0
Term	1.0	2.0
Risk free rate	2.460%	2.460%
Dividend yield	2.390%	2.390%
Fair value of security at grant date (weighted average)	0.912	0.912
Total fair value at grant date	685,819	685,819
Expensed FY13	(685,819)	(342,910)
Remaining expenditure in future years	-	342,909
	<i>Retention met on 1 July 2013 and shares issued</i>	<i>Retention to be tested on 1 July 2014</i>

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 6.
What is the performance condition?	Beach has used a range of TSR performance conditions for its LTI offers which are set out in Table 6. On the advice of its independent remuneration consultants, the most recent offer to the Managing Director uses a performance condition based on Beach's TSR performance relative to the total shareholder return performance of the companies in the S&P/ASX 300 Energy Index at the date the performance rights are granted. The most recent offer to other senior executives uses a performance condition based on Beach's TSR performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the three year performance period. Further details are set out in Table 6.
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?	The Corporations Act 2001 prevents KMPs and their closely related parties 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. Beach monitors this requirement through a policy that includes the requirement that a senior executive confirm compliance with the policy and/or provide confirmation of dealings in Beach securities on request. This prohibition is also reflected in Beach's share trading policy which 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 vested at 30 June 2013, shareholders equity would have diluted by 1.43%. 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.
Can remuneration be clawed back?	The Executive Incentive Plan rules that govern equity incentive grants made since 2010 has rules that enable the Board to take action in relation to vested and unvested entitlements where a senior executive acts fraudulently or dishonestly or in breach of his or her obligations to Beach. In these circumstances the Board may decide that entitlements such as shares or rights lapse or are forfeited or that cash awards be repaid or that the proceeds of the sale of shares be paid to the Company. Where an award vests because of the fraud, dishonesty or breach of obligations of a senior executive and other senior executives not involved also benefit, the Board may decide that the award has not vested or shares issued are forfeited to ensure that there is no unfair benefit. The Board may make a different award to those not involved in the inappropriate conduct. A claw back of incentive benefits applies to STI and LTI offers.

Remuneration Report

LTI equity awards currently in operation

Table 6 – Details of LTI equity awards issued, in operation or tested during the year

Details	2010 Rights , 2011 Rights & 2012 Rights	2007 Options	2006 Options
Type of Grant	Performance rights	Performance options	Performance options
Calculation of Grant limits for senior executives	2012 Rights Max LTI is 100% of Total Fixed Remuneration (TFR) for MD 50% of TFR for other senior executives 2011 Rights Max LTI is 100% of TFR for MD 60% - 80% of TFR for other senior executives according to position 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	2012 Rights 21 December 2012 2011 Rights 1 Dec 2011 2010 Rights 1 Dec 2010	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	2012 Rights 1 Dec 2012 – 30 Nov 2015 2011 Rights 1 Dec 2011- 30 Nov 2014 2010 Rights 1 Dec 2010 – 30 Nov 2013	28 Feb 2008 – 27 Feb 2011	1 Dec 2006 – 30 Nov 2009 with quarterly re-testing if unvested options remain
Performance Conditions for vesting Note: No vesting will occur if Beach has a negative TSR.	2011 Rights & 2010 Rights and 2007 Options Where Beach's TSR relative to the comparator group (see Table 7 below for this 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 2012 Rights For Managing Director - Beach's TSR performance relative to the total shareholder return performance of the companies in the S&P/ASX 300 Energy Index is ranked: < 50th percentile - 0% vesting = 50th percentile - 50% vesting; > 50th percentile and < the 100th percentile - a prorated number will vest; = 100th percentile – 100% vesting Other senior executives - Beach's TSR performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the performance period such that: < the Index return - 0% vesting = the Index return - 50% vesting; > the Index return and Index + 5.5% - a prorated number will vest; = or > Index return + 5.5% – 100% vesting		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

Remuneration Report

Table 6 – Details of LTI equity awards issued, in operation or tested during the year (continued)

Details	2010 Rights , 2011 Rights & 2012 Rights	2007 Options	2006 Options
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	2012 Rights 30 Nov 2017 2011 Rights 30 Nov 2016 2010 Rights 30 Nov 2015	27 Feb 2015	30 Nov 2013
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	

Table 7: 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, Innamincka Petroleum Limited and Queensland Gas Company Limited.

Companies	2011 Rights and 2010 Rights	2007 Options
AED Oil Ltd		x
AWE Ltd	x	x
Aurora Oil & Gas Ltd	x	
Dart Energy Ltd	x	
Horizon Oil Ltd	x	
Karoo Gas Australia Ltd	x	
Linc Energy Ltd	x	
Nexus Energy Ltd	x	x
Origin Energy Ltd		x
Oil Search Ltd	x	x
Petsec Energy Ltd		x
ROC Oil Company Ltd	x	x
Santos Ltd	x	x
Tap Oil Ltd		x
Woodside Petroleum Ltd	x	x

Remuneration Report

Table 8: Details of LTI performance options and rights at 30 June 2013

The fair value of services received in return for LTIs granted is measured by reference to the fair value of LTIs granted calculated using the Binomial or Black-Scholes Option Pricing Models. The estimate of the fair value of the services received for the LTI performance rights and options issued are measured with reference to the expected outcome which may include the use of a Monte Carlo simulation. The contractual life of the LTI rights and options is used as an input into this model. Expectations of early exercise are incorporated into a Monte Carlo simulation method where applicable. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the rights or options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate is based on Commonwealth Government bond yields relevant to the term of the performance rights or options.

LTI Performance Rights and Options							
	LTI						
	Dec 06 (A)	Dec 06 (B)	Dec 06 (C)	Feb 08	Dec 10	Dec 11	Dec 12
	Options	Options	Options	Options	Rights	Rights	Rights
Number of securities issued	3,060,000	3,060,000	1,971,552	4,439,958	5,453,895	2,566,470	1,848,839
Share price	1.406	1.406	1.406	1.423	0.670	1.411	1.470
Exercise price	1.406	1.406	1.406	1.423	-	-	-
Volatility (average)	9.800%	9.800%	9.800%	36.370%	37.410%	45.200%	44.925%
Vesting Period (years)	0.6	1.6	3.0	3.0	3.0	3.0	3.0
Term	7.0	7.0	7.0	7.0	5.0	5.0	5.0
Risk free rate	5.550%	5.550%	5.550%	5.850%	5.345%	3.475%	2.600%
Dividend yield	1.100%	1.100%	1.100%	1.100%	2.300%	1.400%	1.560%
Fair value of security at grant date (weighted average)	0.877	0.877	0.358	0.637	0.670	1.411	0.772
Total fair value at grant date	2,683,008	2,683,008	706,604	2,828,253	3,654,110	3,621,289	1,427,895
Expensed in prior period	(2,683,008)	(2,683,008)	(562,071)	(2,398,278)	(710,521)	-	-
Cancelled in prior period	-	-	(144,533)	(429,975)	-	-	-
Expensed FY12	-	-	-	-	(1,218,037)	(704,140)	-
Expensed FY13	-	-	-	-	(1,218,037)	(1,207,096)	(277,646)
Remaining expenditure in future years	-	-	-	-	507,515	1,710,053	1,150,249
	<i>Vested</i>	<i>Vested</i>	<i>Forfeited</i>	<i>Vested</i>	<i>To be tested in December 2013</i>	<i>To be tested in December 2014</i>	<i>To be tested in December 2015</i>

LTI Performance and outcomes for the year

During the year, a tranche of LTI options issued on 1 December 2006 (2006 Options) were re-tested using an absolute TSR measure. The TSR performance condition was not met so the options did not vest and lapsed. Details are found in Table 10 of the number of the 2006 Options that lapsed for each senior executive.

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 non-resource loans for a term of 10 years which are repayable on cessation of employment with the consolidated entity or expiry of the loan. 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. A total of \$1,576,805 in EIP loans remains outstanding from employee shares issued in prior reporting periods to senior executives as detailed below:

- 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.

Remuneration Report

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

- 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 loans for the shares issued in December 1997, January 2000 and December 2011, leaving a loan of \$490,625 outstanding for the issue of 312,500 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 \$490,625 outstanding for the issue of 312,500 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.

7. 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.

Other Senior Executives

- Other senior executives 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.

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8. Details of total remuneration for senior executives calculated pursuant to legislative requirements for the FY12 and the FY13 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 9. These details differ from the actual payments made to senior executives for the reporting period that are set out at the beginning of the Remuneration Report. See note 3 below for an explanation of the reason why actual and reported remuneration differs.

Table 9: Senior executives' remuneration for the FY12 and FY13 financial years

Short-term benefits			Share Based Payments				
Name & Year	Fixed Remuneration ⁽¹⁾	STI ⁽²⁾	LTI Rights ⁽³⁾	STI Rights ⁽³⁾	Total	% Total at risk	% Total issued in equity
	\$	\$	\$	\$	\$		
Mr R G Nelson							
2013	1,312,500	164,063	1,142,269	417,188	3,036,020	57	51
2012	1,346,940	556,250	978,114	-	2,881,304	53	34
Ms K A Presser							
2013	512,400	28,823	381,294	130,663	1,053,180	51	49
2012	512,400	174,216	337,223	-	1,023,839	50	33
Mr N M Gibbins							
2013	517,551	28,823	304,868	130,663	981,905	47	44
2012	512,400	174,216	242,347	-	928,963	45	26
Mr R A Rayner							
2013	500,000	28,125	163,709	85,001	776,835	36	32
2012	333,333	113,333	80,844	-	527,510	37	15
Mr G M Moseby							
2013	482,425	27,563	285,866	97,388	893,242	46	43
2012	476,808	129,850	227,057	-	833,715	43	27
Mr S B Masters							
2013	490,000	27,563	285,866	124,950	928,379	47	44
2012	490,003	166,600	220,131	-	876,734	44	25
Ms C L Oster							
2013	450,000	25,313	138,908	42,876	657,097	32	28
2012	336,270	57,166	103,239	-	496,675	32	21
Total							
2013	4,264,876	330,273	2,702,780	1,028,729	8,326,658	49	45
2012	4,008,154	1,371,631	2,188,955	-	7,568,740	47	29

⁽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 FY12, an amount of \$34,444 has been included in Mr Nelson's salary and none in FY13.

Remuneration Report

⁽²⁾ The cash component of the STI has been accrued as payable in FY13 based on KPIs met during the financial year but will only become payable in September 2013. The percentage of the STI that will be paid for the period and that was forfeited by each senior executive is set out below:

Name	Maximum STI payable		Total
	Achieved	Forfeited	
Mr R G Nelson	25%	75%	100%
Ms K A Presser	11%	89%	100%
Mr N M Gibbins	11%	89%	100%
Mr R A Rayner	11%	89%	100%
Mr G M Moseby	11%	89%	100%
Mr S B Masters	11%	89%	100%
Ms C L Oster	11%	89%	100%

⁽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 37 to the Financial Report.

Specific details of the number of LTI and STI performance rights and options issued, vested and lapsed for senior executives are set out below in Table 10.

Table 10: Details of LTI and STI Options and Rights

Name	Date of grant ⁽²⁾	Options/ rights on issue at 30 June 2012	Fair Value \$	Exercise Price \$	Vested ⁽¹⁾	Lapsed ⁽²⁾	Options/ rights on issue at 30 June 2013	Date options/ rights 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	-	1,221,000	28 Feb 2011
	1 Dec 2010	2,500,000	0.670	-	-	-	2,500,000	1 Dec 2013
	1 Dec 2011	966,851	1.411	-	-	-	966,851	1 Dec 2014
	14 Sept 2012	-	0.912	-	-	-	304,962	1 July 2013
	14 Sept 2012	-	0.912	-	-	-	304,962	1 July 2014
	21 Dec 2012	-	0.764	-	-	-	869,781	1 Dec 2015
Total		9,920,071			5,221,000	1,232,220	10,167,556	
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	-	334,178	28 Feb 2011
	1 Dec 2010	956,082	0.670	-	-	-	956,082	1 Dec 2013
	1 Dec 2011	301,967	1.411	-	-	-	301,967	1 Dec 2014
	14 Sept 2012	-	0.912	-	-	-	95,514	1 July 2013
	14 Sept 2012	-	0.912	-	-	-	95,514	1 July 2014
	21 Dec 2012	-	0.780	-	-	-	169,781	1 Dec 2015
Total		2,778,287			1,184,178	336,060	2,803,036	
Mr N M Gibbins	28 Feb 2008	221,519	0.637	1.422	221,519	-	221,519	28 Feb 2011
	1 Dec 2010	613,878	0.670	-	-	-	613,878	1 Dec 2013
	1 Dec 2011	301,967	1.411	-	-	-	301,967	1 Dec 2014
	14 Sept 2012	-	0.912	-	-	-	95,514	1 July 2013
	14 Sept 2012	-	0.912	-	-	-	95,514	1 July 2014
	21 Dec 2012	-	0.780	-	-	-	169,781	1 Dec 2015
Total		1,137,364			221,519	-	1,498,173	

Remuneration Report

Name	Date of grant ⁽²⁾	Options/ rights on issue at 30 June 2012	Fair Value \$	Exercise Price \$	Vested ⁽¹⁾	Lapsed ⁽²⁾	Options/ rights on issue at 30 June 2013	Date options/ rights first vest and become exercisable
Mr R A Rayner	1 Dec 2011	294,659	1.411	-	-	-	294,659	1 Dec 2014
	14 Sept 2012	-	0.912	-	-	-	62,135	1 July 2013
	14 Sept 2012	-	0.912	-	-	-	62,135	1 July 2014
	21 Dec 2012	-	0.780	-	-	-	165,673	1 Dec 2015
Total		294,659			-	-	584,602	
Mr G M Moseby	28 Feb 2008	221,519	0.637	1.422	221,519	-	221,519	28 Feb 2011
	1 Dec 2010	561,633	0.670	-	-	-	561,633	1 Dec 2013
	1 Dec 2011	288,766	1.411	-	-	-	288,766	1 Dec 2014
	14 Sept 2012	-	0.912	-	-	-	71,190	1 July 2013
	14 Sept 2012	-	0.912	-	-	-	71,190	1 July 2014
	21 Dec 2012	-	0.780	-	-	-	162,359	1 Dec 2015
Total		1,071,918			221,519	-	1,376,657	
Mr S B Masters	28 Feb 2008	139,241	0.637	1.422	139,241	-	139,241	28 Feb 2011
	1 Dec 2010	561,633	0.670	-	-	-	561,633	1 Dec 2013
	1 Dec 2011	288,766	1.411	-	-	-	288,766	1 Dec 2014
	14 Sept 2012	-	0.912	-	-	-	91,338	1 July 2013
	14 Sept 2012	-	0.912	-	-	-	91,338	1 July 2014
	21 Dec 2012	-	0.780	-	-	-	162,359	1 Dec 2015
Total		989,640			139,241	-	1,334,675	
Ms C L Oster	28 Feb 2008	121,520	0.637	1.422	121,520	-	121,520	28 Feb 2011
	1 Dec 2010	260,669	0.670	-	-	-	260,669	1 Dec 2013
	1 Dec 2011	123,494	1.411	-	-	-	123,494	1 Dec 2014
	14 Sept 2012	-	0.912	-	-	-	31,342	1 July 2013
	14 Sept 2012	-	0.912	-	-	-	31,342	1 July 2014
	21 Dec 2012	-	0.780	-	-	-	149,105	1 Dec 2015
Total		505,683			121,520	-	717,472	
Grand Total		16,697,622			7,108,977	1,568,280	18,482,171	

⁽¹⁾ All options shown have vested in previous reporting periods.

⁽²⁾ The lapsed options were those granted on 1 December 2006 and which were tested without the performance conditions being met in the 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

9. Remuneration policy for non-executive directors

Non-executive directors

Name	Position
Mr G S Davis	Chairman Elected Chairman on 23 November 2012 (formerly Deputy Chairman)
Mr J C Butler	Director
Mr F G Moretti	Lead Independent Director Elected 7 December 2012
Ms B C Robinson	Director
Ms F R V Bennett	Director Elected on 23 November 2012
Dr D A Schwebel	Director Elected on 23 November 2012
Mr R M Kennedy	Chairman Retired on 23 November 2012
Dr N F Alley	Director Retired on 23 November 2012

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.

As a result of independent advice, and with the retirement of Mr Kennedy, the Chairman's fees decreased by 10% from the previous year with effect 23 November 2012. As a result of the appointment of 2 new directors, base and Committee fees increased at an average of 15% with effect 23 November 2012. The remuneration consists of directors' fees, board committee fees and superannuation contributions to meet Beach's statutory superannuation obligations. Mr Moretti also receives an additional \$10,000 as the Lead Independent Director. 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.

Details of the fees payable to non-executive directors for Board and committee membership are set out in Tables 11 and 12.

Table 11: Beach board and board committee fees for FY13 and FY12 inclusive of statutory superannuation

	Board ⁽¹⁾		Board Committee ⁽²⁾					
	Chairman/ Deputy Chairman	Member	Chairman Audit	Member Audit	Chairman Remuneration	Member Remuneration	Chairman Corporate Governance	Member Corporate Governance
	\$	\$	\$	\$	\$	\$	\$	\$
Fees for FY13	250,000 / N/A	100,000	25,000	15,000	25,000	15,000	15,000	10,000
Fees for FY12	264,380 / 120,173	96,138	18,026	9,013	9,013	6,009	9,013	6,009

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

⁽²⁾ The Lead Independent Director also receives an annual fee of \$10,000.

Remuneration Report

10. Remuneration for non-executive directors

Details of the nature and amount of remuneration for the financial year and the previous financial year of each non-executive director is detailed in Table 12.

Table 12: Non-executive directors' remuneration for FY12 and FY13

Beach	Year	Directors Fees \$	Super Contribution ⁽¹⁾ \$	Total \$
Mr G S Davis	2013	208,324	-	208,324
(Chairman from 23 November 2012)	2012	144,207	-	144,207
Mr J C Butler	2013	118,494	10,664	129,158
	2012	110,250	9,923	120,173
Mr F G Moretti	2013	108,591	9,773	118,364
	2012	99,225	8,930	108,155
Ms B C Robinson	2013	107,197	9,648	116,845
	2012	88,970	8,007	96,977
Ms F Bennett	2013	72,282	6,505	78,787
	2012	-	-	-
Dr D Schwebel	2013	63,942	5,755	69,697
	2012	-	-	-
Mr R M Kennedy	2013	98,496	8,704	107,200
(Chairman until 23 November 2012)	2012	248,605	15,775	264,380
Dr N F Alley	2013	37,365	3,363	40,728
	2012	93,712	8,434	102,146
Total	2013	814,691	54,412	869,103
	2012	784,969	51,069	836,038

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

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 44 to 109 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 consolidated entity's financial position as at 30 June 2013 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 31 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 31.

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

27 August 2013

Consolidated Statement of Profit or Loss

For the financial year ended 30 June 2013

	Note	Consolidated	
		2013 \$000	2012 \$000
Sales revenue	3(a)	698,211	618,617
Cost of sales	4(a)	(467,200)	(421,183)
Gross profit		231,011	197,434
Other revenue	3(b)	2,249	651
Other income	3(c)	29,370	45,306
Other expenses	4(b)	(40,785)	(48,759)
Operating profit before financing costs		221,845	194,632
Interest income	4(c)	15,923	7,779
Finance expenses	4(c)	(23,767)	(14,602)
Profit before income tax expense		214,001	187,809
Income tax expense	5	(60,351)	(23,584)
Net profit after tax		153,650	164,225
Net profit/(loss) attributable to			
Owners of Beach Energy Limited		153,650	165,108
Non-controlling interests		-	(883)
		153,650	164,225
Basic earnings per share (cents per share)	33	12.17¢	14.43¢
Diluted earnings per share (cents per share)	33	11.73¢	14.22¢

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2013

	Note	Consolidated	
		2013 \$000	2012 \$000
Net profit after tax		153,650	164,225
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale financial assets		(3,976)	(5,575)
Tax effect relating to components of other comprehensive income	5	626	1,850
Net gain/(loss) on translation of foreign operations		29,937	(130)
Other comprehensive income/(loss), net of tax		26,587	(3,855)
Total comprehensive income after tax		180,237	160,370
Total comprehensive income/(loss) attributable to			
Owners of Beach Energy Limited		180,237	161,253
Non-controlling interests		-	(883)
		180,237	160,370

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	Consolidated 2013 \$000	2012 \$000
Current assets			
Cash and cash equivalents	30	347,601	378,505
Trade and other receivables	9	169,031	114,858
Inventories	10	76,303	64,425
Derivative financial instruments	11	31	322
Other	12	6,417	6,446
Total current assets		599,383	564,556
Non-current assets			
Available for sale financial assets	13	42,056	13,980
Property, plant and equipment	14	382,923	336,756
Petroleum assets	15	714,436	599,146
Exploration and evaluation assets	16	579,376	553,568
Deferred tax assets	17	65,951	67,008
Derivative financial instruments	11	21	134
Other financial assets	18	20,642	13,045
Total non-current assets		1,805,405	1,583,637
Total assets		2,404,788	2,148,193
Current liabilities			
Trade and other payables	19	127,089	121,026
Provisions	20	8,983	6,264
Current tax liabilities	21	29,425	301
Total current liabilities		165,497	127,591
Non-current liabilities			
Borrowings	22	119,953	113,376
Derivative financial instruments	11	14,866	11,775
Deferred tax liabilities	23	207,517	178,743
Provisions	20	114,449	104,861
Total non-current liabilities		456,785	408,755
Total liabilities		622,282	536,346
Net assets		1,782,506	1,611,847
Equity			
Issued capital	24	1,214,101	1,200,211
Reserves	25	46,613	15,153
Retained earnings		521,792	396,483
Total equity		1,782,506	1,611,847

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2013

	\$000 Issued Capital (Note 24)	\$000 Retained Earnings	\$000 Reserves (Note 25)	\$000 Total	\$000 Non Controlling Interests	\$000 Total Equity
Consolidated entity						
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 subsidiary	-	-	527	527	(4,974)	(4,447)
Other subsidiary transactions	-	-	(78)	(78)	110	32
Dividends paid (Note 6)	-	(19,394)	-	(19,394)	-	(19,394)
Transactions with owners	199,410	(19,394)	3,803	183,819	(4,864)	178,955
Balance as at 30 June 2012	1,200,211	396,483	15,153	1,611,847	-	1,611,847
Profit for the year	-	153,650	-	153,650	-	153,650
Other comprehensive income	-	-	26,587	26,587	-	26,587
Total comprehensive income for the period	-	153,650	26,587	180,237	-	180,237
Transactions with owners in their capacity as owners:						
Shares issued during the year	13,978	-	-	13,978	-	13,978
Transaction costs - net of tax	(88)	-	-	(88)	-	(88)
Increase in share based payments reserve	-	-	4,873	4,873	-	4,873
Dividends paid (Note 6)	-	(28,341)	-	(28,341)	-	(28,341)
Transactions with owners	13,890	(28,341)	4,873	(9,578)	-	(9,578)
Balance as at 30 June 2013	1,214,101	521,792	46,613	1,782,506	-	1,782,506

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2013

	Note	Consolidated	
		2013 \$000	2012 \$000
Cash flows from operating activities			
Receipts from oil and gas operations		647,392	588,379
Operating and personnel costs paid		(390,486)	(364,985)
Interest received		14,761	4,805
Other receipts		3,627	651
Financing costs		(8,257)	(5,657)
Derivative payments		(3,041)	(4,974)
Income tax paid		(2)	-
Net cash provided by operating activities	30(b)	263,994	218,219
Cash flows from investing activities			
Payments for property, plant and equipment (Australia)		(73,866)	(51,056)
Payments for property, plant and equipment (Overseas)		(2,053)	(596)
Payments for exploration and petroleum assets (Australia)		(319,288)	(189,929)
Payments for exploration and petroleum assets (Overseas)		(30,856)	(14,993)
Payments for restoration		(598)	(9,502)
Acquisition of subsidiary, net of cash acquired	39	-	(79,376)
Acquisition of exploration interests		(20,263)	(3,397)
Payments for investments		(32,141)	(6,649)
Proceeds from sale of investments		65	17,409
Proceeds from sale of joint venture interests		95,015	-
Proceeds from sale of non-current assets		101	252
Reimbursement of exploration expenditure		101,388	-
Sale of subsidiary, net of cash disposed	30(d)	-	119
Net cash used in investing activities		(282,496)	(337,718)
Cash flows from financing activities			
Proceeds from issue of shares		-	195,305
Costs associated with issue of shares		(125)	(6,061)
Proceeds from issue of convertible notes		-	150,000
Costs associated with issue of convertible notes		-	(4,865)
Repayment of Employee Incentive Loans		1,556	511
Dividends paid		(15,919)	(10,668)
Net cash (used in)/provided by financing activities		(14,488)	324,222
Net (decrease)/increase in cash held		(32,990)	204,723
Cash at beginning of financial year		378,505	173,328
Effects of exchange rate changes on the balances of cash held in foreign currencies		2,086	454
Cash at end of financial year	30(a)	347,601	378,505

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 2013

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 2013 was authorised for issue in accordance with a resolution of the directors on 27 August 2013.

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 2013 comprises the Company and its controlled entities (the group or consolidated entity). Beach is a for-profit entity for the purpose of preparing the financial statements.

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 statement of profit or loss 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 as shown below.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (Applies to annual reporting periods beginning on or after 1 July 2012)

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently, and changes the title of 'income statement' to 'statement of profit or loss'.

The adoption of new and revised Australian Accounting Standards and Interpretations has had no significant impact on the group's accounting policies or the amounts reported during the financial year although it has resulted in minor changes to the group's presentation of its financial statements.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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 Statement of profit or loss, 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 Statement of profit or loss 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 Statement of profit or loss 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 2013

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 Statement of profit or loss 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 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 statement of profit or loss. 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 fair value being the 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 statement of profit or loss 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 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) **Financial instruments (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 Statement of profit or loss.
- **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 Statement of profit or loss.

(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 statement of profit or loss 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 (parent entity):** 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 naphtha 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 2013

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 statement of profit or loss 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 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) **Tax (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) is recognised as an income tax under *AASB112 - Income Taxes*.

From 1 July 2012, the PRRT regime was extended to all Australian onshore oil and gas projects. Accounting for PRRT involves judging the impact of the combination of production licences into PRRT projects, the taxing point of projects, the measurement of the starting base of projects, the impact of farm-ins, the deductibility of expenditure and the impact of legislative amendments.

A deferred tax asset is recognised in relation to the starting base or carry forward deductible expenditure of projects only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The group has 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. Deferred tax assets in respect of PRRT are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

During the year, Beach applied for and was granted a PRRT combination certificate by the Minister for Resources and Energy. Therefore, the Cooper Basin production licences together are treated as one project for PRRT purposes.

The government also enacted legislation which will enable contract liabilities with third parties to be apportioned based on the extent that the expenditure relates to the petroleum project.

Due to the substantial 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 year ended 30 June 2013.

- (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 statement of profit or loss 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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (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.
- (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 Statement of profit or loss 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 accounted for as a derivative liability and subsequently remeasured at the end of the reporting period to fair value with gains and losses recorded in the Statement of profit or loss. 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 Statement of profit or loss.
- (w) **Business combinations:** The acquisition method of accounting 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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Business combinations (continued):

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 non-controlling interest.

Transaction costs incurred in relation to the business combination are expensed as incurred to the Statement of profit or loss. 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.

- (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 date. Foreign exchange differences arising on translation are recognised in the Statement of profit or loss.

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 2013, 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, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(γ) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group (continued):

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;
The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and the remaining change is presented in profit or loss.

There will be no impact on the group's accounting for financial assets or liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group (continued):**

In addition, AASB 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the joint arrangements in place relate to joint operations.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. When this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the amounts recognised in the financial statements although it may impact the type of information disclosed in relation assets and liabilities which are measured using fair values.

(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The group does not have any defined benefit plans. Therefore, these amendments will have no impact on the group.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group (continued):**

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

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards. When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the group.

(vi) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard. When this AASB 2012-2 is first adopted for the year ended 30 June 2014, there will be no impact on the group as the group does not have any netting arrangements in place.

(vii) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the group as this standard merely clarifies existing requirements in AASB 132.

(viii) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB 136)

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the group given that they are largely of the nature of clarification of existing requirements.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group (continued):**

(ix) Interpretation 21 Levies (21)

21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

21 is an interpretation of AASB 37 Provisions, Contingent Liabilities and Contingent Assets. AASB 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation. When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the group is not subject any levies addressed by this interpretation.

(x) AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures

AASB 2012-6 amends the mandatory effective date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. It also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition from AASB 139 to AASB 9 in some circumstances. The group will be able to provide transition disclosures, instead of restating comparatives, upon initial application of AASB 9.

(xi) AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

AASB 2012-9 amends AASB 1048 Interpretation of Standards as a consequence of the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia. When AASB 2012-9 is first adopted for the year ended 30 June 2014, there will be no impact on the group as this standard will not affect current practice.

(xiii) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle

These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards. The amendments made are largely of the nature of clarifications or removals of unintended inconsistencies between Australian Accounting Standards (for example, AASB 101 is amended to clarify that related notes to an additional statement of financial position are not required in the event of a change in accounting policy, reclassification or restatement). When these amendments are first adopted for the year ended 30 June 2014, they are unlikely to have any significant impact on the group given that they are largely of the nature of clarifications or removals of unintended inconsistencies between Australian Accounting Standards.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group (continued):**

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- (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 38, has been prepared on the same basis, using the same accounting policies as the consolidated financial statements.
- (ad) **Carbon Tax:** The group estimates its emissions liability in accordance with the Clean Energy Act 2011 (Cth) and associated pronouncements, based on covered emissions arising from facilities for which the group has operational control or as advised by the Joint Venture operator for those interests where the group does not have operational control. The determination of covered emissions includes both measured and estimated data based on operational activities and judgement in regard to the expected liable facilities for the relevant compliance period under the legislation. Carbon permits are purchased when the provision for carbon is required to be settled. The carbon provision is derecognised from the statement of financial position when purchased permits are delivered to the Australian government in settlement of the liability. Carbon costs are recognised as an operating expense in the statement of profit or loss as emissions are incurred. Carbon costs that are recovered from customers are recognised as sales revenue in the statement of profit or loss in accordance with Note 1(l). The estimated impact of carbon tax on the group's cash-generating units has been included in determining cash flow projections when assessing impairment of oil and gas assets and other land, buildings, plant and equipment as described in Note 1(f). The carrying amount of the provision for carbon is disclosed in Note 20.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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 statement of profit or loss.

(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. Where appropriate the cash flow inputs have been adjusted to reflect identifiable uncertainty and risk. A recoverable amount is then determined by discounting the expected net cash flows to their present values using a pre-tax discount rate of 8% to take into account the risks that have not already been adjusted for in the cash flows. 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 2013

Note 2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Petroleum Resource Rent Tax (PRRT)

From 1 July 2012, the PRRT regime was extended to all Australian onshore oil and gas projects. Accounting for PRRT involves judging the impact of the combination of production licences into PRRT projects, the taxing point of projects, the measurement of the starting base of projects, the impact of farm-ins, the deductibility of expenditure and the impact of legislative amendments.

During the year, Beach applied for and was granted a PRRT combination certificate by the Minister for Resources and Energy. Therefore, the Cooper Basin production licences together are treated as one project for PRRT purposes.

The government also enacted legislation which will enable contract liabilities with third parties to be apportioned based on the extent that the expenditure relates to the petroleum project.

Due to the substantial 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 year ended 30 June 2013.

(f) Carbon tax

The Clean Energy Act introduced a carbon tax into the Australian economy from 1 July 2012 which has 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 2013.

On 1 July 2012 the Australian Government's Clean Energy legislation took effect. This legislation requires 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 (CO₂e) 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 CO₂e. The cost of carbon to Beach for FY13 in respect of its share of affected joint venture facilities has been estimated at \$13 million. Beach has sought to recoup carbon costs where possible via cost pass through in domestic sales agreements.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000
Note 3		
REVENUE AND OTHER INCOME		
(a) Sales revenue		
Crude oil	508,187	398,315
Gas and gas liquids	190,024	220,302
	698,211	618,617
(b) Other revenue		
Other	2,249	651
Total revenue	700,460	619,268
(c) Other income		
Gain on sale of investments	-	11,520
Gain on sale of non-current assets	90	36
Gain on sale of joint venture interests	26,589	-
Gain on disposal of subsidiary (refer Note 30(d))	-	7,977
Foreign exchange gains	1,313	570
Gain on acquisition of subsidiary (refer Note 39)	-	3,639
Unrealised movement in the value of convertible note conversion rights	-	21,564
Insurance proceeds	1,378	-
Total other income	29,370	45,306

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000
Note 4		
EXPENSES		
(a) Cost of sales		
Operating costs	172,268	168,628
Carbon cost	12,976	-
Royalties	57,316	36,987
Total operating costs	242,560	205,615
Depreciation of buildings	837	940
Depreciation of property, plant and equipment	30,668	32,400
Total depreciation	31,505	33,340
Amortisation of petroleum assets	95,008	75,339
Total amortisation and depreciation	126,513	108,679
Third party oil and gas purchases	109,406	104,345
Change in inventory	(11,279)	2,544
Total cost of sales	467,200	421,183
(b) Other expenses		
Impairment		
Impairment of plant and equipment	25	-
Impairment of exploration	6,171	13,269
Impairment of development assets	-	6,881
Total Impairment loss	6,196	20,150
Hedging		
Loss on interest rate hedging	-	816
Loss on commodity hedging	1,641	974
Total hedging loss	1,641	1,790
Other		
Employee benefits expense	21,360	17,243
Loss on sale of employee shares	-	31
Bad debts	13	-
Loss on sale of investments	25	-
Takeover and subsidiary merger costs	-	2,149
Unrealised movement in the value of convertible note conversion rights	3,091	-
Other	8,459	7,396
Other expenses	32,948	26,819
Total other expenses	40,785	48,759
(c) Net finance expenses/(income)		
Finance costs	3,041	2,513
Interest expense	6,637	4,146
Discount unwinding on convertible note	5,604	1,336
Discount unwinding on provision for restoration (refer Note 20)	8,485	6,607
Total finance expenses	23,767	14,602
Interest income	(15,923)	(7,779)
Net finance expenses/(income)	7,844	6,823

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000

Note 5

INCOME TAX EXPENSE

Recognised in the income statement

Current tax expense/(benefit)

Current financial year tax expense/(benefit)	36,410	(2,932)
Recognition of tax losses – benefit	-	(1,581)
Expense on derecognition of tax loss	622	2,942
Over provision in the prior year	(5,276)	(10,232)
Other	(28)	-
	31,728	(11,803)

Deferred tax expense/(benefit)

Origination and reversal of temporary differences	30,321	35,335
(Over)/Under provision in the prior year	(1,698)	52
	28,623	35,387

Total income tax expense	60,351	23,584
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Numerical reconciliation between tax expense and prima facie tax expense

Reconciliation of the prima facie income tax expense/(benefit) calculated on profit before income tax expense included in the statement of profit or loss

Profit before income tax expense	214,001	187,809
Prima facie income tax expense using an income tax rate at 30% (2012:30%)	64,200	56,343
Adjustment to income tax expense due to		
Non-deductible expenses	1,508	1,121
Tax losses of controlled entity not recognised	622	2,942
Adjustment to income tax expense due to		
Losses utilised	96	(689)
Non-taxable revenues	-	(354)
Tax consolidation	-	(24,898)
Other	899	(701)
Over provision in the prior year	(6,974)	(10,180)
Income tax expense on pre-tax profit	60,351	23,584

Movement in temporary differences during the financial year

	Balance 1 July 2012	Recognised through acquisition	Recognised in income	Recognised in equity	Balance 30 June 2013
Consolidated entity	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	(158,638)	-	(17,631)	-	(176,269)
Investments	(1,075)	-	(7,470)	626	(7,919)
Provisions	31,491	-	3,171	-	34,662
Employee benefits	1,781	-	325	-	2,106
Other Items	(7,278)	-	9,942	37	2,701
Tax value of losses carried forward	21,784	-	(19,846)	-	1,938
Inventories	200	-	1,015	-	1,215
Total	(111,735)	-	(30,494)	663	(141,566)

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 5

INCOME TAX EXPENSE (CONTINUED)

Movement in temporary differences during the previous 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
Total	(50,232)	(22,061)	(43,110)	3,668	(111,735)

Tax effects relating to each component of comprehensive income

	2013			2012		
	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	(3,976)	626	(3,350)	(5,575)	1,850	(3,725)
Exchange difference on translating foreign controlled entities	29,937	-	29,937	(130)	-	(130)

Consolidated

2013
\$000

2012
\$000

Note 6

DIVIDENDS

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

Final dividend of 1.5 cents declared on 28 August 2012,
record date of 7 September 2012 and paid on 28 September 2012

18,848 -

Interim dividend of 0.75 cents declared on 26 February 2013,
record date of 8 March 2013 and paid on 5 April 2013

9,493 -

Total dividends paid or payable **28,341** 19,394

Franking credits available in subsequent financial years
based on a tax rate of 30% (2012 - 30%)

27,557 39,707

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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 G S Davis	Non-Executive Chairman (from 23 November 2012 and Non-Executive Deputy Chairman until 23 November 2012)
Mr J C Butler	Non-Executive Director
Mr F G Moretti	Non-Executive Director
Ms B C Robinson	Non-Executive Director
Ms F R V Bennett	Non-Executive Director (from 23 November 2012)
Dr D A Schwebel	Non-Executive Director (from 23 November 2012)
Mr R M Kennedy	Non Executive Chairman (until 23 November 2012)
Dr N F Alley	Non-Executive Director (until 23 November 2012)
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

	Consolidated	
	2013	2012
	\$000	\$000

The key management personnel compensation is as follows:

Short term benefits	5,234,836	6,770,409
Post employment benefits	229,413	357,139
Retention benefits	1,028,729	-
Long term incentives	2,702,779	2,422,214
	9,195,757	9,549,762

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 28 - 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 2013

Note 7

KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Equity Interests

Key management personnel interests in shares, options and rights

The relevant interest of each 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 G S Davis	116,077 ⁽²⁾	-	-
Mr R G Nelson	2,495,389 ⁽¹⁾ 1,216,434 ⁽²⁾	5,221,000 ⁽¹⁾	4,946,556 ⁽¹⁾
Mr J C Butler	167,393 ⁽¹⁾	-	-
Mr F G Moretti	265,275 ⁽²⁾	-	-
Ms B C Robinson	14,884 ⁽¹⁾	-	-
Ms F R V Bennett	-	-	-
Dr D A Schwebel	-	-	-
Ms K A Presser	800,000 ⁽¹⁾	1,184,178 ⁽¹⁾	1,618,858 ⁽¹⁾
Mr N M Gibbins	941,067 ⁽¹⁾	221,519 ⁽¹⁾	1,276,654 ⁽¹⁾
Mr G M Moseby	549,923 ⁽¹⁾	221,519 ⁽¹⁾	1,155,138 ⁽¹⁾
Mr S B Masters	250,000 ⁽¹⁾	139,241 ⁽¹⁾	1,195,434 ⁽¹⁾
Ms C L Oster	433,819 ⁽¹⁾	121,520 ⁽¹⁾	595,952 ⁽¹⁾
Mr R A Rayner	35,000 ⁽²⁾	-	584,602 ⁽¹⁾
Total	7,285,261	7,108,977	11,373,194

⁽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 G S Davis			
1 July 2011	100,000	-	-
FY12 – issued under the terms of the DRP	1,397	-	-
FY12 - Issued under the terms of the Rights Issue	12,675	-	-
FY13 – Issued under the terms of the DRP	2,005	-	-
Balance 30 June 2013	116,077	-	-
Mr R G Nelson			
1 July 2011	2,301,903	6,453,220	5,000,000
FY12 – Issued under the terms of the DRP	45,239	-	-
FY12 - Shares issue upon vesting of rights	2,500,000	-	(2,500,000)
FY12 - Issued LTI rights	-	-	966,851
FY12 - Issued under the terms of the Rights Issue	78,149	-	-
FY12 - Options cancelled due to non-performance	-	(1,232,220)	-
FY13 – Issued under the terms of the DRP	86,532	-	-
FY13 – Shares sold on Market	(1,300,000)	-	-
FY13 - Issued STI Rights	-	-	609,924
FY13 - Issued LTI rights	-	-	869,781
Balance 30 June 2013	3,711,823	5,221,000	4,946,556

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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 2011	145,226	-	-
FY12 – Issued under the terms of the DRP	3,567	-	-
FY12 - Issued under the terms of the Rights Issue	18,600	-	-
Balance 30 June 2013	167,393	-	-
Mr F G Moretti			-
1 July 2011	230,698	-	-
FY12 – Issued under the terms of the DRP	2,241	-	-
FY12 - Issued under the terms of the Rights Issue	29,119	-	-
FY13 - Issued under the terms of the DRP	3,217	-	-
Balance 30 June 2013	265,275	-	-
Ms B C Robinson			
1 July 2011	10,579	-	-
FY12 - Purchased on market	2,558	-	-
FY12 - Issued under the terms of the DRP	148	-	-
FY12 - Issued under the terms of the Rights Issue	1,341	-	-
FY13 - Issued under the terms of the DRP	258	-	-
Balance 30 June 2013	14,884	-	-
Ms K A Presser			
1 July 2011	660,000	1,743,022	1,617,026
FY12 - Options cancelled due to non-performance	-	(222,784)	-
FY12 - Sold on market	(240,944)	-	-
FY12 - Shares issue upon vesting of rights	660,944	-	(660,944)
FY12 - Issued LTI rights	-	-	301,967
FY12 - Issued under the terms of the Rights Issue	20,000	-	-
FY13 – Sold on market	(300,000)	-	-
FY13 –Options cancelled due to non-performance	-	(336,060)	-
FY13 – Issued LTI Rights	-	-	191,028
FY13 - Issued STI Rights	-	-	169,781
Balance 30 June 2013	800,000	1,184,178	1,618,858
Mr N M Gibbins			
1 July 2011	828,644	369,198	976,301
FY12 - Options cancelled due to non-performance	-	(147,679)	-
FY12 - Shares issue upon vesting of rights	362,423	-	(362,423)
FY12 - Issued LTI rights	-	-	301,967
FY13 – Sold on market	(250,000)	-	-
FY13 – Issued LTI Rights	-	-	191,028
FY13 – Issued STI Rights	-	-	169,781
Balance 30 June 2013	941,067	221,519	1,276,654

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

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 2011	437,500	369,198	924,056
FY12 - Options cancelled due to non-performance	-	(147,679)	-
FY12 - Shares issue upon vesting of rights	362,423	-	(362,423)
FY12 - Issued LTI rights	-	-	288,766
FY13 – Sold on market	(250,000)	-	-
FY13 – Issued LTI rights	-	-	162,359
FY13 - Issued STI rights	-	-	142,380
Balance 30 June 2013	549,923	221,519	1,155,138
Mr S B Masters			
1 July 2011	250,000	232,068	811,991
FY12 - Options cancelled due to non-performance	-	(92,827)	-
Fy12 - Shares issue upon vesting of rights	250,358	-	(250,358)
FY12 - Issued LTI rights	-	-	288,766
FY13 – Sold on market	(250,358)	-	-
FY13 – Issued LTI rights	-	-	162,359
FY13 - Issued STI rights	-	-	182,676
Balance 30 June 2013	250,000	139,241	1,195,434
Ms C L Oster			
1 July 2011	249,991	202,532	440,927
FY12 - Options cancelled due to non-performance	-	(81,012)	-
FY12 - Shares issue upon vesting of rights	180,258	-	(180,258)
FY12 - Issued LTI rights	-	-	123,494
FY12 - Issued under the terms of the Rights Issue	3,570	-	-
FY13 – Issued LTI rights	-	-	149,105
FY13 - Issued STI rights	-	-	62,684
Balance 30 June 2013	433,819	121,520	595,952
Mr R A Rayner			
1 July 2011	35,000	-	-
FY12 - Issued LTI rights	-	-	294,659
FY13 – Issued LTI rights	-	-	165,673
FY13 - Issued STI rights	-	-	124,270
Balance 30 June 2013	35,000	-	584,602
Total balance 30 June 2013	7,285,261	7,108,977	11,373,194
Total balance 30 June 2012	11,088,607	8,677,257	8,020,365

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 7

KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Loans advanced under the terms of the Employee Incentive Plan

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 non-resource loans for a term of 10 years which are repayable on cessation of employment with the consolidated entity or expiry of the loan term. 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. A total of \$1,576,805 in EIP loans remains outstanding from employee shares issued in prior reporting periods to senior executives as detailed below:

- 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 loans for the shares issued in December 1997, January 2000 and December 2011, leaving a loan of \$490,625 outstanding for the issue of 312,500 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 \$490,625 outstanding for the issue of 312,500 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 2013

	Consolidated	
	2013	2012
	\$000	\$000

Note 8

AUDITORS REMUNERATION

Audit services

Amounts received or due and receivable by the auditor of Beach for:

- auditing or reviewing the financial statements	280	220
- joint venture audits	10	18
	290	238

Amounts received or due and receivable by other firms for:

- auditing or reviewing the financial statements	14	29
Total audit services	304	267

Non-audit services

Amounts received or due and receivable by the auditor of Beach for:

- due diligence and other services	14	49
Total non-audit services	14	49

Note 9

TRADE AND OTHER RECEIVABLES

Trade receivables	141,771	90,721
Interest receivable	4,439	3,278
Other receivables	22,946	20,984
Provision for Impairment	(125)	(125)
Total trade and other receivables	169,031	114,858

As at 30 June 2013, 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 32 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

CURRENT INVENTORIES

Petroleum products	65,552	54,273
Drilling and maintenance stocks	24,537	20,368
Less provision for obsolescence	(13,786)	(10,216)
Total current inventories at lower of cost and net realisable value	76,303	64,425

Petroleum products included above which are stated at net realisable value	34,993	32,157
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Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000

Note 11

DERIVATIVE FINANCIAL INSTRUMENTS

Current assets	31	322
Non current assets	21	134
Derivative assets held	52	456
Non current liabilities	(14,866)	(11,775)
Derivative liabilities held	(14,866)	(11,775)
Net derivative liabilities held	(14,814)	(11,319)

The amount shown for non-current liabilities of \$14.9 million (2012: \$11.8 million) is the fair value of the conversion rights relating to the convertible notes on issue. 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.

Current assets and liabilities 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 2013.

Non current assets and liabilities 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 32.

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 hierarchy as defined under AASB 7 Financial Instruments: Disclosure, as they have been derived using inputs from a variety of market data.

Note 12

OTHER CURRENT ASSETS

Prepayments	6,417	6,446
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Note 13

AVAILABLE FOR SALE FINANCIAL ASSETS

Investment in listed securities at fair value	42,056	13,980
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These investments are measured at fair value using the closing price on the reporting date as listed on various securities exchanges. Prices from these securities exchanges are recognised as 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 2013

	Consolidated	
	2013	2012
	\$000	\$000
Note 14		
PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Freehold land at cost	2,095	2,136
Buildings at cost	27,669	23,999
Less accumulated depreciation	(13,545)	(12,708)
Total land and buildings	16,219	13,427
Reconciliation of movement in land and buildings:		
Freehold land at cost	2,136	560
Additions	-	41
Transfer to development	(41)	-
Acquisition of subsidiary	-	1,535
Total land	2,095	2,136
Balance at beginning of financial year	11,291	11,393
Additions	3,670	838
Depreciation expense	(837)	(940)
Total buildings	14,124	11,291
Total land and buildings	16,219	13,427
Office equipment		
Office equipment at cost	6,901	5,626
Less accumulated depreciation	(5,216)	(4,777)
Total office equipment	1,685	849
Reconciliation of movement in office equipment:		
Balance at beginning of financial year	849	943
Additions	1,271	476
Sale of subsidiary	-	(20)
Disposals	-	(3)
Depreciation expense	(437)	(548)
Foreign exchange movement	2	1
Total office equipment	1,685	849
Production facilities and field equipment		
Production facilities and field equipment	711,784	639,845
Less accumulated depreciation	(346,765)	(317,365)
Total production facilities and field equipment	365,019	322,480
Reconciliation of movement in production facilities and field equipment:		
Balance at beginning of financial year	322,480	305,614
Additions	72,252	48,926
Disposals	(141)	(220)
Impairment of production facilities and field equipment ⁽¹⁾	(25)	-
Depreciation expense	(30,231)	(31,852)
Foreign exchange movement	684	12
Total production and field equipment	365,019	322,480
Total property, plant and equipment	382,923	336,756

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 FY13, an impairment expense was recorded against Other Australian assets.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000

Note 15

PETROLEUM ASSETS

Petroleum assets at cost	1,389,025	1,179,714
Less accumulated amortisation	(674,589)	(580,568)

Total petroleum assets	714,436	599,146
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Reconciliation of movement in petroleum assets

Balance at beginning of financial year	599,146	535,687
Additions	143,951	111,167
Increase in restoration	1,122	23,977
Acquisition of joint venture interest	89	-
Sale of subsidiary	-	(146)
Transfer from fixed assets	41	-
Transfer from exploration and evaluation expenditure	64,116	10,895
Disposals	(843)	(391)
Impairment of petroleum assets ⁽¹⁾	-	(6,881)
Amortisation expense	(95,008)	(75,339)
Foreign exchange movement	1,822	177
Total petroleum assets	714,436	599,146

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 34)

⁽¹⁾ Petroleum assets are assessed on a bi-annual basis and compared to the carrying values to determine if any impairment exists. In FY12, an impairment expense was recorded on Other Australian assets (\$6.9m).

Note 16

EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation areas at beginning of financial year (net of amounts written off)	553,568	364,720
Additions	206,051	97,668
Increase in restoration	1,254	-
Acquisitions of joint venture interests	20,174	3,397
Acquisition of subsidiary	-	117,198
Transfer to petroleum assets	(64,116)	(10,895)
Impairment of exploration expenditure ⁽¹⁾	(6,171)	(13,269)
Disposal of subsidiary	-	(4,897)
Disposal of joint venture interests	(157,389)	-
Foreign exchange movement	26,005	(354)
Total exploration and evaluation expenditure	579,376	553,568

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 34)

⁽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 statement of profit or loss. As a result of this review in FY13, an impairment expense of \$2.7m was recorded on International exploration assets and \$0.8m in relation to Other Australian exploration assets along with \$2.7m of expenditure in relation to new ventures which was written off in the year it was incurred. In FY12 International (\$11.3m) exploration assets were impaired along with \$2.0m 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 2013

	Consolidated	
	2013	2012
	\$000	\$000

Note 17

RECOGNISED DEFERRED TAX ASSETS

Deferred tax assets are attributable to the following:

Property, plant and equipment	7,824	1,738
Provisions	34,662	31,491
Employee benefits	2,106	1,782
Other items	15,369	7,228
Tax value of loss carry-forwards	1,938	21,784
Inventories	4,052	2,985
Income tax assets	65,951	67,008

Unrecognised deferred tax assets

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)	10,932	10,958
Revaluation of available for sale assets	574	188
Total	12,893	12,533

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 18

OTHER NON-CURRENT ASSETS

Security deposits	53	46
Prepayments	20,589	12,999
Total other non-current assets	20,642	13,045

Note 19

CURRENT TRADE AND OTHER PAYABLES

Trade payables	120,673	102,658
Other payables	6,416	18,368
Total trade and other payables	127,089	121,026

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000

Note 20

PROVISIONS

Current

Employee benefits	4,684	3,680
Managing Director's retirement benefit	1,382	1,391
Carbon	1,837	-
Restoration	1,080	1,193
Total short term provisions	8,983	6,264

Non-Current

Employee benefits	951	869
Restoration	112,957	103,199
Take or pay gas	541	793
Total long term provisions	114,449	104,861

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

Consolidated entity	Carbon Tax \$000	Total Restoration \$000	Take or Pay Gas contracts \$000	Directors Retirement \$000
Balance at 1 July 2012	-	104,392	793	1,391
Provision made during the year	12,976	2,723	541	(9)
Provision used during the year	(11,139)	(655)	(793)	-
Acquisitions/disposals	-	(908)	-	-
Unwind of discount	-	8,485	-	-
Balance at 30 June 2013	1,837	114,037	541	1,382

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.

Carbon

Provisions for carbon costs are recognised when there is a present obligation to settle the group's emissions of carbon dioxide equivalent.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000

Note 21

CURRENT TAX LIABILITIES

Tax payable	29,425	301
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Note 22

NON-CURRENT BORROWINGS

Convertible notes	119,953	113,376
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Reconciliation of note issue

Face value of notes issued	150,000	150,000
Less conversion rights (see derivatives Note 11)	(33,339)	(33,339)
Less transaction costs	(3,648)	(4,621)
Add finance costs in prior period	1,336	-
Add finance costs in current period	5,604	1,336
	119,953	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 \$1.97 per share (subject to certain adjustments) (2012: \$2.00). 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 2013. 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 current conversion price, up to 76,142,132 (2012: 75,000,000) new Beach Ordinary Shares could be issued. The final number of shares to be issued may be impacted by any further adjustments to the conversion price under the terms of the Notes issue.

Note 23

DEFERRED TAX LIABILITIES

Property, plant and equipment	184,093	160,377
Investments	7,919	1,255
Other items	12,668	14,325
Inventories	2,837	2,786
Total deferred tax liabilities	207,517	178,743

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 24

ISSUED CAPITAL

(a) Ordinary shares

	Number of Shares	\$000
Issued and fully paid ordinary shares at 30 June 2011	1,103,127,711	1,000,801
<u>Issued during the FY12 financial year</u>		
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
<u>Issued during the FY13 financial year</u>		
29 August 2012 - Employee Incentive Plan	719,605	-
30 September 2012 – shares issued under the terms of the Dividend Reinvestment Plan for final 1.5 cent per share dividend	6,756,685	8,513
15 October 2012 - Employee Incentive Plan	737,125	-
28 February 2013 - Employee Incentive Plan	1,211,825	-
5 April 2013 – shares issued under the terms of the Dividend Reinvestment Plan for interim 0.75 cent per share dividend	2,916,291	3,908
24 May 2013 - Employee Incentive Plan	841,500	-
Less cost of share issues (net of tax)	-	(88)
Repayment of employee loans and sale of employee shares	-	1,557
Issued and fully paid ordinary shares at 30 June 2013	1,268,647,188	1,214,101

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 37 for further details.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 24

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
Less options lapsed during FY13	(1,568,280)		
	4,850,000		
2007 Employee Long Term Options			
28 February 2008	2,258,977	\$1.422	27 February 2015
Total options	7,108,977		

Refer Note 37 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 non-resource 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 14,412,517 (2012: 14,019,262) fully paid ordinary shares were on issue to employees.

The following employee shares are currently on issue:	No. of Shares on issue	Issue Price	Fair Value \$000
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
Issued during the financial year – 29 August 2012	719,605	\$1.230	541
– 15 October 2012	737,125	\$1.320	572
– 28 February 2013	1,211,825	\$1.360	1,004
– 24 May 2013	841,500	\$1.279	620
Sold / loan repaid during the financial year	(3,116,800)		
Balance as at 30 June 2013	14,412,517		9,873

The closing ASX share price of Beach fully paid ordinary shares at 30 June 2013 was \$1.135 as compared to \$0.940 as at 30 June 2012.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 24

ISSUED CAPITAL (CONTINUED)

(d) Share Rights

Movements in unlisted incentive rights are set out below:

	2013	2012
	Number	Number
Balance at beginning of period	8,437,259	10,017,082
Issued during the period	3,352,829	2,983,364
Cancelled during the period	(22,341)	-
Vested during the period	-	(4,563,187)
Balance at end of period	11,767,747	8,437,259

(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	
	2013	2012
	\$000	\$000

Note 25

RESERVES

Share based payments reserve ⁽¹⁾	21,078	16,204
Available for sale reserve ⁽²⁾	(2,789)	560
Foreign currency translation reserve ⁽³⁾	28,324	(1,611)
Total reserves	46,613	15,153

⁽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 37.

⁽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 statement of profit or 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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 26

CONSOLIDATED ENTITIES

Name of Company	Place of incorporation	Percentage of shares held	
		% 2013	% 2012
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 (CEE) s.r.l. ⁽¹⁾	Romania	100	-
Beach Petroleum (Egypt) Pty Ltd	Victoria	100	100
Beach Petroleum (Exploration) Pty Ltd	Victoria	100	100
Beach Petroleum (NT) Pty Ltd	Victoria	100	100
Beach Petroleum Spain S.L. ⁽²⁾	Spain	-	100
Beach Petroleum (Tanzania) Pty Ltd	Victoria	100	100
Beach Petroleum (Tanzania) Limited	Tanzania	100	100
Beach (USA) Inc	USA	100	100
Adelaide Energy Pty Ltd	South Australia	100	100
Australian Unconventional Gas Pty Ltd	South Australia	100	100
Deka Resources Pty Ltd	South Australia	100	100
Well Traced Pty Ltd	South Australia	100	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
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 ⁽²⁾	New South Wales	-	95
Shale Gas Australia Pty Ltd	Victoria	100	100

All shares held are ordinary shares.

⁽¹⁾ Incorporated in Romania on 8 August 2012

⁽²⁾ In voluntary liquidation

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 27

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	
		2013	2012
<u>Oil and Gas interests</u>			
Abu Sennan	Oil exploration	22.0	22.0
Block 28	Oil exploration	30.0	-
BMG Project	Oil production	37.5	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
PEL91	Oil production	40.0	40.0
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	70.0	100.0
ATP 855	Shale gas exploration	46.9	60.0
SA Fixed Factor Area	Oil and gas production	20.2	20.2
SA Unit	Oil production	20.2	20.2
SWQ Unit	Gas production	23.2	23.2
Total 66 Block	Oil production	30.0	30.0
		Consolidated	
		2013	2012
		\$000	\$000

INTEREST IN JOINT VENTURES

Current assets	111,410	100,638
Non-current assets	1,642,095	1,471,987
Total assets	1,753,505	1,572,625
Current liabilities	110,592	104,682
Non-current liabilities	113,498	103,993
Total liabilities	224,090	208,675
Net assets	1,529,415	1,363,950
Revenue	700,919	619,413
Expenses ⁽¹⁾	(478,406)	(444,456)
Profit before income tax	222,513	174,957

⁽¹⁾ Expenses include impairment of exploration and petroleum joint venture assets of \$3.5 million (2012: \$18.1 million).

Details of commitments and contingent liabilities with respect to the group's interests in joint ventures are shown in Notes 34 and 35 respectively.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 28

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.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 26.

(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. Effects of these transactions have been eliminated in full on consolidation.

(d) Transactions with other related parties

During the financial year ended 30 June 2013, Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a partner. Beach paid \$320,490, of which \$11,801 related to the FY12 financial year, (2012: \$452,477) in the financial year to DMAW lawyers for legal and advisory services. In addition to fees paid during the year a further \$32,455 (2012: \$22,911) is payable to DMAW Lawyers as at 30 June 2013 for invoices received but not yet paid and work in progress not yet invoiced. Directors fees payable to Mr Davis for the year ended 30 June 2013 of \$208,324 (2012: \$144,207) were also paid directly to DMAW Lawyers.

Note 29

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.

Cooper segment revenue represents oil and gas sales from Australian production. International segment revenue represents oil and gas sales from Egyptian and American production.

Details of the performance of each of these operating segments for the financial years ended 30 June 2013 and 30 June 2012 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 2013

Note 29

SEGMENT INFORMATION (CONTINUED)

	Cooper		Other Australia		International		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Segment revenue								
Oil and gas sales (1)	684,837	615,384	-	-	13,374	3,233	698,211	618,617

⁽¹⁾ During the year revenue from three customers amounted to \$408.9 million (2012: \$321.7 million from two customers) arising from sales from the Cooper segment.

Segment results

Gross segment result before depreciation, amortisation and impairment	356,329	305,317	(1,210)	(653)	2,405	1,449	357,524	306,113
Depreciation & amortisation	(124,650)	(108,079)	(23)	-	(1,840)	(600)	(126,513)	(108,679)
	231,679	197,238	(1,233)	(653)	565	849	231,011	197,434
Other income							2,249	651
Other revenue							29,370	45,306
Net financing costs							(7,844)	(6,823)
Other expenses (1)							(40,785)	(48,759)
Profit before tax							214,001	187,809
Income tax expense							(60,351)	(23,584)
Net profit after tax							153,650	164,225

⁽¹⁾ Consolidated other expenses includes impairment of assets within Other Australia segment of \$2.5 million (2012: \$8 million) and International segment of \$3.7 million (2012: \$12 million).

Segment assets	1,397,871	1,258,954	58,967	59,686	323,507	265,525	1,780,345	1,584,165
Total corporate and unallocated assets							624,443	564,028
Total consolidated assets							2,404,788	2,148,193

Segment liabilities	187,179	173,943	31,175	33,280	2,577	1,681	220,931	208,904
Total corporate and unallocated liabilities							401,351	327,442
Total consolidated liabilities							622,282	536,346

Additions and acquisitions of non current assets

Exploration and evaluation assets	187,761	188,577	11,446	11,010	28,272	18,676	227,479	218,263
Oil and gas assets	142,074	126,089	421	6,952	2,667	2,103	145,162	135,144
Other land, buildings, plant and equipment	69,954	50,036	280	204	2,057	624	72,291	50,864
	399,789	364,702	12,147	18,166	32,996	21,403	444,932	404,271
Total corporate and unallocated assets							4,902	952
Total additions and acquisitions of non current assets							449,834	405,223

	Australia		Egypt		Other Countries		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Non-current assets *	1,379,362	1,240,189	282,056	245,613	35,959	16,713	1,697,377	1,502,515

*excluding financial assets and deferred tax assets

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

	Consolidated	
	2013	2012
	\$000	\$000
Note 30		
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:		
Cash	23,151	15,992
Cash on deposit	324,450	362,513
Total cash	347,601	378,505
b) Reconciliation of net profit to net cash provided by operating activities:		
Net profit	153,650	164,225
Less items classified as investing/financing activities:		
- Gain on disposal of non-current assets	(90)	(36)
- Recognition of deferred tax assets on items direct in equity	664	2,776
- Loss/(gain) on disposal of investments	25	(11,520)
- Gain on disposal of subsidiary	-	(7,977)
- Gain on disposal of joint venture interests	(26,589)	-
- Net loss on sale of employee shares	-	31
	127,660	147,499
Add/(less) non-cash items:		
- Share based payments	4,873	3,587
- Depreciation and amortisation	126,513	108,679
- Impairment expenses	6,196	20,150
- Unrealised hedging loss/(gain)	197	(3,587)
- Borrowing costs	15,510	8,945
- Unrealised movement in the value of convertible note conversion rights	3,091	(21,564)
- Gain on acquisition of subsidiary (refer Note 39)	-	(3,639)
- Provision for stock obsolescence	3,679	500
- Bad debts	13	-
Net cash provided by operating activities before changes in assets and liabilities	287,732	260,570
Changes in assets and liabilities net of acquisitions / disposal of subsidiaries:		
- Increase in receivables	(66,450)	(64,273)
- (Increase)/decrease in inventories	(15,557)	1,984
- Increase in other current assets	(415)	(320)
- Increase in provisions	2,914	1,134
- Increase/(decrease) in current tax liability	29,123	(28)
- Decrease/(increase) in deferred tax asset	1,058	(9,021)
- Increase in deferred tax liability	28,774	39,281
- Increase in other non current assets	(7,597)	(12,960)
- Increase in current payables	4,412	1,852
Net cash provided by operating activities	263,994	218,219

(c) Other non-cash investing and financing activities

Shares issued under the Company's dividend reinvestment plan and employee investment plan (Note 24).

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 30

CASH FLOW INFORMATION

(d) Sale of controlled entity (FY12)

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 2013

Note 31

DEED OF CROSS GUARANTEE

Pursuant to Class Order 98/1418, wholly-owned subsidiaries Australian Petroleum Investments Pty Ltd, Delhi Petroleum Pty Ltd, Impress Energy Pty Ltd, Impress (Cooper Basin) Pty Ltd and Springfield Oil & Gas 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 (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.

Impress Energy Pty Ltd, Impress (Cooper Basin) Pty Ltd and Springfield Oil & Gas Pty Ltd were added as parties to the Deed during the current financial year.

The consolidated statement of profit or loss and statement of financial position of the Closed Group are as follows:

	Closed Group	
	2013	2012
	\$000	\$000
Consolidated Statement of Profit or Loss		
Sales revenue	689,599	585,114
Cost of sales	(459,697)	(400,891)
Gross profit	229,902	184,223
Other revenue	1,610	10,432
Other income	35,684	11,721
Other expenses	(36,012)	(15,548)
Operating profit before financing costs	231,184	190,828
Interest income	15,831	7,241
Finance expenses	(23,350)	(14,289)
Profit before income tax expense	223,665	183,780
Income tax expense	(74,952)	(45,159)
Profit after tax for the year	148,713	138,621
Retained earnings at beginning of the year	295,987	176,760
Opening retained earnings of additional members in Closed Group	17,328	-
Dividends paid to shareholders	(28,341)	(19,394)
Retained earnings at end of the year	433,687	295,987

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 31

DEED OF CROSS GUARANTEE (CONTINUED)

	Closed Group	
	2013	2012
	\$000	\$000
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	334,218	374,139
Trade and other receivables	165,344	93,694
Inventories	75,566	64,093
Derivative financial instruments	31	322
Other	6,410	6,441
Total current assets	581,569	538,689
Non-current assets		
Receivables	117,465	152,997
Other financial assets	146,878	195,002
Available for sale financial assets	42,056	13,915
Derivative financial instruments	21	134
Property, plant and equipment	371,614	323,545
Petroleum and gas licences	683,296	516,880
Exploration and evaluation assets	238,379	159,021
Deferred tax assets	63,330	65,939
Other	20,640	11,344
Total non-current assets	1,683,679	1,438,777
Total assets	2,265,248	1,977,466
Current liabilities		
Trade and other payables	128,681	105,843
Provisions	7,930	5,421
Current Tax Liability	29,425	-
Total current liabilities	166,036	111,264
Non-current liabilities		
Borrowings	119,953	113,376
Deferred tax liabilities	187,987	128,300
Provisions	110,329	99,765
Derivative financial instruments	14,866	11,775
Total non-current liabilities	433,135	353,216
Total liabilities	599,171	464,480
Net assets	1,666,077	1,512,986
Equity		
Issued capital	1,214,101	1,200,211
Reserves	18,289	16,788
Retained earnings	433,687	295,987
Total equity	1,666,077	1,512,986

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 32

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 may use 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 32(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 32(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.

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	
	2013 \$000	2012 \$000
Impact on post-tax profit		
AUD/US\$ + 10%	(27,291)	(20,465)
AUD/US\$ - 10%	30,092	25,013
Impact on equity		
AUD/US\$ + 10%	(27,291)	(20,465)
AUD/US\$ - 10%	30,092	25,013

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 2013

Note 32

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 Statement of profit or loss.

Commodity Hedges outstanding at 30 June 2013

- Oil Price Fixed Floor on Brent Monthly for A\$55/bbl for 150,000 bbls/month for the period July 2013–September 2013, 100,000 bbls/month for the period October 2013–December 2013, 50,000 bbls/month for the period January 2014–March 2014.
- Oil Price Fixed Floor on Brent Monthly for A\$60/bbl for 50,000 bbls/month for the period July 2013–June 2014.
- Oil Price Fixed Floor on Brent Monthly for A\$65/bbl for 45,000 bbls/month for the period October 2013–September 2014.

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.

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	
	2013	2012
	\$000	\$000
Impact on post-tax profit		
US\$ oil price + \$10	23,483	19,177
US\$ oil price - \$10	(24,954)	(19,907)
Impact on equity		
US\$ oil price + \$10	23,483	19,177
US\$ oil price - \$10	(24,954)	(19,907)

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 2013

Note 32

FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk

Interest Rate Swap

The consolidated entity's interest rate risk arises from the interest bearing cash held on deposit. Interest rate risk may also arise from the bank debt facility, which if drawn down, is subject to variable interest rates. The bank debt facility was undrawn at 30 June 2012 and 30 June 2013.

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	
	2013	2012
	\$000	\$000
Impact on post-tax profit		
Interest rates + 1%	2,257	2,407
Interest rates - 1%	(2,257)	(2,407)
Impact on equity		
Interest rates + 1%	2,257	2,407
Interest rates - 1%	(2,257)	(2,407)

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 32(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 32(c) for weighted average interest rates and floating and fixed interest financial instruments. 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.

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 2013, Beach does not have any material trade and other receivables which are outside standard trading terms which have not been provided against.

The group manages its credit risk on financial assets by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Cash is placed on deposit amongst a number of financial institutions to minimise the risk of counterparty default.

(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 22 and 35.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 32

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:

	Note	Floating interest rate		Fixed interest maturing in				Non-interest bearing ⁽¹⁾		Total	
		2013	2012	1 year or less	Over 1 to 5 years	2013	2012	2013	2012	2013	2012
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets											
Cash	30	62,601	68,505	285,000	310,000	-	-	-	-	347,601	378,505
Current receivables	9	-	-	-	-	-	-	169,031	114,858	169,031	114,858
Current derivatives	11	-	-	-	-	-	-	31	322	31	322
Other current	12	-	-	-	-	-	-	6,417	6,446	6,417	6,446
Available for sale	13	-	-	-	-	7,709	-	34,347	13,980	42,056	13,980
Non-current derivatives	11	-	-	-	-	-	-	21	134	21	134
Other non-current	18	-	-	-	-	-	-	20,642	13,045	20,642	13,045
		62,601	68,505	285,000	310,000	7,709	-	230,489	148,785	585,799	527,290
<i>Weighted average effective interest rate</i>		3.29%	3.14%	4.54%	5.73%	6.47%	-	-	-	-	-
Financial liabilities											
Current payables	19	-	-	-	-	-	-	127,089	121,026	127,089	121,026
Non-current convertible notes	22	-	-	-	-	119,953	113,376	-	-	119,953	113,376
Non-current derivatives	11	-	-	-	-	-	-	14,866	11,775	14,866	11,775
		-	-	-	-	119,953	113,376	141,955	132,801	261,908	246,177
<i>Weighted average effective interest rate</i>		-	-	-	-	3.95%	3.95%	-	-	-	-
Net financial assets/(liabilities)		62,601	68,505	285,000	310,000	(112,244)	(113,376)	88,534	15,984	323,891	281,113

⁽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.

Available for sale financial assets

The fair value of available for sale financial assets in Note 13 is determined by reference to their quoted closing price at the reporting date (Level 1).

Derivative financial instruments

The fair value of derivative financial instruments in Note 11 is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability (Level 2).

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 32

FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values (continued)

2013	Asset		Liability	
	Current \$000	Non-current \$000	Current \$000	Non-Current \$000
OIL				
Crude floor – Brent A\$55/bbl	4	-	-	-
Crude floor – Brent A\$60/bbl	9	-	-	-
Crude floor – Brent A\$65/bbl	18	21	-	-
	31	21	-	-
OTHER				
Convertible note conversion rights	-	-	-	(14,866)
	31	21	-	(14,866)
2012				
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)

(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 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. The consolidated entity's gearing ratio is 7.4% (2012: 7.6%). 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 2013

2013
\$000

2012
\$000

Note 33

EARNINGS PER SHARE

(a) Earnings after tax used in the calculation of earnings per share (EPS) is as follows:

Basic earnings per share	153,650	165,108
After tax interest saving on convertible notes assuming conversion for the period	4,148	1,000
Diluted earnings per share	157,798	166,108

(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of earnings per share is as follows:

	2013 Number	2012 Number
Basic earnings per share	1,262,854,637	1,144,056,501
Convertible notes	75,860,510	18,082,192
Share rights	7,039,278	5,674,335
Diluted earnings per share	1,345,754,425	1,167,813,028

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:

- 7,108,977 employee options (2012: 8,677,257) as their exercise price makes them 'out of the money' when compared to the average share price of Beach in each respective financial year
- 4,415,309 share rights (2012: 2,566,470) as vesting would not have occurred based on the status of the required vesting conditions at the end of the current reporting period for 2013 and 2012.

Since the end of the current financial year and before the completion of this report, the following ordinary shares were issued:

- 751,995 shares upon vesting of unlisted performance rights issued on 14 September 2012 pursuant to the Beach Energy Limited Executive Incentive Plan.

(c) Earnings per share attributable to equity holders of Beach:

	2013 cents	2012 cents
Basic earnings per share	12.17	14.43
Diluted earnings per share	11.73	14.22

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Consolidated	
2013	2012
\$000	\$000

Note 34

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.

Due within 1 year	73,267	52,825
Due within 1-5 years	1,548	12,125
Due later than 5 years	-	-
	74,815	64,950

(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.

Due within 1 year	47,441	68,760
Due within 1-5 years	28,839	14,616
Due later than 5 years	-	1,000
	76,280	84,376

The group's share of the above commitments that relate to its interest in joint venture interests are \$67.4 million (2012: \$65.0 million) for capital commitments and \$76.2 million (2012: \$68.0 million) for minimum exploration commitments.

Default on permit commitments by other joint venture participants could increase the group's expenditure commitments by up to \$120 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 2013

Note 35

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 2013 under the service agreements for the other executive officers (excluding the Managing Director) is \$2,954,800 (2012: \$2,954,800).

Bank guarantees

The Commonwealth Bank of Australia has provided Beach with a \$150 million Multi-Option Facility of which \$6.9 million had been utilised by way of bank guarantees at 30 June 2013 with the remaining facility amount undrawn as at that date. In July 2013, this \$150 million facility which was due to expire in January 2014 was refinanced. Refer Note 40 for further details.

Parent Company Guarantees

Beach has provided parent company guarantees in respect of performance obligations for certain exploration interests.

Note 36

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 FY10, 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 FY12 and FY13 financial years. The remaining \$23.8 million remains contingent on certain events occurring and so will only be booked as income 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 2013

Note 37

SHARE BASED PAYMENTS

	Consolidated	
	2013 \$000	2012 \$000
Share Based Payments Reserve		
Opening balance	16,204	12,851
Expense fair value of shares/options/rights issued	4,883	3,353
Forfeiture of options/rights	(9)	-
Closing balance	21,078	16,204

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 Binomial or Black-Scholes Option Pricing Models. The terms and conditions of shares issued during the reporting period are as follows:

Employee Shares issued during FY13

	Issued August 2012	Issued October 2012	Issued February 2013	Issued May 2013
Total fair value at grant date	\$541,375	\$572,386	\$1,004,437	\$619,763
Number of securities issued	719,605	737,125	1,211,825	841,500
Share price	\$1.230	\$1.320	\$1.360	\$1.279
Volatility ⁽¹⁾	44.6%	44.5%	44.5%	44.5%
Term	10 years	10 years	10 years	10 years
Risk free rate	3.98%	2.95%	3.35%	3.31%

Employee Shares issued during FY12

	Issued February 2012
Total fair value at grant date	\$999,408
Number of securities issued	1,297,932
Share price	\$1.636
Volatility ⁽¹⁾	37.8%
Term	10 years
Risk free rate	3.98%
Dividend yield	1.5%

(1) The expected volatility is based on the historic annualised volatility (calculated based on the average remaining life of the issued security), adjusted for any expected changes to the future volatility due to publicly available information.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 37

SHARE BASED PAYMENTS (CONTINUED)

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 in FY12 and FY13 included 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. In a review by independent remuneration consultants of the level of STI awards paid to other senior executives, the board determined to reduce the levels which previous ranged from 10% to 80% of fixed remuneration. The value of the award that can now be earned by other senior executives ranges from 15% to a maximum of 40% of fixed remuneration.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 37

SHARE BASED PAYMENTS (CONTINUED)

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?	For the current year, unless the Beach group achieves a return on capital of at least 5% based on statutory net profit after tax 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.

As discussed above, 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 in FY13 will not be made to senior executives until September 2013 but have been accrued in the FY13 financial accounts as it is payable as at the end of the financial year. Retention rights will be issued for the balance of the award in September 2013. 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.

In September 2012, STI rights were issued for the 2011 STI offer. Details of the number of rights issued to each senior executive are found in the table on the following page. Those rights will not vest unless senior executives continue their employment with Beach for up to two years.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 37

SHARE BASED PAYMENTS (CONTINUED)

Short Term Incentive (STI)

STI Performance rights issued in FY13

The fair value of services received in return for STI rights granted is measured by reference to the fair value of STI rights granted calculated using the Binomial or Black-Scholes Option Pricing Models. The contractual life of the STI rights is used as an input into the valuation model. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the rights), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate is based on Commonwealth Government bond yields relevant to the term of the performance rights.

STI Performance Rights		
	STI	
	Sep 12 Rights	Sep 12 Rights
Number of securities issued	751,995	751,995
Share price	0.912	0.912
Exercise price	-	-
Volatility (average)	45.814%	41.872%
Vesting Period (years)	1.0	2.0
Term	1.0	2.0
Risk free rate	2.460%	2.460%
Dividend yield	2.390%	2.390%
Fair value of security at grant date (weighted average)	0.912	0.912
Total fair value at grant date	685,819	685,819
Expensed FY13	(685,819)	(342,910)
Remaining expenditure in future years	-	342,909
	<i>Retention met on 1 July 2013 and shares issued</i>	<i>Retention to be tested on 1 July 2014</i>

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 37

SHARE BASED PAYMENTS (CONTINUED)

Long Term Incentives (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 the table on the following page.
What is the performance condition?	Beach has used a range of TSR performance conditions for its LTI offers which are set out in the table on the following page. On the advice of its independent remuneration consultants, the most recent offer to the Managing Director uses a performance condition based on Beach's TSR performance relative to the total shareholder return performance of the companies in the S&P/ASX 300 Energy Index at the date the performance rights are granted. The most recent offer to other senior executives uses a performance condition based on Beach's TSR performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the three year performance period. Further details are set out in the table on the following page.
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?	The Corporations Act 2001 prevents KMPs and their closely related parties 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. Beach monitors this requirement through a policy that includes the requirement that a senior executive confirm compliance with the policy and/or provide confirmation of dealings in Beach securities on request. This prohibition is also reflected in Beach's share trading policy which 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 2013, shareholders equity would have diluted by 1.43%. 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.
Can remuneration be clawed back?	The Executive Incentive Plan rules that govern equity incentive grants made since 2010 has rules that enable the Board to take action in relation to vested and unvested entitlements where a senior executive acts fraudulently or dishonestly or in breach of his or her obligations to Beach. In these circumstances the Board may decide that entitlements such as shares or rights lapse or are forfeited or that cash awards be repaid or that the proceeds of the sale of shares be paid to the Company. Where an award vests because of the fraud, dishonesty or breach of obligations of a senior executive and other senior executives not involved also benefit, the Board may decide that the award has not vested or shares issued are forfeited to ensure that there is no unfair benefit. The Board may make a different award to those not involved in the inappropriate conduct. A claw back of incentive benefits applies to STI and LTI offers.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 37

SHARE BASED PAYMENTS (CONTINUED)

Long Term Incentives (LTI)

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

Details	2010 Rights , 2011 Rights & 2012 Rights	2007 Options	2006 Options
Type of Grant	Performance rights	Performance options	Performance options
Calculation of Grant limits for senior executives	2012 Rights Max LTI is 100% of Total Fixed Remuneration (TFR) for MD 50% of TFR for other senior executives 2011 Rights Max LTI is 100% of TFR for MD 60% - 80% of TFR for other senior executives according to position 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	2012 Rights 21 December 2012 2011 Rights 1 Dec 2011 2010 Rights 1 Dec 2010	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	2012 Rights 1 Dec 2012 – 30 Nov 2015 2011 Rights 1 Dec 2011- 30 Nov 2014 2010 Rights 1 Dec 2010 – 30 Nov 2013	28 Feb 2008 – 27 Feb 2011	1 Dec 2006 – 30 Nov 2009 with quarterly re-testing if unvested options remain
Performance Conditions for vesting Note: No vesting will occur if Beach has a negative TSR.	2011 Rights & 2010 Rights and 2007 Options Where Beach's TSR relative to the comparator group (see Table 4 below for this 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 2012 Rights For Managing Director - Beach's TSR performance relative to the total shareholder return performance of the companies in the S&P/ASX 300 Energy Index is ranked: < 50th percentile - 0% vesting = 50th percentile - 50% vesting; > 50th percentile and < the 100th percentile - a prorated number will vest; = 100th percentile – 100% vesting Other senior executives - Beach's TSR performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the performance period such that: < the Index return - 0% vesting		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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 37

SHARE BASED PAYMENTS (CONTINUED)

Long Term Incentives (LTI)

Details	2010 Rights , 2011 Rights & 2012 Rights	2007 Options	2006 Options
	= the Index return - 50% vesting; > the Index return and Index + 5.5% - a prorated number will vest; = or > Index return + 5.5% – 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	2012 Rights 30 Nov 2017 2011Rights 30 Nov 2016 2010 Rights 30 Nov 2015	27 Feb 2015	30 Nov 2013
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	

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, Innamincka Petroleum Limited and Queensland Gas Company Ltd

Companies	2011 Rights and 2010 Rights	2007 Options
AED Oil Ltd		x
AWE Ltd	x	x
Aurora Oil & Gas Ltd	x	
Dart Energy Ltd	x	
Horizon Oil Ltd	x	
Karoon Gas Australia Ltd	x	
Linc Energy Ltd	x	
Nexus Energy Ltd	x	x
Origin Energy Ltd		x
Oil Search Ltd	x	x
Petsec Energy Ltd		x
ROC Oil Company Ltd	x	x
Santos Ltd	x	x
Tap Oil Ltd		x
Woodside Petroleum Ltd	x	x

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 37

SHARE BASED PAYMENTS (CONTINUED)

Long Term Incentives (LTI)

Details of LTI performance options and rights on issue at 30 June 2013

The fair value of services received in return for LTIs granted is measured by reference to the fair value of LTIs granted calculated using the Binomial or Black-Scholes Option Pricing Models. The estimate of the fair value of the services received for the LTI performance rights and options issued are measured with reference to the expected outcome which may include the use of a Monte Carlo simulation. The contractual life of the LTI rights and options is used as an input into this model. Expectations of early exercise are incorporated into a Monte Carlo simulation method where applicable. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the rights or options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate is based on Commonwealth Government bond yields relevant to the term of the performance rights or options.

	LTI						
	Dec 06 (A) Options	Dec 06 (B) Options	Dec 06 (C) Options	Feb 08 Options	Dec 10 Rights	Dec 11 Rights	Dec 12 Rights
Number of securities issued	3,060,000	3,060,000	1,971,552	4,439,958	5,453,895	2,566,470	1,848,839
Share price	1.406	1.406	1.406	1.423	0.670	1.411	1.470
Exercise price	1.406	1.406	1.406	1.423	-	-	-
Volatility (average)	9.800%	9.800%	9.800%	36.370%	37.410%	45.200%	44.925%
Vesting Period (years)	0.6	1.6	3.0	3.0	3.0	3.0	3.0
Term	7.0	7.0	7.0	7.0	5.0	5.0	5.0
Risk free rate	5.550%	5.550%	5.550%	5.850%	5.345%	3.475%	2.600%
Dividend yield	1.100%	1.100%	1.100%	1.100%	2.300%	1.400%	1.560%
Fair value of security at grant date (weighted average)	0.877	0.877	0.358	0.637	0.670	1.411	0.772
Total fair value at grant date	2,683,008	2,683,008	706,604	2,828,253	3,654,110	3,621,289	1,427,895
Expensed in prior period	(2,683,008)	(2,683,008)	(562,071)	(2,398,278)	(710,521)	-	-
Cancelled in prior period	-	-	(144,533)	(429,975)	-	-	-
Expensed FY12	-	-	-	-	(1,218,037)	(704,140)	-
Expensed FY13	-	-	-	-	(1,218,037)	(1,207,096)	(277,646)
Remaining expenditure in future years	-	-	-	-	507,515	1,710,053	1,150,249
	<i>Vested</i>	<i>Vested</i>	<i>Forfeited</i>	<i>Vested</i>	<i>To be tested in December 2013</i>	<i>To be tested in December 2014</i>	<i>To be tested in December 2015</i>

LTI Performance and outcomes for the year

During the year, a tranche of LTI options issued on 1 December 2006 (2006 Options) were re-tested using an absolute TSR measure. The TSR performance condition was not met so the options did not vest and lapsed.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 38

PARENT ENTITY INFORMATION

Selected financial information of the parent entity, Beach Energy Limited, is set out below:

(a) Financial performance

	Parent	
	2013 \$000	2012 \$000
Net profit after tax	80,618	94,357
Other comprehensive loss, net of tax	(3,325)	(3,700)
Total comprehensive income	77,293	90,657
Total current assets	1,271,969	1,159,307
Total assets	2,013,351	1,747,836
Total current liabilities	295,764	145,464
Total liabilities	576,992	379,143
Issued capital	1,214,101	1,200,211
Share based payments reserve	21,078	16,204
Available for sale reserve	(2,789)	585
Retained earnings	203,969	151,693
Total equity	1,436,359	1,368,693

(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.

Capital expenditure commitments	22,876	27,275
Minimum exploration commitments	18,337	50,809

(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 35.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2013

Note 39

BUSINESS COMBINATION

Acquisition of the Adelaide Energy Ltd group of companies in FY12

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 FY12 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 statement of profit or loss 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

In FY12, 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 FY12 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 2013

Note 40

SUBSEQUENT EVENTS

On 31 July 2013, Beach entered into a secured \$320 million refinancing of its current \$150 million secured Multi-Option Facility, which was due to expire in 2014. The new facility consists of three tranches being a \$150 million three year revolving loan facility, a \$150 million five year revolving loan facility and a \$20 million letter of credit facility.

On 23 August 2013, Beach completed a sale of its joint venture interests in the Williston Basin, USA for \$US14.5 million. This will result in a pre-tax profit of approximately \$11 million being recognised in FY14.

On 26 August 2013, Beach announced that it had discovered oil and associated gas in a new zone at the El Salmiya-2 well in the Abu Sennan concession in the Western Desert in Egypt. An initial oil flow rate of 3,530 barrels per day was generated from a drill stem test from the Kharita Formation. The operator, Kuwait Energy Egypt has estimated gross 2P reserves of 18.5 MMbbl of oil and 142 Bcf of gas in the Kharita Formation only.

Other than the events detailed above or otherwise noted in the Financial Statements, there has not arisen in the interval between 30 June 2013 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.

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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 2013, the consolidated statement of profit or loss, 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 in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is 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, the financial statements comply 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. Those standards 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.

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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 of the financial report that gives a true and fair view 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 2013 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 2013. 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 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



S J Gray
Partner

Adelaide, 27 August 2013

Corporate Information

Annual meeting

The annual meeting will be held as follows:	
Place	ADELAIDE CONVENTION CENTRE NORTH TCE, ADELAIDE SA 5000
Date	FRIDAY 29 NOVEMBER 2013
Time	10.30 AM
Approximate date the Annual Report will be available	25 OCTOBER 2013

Corporate Directory

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

Fiona Rosalyn Vivienne Bennett

BA(Hons) FCA, FAICD, FAIM

Non-Executive

Douglas Arthur Schwebel

PhD B. Sc (Hons) (Geology)

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

Registered Office

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Share Registry - South Australia

Computershare Investor Services Pty Ltd

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ADELAIDE SA 5000

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Auditors

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Securities Exchange Listing

Beach Energy Limited shares 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