Half Year Report

For the six months ended 31 December 2013

Beach Energy Limited
ABN: 20 007 617 969
ASX Code: BPT

Beach Energy Limited convertible notes are listed on the Singapore Securities Exchange (SGX)

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Glenn Davis

Managing Director
Reg Nelson

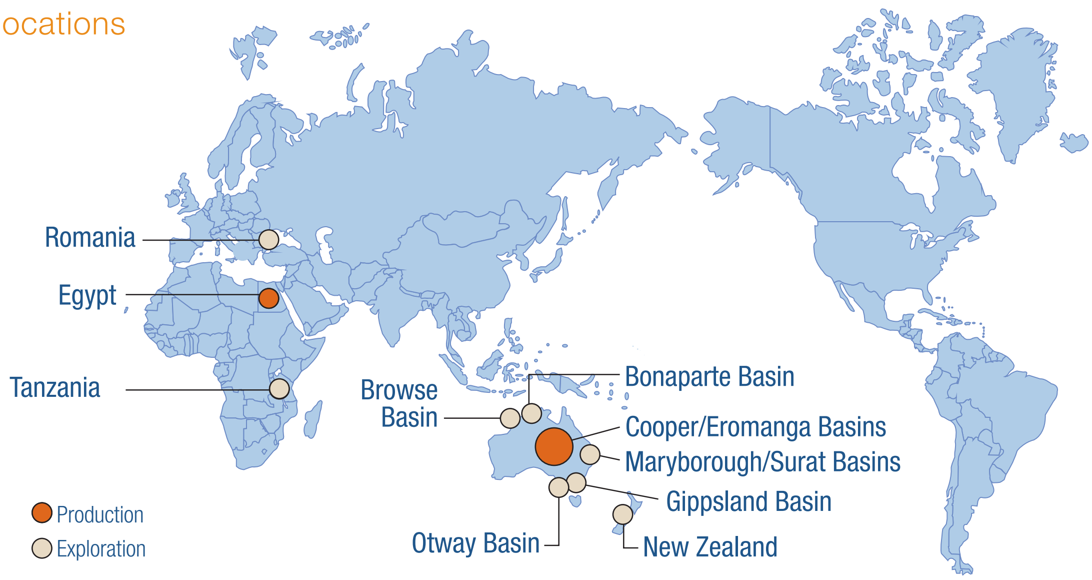
Independent Non-executive Directors
John Butler
Franco Moretti
Belinda Robinson
Fiona Bennett
Doug Schwebel

Contents

About Beach

- ASX 100 listed oil and gas exploration and production company.
- Australia's sixth largest oil producer and the largest net oil producer in the Cooper Basin.
- Focused on Australia's most prolific onshore oil and gas province, the Cooper Basin, with interests in exploration and production licences in other parts of Australia, Egypt, Romania, Tanzania and New Zealand.
- Continued exploration success and low cost oil production on the Western Flank of the Cooper Basin.
- 20-40% interest in the Santos operated Cooper Basin tenements and production facilities, including the Moomba plant, which account for the majority of gas production.
- Operator of the Nappamerri Trough Natural Gas project, in the centre of the Cooper Basin, a highly prospective basin centred gas play.

Project locations



APPENDIX 4D

for the Half Year ended 31 December 2013

ABN	Previous Corresponding Period
20 007 617 969	31 December 2012

Results for Announcement to the Market

				$000
Revenues from ordinary activities	Increased	62%	to	559,474
Net profit from ordinary activities after tax (NPAT) attributable to members	Increased	267%	to	160,478
NPAT for the period attributable to members	Increased	267%	to	160,478
Underlying NPAT*	Increased	160%	to	158,093

** Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. Please refer to the table on page 7 for a reconciliation of this information to the financial report.*

Dividends	Amount per Security	Franked amount per Security
Fully franked final dividend paid (on 27 September 2013)	2.00 cents	2.00 cents
Fully franked dividends to be paid		
— Interim dividend	1.00 cent	1.00 cent
— Special dividend	1.00 cent	1.00 cent
Total dividends to be paid	2.00 cents	2.00 cents
Record date for determining entitlements to the dividends		7 March 2014

This Half Year Report is to be read in conjunction with the 2013 Annual Report and any public announcements made by Beach during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Competent Persons Statement

The reserves and resources information in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Tony Lake (Reservoir Engineering Manager). Mr Lake is an employee of Beach Energy Limited and has a BE (Mech) degree from the University of Adelaide and is a member of the Society of Petroleum Engineers (SPE). The reserves and resources information in this report has been issued with the prior written consent of Mr Lake in the form and context in which it appears.

Review and Results of Operations

The Financial and Operations Overviews included in the Directors' Report provides further information and explanation.

Net asset backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security*	**$1.53**	$1.30

* *Inclusive of capitalised Exploration and Evaluation expenditure*

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	**$25.396**	$18.848

None of these dividends are foreign sourced.

Dividend Reinvestment Plan

Discount Rate for Dividend Reinvestment Plan (DRP)	2.5%
Last election date for participation in the DRP	7 March 2014
Record date	7 March 2014
Period over which share price for DRP will be determined	5 trading day period will commence on Tuesday 11 March and end after Monday 17 March
Date of payment	Friday 28 March 2014
Pricing for share price for DRP	The Market Price is to be calculated over the 5 day trading period. The calculation for Market Price is the arithmetic average of the Daily VWAP on each trading day during the pricing period, rounded to the nearest half cent
Ranking of shares issued under DRP	Will rank equally with all existing shares

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

DIRECTORS' REPORT

For the Half Year ended 31 December 2013

The Directors of Beach Energy Limited (**Beach** or the **Company**) present the Half Year Report for the six months ended 31 December 2013 and the state of affairs of the Company at that date. The Company's Half Year Financial Report for the six months ended 31 December 2013, presented on pages 16-30, form part of this report.

KEY FINANCIAL HIGHLIGHTS

	HY14 $000	HY13 $000	Change
Income			
Sales revenue	**557,207**	342,894	63%
Total revenue	**559,474**	344,720	62%
Cost of sales	**(318,009)**	(235,544)	(35%)
Gross profit	**239,198**	107,350	123%
Other income	**13,586**	–	n/a
NPAT	**160,478**	43,693	267%
Underlying NPAT	**158,093**	60,852	160%
Cash flows			
Operating cash flow	**274,498**	172,153	59%
Investing cash flow	**(202,909)**	(199,150)	(2%)
Financial position	**As at 31 Dec 2013**	**As at 30 June 2013**	**Change**
Net assets	**1,953,726**	1,782,506	10%
Cash balance	**404,295**	347,601	16%
Dividends and earnings per share	**HY14 cps**	**HY13 cps**	**Change**
Dividends paid	**2.00**	1.50	33%
Dividends announced — Interim — Special	**1.00** **1.00**	0.75 —	33% n/a
Total	**2.00**	0.75	167%
Basic EPS	**12.60**	3.47	263%
Underlying EPS	**12.41**	4.83	157%

FINANCIAL OVERVIEW

Revenue

Sales volumes for the six months ended 31 December 2013 (HY14) were a record at 5.6 MMboe, mainly due to higher oil production from the Western Flank and increased third party oil volumes, partly offset by lower gas sales due to lower contracted gas volumes.

Sales revenue for HY14 was a record $557 million, up 63% when compared to $343 million in the previous corresponding period (PCP). This was mainly due to increased oil volumes, a lower AUD/USD exchange rate and higher prices across most products. Oil sales revenue was up $217 million mainly due to increased production, higher third party volumes and a higher realised oil price, which was up 17% to A$129/bbl. Gas and gas liquids sales revenue was down 2% to $110 million mainly due to lower gas sales.

Gross profit

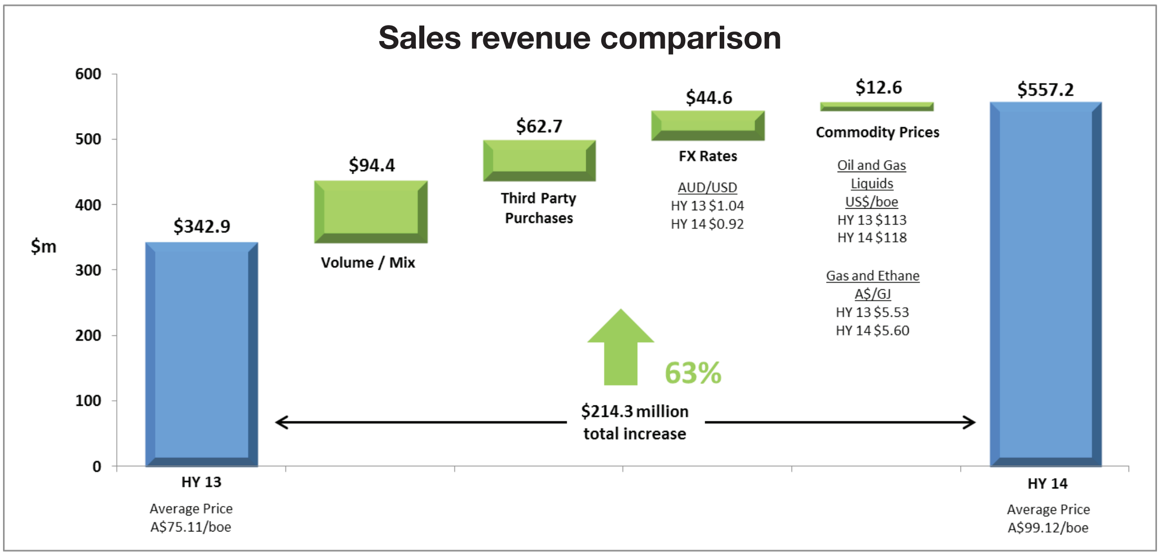
Gross profit for HY14 of $239 million was up 123% from the PCP of $107 million. This increase was driven mainly by sales revenue from higher oil sales and higher prices, partly offset by increased third party purchases and higher costs.

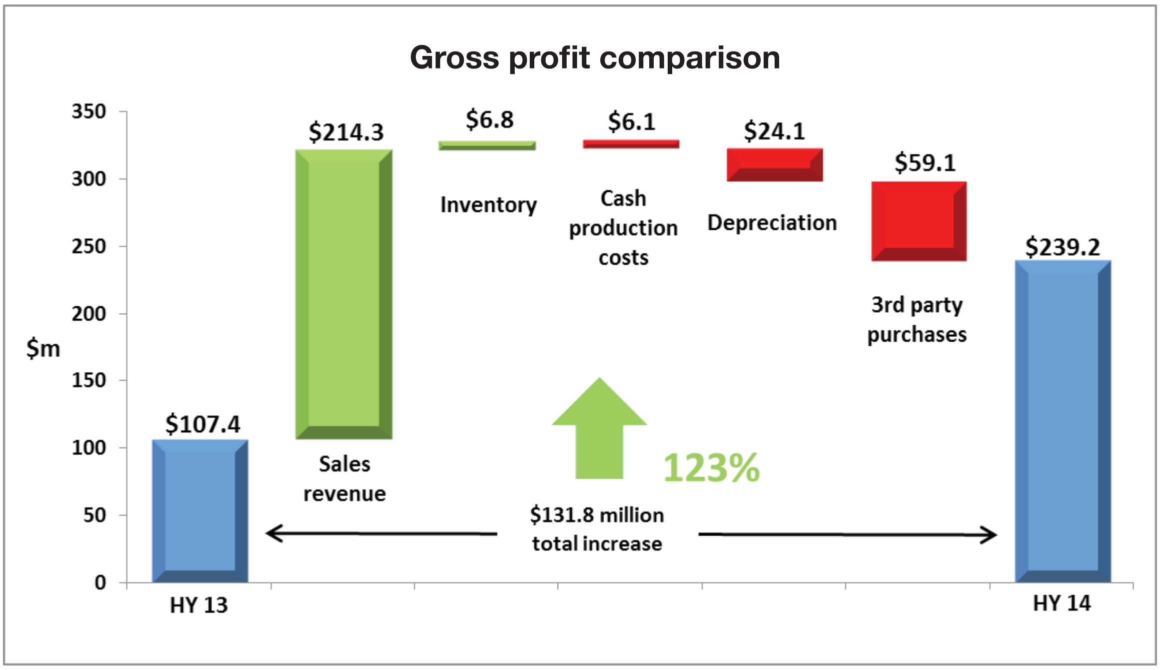
Cash production costs were up $6 million, reflecting higher royalties from greater sales, and higher carbon costs, partly offset by lower cash operating costs. Inventory changes were $7 million lower, reflecting lower sales from inventory. Depreciation was up $24 million due to higher production as well as higher third party oil and gas purchases, up $59 million.

Net profit after tax

Other income for HY14 included a gain of $14 million on the sale of joint venture interests, mainly related to the sale of Beach's interests in North Dakota, USA.

Other expenses of $28 million were down $13 million, mainly due to a lower unrealised loss on the revaluation of the conversion right derivative liability attached to the convertible notes and a $3 million impairment charge on overseas exploration interests in the PCP.





Net financing costs were higher due to financing costs on Beach's new $320 million syndicated loan facility and lower interest income due to falls in interest rates.

The reported net profit after income tax (NPAT) for HY14 of $160 million, is $117 million higher than the $44 million profit for the PCP, mainly due to the higher oil production from the Western Flank and higher prices for most products.

Underlying NPAT

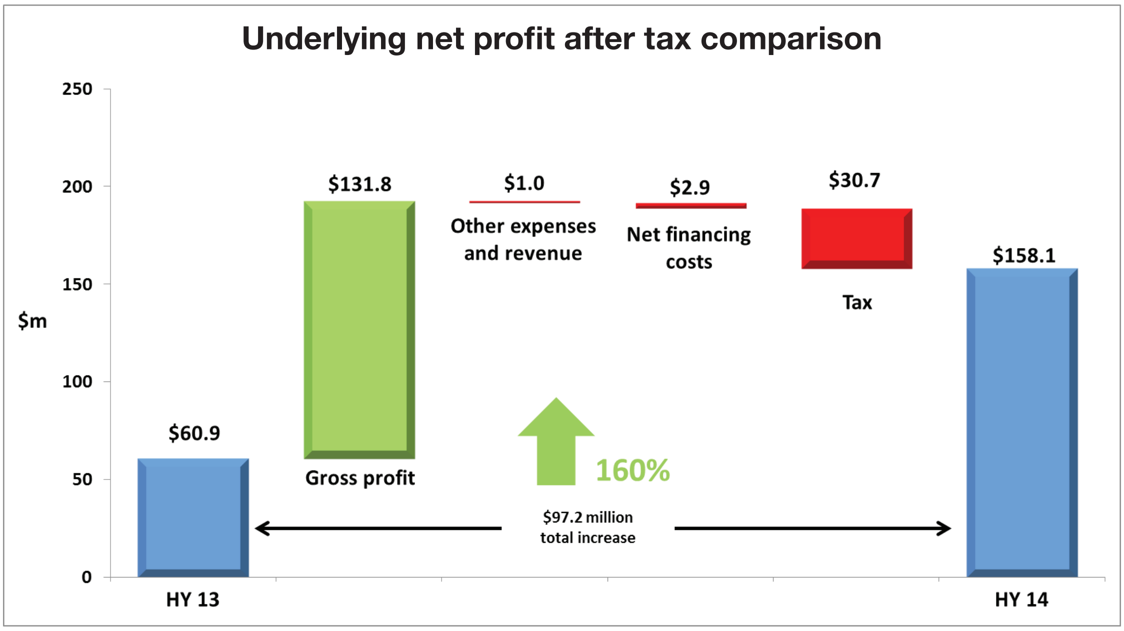
By adjusting the HY14 profit to exclude impairment, unrealised and non-recurring items, as per the following table, Beach's underlying NPAT for HY14 is $158 million. This is a 160% increase on the PCP, driven predominantly by higher oil sales and higher prices, partly offset by higher cash production costs, depreciation and third party purchases (as shown in the Gross profit comparison waterfall above).

In comparing the underlying NPAT, the following waterfall highlights the key drivers behind the increase in underlying NPAT.

Dividends

During HY14, the Directors declared and paid a 2.00 cents per share fully franked final dividend. The Directors are pleased to announce a further fully franked interim dividend payment of 1.00 cent per fully paid ordinary share along with a fully franked special dividend of 1.00 cent per fully paid ordinary share.

Comparison of underlying profit	HY14 $000	HY13 $000	Movement from PCP	Change (%)
Net profit after tax	**160,478**	43,693	116,785	267%
Remove unrealised hedging losses	**4**	281	(277)	
Remove mark to market of CB derivative	**8,845**	19,596	(10,751)	
Remove asset sales	**(13,586)**	25	(13,611)	
Remove impairment of assets	**40**	3,547	(3,507)	
Tax impact of above changes	**2,312**	(6,290)	8,602	
Underlying net profit after tax	**158,093**	60,852	97,241	160%



Financial Position

Total assets increased by $292 million, to $2,696 million, with the significant items as follows.

Cash balances increased $57 million, primarily due to a strong operating cash flow of $274 million and asset sales of $19 million, partly offset by capital and exploration expenditure of $209 million, a 2.00 cent final dividend paid totalling $15 million, and the purchase of investments amounting to $11 million. Receivables increased by $52 million, mainly due to higher sales accruals. Other current asset movements included an increase in inventories of $6 million and a fall in other assets of $1 million due to lower prepayments.

Non-current assets increased by $178 million, reflecting capital expenditure of $236 million and revaluation of overseas assets of $12 million, partly offset by non-cash depreciation and amortisation of $83 million. Other movements included purchases and the mark to market of financial assets available for sale totalling $23 million, and a decrease in deferred tax assets of $9 million due to various timing differences as well as the benefit of additional tax losses recognised during the period.

Total liabilities increased by $120 million to $743 million. Trade and other payables were $53 million higher due to increased capital and exploration accruals, joint venture creditors, crude oil purchases and unearned income on gas contracts. Deferred tax liabilities increased $18 million due to timing differences on exploration expenditure incurred during the period. Other movements included an increase in derivative liabilities of $9 million due to the movement in the value of the convertible note conversion rights. Current provisions increased by $10 million due to the carbon cost for the period. Income tax payable increased $23 million, reflecting estimated tax payable for the half-year, reduced by tax payments made for the prior year and an overprovision related to R&D expenditure not previously claimed. Borrowings increased by $3 million due to the unwinding of the discount on the convertible note and amortised fees. Non-current provisions increased by $5 million, mainly due to the unwinding of the discount on the restoration provision as well as new wells requiring restoration which were added during the period.

Total equity has increased by $171 million, primarily due to HY14 NPAT of $160 million, shares issued under the dividend reinvestment plan of $11 million, partly offset by the final dividend costing $25 million. Reserves also increased by $25 million mainly due to revaluation of available for sale investments and overseas assets.

OPERATIONS OVERVIEW

PRODUCTION

The Company's oil and gas production is primarily derived from the Cooper/Eromanga Basins, located in the north east of South Australia and the south west of Queensland, with a small amount of production from Egypt.

Total net production was 5.0 MMboe, which was up 25% on the PCP. The strong result was driven by record operated oil production of 2.6 MMbbl, the majority of which was generated from the Western Flank.

Western Flank net oil production averaged 10,500 bopd, up 96% on the PCP, which had an average of 5,350 bopd. This was mainly due to the Lycium to Moomba pipeline being in place and transporting oil at maximum available capacity.

Half-Yearly Production	Area	HY14	HY13	% Change
Oil (kbbl)	Cooper/Eromanga Basins	**2,603.9**	1,635.6	59%
	Egypt	**32.7**	60.4	(46%)
	Williston Basin	**–**	6.5	n/a
	Total Oil	**2,636.6**	1,702.5	55%
Sales Gas & Ethane (PJ)	Cooper Basin	**11.0**	10.9	0%
LPG (kt)	Cooper Basin	**25.9**	23.3	11%
Condensate (kboe)	Cooper Basin	**210.7**	182.6	15%
TOTAL OIL & GAS (kboe)		**4,951.5**	3,953.3	25%

FY14 FULL YEAR OUTLOOK

- As a result of the strong operating performance in HY14, Management advised that production guidance would increase to 9.2-9.6 MMboe from 8.7-9.3 MMboe
- FY14 capital expenditure guidance range increased to $450 – $500 million
- Maintaining Western Flank oil flowlines at maximum available capacity
- Continued exploration and appraisal of the Nappamerri Trough Natural Gas project, transitioning to pilot production appraisal phase
- Initiation of exploration activity in the Bonaparte Basin in Northern Australia, Romania and New Zealand
- Farm-down of Beach interest in Lake Tanganyika South Block in Tanzania
- Beach will continue to evaluate opportunities that would add value to shareholders. Beach has available cash of $404 million (as at 31 December 2013) and undrawn syndicated loan facility of $300 million

Cooper Basin – operated

PEL 91

(Beach 40%, Drillsearch 60%)

Record gross oil production of 2.3 MMbbl (940 kbbl net to Beach) was 833% higher than the PCP. The expectation is that production will continue to be strong with the connections of the Bauer-9, -10, -11 and Chiton-2 wells expected in Q1 2014. This will be complemented by the completion in May of the second phase of the Bauer facility expansion.

PEL 92

(Beach 75%, Cooper Energy 25%)

Gross oil production of 1.0 MMbbl (767 kbbl net) was up 36% when compared with the PCP. The re-perforation of Callawonga-8 and the connections of Callawonga-9, Butlers-7 and -8 and Windmill-2 wells ensured a strong finish to the period, with the Windmill-1 discovery also brought online. The newly connected wells added ~700 bpd (gross) to production since mid-December. The average gross production rate for HY14 was just over 5,500 bopd.

PEL 106

(Beach 50%, Drillsearch 50%)

Gross production of 564 kboe (282 kboe net), was 97% up on the PCP, primarily due to production for the majority of the period, with some disruption due to downtime at Moomba.

Cooper Basin – non-operated

PEL 104/111

(Beach 40%, Senex 60%)

Total production from Senex operated assets was 813 kbbl (326 kbbl net), 9% down on the PCP, mainly due to natural field decline in the Growler and Snatcher oil fields.

SACB JV and SWQ JVs

Sales gas and ethane production of 11.0 PJ was in line with the PCP, with production capacity added during the quarter, with 45 new gas wells brought on-line. LPG production of 25.9 tonnes was up 11% and condensate production of 210.7 kbbl up 15%, due to yield improvements.

Egypt

Gross Egyptian oil production of 356 kbbl (32 kbbl net entitlement) was 47% down due to natural field decline and the change in the reporting methodology to a net entitlement basis from the previously calculated equity basis.

DEVELOPMENT

AUSTRALIA – Cooper/Eromanga Basins

Operated

PEL 92/PPL 220

(Beach 75%, Cooper Energy 25%)

Success at Windmill-2, the first development well in a four well program, will accelerate production of reserves in the Windmill oil field. The well intersected a four metre gross oil column in the Namur Sandstone and a two metre gross oil column in the Birkhead Formation. The Windmill oil field is estimated to contain around 650,000 barrels of 2P oil reserves.

The Butlers-7 well was drilled to improve oil recovery from the northern part of the field. The well intersected 5.4 metres of net oil pay in the Namur Sandstone reservoir, which was in line with pre-drill expectations. The Butlers-8 well was drilled to accelerate production from the crestal area of the Butlers field and intersected 6.4 metres of net oil pay within the Namur Sandstone reservoir, also in line with pre-drill expectations.

The Callawonga-9 well was drilled to improve recovery from the south eastern flank of the Callawonga field. The well intersected a six metre oil column, including 4.1 metres of oil pay within the highly productive Namur Sandstone reservoir.

PEL 91

(Beach 40%, Drillsearch 60%)

Two wells were cased and suspended during the period. The Bauer-11 well was drilled to further develop the Bauer oil field and provide additional structural control in the north of the field. The well intersected a 10 metre gross column including six metres in the highly permeable Namur Sandstone. To the south of Bauer, the Chiton-2 well was drilled to appraise the Chiton field structure. Chiton-2 confirmed the mapped size of the Chiton field, intersecting a 5.5 metre gross oil column in the Namur Sandstone reservoir.

Kenmore/Bodalla

(Beach 100%)

Located in south west Queensland in the Cooper Basin, the Kenmore and Bodalla fields have produced oil consistently over a thirty year period, with the fields currently producing at around 500 bopd.

A three well oil development campaign was completed with two wells cased and suspended. The Kenmore-43 well intersected approximately two metres of net oil pay in the Birkhead Formation, with the Bodalla South-21 well, drilled to target the crest of the field, intersecting three metres of net oil pay within the Basal Jurassic Sandstone.

Non-operated

Cooper Gas Growth

(Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

Cooper Gas Growth is targeting increased gas production and reduced costs from existing conventional gas fields, with the operator targeting a 30% cost reduction by 2015. This will mainly be delivered from pad drilling, with the largest pad drill project to date having commenced in the Cowralli field earlier in the year.

Within the Cowralli field, 16 wells were drilled as part of the well pad program from two pads of eight wells per pad. The next phase in the program will be to fracture stimulate the wells in a cost efficient manner to best utilise the fracture stimulation equipment. This pad style approach is expected to save money through confining activities in space and time, and is planned to be one of the main drivers of future cost savings in the Cooper Basin.

The Cowralli-17 to -20 and -27 to -29 wells were all cased and suspended as future gas producing wells.

Six Moomba North development wells were drilled, cased and suspended. This program included a four well pad (Moomba-198, -199, -200 and -201) and two separate step-out wells (Moomba-196 and -197). The fracture stimulation of these wells, primarily targeting the Toolachee and Patchawarra Formations will be undertaken in Q1 2014. Depending on the production results from these wells, a further 30 or more wells may be drilled, with the expectation of a corresponding conversion of contingent resource to reserves.

The Kurunda-6 conventional vertical well was cased and suspended as a Patchawarra Formation gas producer. This well is expected to be on-line in Q1 2014.

The Pelican-13 conventional vertical well was cased and suspended as a Toolachee and Patchawarra Formation gas producer. The well was fracture stimulated and is expected to be on-line in Q1 2014.

The five well Big Lake pad drilling program commenced with the drilling of the Big Lake-95 and -96 wells. Both wells were cased and suspended as Toolachee, Daralingie, Epsilon, Patchawarra and Tirrawarra Formation gas producers. The Big Lake-97 well was spudded on 31 December and reached a total depth of ~3,000 metres on 14 January. Contingent upon depletion identified within the Big Lake wells, the plan is to perforate the Toolachee, Daralingie and Epsilon Formations and to fracture stimulate the deeper Patchawarra and Tirrawarra Formations.

Queensland gas

The Munkah-13 (Beach 23.2%, Santos 60.0625%, Origin 16.5%, Australian Pacific LNG 0.2375%) well was completed as a Toolachee, Epsilon and Patchawarra Formation producer and brought on-line in December 2013 at an initial rate of 3.4 MMscfd.

Queensland oil

Drilling was completed in the five well Zeus-Minos-Tennaperra oil development campaign (Beach 30%, Santos 70%). The Zeus-8, -9 and -10, Minos-2 and Tennaperra-3 wells were all cased and suspended as future Birkhead Formation oil producers.

Egypt

Abu Sennan Concession

(Beach 22%, Kuwait Energy 50% and operator, Dover 28%)

Subsequent to period end, the El Salmiya-3 well reached total depth in the Upper Cretaceous Abu Roash Formation. The well was designed to appraise the oil discovery from July last year in the lower Cretaceous Kharita Formation, however, encountered hole problems when drilling the 8 1/2 " hole.

The well encountered approximately eight metres of net oil pay in the Abu Roash "C", of which a six metre interval was perforated. During flow test, the reservoir achieved a rate of 4,800 barrels per day of 39 degree API crude (plus 6 MMscfd, and no water) through a 64/64" choke. The reservoir is currently undergoing a 'flow after flow' testing program to determine the optimum choke size to produce the well.

This result underlines the stacked potential of the El Salmiya field, which is now producing from the Abu Roash "C", the Abu Roash "E" and the Kharita Formation.

North Shadwan Concession

(Beach 20%, BP 50% and operator, Tri-Ocean 30%)

FEED work is being undertaken by BP and GUPCO on the Burtocal development, which will be subject to an internal BP review in Q2 2014, prior to a recommendation being made to partners on whether to proceed.

EXPLORATION

AUSTRALIA – Cooper/Eromanga Basins

Beach remains active in its recording and interpretation of 3D seismic data throughout the Cooper Basin. The Caseolus 3D seismic survey was completed in June and covered areas of PELs 91 and 92. The processing of the seismic data is 85% complete and is expected to be available for interpretation during Q1 2014.

The Irus 3D seismic survey, covering areas of PELs 91, 92, 106 and PRLA 26, was completed and the data processed. Final data arrived in early January and is currently undergoing interpretation for prospects and leads, which are expected to be generated by Q2 2014.

The Nassarius 3D seismic survey in ATP 732 started in late November and was 15% complete at the end of the quarter. Recording of the survey is currently 40% complete and is expected to finish mid to late February.

Operated

Nappamerri Trough Natural Gas

PEL 218

(Beach 70%, Chevron 30%)

The Boston-3 horizontal well finished drilling in early December, with fracture stimulation currently underway on the Boston-1 vertical well. Boston-1 will be fracture stimulated over 12 stages and this will be followed by the Boston-3 horizontal well which will be stimulated over 10 stages. Post-stimulation, both wells are expected to commence flow testing in March. The previous 600 metre lateral section drilled in the Murteree Shale at Holdfast-2 was completed in 38 days. Incorporating the knowledge gained from Holdfast-2, drilling of the 1,000 metre lateral section in Boston-3 was completed in 12 days.

Recent success with a surface deployed monitoring array for micro-seismic monitoring, during the Holdfast-2 horizontal stimulation campaign, will see a repeat use of this technology during the stimulation of Boston-1 and Boston-3. This information will assist with designing longer term development spacing and well orientation.

The Holdfast-2 horizontal well was fracture stimulated in late November, with nine stimulation stages along the 600 metre Murteree Shale lateral. During completion operations, a piece of the setting tool sheared off inside the well bore and needs to be recovered prior to flow testing. The operation to recover the tool is being undertaken using a snubbing unit, after which the well will be flow tested in Q1 2014.

The Dashwood-1 vertical well, was fracture stimulated over four stages in the basal (lower) Patchawarra Formation. The flow test from this well is a strategic assessment of the flow characteristics of the basal units to assist in planning the next phase of exploration. The well is scheduled for a work-over immediately after Holdfast-2 to recover a downhole setting tool from the completion packer. Once recovered and the completion run, flow testing will commence on the well.

ATP 855

(Beach 46.9%, Icon 35.1%, Chevron 18%)

The Redland-1 vertical well is in a similar structural position to that of Keppel-1 and is specifically addressing the Toolachee and Daralingie Formations.

An up to four well fracture stimulation campaign of the Geoffrey-1, Redland-1, Etty-1 and Hervey-1 vertical wells is expected to commence in the second half of 2014. Key target reservoirs have been identified in those wells drilled to date for specific zone fracture stimulation and flow tests. These tests are aimed at gathering information on the contribution from individual target zones, which will be a fraction of each well's capability.

ATP 732

(Beach farming in to 50%, Bengal Energy 50%)

The Tangalooma-1 oil well, located on the eastern flank of the Cooper Basin in Queensland, was the first well of a two well exploration program. This program, along with the 300 km^2 Nassarius 3D seismic survey, are the farm-in commitments for ATP 732. It is anticipated that the 3D survey will be completed by the end of February. The prospects and leads generated from this survey will be used to optimise the second well in the program.

The Tangalooma-1 well was drilled on existing 3D seismic data, with the primary objective being the Hutton Sandstone, a productive oil zone in multiple fields in this part the Cooper Basin. The well failed to intersect significant hydrocarbons and was plugged and abandoned.

Non-operated

PPL 242

(Beach 40%, Senex Energy 60%)

A drilling campaign of at least four wells has commenced in the Growler area, with Growler-13 the first well in the campaign. The Growler-13 well is located to the north east of Growler-6 and intersected an oil-saturated Birkhead interval. The well was subsequently cased and suspended awaiting further evaluation.

SACB JV Unconventional gas

(Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

REM

The REM exploration program is focused on the Roseneath Shale, Epsilon Formation, Murteree Shale and Patchawarra Formation. This program is being undertaken in the shallower areas of the Nappamerri Trough near existing infrastructure. Three projects have been initiated, namely Aurora, Roswell and Fortuna.

The Aurora project is comprised of the Moomba-192 vertical well and the Moomba-193 Murteree Shale horizontal well. Moomba-192 will be used as a monitoring well for down-hole micro-seismic during fracture stimulation of the Moomba-193 horizontal well. Moomba-193 is currently drilling ahead at ~3,000 metres, with a lateral in the Murteree Shale planned to be ~1,000 metres.

The Roswell project is comprised of the Roswell-1 vertical well and the Roswell-2 Roseneath Shale horizontal well. Roswell-1 was fractured stimulated in a deep Patchawarra Formation coal, flowing gas at 0.4 MMscfd. Roswell-1 will be further stimulated at a later date in shallower horizons, which are yet to be determined. The Roswell-2 horizontal well was drilled with a 550 metre lateral in the Roseneath Shale. Fracture stimulation of this section is planned for Q1 2014, which will be monitored using a surface micro-seismic array.

The Fortuna project is comprised of the Moomba-194 vertical well and Moomba-195 Murteree Shale horizontal well. Moomba-194 was fracture stimulated over five stages in the Epsilon Formation, Murteree Shale and the Patchawarra Formation. The initial flow rates were 3.1 MMscfd, which declined to ~1.4 MMscfd prior to shut-in of the well. This well has confirmed the extension of the Patchawarra Formation gas accumulation in the Moomba field, with the operator indicating the results are a step closer to commercialisation of the greater Nappamerri Trough. The Moomba-195 horizontal well has been deferred while awaiting results from Moomba-193 and Roswell-2.

Basin Centred Gas

The Basin Centred Gas appraisal program is focused on gas accumulation through the entire Permian section, from the Toolachee Formation to the deeper Tirrawarra Sandstone.

Three vertical wells have been drilled to date, namely Langmuir-1, Gaschnitz-1ST1 and Van der Waals-1.

Langmuir-1 was fracture stimulated over 10 stages in sandstones and coals, from the Toolachee Formation to the Tirrawarra Formation. The well is currently cleaning up after which a flow rate will be advised.

Gaschnitz-1ST1 was fracture stimulated in the Tirrawarra, Patchawarra, Epsilon and Toolachee Formations and production tested for two weeks post-stimulation. The well came on-line at an initial rate of ~1.5 MMscfd and declined to ~0.7 MMscfd. The well is currently shut-in awaiting appropriate equipment to run completion and continue the flow testing, which is expected in March 2014. A Gaschnitz production pilot, requiring the drilling of additional wells, is being considered for implementation during 2014.

The Van der Waals-1 well was planned for a nine stage fracture stimulation program. The initial two stages were placed and the third stage perforated (all three stages in the lower Patchawarra Formation). Further activity has been delayed by operational issues.

Queensland Conventional gas

The Marama West-1 (Beach 28.8%, Santos 61.2% and Origin 10%), Bolah-1 and Kaiden-1 (Beach 23.2%, Santos 60.0625%, Origin 16.5%, Australian Pacific LNG 0.2375%) gas exploration wells were all cased and suspended. Marama West-1 discovered gas in the Wimma Sandstone Member, Paning Member, Toolachee Formation and Basement, Bolah-1 in the Toolachee and Patchawarra Formations, and Kaiden-1 in the Paning Member and Toolachee Formation.

AUSTRALIA – Otway Basin

PEL 495

(Beach 70% and operator, Cooper Energy 30%)

Two public meetings were held in Penola and Robe to provide local communities with information on upcoming operating plans, which included discussion around the first two unconventional exploration wells. Subsequent to period end, the Jolly-1 vertical well spudded and is currently drilling ahead at ~3,700 metres. The well is testing the potential of the shale and tight sandstone in the Lower Sawpit Shale and Casterton Formation within the Penola Trough. Both oil and gas are being targeted, with at least four cores to be cut and analysed for hydrocarbon content. Jolly-1 is expected to reach a total depth of 4,070 metres by early March and will be the deepest intersection of the target formations in the Otway Basin.

TANZANIA

Lake Tanganyika South

(Beach 100%)

The farm-out process is continuing with a number of parties undertaking due diligence of the available information. It is expected that the farm-out process will be completed in the first half of 2014. Metocean studies, to assist in the design of drilling solutions are ongoing, with data being collected and assessed.

ROMANIA

Est Cobalcescu concession, Black Sea

(Beach 30%, Petroceltic Romania 40% and operator, Petromar Resources 30%)

The 01RX Cobalcescu South off-shore exploration well in Block EX-28 Est Cobalcescu was plugged and abandoned after intersecting minor gas shows in upper Miocene sediment

NEW ZEALAND

PEP 52717

(Beach 50%, NZOG 50% and operator)

The lightly explored PEP 52717 is located in the Canterbury Basin, approximately 40 kilometres off the east coast of the south island. A well was drilled nearby in the 1980's, encountering gas and high liquids.

Reprocessing of 1,250 kilometres of vintage 2D seismic data was completed, and a 700 km^2 3D seismic survey was acquired over the Barque and Tartan Wedge features in December. These features have multi-Tcf potential, with Anadarko currently mobilising a semi-submersible rig to drill a prospect in early 2014, just south of the permit boundary.

PEP 52181

(Beach 25%, NZOG 35% and operator, TAG Oil 40%)

Located in the Taranaki Basin, west of the north island and in close proximity to the Kupe offshore gas field and the Kauri and Rimu onshore oil fields, PEP 52181 has oil, gas and liquids potential in the Kaheru prospect. Kaheru is covered by 3D seismic and is in shallow water (approximately 25 metres depth). It is expected that the Kaheru prospect will be drilled when a jack-up rig is available, possibly early 2015.

During HY14, the Company participated in 58 wells with an 86% success rate.

Location	Category	No. Wells	No. of Successes	Success Rate
Cooper	Exploration - Oil	8	2	25%
	Appraisal / Development well - Oil	19	17	89%
	Exploration - Gas	3	3	100%
	Exploration Unconventional - Gas	7	7	100%
	Development - Gas	20	20	100%
Egypt	Appraisal Oil	1	1	100%
	Total	**58**	**50**	**86%**

DIRECTORS

The names and particulars of the qualifications of the Directors of Beach in office during the half year financial reporting period and at the date of this report are:

Glenn Stuart Davis

INDEPENDENT NON-EXECUTIVE CHAIRMAN
LLB, BEc

Reginald George Nelson

MANAGING DIRECTOR
BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD

John Charles Butler

INDEPENDENT NON-EXECUTIVE DIRECTOR
FCPA, FAICD, FIFS

Franco Giacomo Moretti

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR
BE (Hons), FIEAust

Belinda Charlotte Robinson

INDEPENDENT NON-EXECUTIVE DIRECTOR
BA (Geography), Master Environmental Law, GAICD, Life member Australian Petroleum Production & Exploration Association

Fiona Rosalyn Vivienne Bennett

INDEPENDENT NON-EXECUTIVE DIRECTOR
BA(Hons) FCA, FAICD, FAIM

Douglas Arthur Schwebel

INDEPENDENT NON-EXECUTIVE DIRECTOR
PhD B. Sc (Hons) (Geology)

COMPANY SECRETARIES

Kathryn Anne Presser

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY
BA (Acc), Grad Dip CSP, FAICD, FCPA, FCIS, AFAIM

Catherine Louise Oster

GENERAL COUNSEL AND JOINT COMPANY SECRETARY
BA (Jurisprudence), LLM (Corporate & Commercial), FCIS

DIVIDENDS

During HY14, the Directors declared and paid a 2.00 cents per share fully franked final dividend. The Directors are pleased to announce a further fully franked interim dividend payment of 1.00 cent per fully paid ordinary share along with a fully franked special dividend of 1.00 cent per fully paid ordinary share.

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.

REVIEW AND RESULTS OF OPERATIONS

A review of the operations of the consolidated entity can be found in the Financial and Operations Overviews commencing on page 5.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance that has arisen since 31 December 2013 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the future.

ROUNDING OFF OF AMOUNTS

Amounts in the Half Year Financial Report have been rounded to the nearest thousand dollars in accordance with the option available in Class Order 98/100 issued by the Australian Securities and Investment Commission.

AUDITOR'S INDEPENDENCE DECLARATION

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 Half Year Financial Report. This Independence Declaration is made on the following page and forms part of this Directors' Report.

Dated at Adelaide this 24th day of February 2014 and signed in accordance with a resolution of the Directors.

G S Davis
Chairman

GrantThornton

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
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E info.sa@au.gt.com
W www.grantthornton.com.au

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 review of Beach Energy Limited for the half-year ended 31 December 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 review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 24 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2013 — Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
	Note	**Dec 2013 $000**	Dec 2012 $000
Sales revenue	**3(a)**	**557,207**	342,894
Cost of sales	**4(a)**	**(318,009)**	(235,544)
Gross profit		**239,198**	107,350
Other revenue	**3(b)**	**2,267**	1,826
Other income	**3(c)**	**13,586**	-
Other expenses	**4(b)**	**(28,093)**	(41,237)
Operating profit before net financing costs		**226,958**	67,939
Interest income	**4(c)**	**6,795**	8,506
Finance expenses	**4(c)**	**(13,280)**	(12,065)
Profit before income tax expense		**220,473**	64,380
Income tax expense	**5**	**(59,995)**	(20,687)
Net profit after income tax expense		**160,478**	43,693
Net profit after tax attributable to			
Owners of Beach Energy Limited		**160,478**	43,693
Basic earnings per share (cents per share)	**17**	**12.60¢**	3.47¢
Diluted earnings per share (cents per share)	**17**	**11.98¢**	3.41¢

This statement of profit or loss is to be read in conjunction with the notes to the half year financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013 — Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2013 $000	Dec 2012 $000
Net profit after income tax for the period	**160,478**	43,693
Other comprehensive loss, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available for sale financial assets	**12,326**	4,572
Tax effect	**(3,124)**	(1,364)
Net gain/(loss) on translation of foreign operations	**12,946**	(4,851)
Total other comprehensive income/(loss), net of tax	**22,148**	(1,643)
Total comprehensive income	**182,626**	42,050

Total comprehensive income attributable to		
Owners of Beach Energy Limited	**182,626**	42,050

This statement of comprehensive income is to be read in conjunction with the notes to the half year financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 31 December 2013 — Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
	Note	**Dec 2013 $000**	June 2013 $000
Current assets			
Cash and cash equivalents		**404,295**	347,601
Trade and other receivables		**220,824**	169,031
Inventories		**82,698**	76,303
Derivative financial instruments		**16**	31
Other		**5,514**	6,417
Total current assets		**713,347**	599,383
Non-current assets			
Available for sale financial assets		**64,992**	42,056
Property, plant and equipment	8	**418,784**	382,923
Petroleum assets	9	**756,459**	714,436
Exploration and evaluation expenditure	10	**660,904**	579,376
Deferred tax assets		**57,431**	65,951
Derivative financial instruments		**32**	21
Other		**24,401**	20,642
Total non-current assets		**1,983,003**	1,805,405
Total assets		**2,696,350**	2,404,788
Current liabilities			
Trade and other payables		**179,607**	127,089
Short term provisions		**18,711**	8,983
Tax liabilities		**52,554**	29,425
Total current liabilities		**250,872**	165,497
Non-current liabilities			
Borrowings		**123,446**	119,953
Deferred tax liabilities		**225,323**	207,517
Derivative financial instruments		**23,711**	14,866
Long term provisions		**119,272**	114,449
Total non-current liabilities		**491,752**	456,785
Total liabilities		**742,624**	622,282
Net assets		**1,953,726**	1,782,506
Equity			
Issued capital	7	**1,225,592**	1,214,101
Reserves		**71,260**	46,613
Retained earnings		**656,874**	521,792
Total equity		**1,953,726**	1,782,506

The statement of financial position is to be read in conjunction with the notes to the half year financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013 Beach Energy Limited and Controlled Entities

	$000	$000	$000	$000
For the six months ended 31 December 2013	**Issued Capital**	**Retained Earnings**	**Reserves**	**Total Equity**
1 July 2013 – Opening balance	**1,214,101**	**521,792**	**46,613**	**1,782,506**
Profit after tax for the period	-	160,478	-	160,478
Other comprehensive loss	-	-	22,148	22,148
Total comprehensive income	**-**	**160,478**	**22,148**	**182,626**
DRP issue for final dividend	10,625	-	-	10,625
Shares issued under the terms of the Employee Share Purchase Plan	268	-	-	268
Exercse of unlisted options	598	-	-	598
Dividends paid (final)	-	(25,396)	-	(25,396)
Increase in share based payments reserve – incentive options and rights	-	-	2,504	2,504
Decrease in share based payments reserve – forfeiture of incentive rights	-	-	(5)	(5)
Transactions with owners	**11,491**	**(25,396)**	**2,499**	**(11,406)**
31 December 2013 – closing balance	**1,225,592**	**656,874**	**71,260**	**1,953,726**

	$000	$000	$000	$000
For the six months ended 31 December 2012	**Issued Capital**	**Retained Earnings**	**Reserves**	**Total Equity**
1 July 2012 – Opening balance	**1,200,211**	**396,483**	**15,153**	**1,611,847**
Profit after tax for the period	-	43,693	-	43,693
Other comprehensive loss	-	-	(1,643)	(1,643)
Total comprehensive income	**-**	**43,693**	**(1,643)**	**42,050**
Transactions with owners in their capacity as owners:				
DRP issue for final dividend	8,513	-	-	8,513
Transaction costs	(125)	-	-	(125)
Tax effect of transaction costs	37	-	-	37
Shares issued under the terms of the Employee Share Purchase Plan	1,487	-	-	1,487
Dividends paid (final)	-	(18,848)	-	(18,848)
Increase in share based payments reserve – incentive options and rights	-	-	2,777	2,777
Decrease in share based payments reserve – forfeiture of incentive rights	-	-	(7)	(7)
Transactions with owners	**9,912**	**(18,848)**	**2,770**	**(6,166)**
31 December 2012 – closing balance	**1,210,123**	**421,328**	**16,280**	**1,647,731**

The statement of changes in equity is to be read in conjunction with the notes to the half year financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013 | Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2013 $000	Dec 2012 $000
Cash flows from operating activities		
Receipts from oil and gas operations	**494,699**	330,669
Payments to suppliers and employees	**(220,549)**	(164,231)
Interest received	**7,877**	8,943
Interest and borrowing costs paid	**(4,306)**	(4,231)
Net derivative payments made	**(487)**	(823)
Income tax paid	**(13,666)**	-
Income tax refund	**8,663**	-
Other receipts	**2,267**	1,826
Net cash provided by operating activities	**274,498**	172,153
Cash flows from investing activities		
Proceeds from sale of non-current assets	**71**	-
Proceeds from sale of investments	**-**	65
Purchase of joint venture interests	**-**	(808)
Proceeds on sale of joint venture interests	**18,890**	-
Payment for plant and equipment (Australia)	**(48,906)**	(36,932)
Payment for plant and equipment (Overseas)	**(276)**	(1,263)
Payment for exploration and development (Australia)	**(141,255)**	(148,856)
Payment for exploration and development (Overseas)	**(19,046)**	(10,277)
Payment for restoration	**(1,777)**	(313)
Purchase of investments	**(10,610)**	(766)
Net cash used by investing activities	**(202,909)**	(199,150)
Cash flows from financing activities		
Costs associated with issue of shares	**-**	(125)
Proceeds from exercise of share options	**598**	-
Proceeds from employee incentive loans	**268**	1,412
Dividends paid	**(14,771)**	(10,335)
Net cash used by financing activities	**(13,905)**	(9,048)
Net increase/(decrease) in cash held	**57,684**	(36,045)
Cash at the beginning of the half year	**347,601**	378,505
Effect of exchange rate changes on the balances of cash held in foreign currencies	**(990)**	192
Cash at the end of the half year	**404,295**	342,652

The statement of cash flows is to be read in conjunction with the notes to the half year financial statements.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013 Beach Energy Limited and Controlled Entities

NOTE 1 REPORTING ENTITY

Beach Energy Limited (**Beach** or the **Company**) is a company domiciled in Australia. The Half Year Financial Report of the Company for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the **consolidated entity**).

The 2013 Annual Report is available upon request from the Company's registered office at 25 Conyngham Street, Glenside, 5065 South Australia or at *www.beachenergy.com.au.*

NOTE 2 BASIS OF PREPARATION OF HALF YEAR REPORT

The Half Year Financial Report for the six months ended 31 December 2013 is a general purpose report prepared in accordance with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. It is intended to provide users with an update on the latest annual financial statements of the consolidated entity and as such they do not include full disclosures of the type normally included in the annual report. It is recommended that they be read in conjunction with the 2013 Annual Report and any public announcements made by Beach during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The Half Year Financial Report for the six months ended 31 December 2013 has been prepared in accordance with the accounting policies adopted in the 2013 Annual Report (except for the application of the standards specified below), and have been consistently applied by the entities in the consolidated entity.

The Half Year Financial Report for the six months ended 31 December 2013 has been approved and authorised for issue by the Board of Directors on 24 February 2014.

The following mandatory accounting standards were required to be adopted by the consolidated entity during the current period:

- *AASB 10 Consolidated Financial Statements* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 10 provides a revised approach to determining which investees should be consolidated. The standard changes the requirements for determining whether an entity is consolidated by revising the definition of control and adding further guiding principles. The application of AASB 10 does not have any impact on the amounts recognised in the consolidated entity's Half Year Financial Statements.

- *AASB 11 Joint Arrangements* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method. The application of AASB 11 does not have any impact on the consolidated entity's Half Year Financial Statements.

- *AASB 12 Disclosure of Interests in Other Entities* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 12 includes all of the disclosures that were previously in AASB 127 Consolidated and Separate Financial Statements and AASB 131 Interest in Joint Ventures. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The revised standard requires a number of disclosures which are consistent with previous disclosures made by the consolidated entity and has no impact on the consolidated entity's financial position or performance.

NOTE 2 BASIS OF PREPARATION OF HALF YEAR REPORT (CONTINUED)

- *AASB 13 Fair Value Measurement,* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 13 establishes a single source of guidance under accounting standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AASBs when fair value is required or permitted. The required additional disclosures relating to AASB 13 are provided in Note 16.
- *AASB 119 Employee Benefits* which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 119 makes a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The revised standard has no impact on the consolidated entity's financial position or performance.

Other mandatory accounting standards issued and required to be adopted by the consolidated entity have not been included above as they did not have a material impact on the Consolidated Half Year Financial Statements.

		CONSOLIDATED	
		Dec 2013 $000	Dec 2012 $000
NOTE 3	**REVENUE AND OTHER INCOME**		
(a)	Sales revenue		
	- crude oil	**446,870**	230,053
	- sales gas and ethane	**55,571**	65,649
	- liquified petroleum gas	**27,337**	19,846
	- condensate	**27,429**	27,346
	Gas and gas liquids	**110,337**	112,841
	Total sales revenue	**557,207**	342,894
(b)	Other revenue		
	- other	**2,267**	1,826
	Total revenue	**559,474**	344,720
(c)	Other income		
	- gain on sale of joint venture interests	**13,586**	-
	Total other income	**13,586**	-

NOTE 4	**EXPENSES**		
(a)	Cost of sales		
	- operating costs	**81,683**	85,552
	- carbon cost	**9,053**	7,065
	- royalties	**39,075**	31,128
	Total cash production costs	**129,811**	123,745
	- depreciation and amortisation	**83,265**	59,153
	- third party oil and gas purchases	**109,725**	50,647
	- change in inventories	**(4,792)**	1,999
	Total cost of sales	**318,009**	235,544

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013 Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
		Dec 2013 $000	Dec 2012 $000
NOTE 4	**EXPENSES (CONTINUED)**		
(b)	Other expenses		
	- employee benefits expense	**10,604**	11,187
	- exploration expenditure written off	**1,798**	1,381
	- unrealised movement in value of convertible note conversion rights	**8,845**	19,596
	- foreign exchange losses	**749**	194
	- impairment of assets	**40**	3,547
	- loss on crude oil hedging	**491**	1,103
	- loss on sale of employee shares	**-**	73
	- loss on sale of property, plant and equipment	**107**	-
	- loss on sale of investments	**-**	25
	- bad debts written off	**17**	-
	- other expenses	**5,442**	4,131
	Total other expenses	**28,093**	41,237
(c)	Net financing expenses		
	- financing costs	**2,414**	1,412
	- interest expense	**2,963**	3,532
	- discount unwinding on convertible note	**3,007**	2,736
	- discount unwinding on provision for restoration	**4,896**	4,385
	Total finance expenses	**13,280**	12,065
	- interest income	**(6,795)**	(8,506)
	Net financing expenses	**6,485**	3,559

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013 | Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
		Dec 2013 $000	Dec 2012 $000
NOTE 5	**INCOME TAX**		
(a)	Reconciliation of income tax expense calculated on operating profit to income tax charged in the statement of profit or loss		
	Operating profit	**220,473**	64,380
	Income tax expense calculated at 30 cents in the dollar	**66,142**	19,314
	(Decrease)/increase in income tax expense due to:		
	- share based payments	**750**	831
	- prior year over provision	**(8,554)**	(125)
	- international tax losses not recognised	**557**	647
	- international tax payable at higher tax rates	**1,004**	-
	- capital losses not recognised	**47**	-
	- other	**49**	20
	Income tax expense	**59,995**	20,687
(b)	Reconciliation of income tax expense calculated on net profit to income tax charged in the statement of profit or loss		
	Current tax	**36,795**	1,640
	Deferred tax	**23,200**	19,047
	Income tax expense	**59,995**	20,687

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013 — Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2013 $000	Dec 2012 $000
NOTE 6 DIVIDENDS		
Final dividend of 1.5 cents per fully paid ordinary share declared on 28 August 2012 and paid on 28 September 2012.	**-**	18,848
Final dividend of 2.0 cents per fully paid ordinary share declared on 27 August 2013 and paid on 27 September 2013.	**25,396**	-
	25,396	18,848

		Dec 2013 $000	Jun 2013 $000
NOTE 7	**EQUITY SECURITIES ISSUED**		
(a)	Share capital	**1,225,592**	1,214,101
		Number	Number
(b)	Movement in fully paid ordinary shares		
	Balance at beginning of period	**1,268,647,188**	1,255,464,157
	Issues of shares under terms of employee share plan	**121,935**	3,510,055
	Share issue on vesting of unlisted employee performance rights	**1,141,775**	-
	Shares issued under the terms of the dividend reinvestment plan	**8,012,844**	9,672,976
	Shares issued on exercise of unlisted options	**425,000**	-
	Balance at end of period	**1,278,348,742**	1,268,647,188
(c)	Movement in unlisted Long Term Incentive Options		
	Balance at beginning of period	**7,108,977**	8,677,257
	Exercised during the period	**(425,000)**	-
	Lapsed during the period	**(4,425,000)**	(1,568,280)
	Balance at end of period	**2,258,977**	7,108,977
(d)	Movement in unlisted Incentive Rights		
	Balance at beginning of period	**11,767,747**	8,437,259
	Issued during the period	**2,359,026**	3,352,829
	Converted to shares on vesting	**(1,141,775)**	-
	Cancelled during the period	**(4,773)**	(22,341)
	Balance at end of period	**12,980,225**	11,767,747

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013 | Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2013 $000	Jun 2013 $000
NOTE 8 PROPERTY, PLANT AND EQUIPMENT		
Balance at beginning of period	**382,923**	336,756
Additions	**54,114**	77,193
Transfer to petroleum assets	**-**	(41)
Disposals	**(283)**	(141)
Impairment of property, plant and equipment	**-**	(25)
Depreciation expense	**(18,232)**	(31,505)
Foreign exchange movement	**262**	686
Balance at end of period	**418,784**	382,923
NOTE 9 PETROLEUM ASSETS		
Balance at beginning of period	**714,436**	599,146
Additions	**107,481**	143,951
Increase in restoration	**1,627**	1,122
Acquisition of joint venture interests	**-**	89
Transfer from property, plant and equipment	**-**	41
Transfer from exploration and evaluation expenditure	**1,669**	64,116
Disposals	**(4,487)**	(843)
Amortisation expense	**(65,033)**	(95,008)
Foreign exchange movement	**766**	1,822
Balance at end of period	**756,459**	714,436
NOTE 10 EXPLORATION AND EVALUATION EXPENDITURE		
Balance at beginning of period	**579,376**	553,568
Additions	**74,080**	206,051
Increase in restoration	**527**	1,254
Acquisition of joint venture interests	**-**	20,174
Transfer to petroleum assets	**(1,669)**	(64,116)
Exploration expenditure written off/impaired	**(1,838)**	(6,171)
Disposal of joint venture interests	**(578)**	(157,389)
Foreign exchange movement	**11,006**	26,005
Balance at end of period	**660,904**	579,376

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013 Beach Energy Limited and Controlled Entities

NOTE 11 SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The consolidated entity has identified its operating segments to be its Cooper Basin interests, Other Australian interests and International interests 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 licences within Australia other than the Cooper Basin while the International operating segment includes the consolidated entity's interests in all areas outside Australia.

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

Details of the performance of each of these operating segments for the six month period ended 31 December 2013 and 31 December 2012 are set out below:

	Cooper		Other Australia		International		Total	
	2013 $000	2012 $000	**2013 $000**	2012 $000	**2013 $000**	2012 $000	**2013 $000**	2012 $000
Segment revenue								
Oil and gas sales to external customers	**553,756**	336,770	**-**	-	**3,451**	6,124	**557,207**	342,894
Segment results								
Gross segment result before depreciation, amortisation and impairment	**322,055**	165,954	**(212)**	(1,014)	**620**	1,563	**322,463**	166,503
Depreciation & amortisation	**(80,887)**	(58,313)	**(14)**	(9)	**(2,364)**	(831)	**(83,265)**	(59,153)
	241,168	107,641	**(226)**	(1,023)	**(1,744)**	732	**239,198**	107,350
Other income							**2,267**	1,826
Other revenue							**13,586**	-
Net financing costs							**(6,485)**	(3,559)
Other expenses (1)							**(28,093)**	(41,237)
Profit before tax							**220,473**	64,380
Income tax expense							**(59,995)**	(20,687)
Net profit after tax							**160,478**	43,693

(1) Prior period includes impairment of $3.5 million. $0.7 million relates to the Other Australia segment and $2.8 million relates to the International segment.

Details of the assets of each of these operating segments for the period ended 31 December 2013 and 30 June 2013 are set out below:

	31 Dec 2013 $000	30 Jun 2013 $000	**31 Dec 2013 $000**	30 Jun 2013 $000	**31 Dec 2013 $000**	30 Jun 2013 $000	**31 Dec 2013 $000**	30 Jun 2013 $000
Segment assets	**1,537,618**	1,397,871	**59,875**	58,967	**348,970**	323,507	**1,946,463**	1,780,345
Total corporate and unallocated assets							**749,887**	624,443
Total consolidated assets							**2,696,350**	2,404,788

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013 Beach Energy Limited and Controlled Entities

NOTE 11 SEGMENT INFORMATION (continued)

Details of the liabilities of each of these operating segments for the period ended 31 December 2013 and 30 June 2013 are set out below:

	31 Dec 2013 $000	30 Jun 2013 $000	**31 Dec 2013 $000**	30 Jun 2013 $000	**31 Dec 2013 $000**	30 Jun 2013 $000	**31 Dec 2013 $000**	30 Jun 2013 $000
Segment liabilities	**254,634**	187,179	**32,673**	31,175	**1,507**	2,577	**288,814**	220,931
Total corporate and unallocated liabilities							**453,810**	401,351
Total consolidated liabilities							**742,624**	622,282

NOTE 12 ESTIMATES

The preparation of the Half Year Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Half Year Financial Report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2013.

NOTE 13 FINANCIAL RISK MANAGEMENT

The consolidated entity is involved in activities that expose it to a variety of financial risks including currency risk, fair value risk, interest rate risk and commodity pricing risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as foreign exchange contracts, commodity hedging contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by Senior Management under guidelines and policies approved by the Board.

NOTE 14 CONTINGENCIES

There has been no material change to the aggregate of contingent assets or contingent liabilities since 30 June 2013 other than detailed below:

Loan facilities

In July 2013, Beach negotiated a new $320 million syndicated loan facility comprising $150 million three year revolving loan facility; $150 million five year revolving loan facility; and a $20 million letter of credit facility. As at 31 December 2013, both loan facilities were undrawn while $6.9 million of the letter of credit facility had been utilised by way of bank guarantees.

NOTE 15 COMMITMENTS

There has been no material change to the commitments disclosed in the 2013 Annual Report.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 December 2013 Beach Energy Limited and Controlled Entities

NOTE 16 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Certain assets and liabilities of the consolidated entity are recognised in the statement of financial position at their fair value in accordance with accounting standard AASB 13 fair value measurement. The methods used in estimating fair value are made according to how the available information to value the asset or liability fits with the following fair value hierarchy:

- 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.

The Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2013 and 31 December 2012 on a recurring basis are as follows:

	Level 1		Level 2		Level 3		Total	
	Dec 2013 $000	Dec 2012 $000	**Dec 2013 $000**	Dec 2012 $000	**Dec 2013 $000**	Dec 2012 $000	**Dec 2013 $000**	Dec 2012 $000
Financial assets								
Derivatives	**-**	-	**48**	176	**-**	-	**48**	176
Available for sale	**64,992**	19,229	**-**	-	**-**	-	**64,992**	19,229
Total	**64,992**	19,229	**48**	176	**-**	-	**65,040**	19,405
Financial liabilities								
Convertible note	**-**	-	**147,157**	147,969	**-**	-	**147,157**	147,969
Total	**-**	-	**147,157**	147,969	**-**	-	**147,157**	147,969
Net fair value	**64,992**	19,229	**(147,109)**	(147,793)	**-**	-	**(82,117)**	(128,564)

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Derivative financial instruments

The fair value of derivative financial instruments are determined using valuation techniques that maximise the use of observable market data where it is available. The consolidated entity's derivatives are not traded in active markets, however all significant inputs required to fair value an instrument are observable (Level 2).

Available for sale financial assets

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

Convertible notes

In April 2012, Beach issued A$150 million of Convertible Notes (Notes) which are convertible into Beach Ordinary Shares until March 2017. 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. The debt component of the Notes was initially fair valued at $116.7 million before transaction costs by taking expected cash outflows discounted back using an equivalent market based interest rate for a pure debt facility. The derivative liability for the conversion rights was initially recognised at the residual value of $33.3 million. Each reporting period the conversion rights are fair valued using a range of observable inputs (Level 2). At 31 December 2013, the debt portion of the note, net of transaction costs, was $123.4 million (2012: $116.6 million) and the conversion rights derivative liability was $23.7 million (2012: $31.4 million).

NOTE 16 FAIR VALUE MEASUIRMENT OF ASSETS AND LIABILITIES (CONTINUED)

The consolidated entity's did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2013 and there have been no transfers between the levels of the fair value hierarchy during the six months to 31 December 2013.

The consolidated entity's also has a number of other financial assets and liabilities which are not measured at fair value in the Statement of Financial Position as their carrying values are considered to be a reasonable approximation of their fair value.

NOTE 17 EARNINGS PER SHARE

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

	Dec 2013 $000	Dec 2012 $000
Basic earnings per share	**160,478**	43,693
After tax interest saving on convertible notes assuming conversion for the period	**2,091**	2,091
Diluted earnings per share	**162,569**	45,784

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

	Dec 2013 Number	Dec 2012 Number
Basic earnings per share	**1,273,750,817**	1,259,709,364
Convertible notes	**77,162,735**	75,583,480
Share rights	**6,636,175**	8,193,325
Diluted earnings per share	**1,357,549,727**	1,343,486,169

NOTE 18 EVENTS OCCURRING AFTER THE BALANCE DATE

There has not been in the period since 31 December 2013 and up to the date of this report any other 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 other than as mentioned elsewhere in this half year financial report.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 16 to 30, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

   (b) comply with Accounting Standard *AASB 134 Interim Financial Reporting*, and the *Corporations Regulations 2001*.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 24th day of February 2014.

This declaration is made in accordance with a resolution of the Directors.

G S Davis
Chairman

Grant Thornton

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMEBRS OF BEACH ENERGY LIMITED

We have reviewed the accompanying half-year financial report of Beach Energy Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Beach Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Beach Energy Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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As the auditor of Beach Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Beach Energy Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 24 February 2014