

BEACH ENERGY LIMITED

ACN 007 617 969 (Beach)



NOTICE OF 2013 ANNUAL GENERAL MEETING

Beach will hold its 52nd Annual General Meeting at the Convention Centre, North Terrace Adelaide South Australia, 5000 on Friday 29 November 2013 at 10.30am (Adelaide time).

AGENDA

ORDINARY BUSINESS

Financial Statements

To receive and consider the financial statements and the reports of the directors and auditors for the financial year ended 30 June 2013.

Resolution 1

– Adoption of Remuneration Report

To consider and put to a non-binding vote the following resolution:

“That the remuneration report for the financial year ended 30 June 2013 be adopted.”

Voting Exclusion Statement (Corporations Act):

A vote on this resolution must not be cast by or on behalf of a member of the key management personnel (KMP), details of whose remuneration are included in the remuneration report, or by any of their closely related parties (such as certain of their family members, dependents and companies they control). However, this does not prevent those KMPs or any of their closely related parties from voting as a proxy for a person who is not a member of the KMP or a closely related party if:

- the person specifies the way the proxy is to vote on this resolution in the proxy form; or
- the person voting as a proxy is the Chairman and the proxy form expressly authorises the Chairman to exercise the proxy even if the resolution is directly or indirectly connected with the remuneration of a member of the KMP for Beach.

Resolution 2

– Re-election of F G Moretti as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Franco Giacomo Moretti, who retires by rotation pursuant to the constitution of Beach and who, being eligible, offers himself for re-election, is re-elected as a director of Beach.”

Resolution 3

– Re-election of J C Butler as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That John Charles Butler, who retires by rotation pursuant to the constitution of Beach and who, being eligible, offers himself for re-election, is re-elected as a director of Beach.”

SPECIAL BUSINESS

Resolution 4

– Renewal of Approval of the Beach Executive Incentive Plan

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That issues of securities by Beach under the Beach Executive Incentive Plan, the key terms of which are set out in the Explanatory Statement, be approved as an exception to ASX Listing Rule 7.1.”

Resolution 5

– Approval of the participation of Mr R G Nelson, Managing Director, in the Beach 2013 Long Term Incentive Offer

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That approval be given for the grant of performance rights to Mr R G Nelson, the Managing Director, under the Beach Energy Limited 2013 Long Term Incentive offer upon the terms summarised in the Explanatory Statement.”

Voting Exclusion Statement (ASX Listing Rules and Corporations Act) applicable to resolutions 4 and 5:

In accordance with the ASX Listing Rules, Beach will disregard any votes cast on resolutions 4 and 5 by Mr Nelson and any of his associates, being the only director eligible to participate in the Beach Executive Incentive Plan.

In addition, the Corporations Act provides that a member of Beach's KMP and their closely related parties cannot cast a vote on resolutions 4 and 5.

However, Beach need not disregard a vote if it is cast:

- by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- the Chairman of the meeting as proxy for a person who is entitled to vote in accordance with a direction or express authorisation on the proxy form to vote as the proxy decides.

The Chairman of the meeting intends to vote all available proxies in favour of each item of business.

By Order of the Board

Signed for and on behalf of Beach Energy Limited by:



Catherine Oster

Company Secretary

25 October 2013

NOTES:

Important note regarding proxies:

The laws that apply to voting on resolutions relating to the remuneration of key management personnel have changed.

Certain categories of persons (including directors and the Chairman of the meeting) are now prohibited from voting on such resolutions, including as proxy in some circumstances.

If you are appointing a proxy, to ensure that your proxy counts, please read the following notes and the instructions on the proxy form carefully.

1. A shareholder entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote instead of the shareholder.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.
3. A proxy need not be a shareholder of Beach.
4. A proxy form accompanies this notice of meeting and contains additional information.
5. If your proxy chooses to vote, he/she must vote in accordance with your directions. If you have directed your proxy to vote, and they fail to attend the meeting or they choose to not vote on a poll, then the Chairman of the meeting will vote your proxies as directed by you.
6. If you do not mark a box, your proxy may vote as they choose on that item. However, note that if the Chairman of the meeting is your proxy, you expressly authorise the Chair to vote undirected proxies on resolutions 1, 4 or 5 even though the resolutions are connected directly or indirectly with the remuneration of a member of the KMP. The Chairman of the meeting intends to vote undirected proxies in favour of each of the resolutions.
7. To be valid, duly completed proxy forms and any proxy appointment authorities under which a proxy form is signed, such as a power of attorney, must be received by Beach at an address specified in note 8 below no later than 48 hours before the time, in Adelaide, of the commencement of the meeting.
8. A proxy form and proxy appointment authorities may be lodged:

In person at the:

Registered Office – 25 Conyngham Street, Glenside SA 5065 Australia; or

Share Registry – Computershare Investor Services Pty Ltd, Level 5, 115 Grenfell Street Adelaide SA 5000 Australia.

By mail to:

Registered Office – 25 Conyngham Street, Glenside SA 5065 Australia; or

Share Registry – Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, VIC 3001 Australia.

By facsimile to:

1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Vote online:

Shareholders can also cast their votes online using a computer or the new smartphone voting service at www.investorvote.com.au and follow the prompts. To use this facility you will need your holder number (SRN or HIN), postcode and control number as shown on the proxy form. You will have been taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

Custodian voting:

For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.
9. For the purpose of the meeting, shares in Beach will be taken to be held by those persons who are registered holders at close of business on Wednesday 27 November 2013. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

10. The constitution of Beach provides that three shareholders present in person, by proxy, attorney or representative shall be a quorum for a general meeting of Beach.
11. Grant Thornton conducted the audit of Beach for the last financial year. Grant Thornton has been invited to attend this meeting and Beach has been advised that a suitably qualified member of the audit team of Grant Thornton, who conducted the audit of Beach for the last financial year, will attend the meeting.
12. Shareholders as a whole will be allowed a reasonable opportunity at the meeting to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by Beach in the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.
13. Shareholders who are entitled to vote at the meeting may submit a written question to the auditor that is relevant to the content of the auditors report to be considered at the meeting or the conduct of the audit of the annual financial report to be considered at the meeting. Written questions may be submitted by giving them to Beach. Questions must be submitted no later than the fifth business day before the meeting is held. Shareholders can use the form accompanying this notice of meeting.
14. The annual report is available for shareholders to access and can be downloaded from the Beach website www.beachenergy.com.au. If you would like to receive a hard copy of the annual report free of charge you can contact Beach's Share Registry on 1300 556 161 (inside Australia) or + 61 3 9415 4000 (outside Australia).

EXPLANATORY STATEMENT TO NOTICE OF ANNUAL GENERAL MEETING

This explanatory statement is provided to shareholders of Beach in relation to resolutions to be proposed at the 2013 annual general meeting.

ORDINARY BUSINESS

Resolution 1

– Adoption of Remuneration Report

At the meeting, there will be reasonable opportunity for shareholders to ask questions about, or make comments on, the remuneration report. The remuneration report of Beach is included in the annual report and appears on pages 58 to 75 of the report. It is also available for shareholders to access and download from Beach's website www.beachenergy.com.au. The remuneration report sets out Beach's remuneration arrangements for its non-executive directors, executive director and senior executives.

The law requires that a resolution, that the remuneration report be adopted, be put to the vote at Beach's annual general meeting. The vote on the resolution is advisory only and does not bind the directors or Beach. However the board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of Beach.

Shareholders should also note that following recent amendments to the Corporations Act known generally as the "two strikes rule", the result of the vote on this item may affect next year's annual general meeting – if 25% or more of the votes cast on this resolution are "against", a resolution to spill the board will be included in the 2014 notice of annual general meeting as required by the Corporations Act.

Beach received more than 97% of "yes" votes on its remuneration report for the 2012 financial year. The company did

not receive any specific feedback at the 2012 annual general meeting on its remuneration practices.

The directors recommend that shareholders vote in favour of resolution 1.

Resolutions 2 and 3

– Re-election of F G Moretti and J C Butler as Directors

Beach's constitution states that at each annual general meeting, one-third of the directors (not taking into account the directors who have been appointed as an addition or to fill a casual vacancy since the last annual general meeting) must retire. Mr Moretti has served as a director since his last election at the annual general meeting in 2010. Earlier this year, Mr Moretti indicated that he wishes to retire as a director but has offered himself for re-election to the board until a replacement director is identified and appointed. The process to recruit a new director has commenced and is expected to continue over the coming months.

Mr Butler has served as a director since his last election at the annual general meeting in 2011. Directors who retire from office in this manner are eligible for re-election. Mr Butler has offered himself for re-election. Details of both candidates are set out below.

A description of Mr Moretti's experience, qualifications and competencies follows:

Franco Giacomo Moretti

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

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. In August 2012, he was appointed as the lead independent director. In addition, his special responsibilities with Beach include chairmanship of the Corporate Governance Committee.

He is considered by the board to be an independent director. The board considers Mr Moretti's extensive experience in the delivery and management of major projects to be relevant to his role as a director of Beach.

A description of Mr Butler's experience, qualifications and competencies follows:

John Charles Butler

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

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. He is the chairman of Lifeplan Australia Friendly Society Group and a director of Australian Unity Limited. His special responsibilities include chairmanship of the Audit Committee and membership of the Corporate Governance Committee.

The board considers Mr Butler's experience in the financial and business community to be relevant to his role as a director of Beach. He is considered by the board to be an independent director.

In accordance with the policy of the board, a review of Mr Moretti and Mr Butler's effectiveness as directors of Beach was considered by the board prior to accepting their offers to stand for re-election as directors of Beach.

The directors (other than the relevant director for his own re-election) recommend the re-election of Mr Moretti and Mr Butler.

SPECIAL BUSINESS

Resolution 4

– Renewal of Approval of the Beach Executive Incentive Plan

The Beach Executive Incentive Plan (**Plan**) was approved by shareholders at the 2010 annual general meeting. It operates as an 'umbrella' incentive plan pursuant to which the board may make both short and long term incentive offers to eligible executives. The Plan is designed to link the reward of employees with the performance of the group and the generation of shareholder wealth. The purpose of this resolution is to renew shareholder approval obtained in 2010.

Listing Rule 7.1 prohibits Beach from issuing or agreeing to issue new securities amounting to more than 15 per cent of the issued capital of Beach during a 12 month period, without shareholder approval unless an exception applies. One of those exceptions is exception 9 of Listing Rule 7.2 which excludes securities issued under an employee incentive plan where shareholders have approved the issue of the securities under such a plan. This resolution seeks shareholder approval for the issue of securities in Beach under the Plan so that they will not be included in the 15 percent limit referred to above. The approval continues for 3 years, at which time it must be renewed, or it will expire. If this resolution is not passed, the board may still make allocations under the Plan, however, securities issued under the Plan will count towards the 15 percent limit. The approval by shareholders simply gives the board the full flexibility afforded by the 15 per cent rule imposed by the ASX.

Approval is being sought to provide the board flexibility in continuing to manage its capital requirements efficiently by ensuring that the 15% limit is not diminished by issues of securities under the Plan and capacity is available for capital management initiatives and acquisitions, if necessary.

A summary of the rules of the Plan is set out below. Copies of the Plan rules are available on request to the Company Secretary.

The rules of the Plan in respect of securities issues are summarised in the following table:

Form of awards	Under the Plan, the board may grant eligible employees awards in the form of performance rights, options or cash or a combination of those awards. No options have been granted under the Plan since it was adopted in 2010, or are currently proposed.
Terms of Plan	Under the Plan, the board may grant awards on such terms as it determines. For example, the board may determine that the vesting of the awards is subject to performance and / or service conditions, and may determine that a trading restriction applies to any shares allocated on vesting or exercise of performance rights or options granted under the Plan. As noted above, the board currently makes offers under Beach's short and long term incentive plans under the Plan. Specific terms of those offers are determined in respect of each offer and communicated to shareholders in the remuneration report for that year. In general, where a participant ceases employment with Beach before an award has vested the award will lapse, however the board has a broad discretion to determine otherwise. For example, in the case of a 'good leaver', the board may determine that any unvested awards vest on a pro rata basis to the extent that any performance and / or service condition has been satisfied. In the event of fraud or dishonesty, awards under the Plan will be forfeited. Beach may either issue new shares or acquire shares on market for allocation to participants on exercise of awards under the Plan.
Approval as an exception to ASX Listing Rule 7.1	Beach seeks approval for issues of securities under the Plan for the purpose of ASX Listing Rule 7.2, exception 9, as an exception to ASX Listing Rule 7.1 which prohibits the issuing of securities without shareholder approval outside the specified limits. If this resolution is not approved, the board may still adopt the Plan, however securities issued under it will count towards the specified limits.
Other information	Beach has issued 11,665,476 performance rights, and on vesting of performance rights 5,315,182 ordinary shares, under the Plan since the date of the last approval.

The directors (other than Mr Nelson) recommend that shareholders vote in favour of resolution 4.

It is pursuant to this Plan that the board wishes to make offers in respect of the at-risk component of the Managing Director's remuneration on the terms summarised in resolution 5 summarised below.

Resolution 5

– Approval of the participation of Mr R G Nelson, Managing Director, in the Beach 2013 Long Term Incentive Offer

Approval is sought from shareholders for Mr Nelson's participation in the 2013 long term incentive offer (**LTI offer**).

The board views Beach's long term incentive and its performance based conditions for vesting of the rights issued

under it as an appropriate link between a portion of an executive's remuneration and the generation of long term growth in shareholder value. The LTI offer will comprise a grant of performance rights which will vest subject to the achievement of the performance condition over the three year period to 30 November 2016.

As announced to the ASX on 9 September 2013, Mr Nelson has agreed to extend his employment contract until 1 July 2015. The board is currently considering how Mr Nelson's outstanding incentive awards (which will include the LTI offer) will be treated on expiration of his contract.

In light of his significant contribution to Beach over his tenure as Managing Director, and the growth and return to shareholders that he has overseen over that time, the board's current intention is that it will exercise its discretion and that he be treated as a 'good leaver'. During Mr Nelson's time as Managing Director, the company's market capitalisation has grown from less than \$10 million to approximately \$1.70 billion. Beach is a recognised Top ASX 100 oil and gas company and is Australia's sixth largest oil producer and the largest net oil producer in the Cooper Basin. In particular in FY13, Beach reported record sales revenue of \$698 million and a record underlying net profit after tax of \$141 million.

Under ASX Listing Rule 10.14, a director of Beach may only acquire securities under an employee share plan where such participation is approved by ordinary resolution of Beach in general meeting. Therefore, Mr Nelson's participation in the LTI offer is subject to receiving shareholder approval at this meeting.

Approval is also sought under section 200B of the Corporations Act to allow for the board to determine appropriate treatment of the performance rights on cessation of Mr Nelson's employment in 'good leaver' circumstances (which would otherwise be deemed, and treated as, a termination benefit). This may, for example, include accelerating the vesting of some or all of the performance rights (having regard to the portion of the performance period that has elapsed and the company performance) such that they vest upon cessation of Mr Nelson's employment, or providing him with an equivalent cash benefit. Approval is being sought to provide the board with maximum flexibility in this regard.

The board would not exercise this discretion should Mr Nelson resign or be terminated for cause, in which event all unvested performance rights would immediately lapse.

A brief overview of the details of the proposed grant is set out in the following table. Further details of Mr Nelson's remuneration package are set out in the remuneration report on pages 58 to 75 of the annual report.

Maximum entitlement under LTI offer	Subject to shareholder approval, Mr Nelson will be granted a maximum of 1,000,000 performance rights under the LTI offer. Each performance right entitles Mr Nelson, upon vesting and exercise, to one fully paid ordinary share in Beach. Mr Nelson's maximum opportunity in relation to the LTI offer is, therefore, 1,000,000 Beach shares. The formula to calculate the number of performance rights to be granted is (Base Package at 1 July 2013 x Max LTI% / Rights Value). The Rights Value is the market value of a fully paid ordinary share in Beach at the date the performance rights are granted. As an example using the formula, if the performance rights were granted on 24 September 2013, assuming a Rights Value of \$1.50 then: <i>$(\\$1,315,510 \times 100\% / \\$1.50) = 877,007$ performance rights</i>										
Date of grant of performance rights	If shareholder approval is obtained, it is expected that the performance rights under the LTI offer will be granted to Mr Nelson in December 2013, and in any event, no later than three months after the date of this meeting.										
Performance period	The performance period is three years. For the LTI offer, the performance period commences on 1 December 2013 and ends on 30 November 2016 (Performance Period).										
Performance condition	The performance condition applicable to the Performance Rights is based on Beach's Total Shareholder Return (TSR) performance relative to the ASX 200 Energy Total Return Index (Index) such that full vesting would require the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the three year performance period (Performance Condition). To further align the LTI offer with the interests of shareholders, the Performance Condition is subject to an overriding requirement that the performance rights will not vest if Beach's TSR over the performance period is negative at the date the TSR is calculated. The performance rights under the LTI offer will vest upon satisfaction of the Performance Condition according to the table below: <table> <tr> <th>Performance Condition – Beach TSR Performance</th><th>Percentage of Performance Rights to vest</th></tr> <tr> <td>Below the Index return</td><td>0%</td></tr> <tr> <td>Equal to the Index return</td><td>50%</td></tr> <tr> <td>Between the Index return and Index + 5.5% CAGR</td><td>Pro-rata</td></tr> <tr> <td>Equal to or above Index return + 5.5% CAGR</td><td>100%</td></tr> </table> Any performance rights that do not vest at the end of the Performance Period will lapse. There will be no re-testing of the Performance Condition.	Performance Condition – Beach TSR Performance	Percentage of Performance Rights to vest	Below the Index return	0%	Equal to the Index return	50%	Between the Index return and Index + 5.5% CAGR	Pro-rata	Equal to or above Index return + 5.5% CAGR	100%
Performance Condition – Beach TSR Performance	Percentage of Performance Rights to vest										
Below the Index return	0%										
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Equal to or above Index return + 5.5% CAGR	100%										

Exercise Period	Where the performance rights vest, they may be exercised at any time up to the 'Last Exercise Date', which in respect of the LTI offer, is 30 November 2018. Any unexercised performance rights will lapse following the Last Exercise Date, subject to any earlier lapse occurring pursuant to the rules of the Plan.
Price payable on grant or exercise	No amount will be payable in respect of the grant or upon exercise of the performance rights.
Are there any restrictions on the trading of the shares once exercised?	Any shares issued on the exercise of the performance rights will be subject to a restriction on dealing until the day following the end of the 'black-out period' under Beach's Share Trading Policy which occurs immediately after the exercise of performance rights.
Cessation of employment	In general, if Mr Nelson ceases employment by reason of death, disability, bona fide redundancy or other reason approved by the board he will be entitled to any performance rights that have vested prior to the date of cessation. The board has discretion in relation to any performance rights that have not vested prior to cessation. As noted above, this could include determining that some or all of the unvested rights will vest on cessation (having regard to the part of the performance period which has elapsed and to the degree to which the performance conditions have been achieved), or that Beach makes an equivalent cash payment. The board could also determine to leave the performance rights 'on foot' to be tested at the end of the performance period, as for other participants in the LTI offer. Any unvested performance rights will immediately lapse should Mr Nelson cease employment by reason of resignation, dismissal for cause or for any other reason not approved by the board. Any vested performance rights will lapse unless they are exercised within 30 days from the date of cessation of employment (however if this occurs during a blackout period under Beach's Share Trading Policy, shares allocated on exercise will be subject to a restriction on trading until the end of that period).
Other information (including for the purposes of section 200E of the Corporations Act)	Mr Nelson is the only director eligible to acquire performance rights under the Beach Executive Incentive Plan. The LTI offer will be made under the Beach Executive Incentive Plan. Mr Nelson is the only director who has been eligible to participate in Beach's Executive Incentive Plan since the last approval was sought from shareholders at the 2012 annual general meeting. Following shareholder approval at the 2012 annual general meeting 869,781 performance rights were granted to Mr Nelson in relation to the 2012 LTI offer. The performance rights were issued for nil consideration and no amount will be payable in respect of shares which may be acquired upon vesting of the performance rights. The value of any of the performance rights that may vest on ceasing employment cannot currently be ascertained. The circumstances which may affect the calculation of this value include the fraction of the performance period that has elapsed at the time employment ceases (as the number of performance rights to vest is determined with reference to the elapsed part of the performance period at that time) and performance against the Performance Condition at the time employment ceases.

The directors (other than Mr Nelson) recommend that shareholders vote in favour of resolution 5.

The logo for Beach Energy, featuring a stylized circular emblem on the left and the text "BEACH ENERGY" on the right. The emblem is divided into four quadrants: the top-left is dark grey, the top-right is light grey, the bottom-left is white with a grey spiral pattern, and the bottom-right is dark grey. A vertical line separates the emblem from the text. The text "BEACH" is in a bold, sans-serif font, and "ENERGY" is in a regular, sans-serif font, both in dark grey.

Beach will respond to as many of the more frequently asked questions as possible at the annual general meeting. Beach will not be able to reply individually.

Securityholder Reference Number (SRN) or Holder Identification Number (HIN)