



Annual Report 2015

Safety



Creativity

Respect



Innovation



Teamwork



Performance

Our refreshed vision, purpose and values are clear and concise statements that define Beach as an organisation. These statements have been developed to be enduring, and to navigate us through the longer term.

Beach Energy

We are a proud Australian oil and gas company with a strong pioneering history

We have grown to become Australia's largest onshore oil producer with a major gas business

Our portfolio of strategically located oil and gas assets positions us for further growth

Our purpose

To deliver sustainable growth in shareholder value

Our values

Our values define us, guide our actions, our decisions and our words

- | | |
|--------------------|--|
| Safety | Safety takes precedence in everything we do |
| Creativity | We continuously explore innovative ways to create value |
| Respect | We respect each other, our communities and the environment |
| Integrity | We are honest with ourselves and others |
| Performance | We strive for excellence and deliver on our promises |
| Teamwork | We help and challenge each other to achieve our goals |

Our committed people and our values-based culture are our foundation for success



About this report

This Annual Report is a summary of the operational activities during FY15 and the financial position of Beach Energy Limited as at 30 June 2015.

Beach Energy Limited (ABN 20 007 617 969) is a company limited by shares and is incorporated and domiciled in Australia. Beach Energy Limited is the parent company of the Beach consolidated group of companies. Unless otherwise stated, references to "Beach", "the Company", "we" and "our" refer to Beach Energy Limited and its controlled entities as a whole. The text does not distinguish between the operations of the parent company and those of its controlled entities.

Reference to the financial year or "FY" is to the year ended 30 June, unless otherwise stated. All dollar figures are expressed in Australian dollars unless otherwise stated.

Certain tables within this report may not add due to rounding.

Beach is continuing to reduce its environmental footprint by only sending printed annual reports to shareholders who have elected to receive one.

Competent persons statement

The reserves and resources information in this Annual 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 Annual Report has been issued with the prior written consent of Mr Lake in the form and context in which it appears.

Annual General Meeting

Venue: Adelaide Convention Centre
Address: North Terrace, Adelaide, SA 5000
Date: 10.30am,
Wednesday, 25 November 2015

Overview

2	About Beach Energy
3	Whole-of-organisation review
4	Performance review
5	Chairman's letter
6	Acting Chief Executive Officer's report
8	Directors
9	Executive management

Review of Operations

10	Production
11	Exploration and development
14	Drilling program
15	Reserves and resources

Sustainability

17	Sustainability report
32	Governance at Beach

Financial Report

34	Directors' report
49	Auditor's independence declaration
50	Remuneration report
70	Directors' declaration
71	Financial statements
75	Notes to the financial statements
111	Independent auditor's report

Shareholder Information

113	Glossary of terms
114	Schedule of tenements
116	Shareholder information



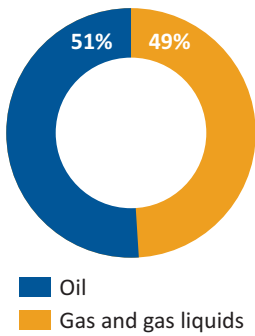
Overview

“We have re-defined our geographic boundaries by focusing close to home, which we believe provides our best chance for ongoing success.”

Strategy review, August 2015

9.15

million barrels of oil equivalent produced in FY15



About Beach Energy

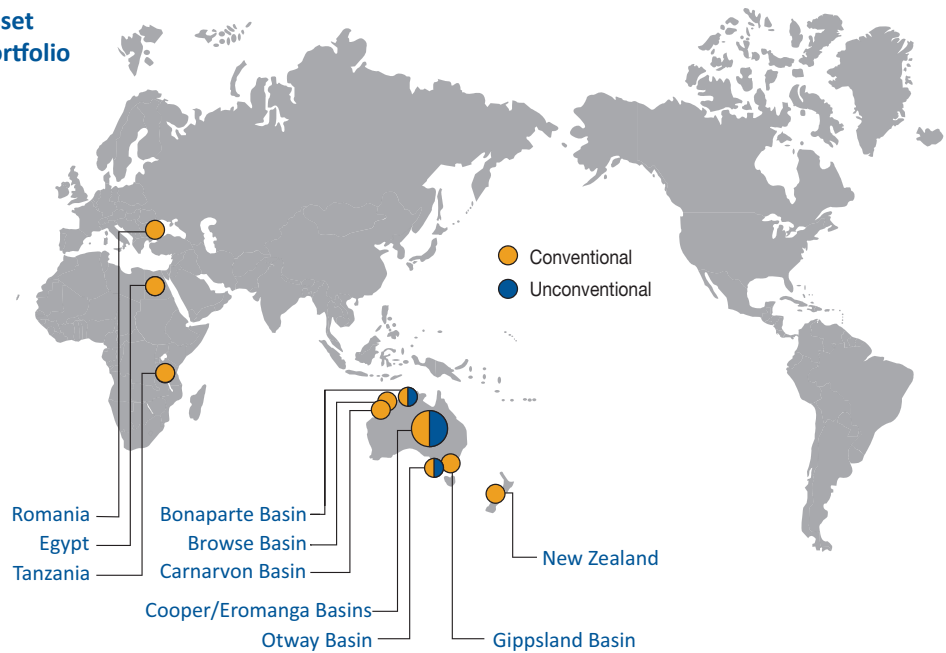
Beach Energy is an ASX-listed oil and gas exploration and production company, with core operations in the Cooper and Eromanga basins, one of Australia’s most prolific onshore oil and gas provinces. We are a values-based organisation, where safety takes precedence in everything we do. Beach is committed to sustainability and improvement of social, environmental and economic outcomes for the benefit of all stakeholders.

Beach has established a world-class operated oil business on the Western Flank of the Cooper Basin, and has grown to become Australia’s largest onshore oil producer. We have an active drilling program and continue to explore across the Cooper Basin, including exploration drilling on the Eastern Flank in south-west Queensland.

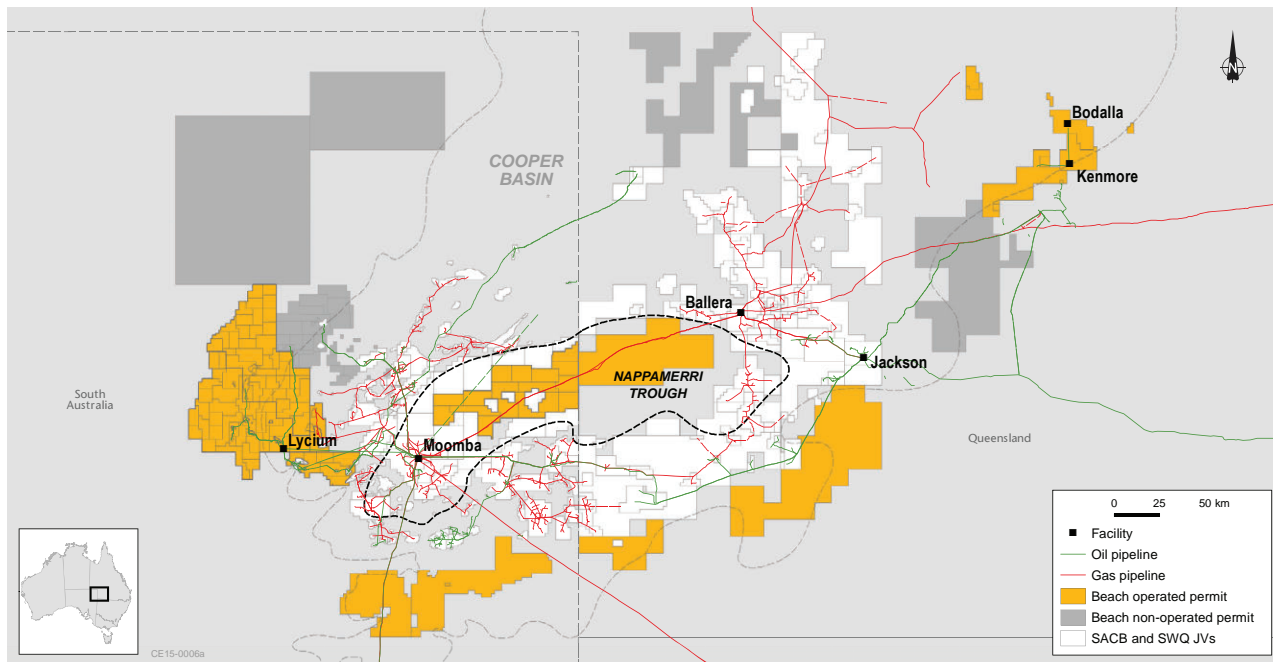
Beach has a major gas business with strategic infrastructure, which is well positioned to take advantage of increasing growth in Australian east coast gas demand. Beach will also be further evaluating potential for gas production from deep coals in the centre and south of the Cooper Basin.

In addition, Beach has permits in other basins around Australia, including the Otway, Gippsland and Bonaparte basins, as well as permits in New Zealand. International operations further abroad have been curtailed so as to re-focus efforts closer to home.

Asset portfolio



Cooper and Eromanga basins



Whole-of-organisation review

During FY15, Beach completed two of three stages of a whole-of-organisation review. The review aims to clearly define Beach’s medium and long-term strategies, and ensure the appropriate structure and capabilities are in place to achieve its strategic goals. The first stage, Assess Phase, was a broad ranging health check of the business. This laid the foundation for the second stage, Strategy Review, the main priority for which was to clearly define the ambition of Beach and develop an executable plan to achieve objectives.

Outcomes of the Strategy Review were communicated in August 2015. Beach’s strategy is premised on a refreshed Vision: *We aim to be Australia’s premier multi-basin upstream oil and gas company*, and a refreshed Purpose: *To deliver sustainable growth in shareholder value*. To achieve these goals, four strategic pillars were developed to drive all decision-making and serve as a roadmap for the future, as depicted in the image below.

In FY16, the final stage of the whole-of-organisation review, Organisational Model and Capability, will be completed. This stage will determine the appropriate structure, capabilities and processes required to most effectively and efficiently deliver on Beach’s strategic objectives.

This whole-of-organisation review is the first step of an ongoing journey towards achieving sustainable growth in shareholder value.

“The commitment from our staff is a key differentiator for Beach, and provides the foundation for ongoing success, in both good and challenging times.”

Chris Jamieson
Group Executive
External Affairs

Our Vision

To be Australia's **premier** multi-basin upstream oil and gas company

Our Strategy

Optimise our core in the Cooper Basin

Build complementary gas business in east coast basins

Pursue compatible growth in Australia and nearby

Maintain financial strength

99%

Beach staff who stated they are committed to contributing to Beach’s success

96%

Beach staff who stated they are proud to work for Beach

Staff survey
May 2015



Performance review

"FY15 was another outstanding year for operational excellence."

Neil Gibbins
Acting CEO

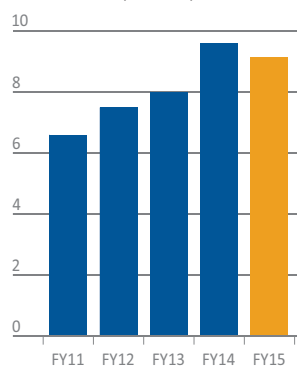
"Financial results were greatly influenced by lower realised oil prices."

Kathryn Presser
Chief Financial Officer

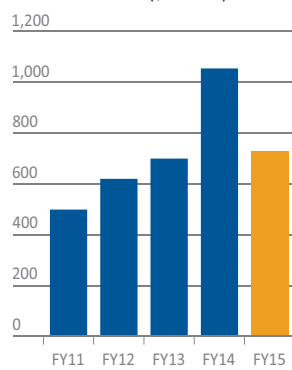
\$91m

underlying
net profit after tax

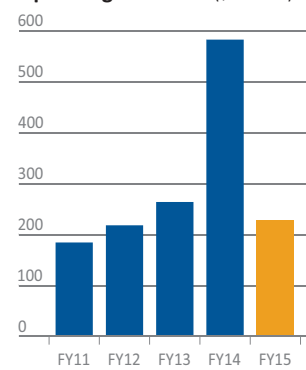
Production (MMboe)



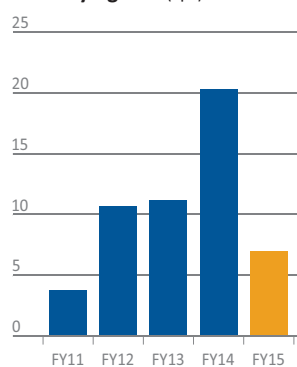
Sales revenue (\$ million)



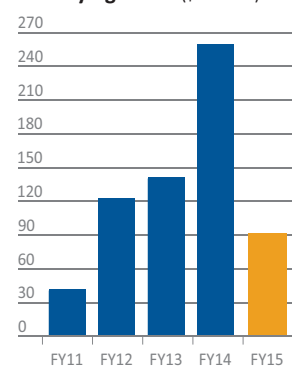
Operating cash flow (\$ million)



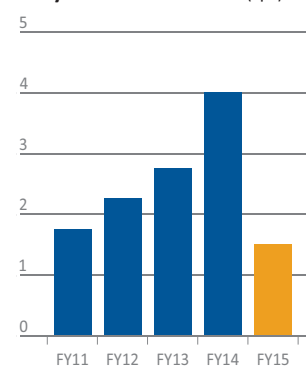
Underlying EPS (cps)



Underlying NPAT (\$ million)



Fully franked dividends (cps)



Results for the past five years

		FY11	FY12	FY13	FY14	FY15
Sales revenue	\$ million	496	619	698	1,052	728
Net profit after tax	\$ million	(98)	164	154	102	(514)
Underlying net profit after tax	\$ million	42	122	141	259	91
Cash flow from operating activities	\$ million	185	218	262	583	229
Market capitalisation at year end	\$ million	1,009	1,180	1,440	2,171	1,365
Net assets	\$ million	1,273	1,612	1,783	1,871	1,355
Production	MMboe	6.6	7.5	8.0	9.6	9.1
2P reserves	MMboe	77	93	93	86	74
2C contingent resources	MMboe	582	467	449	467	677
Gearing ratio	%	0.71	7.60	7.36	8.55	11.0
Earnings per share	cps	(8.81)	14.43	12.17	7.95	(39.64)
Underlying earnings per share	cps	3.89	10.72	11.15	20.26	6.99
Share price at year end	\$	0.92	0.94	1.14	1.68	1.05
Dividends declared per share	cents	1.75	2.25	2.75	4.00	1.50
Franked amount per share	cents	1.75	2.25	2.75	4.00	1.50
Shares on issue	million	1,103	1,256	1,269	1,292	1,300



Chairman's letter

Our operated oil assets are world class, with substantial cash margins generated even at today's low prices, and our gas business is benefiting from higher returns.....



Glenn Davis

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dear shareholder,

The past financial year has been one of rapidly changing industry dynamics. Oil prices have more than halved, with the market often driven by factors other than the underlying fundamentals of a business. Industry wide, the impact on cash flows has been material and the impact on share prices marked. Despite that, the year has demonstrated the resilience of your company.

Operationally, we produced 9.15 MMboe, only marginally below last year's record. Beach remains Australia's largest onshore oil producer. It is very pleasing to note our operating results were achieved with a 60% decrease in Lost Time Incidents. Safety is paramount at Beach, and at the time of writing, we are LTI-free for the past 12 months. This is an outstanding achievement.

Financially, sales volumes of 10.5 MMboe were in line with the prior year, however, the declining oil price resulted in reduced earnings. We generated sales revenue of \$728 million, operating cash flow of \$229 million and underlying net profit after tax of \$91 million. Beach ended the year in a financially sound position, with \$170 million in cash and access to undrawn debt facilities.

Corporately, we have unfortunately lost Rob Cole as our Managing Director. Rob has put his family first, which all of us would do. Rob's contribution to Beach should in no way be measured by the term of his tenure. His role in the articulation of our strategy, business planning, asset reviews and the commencement of our organisational review was invaluable and has set the compass for the future. We have commenced the process for the appointment of a permanent replacement. Whilst not able to continue as a full time executive, Rob will continue as a Non-Executive Director and we welcome him to the Board in that capacity.

During the year we welcomed Colin Beckett to the Board as a Non-Executive Director. Colin brings a wealth of knowledge to the Board, with over 35 years of engineering and commercial experience within the gas industry.

As you know, Beach's strategy is to:

1. Optimise our core in the Cooper Basin;
2. Build a complementary east coast gas business;
3. Pursue other nearby compatible growth opportunities; and
4. Maintain our financial strength.

As we continue to navigate current market conditions, we aim to maintain and build a portfolio with a blend of defensive attributes as well as growth opportunities consistent with that strategy.

Our operated oil assets continue to perform well and generate good returns, even at today's low prices, and our gas business is benefiting from higher returns following initiation of our supply agreement with Origin. The operating cash flows we generate fund our drilling program, which although curtailed in the coming year given market conditions, still provides a balance of exploration, appraisal and development activities. The exploration and appraisal component gives us much to look forward to. We will shortly commence drilling on the Eastern Flank, with appraisal activities to follow on the Western Flank and deep coals to be tested in the south of the Cooper Basin.

We also continue to consider and investigate growth opportunities both inside and outside of the Cooper Basin in accordance with our strategy.

The commodity cycle shows no sign of turning in the immediate future. We are planning and budgeting on the "lower for longer" scenario. If that scenario plays out, we are confident your company is well positioned.

In closing, I would like to thank our staff for their efforts over the past year, and you, our shareholders, for your ongoing support.

**Glenn Davis,
Chairman**

28 September 2015

Acting Chief Executive Officer's report

..... what excites me about Beach is that we have world-class capabilities based here in South Australia. The skill-set and proprietary knowledge of our employees can and will be deployed across other basins in Australia and nearby as we continue to grow the business and our team.



Neil Gibbins

ACTING CHIEF EXECUTIVE OFFICER

It is with a great sense of pride that I write this report to you, the shareholder, on behalf of Beach Energy.

It has been an extremely busy past 12 months for the company, not only due to significant work undertaken as part of the whole-of-organisation review, but also because of challenges currently faced in global commodity markets. Pleasingly, however, the operational and financial strength of Beach came to the fore during the past financial year.

As oil prices declined by over 50%, the underlying business demonstrated its robustness. Our ability to produce oil from the Western Flank at a cost of \$25 – \$30 per barrel (which includes operating costs, royalties and transportation) not only sets us apart from our peers, but also provides cash flow to support our ongoing drilling programs, even at these lower prices. Our oil business is indeed world-class. Alongside our oil operations, Beach has a major gas business, which includes strategic infrastructure linking key east coast markets. Our current transition to a long-term, oil-linked contract for significant gas volumes is delivering benefits in terms of gas pricing, with leverage to increasing oil prices over time. These operations, along with a refreshed approach to capital allocation, have delivered a position of enviable financial strength.

Current challenges facing Beach

The health of our industry is greatly influenced by a broad range of macroeconomic and geopolitical factors which drive oil demand, supply and prices. Over recent times, the industry has been shaken by the rapid decline in oil prices, driven largely by the success of US shale production and the reluctance of OPEC to curtail their output in response. Other factors such as weak demand in Europe and China and the potential for Iranian oil supply to increase, continue to weigh on oil prices.

Brent oil began FY15 priced at US\$111 per barrel, and over the course of the financial year, Beach's average realised US\$ oil price declined by 35%. A marked deterioration in confidence across the global sector accompanied this oil price decline. Lower prices reduce revenue and net cash flows, which limit the ability to explore and invest compared to more buoyant times. The impact of such price declines is felt immediately, and challenges must be dealt with in real time. In particular, a company's focus quickly turns to preserving its financial

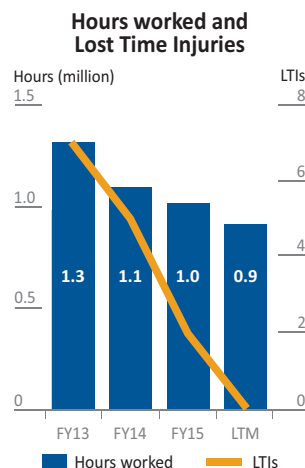
strength and access to liquidity, while balancing the need to continue investing for growth and the future. The response from oil and gas companies in Australia has been swift and significant. Here at Beach, measures implemented during FY15 include:

- A 35% reduction in capital expenditure for the second half of FY15;
- A major reduction in estimated FY16 capital expenditure to \$240 - \$270 million (from \$416 million in FY15), with expenditure high-graded and discretionary projects deferred;
- A strict and ongoing focus on operating and corporate costs, consistent with our objective to drive efficiencies and returns from all of our assets;
- A reduction in headcount, including natural employee attrition, less reliance on external consultants and cessation of recruitment campaigns;
- Adopting a 'lower for longer oil price' mindset when planning, involving conservative cash management and requiring both existing assets and new investments to justify their position in our portfolio; and
- Implementation of our whole-of-organisation review, which took a top-down approach to confirm our strategy and the organisational structure and capabilities required to achieve our goals, efficiently and effectively.

Opportunities for the industry and Beach

The current challenges and actions taken, have not dampened my enthusiasm about the outlook for the industry and Beach. From an industry perspective, the Cooper Basin region continues to be one of Australia's premier oil and gas provinces, with over 3,000 wells drilled, 800 of which have been fracture stimulated, and uninterrupted production for the better part of 40 years. Despite its long history, I know our technical team is very excited by the basin's future prospects, both in conventional and unconventional plays. Discoveries such as the prolific Bauer oil field in the overlying Eromanga Basin, deep coal potential in the Patchawarra Trough and in the south of the Cooper Basin, and early results from recent gas drilling campaigns have confirmed and further encouraged our positive view of the potential.

..... we have just achieved 12 months of LTI-free operations..... this is an outstanding achievement



The Cooper Basin region is also a fundamental pillar of our strategy, which we announced in August. The strategy is our roadmap for achieving our vision of becoming Australia's premier upstream oil and gas company, which in turn underpins our objective to deliver sustainable growth in shareholder value. The four pillars of our strategy are as follows.

1. Optimise our core in the Cooper Basin

The first principle of the strategy review was to identify and understand our core business, and then ensure we have a clear plan to drive the core business to its full potential. Our core is the Cooper Basin and we are convinced there is significant untapped potential remaining in the basin.

2. Build a complementary gas business in east coast basins

We see the increasing gas demand from the east coast market as a significant opportunity to build on Beach's position as a leading supplier to this market. This will involve not only commercialising existing assets within our portfolio, but also building a portfolio of assets in east coast basins that support this endeavour.

3. Pursue compatible growth opportunities in Australia and nearby

To become the company we aspire to be, we believe we need to look beyond the Cooper and Eromanga basins and other east coast basins, but not too far beyond. We will only venture into places that are geographically proximate to our home, where we can invest on a basis that gives us a good chance of success and deliver value for our shareholders. As such, we will continue to pursue growth opportunities in other parts of Australia and, possibly, other places nearby.

4. Maintain financial strength

Maintaining our financial strength is critical in these challenging times. We need this to support exploration and inorganic growth options. A disciplined approach to capital management, while balancing our exploration risk exposures, will best position us to operate on a cash flow positive basis and preserve financial flexibility. Forward programs have been framed to achieve an appropriate mix of development projects, to maintain solid production performance, combined with exploration and appraisal projects to position the company for future growth. Prudent capital management and cost control will also allow us to take advantage of opportunities as and when they arise, as well as responding appropriately when market conditions improve.

As we navigate current challenges and opportunities, the resource industry more than ever needs the support of State and Federal Governments to stimulate ongoing investment. Here at Beach we are thankful for a pro-business environment in South Australia, and I would like to acknowledge support provided by the Government to Beach and our industry more generally. This has included retention licenses over a number of our oil and gas permits, development of an all-weather airstrip which is underway near Innamincka, and consideration of the deferral of royalty payments for unconventional production.

Beach's values-based culture

During my 18 years with Beach, I have become increasingly proud of our company culture, and it was very pleasing to review the Assess Phase results from our whole-of-organisation review. A detailed survey was distributed to staff, and the responses, in my opinion, validated my long-held beliefs. Firstly, the survey participation rate of 94% impressed not only me, but also the survey facilitators. Secondly, the dedication of our staff was evidenced by the following statistics:

- 99% stated they are committed to contributing to Beach's success;
- 96% stated they are proud to work for Beach; and
- 95% stated they are motivated to do what is required to meet Beach's goals and strategy.

These are remarkable differentiators and provide the foundation for ongoing success – in good times or challenging times. Furthermore, what excites me about Beach is that we have world-class capabilities based in South Australia. The skill-set and knowledge of our employees can and will be deployed across other basins in Australia and nearby, as we continue to grow the business.

Beach's values-based culture is also evident in our recent safety performance. Not only have our lost time injuries (LTI) progressively reduced over past years, but we have just achieved 12 months of LTI-free operations, which captures both our permanent staff and contractors. This is an outstanding achievement. Safety takes precedence in all of our operations, and we are continually working to improve our processes and safety outcomes.

In summing up, I would like to thank the Board, the Executive team and all staff for their efforts during the past financial year. We are clearly working through a challenging period, but with our strategy in place to act as a roadmap for future growth, I am confident we will emerge from this current period stronger and better positioned to deliver sustainable growth in shareholder value and benefits for all of our stakeholders.

Neil Gibbins,
Acting Chief Executive Officer

28 September 2015

Directors

Glenn Davis

Independent Non-Executive Chairman – LLB, BEC, FAICD

Glenn is a solicitor and principal of DMAW Lawyers, a firm he founded. He joined Beach in July 2007 as a non-executive director and was appointed non-executive Deputy Chairman in June 2009 and Chairman in November 2012. Glenn brings to the Board his expertise and experience in the execution of large legal and commercial transactions and corporate activity regulated by the Corporations Act and ASX Limited.

Glenn is a director of ASX listed companies Monax Mining Limited (since 2004) and a former director of Marmota Energy Limited (from 2007 to June 2015).

Glenn's special responsibilities include membership of the Risk Committee and Remuneration and Nomination Committee.



Robert Cole

Independent Non-Executive Director – BSc, LLB (Hons)

Rob joined Beach Energy as Managing Director in 2015. Prior to this, he held the position of Executive Director and Executive Vice President Corporate and Commercial at Woodside Petroleum Limited. In 2012 he was appointed to the Board of Woodside becoming one of two executive directors on the Board.

Subsequent to year-end, Rob announced his resignation as Managing Director of the Company and was appointed Independent Non-Executive Director.



John Butler

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

John joined Beach in June 1999 as a non-executive director, having been previously the alternate director to Reg Nelson from 1994 to 1998.

John's special responsibilities include chairmanship of the Audit Committee and membership of the Risk Committee and Corporate Governance Committee.

John was appointed Lead Independent Director on 1 July 2014.



Belinda Robinson

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

Belinda joined Beach in May 2011. She is the Chief Executive and Executive Director of Universities Australia, the national body representing Australia's 39 universities to Government.

Belinda's special responsibilities include chairmanship of the Remuneration and Nomination Committee and membership of the Risk Committee.



Fiona Bennett

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

Fiona is a Chartered Accountant with over 30 years' experience in business and financial management, corporate governance, risk management and audit.

Fiona is currently a director of Hills Limited (since 2010) and a former director of Boom Logistics Limited (from 2010 to June 2015).

Fiona's special responsibilities include chairmanship of the Risk Committee, membership of the Audit Committee and Remuneration and Nomination Committee.



Doug Schwebel

Independent Non-Executive Director – PhD, BSc (Hons) - Geology

Doug has over 30 years' experience in the resources sector, having held various senior executive positions with ExxonMobil, including Exploration Director for its Australian upstream subsidiaries. He is currently a director of Tap Oil Limited (since 2012) and has also served as a non-executive director on the boards of Roc Oil Limited and Great Artesian Oil & Gas Limited.

Doug's special responsibilities include membership of the Risk Committee, Audit Committee and Reserves Committee.



Colin Beckett

Independent Non-Executive Director – FIEA, MICE, GAICD

Colin joined Board in 2015 and brings experience in engineering design, project management, commercial negotiations and gas marketing. Colin previously held senior executive positions at Chevron Australia Pty Ltd, most recently as the General Manager responsible for the development of the Gorgon LNG and domestic gas project. Colin is currently the Chancellor of Curtin University, Chairman of Perth Airport Pty Ltd, Chairman of Western Power and a past Chairman and board member of APPEA.

Colin's special responsibilities include membership of the Risk Committee and Corporate Governance Committee.



Executive management

Neil Gibbins

Acting Chief Executive Officer (and Executive Vice President Australian Oil and International)
– BSc (Hons) - Geophysics

Neil joined Beach in 1997, initially in the role of Chief Geophysicist. Appointed as Chief Operating Officer in 2010, Neil manages Beach's exploration, development and production programs and budgets for Australia, New Zealand and Tanzania.



Kathryn Presser

Chief Financial Officer and Company Secretary (and Executive Vice President Corporate Services)
– BA (Accounting), Grad Dip CSP, FAICD, FCPA, FGIA, FCIS, AFAIM

Kathryn joined Beach in 1997 and was appointed to the role of Company Secretary in 1998. Appointed as the Chief Financial Officer in 2005, Kathryn has over 25 years' specific expertise in corporate financial and strategic accounting roles and is a qualified chartered secretary. She is a Fellow of the Governance Institute of Australia, CPA Australia, AIM – Australia and the Institute of Company Directors. She recently served on the SA and NT State Council of the Governance Institute of Australia, is a member of the Petroleum Exploration Society of Australia, a Director of Mawson Petroleum Pty Ltd and also serves on other not-for-profit boards.



Gordon Moseby

Group Executive Portfolio Management (and Executive Vice President Planning)
– BE (Hons) - Petroleum

Gordon joined Beach in 2002 and is currently in charge of the Corporate Planning and Portfolio areas, with a focus on optimising Beach's portfolio performance. Gordon is a member of the Society of Petroleum Engineers, the Petroleum Exploration Society of Australia and the Australian Institute of Company Directors.



Rod Rayner

Group Executive Commercial (and Executive Vice President Australian Gas) – BSc (Hons) - Geology, GAICD

Before joining Beach in 2011, Rod was an industry consultant who was involved in the successful acquisition and divestment of the Tipton West coal seam methane project.

Rod has served as director of the Queensland Mining Council, the Queensland Resources Council, and for a period chaired the Exploration Committee of that body.



Cathy Oster

General Counsel and Joint Company Secretary (and Executive Vice President Sustainability) – BA (Jurisprudence), LL.M (Corporate and Commercial), FGIA, FCIS

Cathy was appointed Joint Company Secretary in 2005 and General Counsel in 2012. She has more than 25 years' experience as a lawyer and a partner in private practice, advising on corporate and commercial transactions. Cathy is a qualified chartered secretary, a member of the Governance Institute of Australia, the Law Society of South Australia, the Australian Institute of Company Directors and the Australian Corporate Lawyers Association. She also serves on the SA and NT State Council of the Governance Institute of Australia.



Chris Jamieson

Group Executive External Affairs
– BCom, Grad Dip App Finance and Investment, Dip Investor Relations, FCPA, FFinsia

Chris joined Beach in 2010 and was appointed Group Executive External Affairs in 2014. Chris previously worked at Normandy Mining Ltd and Ernst & Young in the areas of mergers and acquisitions, financial due diligence and corporate strategy. As Group Executive External Affairs, Chris has responsibility for Investor Relations, Public Relations, Government Relations and Sponsorships.



Matthew Squire

Group Executive Corporate Development – BE (Hons) - Mechanical, BA (Economics), Grad Dip App Finance and Investment

Matt joined Beach in 2012 and was appointed to the role of Group Executive Corporate Development in 2014. Matt previously held a number of senior corporate development positions within the energy industry at Origin, Santos and British Gas. He has been involved in several major acquisitions and divestments and specialises in economic and technical business review. As Group Executive Corporate Development, Matt has responsibility for corporate transactions and new venture opportunities.



Michael Dodd

Acting Chief Operating Officer
– BSc (Hons) Geology

Michael was appointed Acting Chief Operating Officer on 16 September 2015. Michael has been the General Manager Exploration and Development since July 2014, managing Beach's exploration and development programs and budgets for Australia. Michael joined Beach in 2007, initially in the role of Senior Geologist.



Review of Operations

Production

Beach produced 9.15 million barrels of oil equivalent, 51% of which was oil and 49% gas and gas liquids. This was 4.7% lower than prior year production due primarily to natural field decline, partially offset by drilling successes and increased infrastructure capacity.

The Company's oil and gas production is predominantly derived from the Cooper and Eromanga basins, located in the north-east of South Australia and south-west of Queensland. Production was also derived from Egyptian operations, which subsequent to year-end were the subject of a binding sale agreement.

Total oil production was 4.6 MMbbl, down 11% from record levels in the prior year. This reduction was mainly due to natural field decline, partially offset by successful drilling campaigns and infrastructure upgrades. Within the Western Flank, strong oil production from operated and non-operated permits continued, with average gross daily production of 19,875 bopd. Most production was transported via the Lycium hub to Moomba trunkline, with excess production trucked as required. Net production from the Western Flank was 3.4 MMbbl, or 9,389 bopd.

Gas and gas liquids production was 4.5 MMboe, up 3% from the prior year, mainly due to increased well head capacity.

Cooper / Eromanga basins

Oil

Ex PEL 91

(Beach 40% and operator, Drillsearch 60%)

Gross oil production of 4.1 MMbbl (1.6 MMbbl net) was down 11% from the prior year, with average daily gross production of 11,263 bopd (4,505 bopd net). Natural field decline was partly offset by accelerated development of the Bauer Field. Six wells of a 10-well Bauer Field development campaign were tied-in, with a Bauer facility upgrade completed toward the end of the financial year. This upgrade increased water handling capacity from 50,000 bfpd to 75,000 bfpd. Installation of the Stunsail and Pennington facilities, each with handling capacity of 20,000 bfpd, and associated trunklines to the Bauer to Lycium network also commenced toward the end of the financial year.

Ex PEL 92

(Beach 75% and operator, Cooper 25%)

Gross oil production of 1.5 MMbbl (1.1 MMbbl net) was down 26% from the prior year, with average daily gross production of 4,110 bopd (3,083 bopd net). Lower production was mainly due to natural field decline, but partially mitigated by installation of additional flowlines and a separator cleaning campaign, both completed late in the financial year.

Ex PEL 104 / 111

(Beach 40%, Senex 60% and operator)

Gross oil production of 1.6 MMbbl (0.7 MMbbl net) was up 4% from the prior year, with average daily gross production of 4,502 bopd (1,801 bopd net). Natural field decline was offset by stronger than expected production from the Spitfire Field, and the Martlet-1 exploration well coming online.

Queensland Oil

(Beach 100%)

Production of 176,000 barrels was up 4.7% from the prior year. Minor infrastructure upgrades contributed to sustained production levels.

Production comparison					
Area	FY15				FY14
	Oil (MMbbl)	Gas Liquids (MMboe)	Gas (PJ)	Oil Equivalent (MMboe)	Oil Equivalent (MMboe)
Ex PEL 91	1.6	-	-	1.6	1.8
Ex PEL 92	1.1	-	-	1.1	1.5
Ex PEL 111	0.1	-	-	0.1	0.2
Ex PEL 104	0.5	-	-	0.5	0.4
Beach Queensland	0.2	-	-	0.2	0.2
Ex PEL 106	-	0.1	1.4	0.3	0.5
SACB and SWQ JVs	0.9	0.6	20.7	5.1	4.9
Total Cooper / Eromanga	4.5	0.7	22.1	9	9.5
Egypt	0.1	-	0.1	0.1	0.1
Total	4.6	0.7	22.2	9.1	9.6

Delhi*(Various interests)*

Net oil production from the Santos operated joint ventures was 0.9 MMbbl, down 8% from the prior year, mainly due to natural field decline.

Gas and Gas Liquids*Ex PEL 106**(Beach 50% and operator, Drillsearch 50%)*

Gross gas and gas liquids production of 0.7 MMboe (0.3 MMboe net) was down 30% from the prior year, with average daily gross production of 1,794 boepd (897 boepd net). The decline in production was mainly attributable to natural field decline. Engineering and design of several projects, aimed at incremental flow rates and recovery, commenced toward the end of the financial year. Such projects included completions, extended production tests, connections and compression.

Delhi*(Various interests)*

Net sales gas and gas liquids production of 4.2 MMboe was up 7% from the prior year. Natural field decline was offset by higher production from the infill drilling campaign, which contributed to an overall increase in well head capacity.

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

Gross production of 1.5 MMboe (142 kboe net entitlement) was up 129% from the prior year, with average daily gross production of 4,158 boepd (388 boepd net entitlement). Higher production was attributable to a number of exploration and appraisal wells brought online in the Abu Sennan concession, as well as commissioning of the gas pipeline from the El Salmiya Field. The pipeline has alleviated production constraints previously encountered due to gas flaring restrictions.

Exploration and development**Cooper / Eromanga basins****Western Flank**

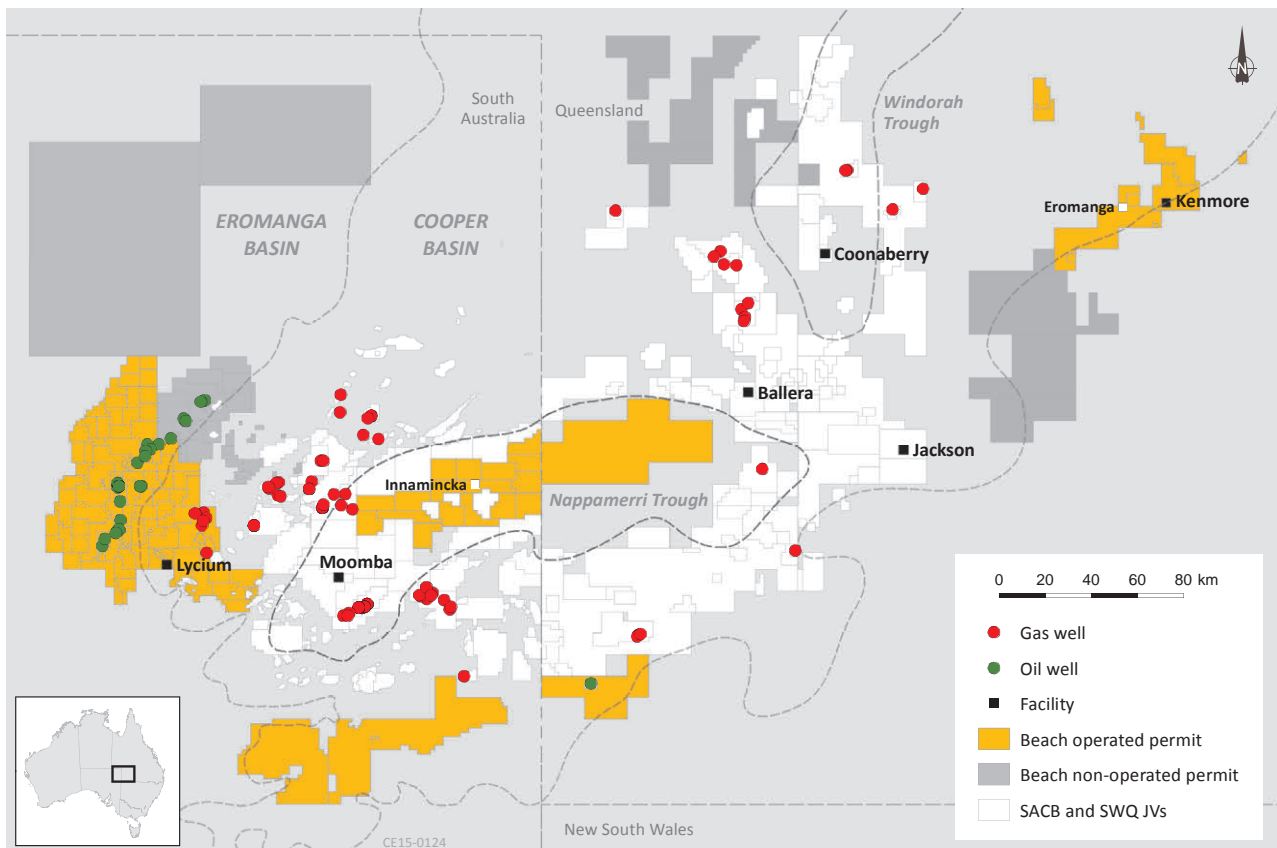
A total of 31 operated wells were drilled on the Western Flank, which included a 10-well development campaign in the Bauer Field, a five-well exploration and appraisal campaign in ex PEL 106, and appraisal drilling in the Pennington and Canunda fields. Highlights included new oil discoveries in ex PEL 91 which extended the oil fairway to the north-east of the permit, and the successful Bauer Field development campaign, which added 2.7 MMbbl (net) to the estimated ultimate recovery of the field.

Acquisition of 3D seismic survey data, as well as inversion and re-processing activities, were undertaken, with the Solidus and Caseolus surveys expected to provide additional prospects and leads for future drilling campaigns. Interpretation of results commenced in the first quarter of FY16, with a focus on identifying Birkhead Formation leads.

The Company was awarded retention licences over a number of permits, which secure tenure over these areas for up to 15 years. PRLs 151 to 172 were granted over the former PEL 91 permit, PRLs 129 and 130 over the former PEL 106 permit, and PRLs 136 to 150 over the former PEL 104 / 111 permits.

*Ex PEL 91**(Beach 40% and operator, Drillsearch 60%)*

Three oil field discoveries were made at Balgowan, Burners and Stanleys, with these wells confirming the extension of the proven oil fairway to the north-east of past discoveries within the permit area. Appraisal and development drilling successes were experienced at the Pennington and Hanson fields, respectively.

FY15 wells drilled in the Cooper and Eromanga basins

A 10-well development campaign was completed in the Bauer Field, which included two four-well pad drilling campaigns and two vertical wells. Pad wells were drilled approximately 10 metres apart at surface, with directional drilling commencing from depths of approximately 700 metres to reach target zones. Proximity of wells alleviated the need for rig demobilisation, allowing all pad wells to be drilled, cased and suspended in a total of 70 days. Results from the program exceeded pre-drill estimates, with a number of oil column intersections high to original estimates. The drilling campaign added 2.7 MMbbl (net) to the estimated ultimate recovery of the field.

Acquisition of the Solidus 3D seismic survey was completed over 492 km² of prospective acreage north of the Bauer Field, with processing and interpretation expected to be completed by late Q1 FY16.

Ex PEL 92

(Beach 75% and operator, Cooper 25%)

A two-well development and appraisal campaign was undertaken in the Callawonga Field, with both wells cased and suspended. Processing of the Caseolus 3D seismic survey inversion project, which covers 164 km², was completed. Interpretation of results commenced in Q1 FY16, with a focus on identifying Birkhead Formation leads.

Ex PEL 104 / 111

(Beach 40%, Senex 60% and operator)

The Martlet-1 exploration well produced the first Namur Sandstone oil discovery in the permit area, and provided another primary target to the proven Birkhead oil play. The discovery was followed by success at the Martlet North-1 exploration well. These discoveries confirmed extension of the Namur Sandstone fairway into the ex PEL 104 / 111 permit area. The joint venture also experienced appraisal drilling success at Growler-14.

Ex PEL 106

(Beach 50% and operator, Drillsearch 50%)

A five-well exploration and appraisal campaign was completed, with the Ralgnal-1 exploration well and Canunda-2 appraisal well cased and suspended as future producers. The wells, which targeted gas and gas liquids in the Patchawarra Formation, are proximal to the existing Canunda Field and gas pipeline to Middleton.

PEL 94

(Beach 50% and operator, Strike 35%, Senex 15%)

The Davenport-1 ST1 well was fracture stimulated over a single stage, with encouraging permeability results from flow testing and hydrocarbon shows observed from earlier coring. Further testing is expected to be undertaken in FY16.

Other Cooper Basin Exploration

SACB and SWQ JVs

(Various interests)

The Company participated in 78 wells, with an overall success rate of 99%. Activity was predominantly focused on South Australian gas, as well as 13 gas wells and six oil wells drilled in Queensland. Activities were curtailed toward the end of the financial year due to reductions in capital expenditure budgets. Consequently, a reduced drilling schedule will be evident in FY16.

During the first half of FY15, operations focused on completing the closely spaced infill drilling program, which ran over the course of calendar years 2013 and 2014. The program aimed to convert undeveloped reserves to developed reserves in

and around the Moomba area, with the Cowralli, Moomba North and Big Lake fields of particular focus. Results from the program did not meet expectations, which led to a write down of undeveloped 2P reserves (announced on 21 August 2015).

Beyond the infill program, more geographically widespread drilling in South Australia and Queensland was undertaken, including appraisal and near field exploration activities. Within South Australia, drilling included a focus on liquids-rich fields, targeting new formations within existing fields and appraisal of field extensions. The unconventional gas program in the Gaschnitz Field was also completed. Within Queensland, drilling included a focus on under-appraised and stranded gas fields, as well as five oil appraisal wells. Recent results from the Queensland gas campaign have been pleasing, with a number of wells providing high-side outcomes and verification of field extensions.

SACB JVs – South Australian Gas

(Various interests)

The infill drilling program in and around Moomba was completed with 17 wells cased and suspended in the Big Lake Field. A number of development and appraisal campaigns were undertaken, which included targeting new formations in the Mudera / Marabooka / Strzelecki fields, infill drilling in the Nephrite South Field, field development in the Swan Lake, Andree / Leleptian and Tirrawarra / Gooranie fields, and appraisal drilling in the Correa, Coonatie and Swan Lake fields. One oil development well was also drilled in the Carooinnie Field. In total, 52 development wells and four appraisal wells were drilled, with a 100% success rate.

SWQ JVs – Queensland Gas

(Various interests)

A ten-well development, appraisal and near-field exploration program commenced in the Windorah Trough, focusing on the Whanto, Mt Howitt and Toby fields. The program, which also includes pipeline infrastructure to connect these formerly stranded fields, seeks to develop the under-appraised Windorah Trough area. A four-well development and appraisal campaign was completed in the Barrolka Field, with all wells cased and suspended and results supportive of additional activity in the Barrolka North and Barrolka north-east culminations. A four-well development campaign in the Durham Downs Field and a development well in the Hera Field were also undertaken, with all wells cased and suspended. In total, 12 development wells and one appraisal well were drilled, with a 100% success rate.

SACB JVs – Queensland Oil

(Various interests)

A three-well appraisal campaign was undertaken in the Tickalara Field to test the north-east area of the field, with two wells cased and suspended as future McKinlay Member producers. Standalone appraisal drilling was undertaken in the Munro and Tennaperra fields, and a standalone development well drilled in the Cook Field, with all wells cased and suspended.

SACB JVs – Unconventional Gas

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

A three-well exploration drilling campaign was undertaken in the Gaschnitz Field, which targeted the Toolachee, Epsilon and Patchawarra formations and Tirrawarra Sandstone. All wells were cased and suspended following intersection of gas saturated low permeability sandstones. Fracture stimulation of these wells has been deferred until the joint venture determines budgets and timing.

NTNG

(PRLs 33 to 49 (Beach 100%) and ATP 855 (Beach 64.9% and operator, Icon 35.1%))

Four wells in ATP 855 and one well in PRL 37 were fractured stimulated, which marked the end of the Stage 1 exploration work programs in both permits. All Stage 1 technical objectives were met. Following completion of Stage 1, joint venture partner Chevron Exploration Australia 1 Pty Ltd advised it would not participate in Stage 2 of the work program, with its equity interests and associated 2C resource bookings returned to Beach for nil consideration. At financial year-end, Beach was completing its review of Stage 1 technical data, after which a scope of work for Stage 2 will be determined, which will be followed by a farm-down process.

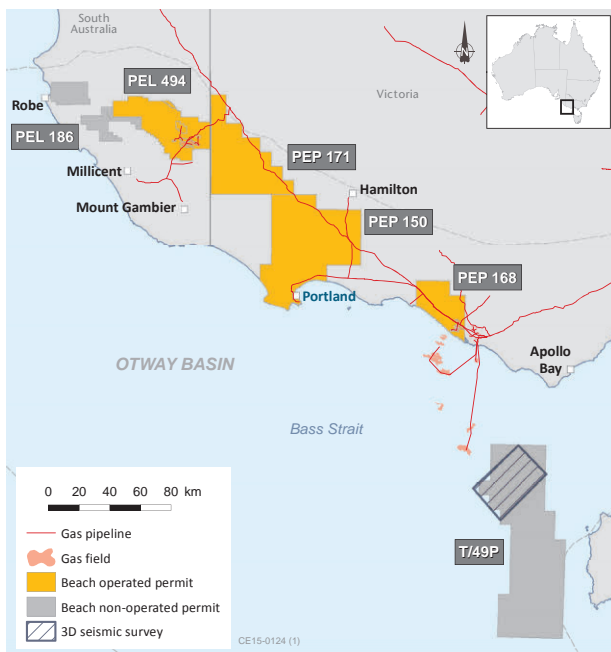
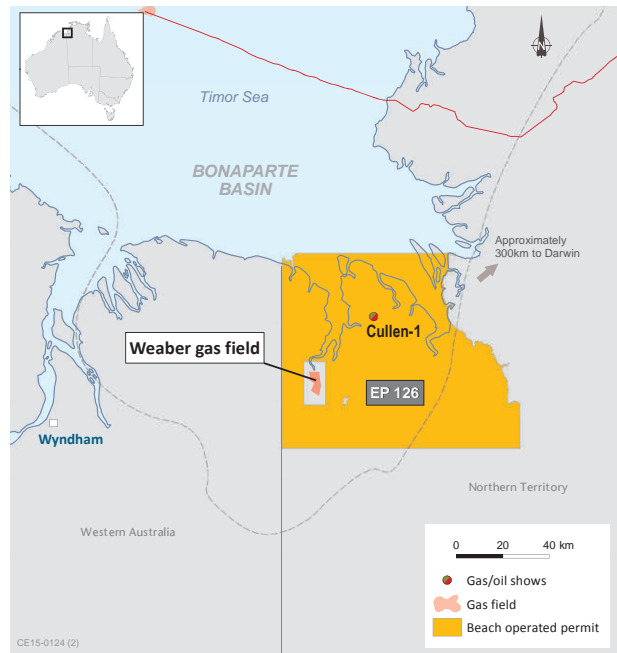
Other Australian exploration

Cooper Basin Eastern Flank – ATP 924
(Beach farming-in 45% with Drillsearch)

The Company executed a farm-in agreement with Drillsearch to potentially earn a 45% interest in ATP 924 on the Eastern Flank of the Cooper Basin. The farm-in will occur over two stages, the first involving Beach funding approximately 150 km² of 3D seismic activities and drilling of an initial exploration well, which is expected to be drilled in Q2 FY16. Should Beach elect to continue, it will drill a further exploration well and reimburse Drillsearch for past costs to earn its 45% interest. Drillsearch will remain operator of the permit.

Offshore Otway Basin – T/49P
(Beach 30%, 3D Oil 70% and operator)

Beach acquired a 30% interest in T/49P in the offshore Otway Basin, which covers an area of 4,960 km² in water depths of generally no greater than 100 metres. Acquisition of the 974 km² Flanagan 3D seismic survey in the north of the block was completed, with identification of prospects and leads underway at year-end.

Otway Basin, South Eastern Australia**Bonaparte Basin, Western Australia**

Bonaparte Basin – EP 126
(Beach 100%)

The Cullen-1 exploration well was cased and suspended for further testing after intersecting 1,000 metres of limestone and inter-bedded shale, with evidence of natural fractures and elevated mud gas readings.

The Company completed the acquisition of TOAG, which delivered TOAG's 45% interest in EP 126 and resulted in the Company holding 100% of the permit at year-end. A farm-down process subsequently commenced to identify a partner for further exploration and appraisal activities.

International

Tanzania
(Beach 100%)

Acquisition, processing and interpretation of the 2D seismic survey in the East African Rift were completed, with an onshore drilling opportunity identified. Following completion, joint venture partner, Woodside Tanzania, advised it would not enter into the next period of the exploration program. Beach has preserved its right to proceed into the next exploration period, with a farm-down process underway to secure a joint venture partner.

Egypt – Abu Sennan Concession
(Beach 22%, KEE 50% and operator, Dover 28%)

A six-well drilling program was completed, with all wells successful and brought online. Drilling included two exploration successes at ASA-1X and ASH-1X, and four appraisal wells in the El Salmiya, Al Jahraa and ASA fields.

Romania

The Company transferred its 30% interest in Block 28 Est Cobalcescu to the operator, Petroceltic Romania B.V., a wholly owned subsidiary of Petroceltic International plc (AIM: PCI), for nominal consideration. Beach has no further commitments in Romania.

Drilling program

The FY15 drilling program comprised of 121 wells, with 114 wells drilled in the Cooper and Eromanga basins, one well drilled in the Bonaparte Basin and six wells drilled in the Abu Sennan Concession in Egypt. The exploration success rate since the start of FY04 to 30 June 2015 is 46%, and the appraisal success rate is 79%. The total exploration and appraisal success rate over this period is 59%.

Area	Category	Wells Drilled	Successful Wells	Success Rate
Cooper / Eromanga ⁽¹⁾	Exploration – Oil	12	5	42%
	Appraisal – Oil	11	7	64%
	Development – Oil	15	14	93%
	Exploration – Gas	4	1	25%
	Appraisal – Gas	6	6	100%
	Development – Gas	63	63	100%
	Unconventional – Gas	3	3	100%
Total Cooper / Eromanga		114	99	87%
Bonaparte ⁽²⁾	Exploration – Gas	1	1	100%
Egypt	Exploration – Oil	2	2	100%
	Appraisal – Oil	4	4	100%
Total		121	106	88%

⁽¹⁾ Includes Mt Howitt-3 DW1 (spudded in FY15, cased and suspended subsequent to year end)

⁽²⁾ Includes Cullen-1 (spudded in FY14, cased and suspended in FY15)

Year	Number of Wells ⁽¹⁾		Success Rates		
	Exploration	Appraisal	Exploration	Appraisal	Total
FY04	12	5	17%	60%	30%
FY05	7	8	14%	100%	60%
FY06	11	8	45%	88%	63%
FY07	35	31	34%	81%	56%
FY08	28	34	32%	68%	52%
FY09	14	16	64%	75%	70%
FY10	13	8	31%	88%	53%
FY11	13	4	54%	100%	65%
FY12	32	14	47%	86%	59%
FY13	43	11	60%	82%	64%
FY14	31	13	58%	69%	62%
FY15 ⁽²⁾	21	22	52%	82%	67%
Total	260	174	46%	79%	59%

⁽¹⁾ Excludes coal seam gas drilling

⁽²⁾ Includes Cullen-1 (spudded in FY14, cased and suspended in FY15; FY14 well count adjusted) and Mt Howitt-3 DW1 (spudded in FY15, cased and suspended subsequent to year end)

Reserves and resources

2P reserves as at 30 June 2015 were 74.4 MMboe, which represents an 11.1 MMboe reduction from the prior year. The reduction is primarily due to production of 9.1 MMboe and a downward revision to Delhi reserves following internal assessment and external review, partly offset by an increase in Bauer Field reserves from development drilling.

An increase in 2C resources was booked following evaluation of well results from the four-well fracture stimulation and flow testing campaign undertaken in ATP 855. DeGolyer and MacNaughton, an independent resource estimating firm based in Dallas, Texas, assigned contingent resources to the areas around ETTY-1, Hervey-1, Redland-1 and Geoffrey-1. A further increase in 2C resources was made when joint venture partner, Chevron, exited the NTNG project. 2C resources associated with Chevron's equity interests were recognised by the Company.

Further information in relation to reserves and resources is detailed in Beach's announcement on 21 August 2015. No new information has subsequently come to hand which would materially alter these estimates or underlying assumptions.

As at 30 June	2P Reserves (MMboe)
2004	4
2005	11
2006	36
2007	90
2008	145
2009	66
2010	66
2011	77
2012	93
2013	93
2014	86
2015	74

2P reserves		Oil equivalent (MMboe)				Oil	Gas liquids	Gas
(Net)	Note	FY14	Production	Revisions	FY15	(MMbbl)	(MMboe)	(PJ)
Ex PEL 91	1	5.4	(1.6)	2.0	5.8	5.8	-	-
Ex PEL 92	2	2.9	(1.1)	0.7	2.5	2.5	-	-
Ex PEL 111	3	0.2	(0.1)	0.1	0.2	0.2	-	-
Ex PEL 104	4	1.0	(0.5)	0.7	1.2	1.2	-	-
BPT Qld	5	0.5	(0.2)	0.1	0.4	0.4	-	-
Ex PEL 106	6	2.0	(0.3)	0.5	2.2	-	0.6	9.1
Delhi	7	71.9	(5.1)	(7.9)	58.9	6.3	7.9	260.1
Cooper / Eromanga		83.9	(9.0)	(3.6)	71.3	16.5	8.5	269.2
Egypt	8	1.7	(0.1)	1.6	3.1	2.9	-	1.3
Total		85.6	(9.1)	(2.0)	74.4	19.4	8.5	270.5

1. Beach equity interest: 40%; PRL 151 to 172 granted; probabilistic methodology applied, except for Chiton Field (deterministic methodology applied)
2. Beach equity interest: 75%; PRL 85 to 104 granted; deterministic methodology applied, except for Rincon Field (probabilistic methodology applied)
3. Beach equity interest: 40%; PRL 142 to 150 granted; deterministic methodology applied
4. Beach equity interest: 40%; PRL 136 to 141 granted; deterministic methodology applied
5. Beach equity interest: 100%; deterministic methodology applied
6. Beach equity interest: 50%; PRL 129 and 130 granted; deterministic methodology applied
7. Beach equity interests: SACB JVs – 20.21% and SWQ JVs – 20-40%; deterministic methodology applied
8. Beach equity interest: 22%; probabilistic methodology applied; Beach has entered into a binding agreement with Rockhopper Exploration plc in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd. Further details of the transaction are included in Beach's announcement of 10 August 2015

Reserves (MMboe)	Developed			Undeveloped			Total		
	1P	2P	3P	1P	2P	3P	1P	2P	3P
As at 30 June 2015									
Beach operated ⁽¹⁾									
Oil	5.2	10.2	19.0	–	–	–	5.2	10.2	19.0
Gas / gas liquids	0.3	0.7	1.0	1.1	1.5	1.9	1.5	2.2	2.9
Total	5.6	10.9	20.0	1.1	1.5	1.9	6.7	12.4	21.9
SACB and SWQ JVs									
Oil	1.1	3.9	8.9	0.6	2.4	6.7	1.7	6.3	15.6
Gas / gas liquids	13.9	34.4	62.8	8.9	18.3	39.5	22.9	52.6	102.2
Total	15.0	38.3	71.7	9.5	20.6	46.1	24.5	58.9	117.9
Egypt									
North Shadwan	0.1	0.1	0.2	0.2	0.3	0.6	0.3	0.4	0.8
Abu Sennan	0.1	0.3	0.6	0.8	2.3	3.6	0.9	2.7	4.2
Total	0.2	0.5	0.8	0.9	2.7	4.2	1.2	3.1	5.0
Total reserves	20.8	49.6	92.6	11.6	24.7	52.2	32.4	74.4	144.8

⁽¹⁾ Includes fields operated by Senex

Contingent Resources	Oil	Gas liquids	Gas	FY15	FY14
As at 30 June 2015	(MMbbl)	(MMboe)	(PJ)	(MMboe)	(MMboe)
Beach operated conventional ⁽¹⁾	1.8	0.7	15.5	5.1	4.8
Delhi conventional	7.8	5.3	266.4	58.9	86.4
Total Cooper Basin conventional	9.6	6.0	282.0	64.1	91.2
Egypt	0.5	–	0.3	0.6	1.1
Gippsland / Carnarvon	2.7	0.1	44.6	10.5	10.9
Otway	–	0.1	4.8	0.9	0.9
Browse	–	1.7	60.2	12.0	–
Total conventional	12.9	7.8	391.9	88.0	104.1
Beach unconventional	–	–	2,878.6	494.9	276.5
Delhi unconventional	–	6.8	504.7	93.6	85.9
Total Cooper Basin unconventional	–	6.8	3,383.3	588.6	362.4
Total resources	12.9	14.6	3,775.2	676.6	466.5

⁽¹⁾ Includes fields operated by Senex



Sustainability

Message from our Acting Chief Executive Officer

I am pleased to present Beach's FY15 Sustainability report, which underpins our efforts to advance sustainability initiatives within the Company. We continue to strengthen the sustainability governance structure that was created in FY14. In FY15, we established a Sustainability Steering Committee and provided customised workshops for committee members to increase their understanding of sustainability, and its importance at Beach.

During the year, we conducted a sustainability materiality assessment through consultation with a wide range of stakeholders. The materiality assessment is significant in the development of our sustainability commitment as it allows us to develop a longer term vision for sustainability, while giving us the opportunity to improve our relationships with key stakeholders. The stakeholder participation rate for the assessment was 100%, which is a testament to the relationships Beach has established with them. I would like to thank all stakeholders who participated in the materiality assessment, the result of which has provided this sustainability report with greater focus than those previously. Over the next few months, we plan to develop a compatible sustainability strategy, which aims to embed sustainability in our everyday business operations.

Beach has made considerable progress over the year, but there is more to be accomplished. Looking ahead, we will continue to implement corporate sustainability improvements and take action to deliver sustainable growth as articulated in our refreshed strategy. As you read this report, I encourage you to share your thoughts and provide your feedback at sustainability@beachenergy.com.au.



Neil Gibbins,
Acting Chief Executive Officer

28 September 2015

About this Report

- 18 Scope of this report
- 18 Our operations
- 18 Reporting guidelines

Managing Sustainability

- 18 Governance
- 18 Risk oversight and management
- 18 Ethical conduct and transparency
- 19 Our stakeholders
- 19 Material issues and our focus

Performance Overview

- 20 Performance overview

Our People

- 21 Health and safety
- 22 Workforce development and retention
- 22 Commitment to employees
- 23 Looking ahead

Our Communities

- 23 Contribution to local communities
- 25 Looking ahead

Our Environment

- 25 Our approach
- 26 Looking ahead

Economics

- 27 Our approach
- 27 Looking ahead

Performance Data

- 28 Our people
- 29 Our communities
- 29 Our environment
- 30 Economic performance
- 31 IPIECA and GRI reference table

About this Report

Scope of this report

This report covers assets owned and operated by Beach whether in its own right or as operator for a joint venture for the period 1 July 2014 to 30 June 2015. Beach's assets include projects under exploration, development and production phase. People related data included in this report refers to employees (excluding international employees) and contractors working within the Beach operations. Beach reports on Health, Safety and Environment (HSE) information from operations within its control, which are covered by, policies on anti-corruption and our Code of Conduct. Our non-operated activities in the Cooper Basin, Egypt and New Zealand are excluded from the scope of this report unless specifically stated. Beach's operated sites are:

- Production
 - Cooper/Eromanga basins (conventional oil and gas)
- Exploration
 - Cooper/Eromanga basins (conventional oil and gas exploration and unconventional gas exploration)
 - Tanzania (exploration)
 - Bonaparte Basin (exploration)
 - Otway Basin (exploration)
- Corporate Office – Adelaide, South Australia

Our operations

Beach's operations are principally located in South Australia where its head office and the majority of its Cooper Basin activities are located. All of our operated production is from the Cooper and Eromanga Basins and is subject to the environmental approval processes of the South Australia and Queensland State Governments. Further information on the environmental approvals for activities in these areas can be viewed on our website under Sustainability at Beach/Environmental approvals.

The infrastructure and activities associated with Beach's exploration operations typically comprise:

- Undertaking seismic surveys;
- Development of access tracks/roads and drill pads;
- Drilling, well completion and testing; and
- Administration and accommodation facilities.

The infrastructure and activities associated with Beach's production operations typically comprise:

- Storage facilities for oil;
- Gathering systems to collect hydrocarbons produced from wells;
- Treatment of hydrocarbons – typically to separate hydrocarbon liquids and gas and remove water or other components from hydrocarbon products;
- Flowlines to transport product and water separated from the hydrocarbons around sites;
- Wastewater treatment and handling systems, including water holding ponds and evaporation ponds;
- Administration, utilities and accommodation facilities; and
- Access tracks and roads.

Reporting guidelines

This report has been prepared in accordance with IPIECA and GRI G4 reporting frameworks. A table on page 31 shows the indicators that Beach has reported against this year.

Managing Sustainability

Governance

Beach's Board provides oversight on the Company's sustainability management. This year its Corporate Governance Committee altered its focus to include oversight of sustainability reporting. The Sustainability Steering Committee is a management committee that has been set up to assist in the development of Beach's sustainability strategy, policy and practices. All Beach business functions are represented on the Committee. Further information on the role of the Sustainability Committee and its members is documented in the Sustainability Steering Committee Charter. This document is accessible on Beach's website under Sustainability at Beach/Corporate governance.

The new Sustainability Steering Committee met for the first time in September 2014.

Risk oversight and management

Risk is inherent in Beach's business, so effective and timely risk management is crucial to the long term viability of the Company. The Board and its Risk Committee provide oversight on sustainability risks and proactively consider and review risks concerning social, economic and environmental issues. Specific sustainability risks include, but are not limited to, those associated with maintaining a social license to operate and reputational, health, safety and environmental risks. Detailed discussion of Beach's risk management framework is provided in our 2015 Corporate Governance Statement which can be viewed on our website under Sustainability at Beach/Corporate governance. Material risks, including those listed above, are also discussed in the Operating and Financial Review in the Directors Report.

Ethics and conduct training provided to Beach employees.

Beach primary stakeholders are shareholders, employees, contractors, suppliers, regulators, joint venture partners, landholders, customers, media, investor community, industry peers, NGOs, and local and Aboriginal communities.

Ethical conduct and transparency

Conducting business in an ethical, responsible and transparent manner is core to our values. Our Code of Conduct sets out the standards of behaviour that are expected of its employees and contractors. The code is supported by policies to prevent bribery and corruption. Beach's Business Practices Policy and Guidelines prohibit bribery in any form and set out clear guidance for the giving or receiving of gifts, third party facilitation and payments to government officials. Our Code of Conduct and policies are reviewed annually to ensure continued relevance and compliance. A suspected breach of policy is reportable under the relevant policy or the Whistleblower Policy.

This year, Beach reviewed its existing anti-bribery and corruption policy framework and introduced a new Foreign Corrupt Practices Compliance Policy to assist Beach employees to recognise and avoid corrupt practices, with a focus on Beach's international activities. A policy update session was held for all staff to ensure awareness across the business with regards to recognising and avoiding corrupt practices. Advanced training was provided to employees involved in Beach's international business activities or in positions with higher potential exposure to these risks. Ethics and Conduct online training is also provided to all employees.

We ensure that our contractors and joint venture partners, particularly those outside of Australia are aware of our approach to anti-bribery and corruption and expect these practices are adhered to. There are contract terms for our international operations that relate to facilitation of payments and anti-corruption and a requirement to comply with our Foreign Corrupt Practices Compliance Policy and Business Practices Policy. Beach is not aware of any policy violations relating to bribery or corruption during the financial year.

Our stakeholders

Beach is aware of its responsibility towards its stakeholders and actively seeks to develop positive relationships for mutual benefit.

Beach develops relationships by engaging with its stakeholders in many ways, some of which are detailed below.

How we engage with our stakeholders
Employees - staff surveys, program evaluations, performance reviews, staff presentations, 1:1 coaching, team development sessions, communication via Beach's intranet "Umbrella," regular management meetings and social and family functions
Communities, Aboriginal groups and Landholders - regular meetings, support/participation in community programs and events, consultation prior to activities and field trips
Contractors and Suppliers - regular meetings and forums
Regulators - meetings, representations on industry associations and site visits
Shareholders and Investor community - annual general meeting, investor presentations, Beach website, correspondence, email alert service, engagement with our dedicated investor relations team, webcasts and roadshows
Customers - regular meetings
Non-Governmental Organisations - meetings, representations on industry associations and site visits
Media - relationships maintained through a dedicated media relations function, email
Industry peers - industry conferences and presentations
JV Partners - regular meetings

Material issues and our focus

To deliver on our commitment to improve our sustainability performance, Beach conducted a materiality assessment during the year. The purpose of this exercise was to identify and prioritise sustainability issues that may have significant impact on our licence to operate, our stakeholders and on the communities in which we operate. The materiality assessment involved:

1. Identification of topics, which included a review of media, risk register, employee survey results, issues identified in last year's sustainability report and peer benchmarking.
2. Stakeholder interviews with a range of stakeholders. The interview focused on what stakeholders considered to be the material sustainability issues for Beach. These topics were prioritised based on the number of times they were raised by stakeholders.
3. Material issues identification, which resulted in the identification of 23 possible topics, which were then discussed and validated by senior management.

Beach's material sustainability issues are listed below in order of importance and addressed in this report. A number of these issues are strengths and opportunities for Beach, with others being risks that will be continually monitored for improvement.

Key material issues	Where addressed in this report
Health and Safety - Providing a safe and healthy work environment, and culture for its workforce and contractors, with and a focus on process safety	21
Contamination - Management and response including remediation activities relating to accidental spills	26
Strategy - Appropriately positioning the business in a changing economic and competitive environment	3, 7, 17
Contribution to local communities - Engaging and contributing economically, socially and environmentally to local communities (e.g. providing training, employment and sponsorships)	23
Produced water - The management of produced water including the disposal, reuse and properties of produced water from Beach's operations	25
Waste management - Responsibly managing the disposal of operational waste	26
Workforce development and retention - Providing opportunities to maintain and develop workforce skills and competencies, especially during times of uncertainty, to deliver sustainable growth	22
Market volatility - Managing the expectations of stakeholders and maintaining communication during market volatility	27
Operational excellence - Maintaining operational excellence during uncertain times	27
Ethics and transparency - Ensuring ethical and transparent conduct across all our operations	18

Performance Overview

FY15 Our People Outlook	How Beach Performed	Status
Implement competency based assessment for field employees	Phase 1 completed which included a pilot project	●
Complete review of Emergency Management Plan	Review completed and a mock drill carried out	●
Employment of Contracts Manager	Incumbent commenced December 2014	●
Recruitment of 70 roles	On hold due to the low oil price environment	●
Implementation of 'Fitness for Work' policies and procedures	Policies developed but roll out deferred until FY16	●
		○
FY15 Our Communities Outlook	How Beach Performed	Status
Continued support of Aboriginal programs Education and training initiatives for the communities in which we operate. This has included education programs for the Dieri People	Beach funded Dieri on country trip and DFEEST TAFE awareness trip	●
Complete review of internal 'Aboriginal Engagement' Policy	Aboriginal Engagement Policy approved by the Board	●
FY15 Our Environment Outlook	How Beach Performed	Status
Develop internal capability for remediation of contaminated soil	Potential sites for soil farm were identified and WAC completed	●
	Written proposal to be submitted to the regulator	○
Develop underground water impact report for South-West Queensland operations	Report completed and approved by the Queensland government	●
Develop and implement Erosion Management Plan for Queensland	Erosion Management Plan developed and implemented	●
Continue to explore options for efficient transport of oil and gas	Stunsail to Bauer pipeline installed to continue reduction of trucking traffic	●
Continue to focus on waste and water management strategies	Contractor data analysed to understand collection points for water in the Cooper Basin	○
	Waste inventory implemented to improve waste tracking system	○
FY15 Economics Outlook	How Beach Performed	Status
Develop understanding of our economic impacts and improve data capturing methods	Development of new accounting system underway. Expected implementation in 2016	○
Develop understanding of our procurement practices for potential future reporting	Engaged services of external provider for development of supplier management system	○

● Achieved ○ Ongoing ● Not Achieved

Our People

Health and safety

Our approach

Due to the remoteness and nature of our oil and gas operations, Beach's core area of focus is the health and safety of our field based employees and contractors. Failure to operate safely could lead to injuries, fatalities, environmental damage, reputational damage, and/or affect our licence to operate. Our HSE policy outlines our approach to HSE management and is further supported by our core value, "Safety takes precedence in everything we do." To ensure a culture of safety is maintained throughout our operations, we regularly conduct workplace health risk assessments, provide 24/7 onsite medical support and maintain an incident reporting system which captures all incidents, including accidents and spills.

Process safety

In addition to personal safety, Beach recognises the importance of managing potential major accident events. Beach deals with the prevention and control of such incidents by assessing hazards and risks, ensuring application of good design in all existing and future facility infrastructure, carrying out robust operating and maintenance practices, and ensuring asset integrity. There were no Tier 1 or Tier 2 Process Safety Events in FY15 that led to an impact on the environment, local communities or significant financial loss.

A significant number of activities were undertaken in FY15 to strengthen the existing HSE management systems. These included:

Review of the HSE Strategy

We continued to develop our HSE strategy aimed at improving HSE culture and performance, as well as providing a clear path to Beach's mission of achieving a sustainable healthy workplace, that minimises environmental footprint and achieves safe outcomes in all operations.

Review of the crisis and emergency management framework

Emergency incidents can occur with little or no warning, causing unexpected business interruptions. A Crisis and Emergency Management Framework is designed to ensure effective and efficient response in the event of a major incident. In FY15, we reviewed and updated our existing Emergency Management system and conducted a live exercise to assess the collective response, at all levels, to a simulated incident associated with our operations. This successful live exercise was facilitated by external advisors who observed Beach's corporate emergency management team and crisis management team's management of the stimulated incident.

During the debriefing, the external advisers highlighted the exemplary manner in which all members of these teams worked together to control the emergency. In future, a full scale emergency response mock drill will be undertaken every two years, with department specific desktop exercises to occur on an annual basis.

Employment of a contracts manager

Over the last few years, we have experienced significant growth in our operations. This has resulted in the increased use of contractors at our operating sites. To better understand contractor related safety risks and management processes, we reviewed our contractor management process and governance arrangements against industry best practice. The review identified five areas for improvement in contractor management and performance. In December 2014, Beach employed a Contracts Manager to oversee the implementation of these recommendations, to ensure a consistent approach is applied to contractor management across the business and that governance obligations are met and risks minimised.

Fitness for work policies and procedures

Fatigue related impairment can lead to major health and safety incidents in the workplace. As recognition of this risk, we refined our fatigue management programs and developed 'Fitness for Work' policies and procedures. Final implementation of these policies and procedures is expected in 2016.

Communication, training and culture

We aim to keep our employees and contractors safe by ensuring all relevant policies and procedures are complied with, as well as ensuring that cultural issues which can lead to unsafe behaviour in the workplace are addressed. We conduct safety culture surveys to better understand the safety culture of staff and develop strategies to maintain safe operations. We initiated the following measures as a direct response to the safety culture survey conducted in FY14.

- Employment of a Contracts Manager.
- Conducted a contractor safety leadership forum, with the aim of aligning contractor safety expectations, standards, and performance at the field level.
- Facilitated 13 Standards Audits at Callawonga and 4 Standards Audits at Kenmore. Results from these audits show improved overall HSE standards performance.

Occupational hygiene monitoring

An occupational hygiene assessment was conducted for field operations which identified aspects that need to be monitored on an annual basis. The initial assessment identified that Beach did not exceed any of the threshold values throughout its operational facilities. Ongoing monitoring programs will be established to ensure the threshold values are maintained.

Case study – Improving Health and Safety systems

The Project Safety Alignment Process (PSAP) runs in parallel to new projects and is designed to provide a greater level of integrity, assurance and alignment on the safety expectations, standards, requirements, culture and performance, during these projects. The PSAP includes meetings, observations, coaching and reports all focused on safety and delivered in a structured format at scheduled points through campaigns or projects. The PSAP was developed, introduced and trialled on a fracture stimulation campaign in the Cooper Basin, in 2014. The project brought together Beach and its joint venture parties and a number of major contracting organisations. A significant outcome was no LTI for the six month project period. We are now focused on embedding the PSAP for future projects, campaigns and general operations.

Development of HSE Data management tool

The data management tool, customised for Beach's needs continued to be developed in FY15. This tool, which was in use in FY15, is expected to streamline processes and improve efficiency in the HSE area.

Health and safety statistics

An improvement in health and safety performance at Beach is reflected in the FY15 statistics, showing significant reduction in LTIs and LTIFR. These decreases are the result of deliberate actions aimed at safety improvement, and include:

- Development of HSE Standards;
- Implementation of two Contractor Safety Leadership Programs;
- Facilitation of Stand Down For Safety Day at Beach to share developments in HSE;
- Facilitation of Contractor HSE Alignment Meetings with contractors, to provide important HSE updates;
- Development and delivery of Emergency Response Training;
- Review of HSE policies and procedures including Permit To Work, Fit For Work and Emergency Response; and
- Development of HSE Level 1 Induction.

Please refer to the performance data on page 28 for additional health and safety related information.

Workforce development and retention

Our approach

Our achievements and future successes are driven by a highly engaged and committed workforce. Beach has continued to invest in the capability of its staff, with the launch of a Company-wide training calendar, two programs focussing on leadership and supervisory skills development and the continuation of a suite of mandatory online learning modules.

In FY15, 34 employees participated in the Leadership Development Program (LDP). The program was focussed on leading through change and included a combination of leadership theory and application using a case study approach. It is envisaged that we will build upon this program in the future with our leadership development initiatives.

In addition to the LDP, accredited introductory supervisor skill training for Superintendents, Supervisors and Leading Hands in the field was also implemented. It is anticipated that each year the group will complete two units of competency from the Certificate IV Frontline Management which will eventually lead to participants achieving the full qualification.

Commitment to employees

Health and wellbeing

Beach has a range of initiatives and programs aimed at improving the health and wellbeing of our employees. These include Company sponsored sporting events, healthy eating options, annual flu injections, regular health and medical assessments, gym facility for field based personnel, and an Employee Assistance Program that provides assistance and counselling services to employees and their families.



Sian and Josh, Beach employees

Competency assessments

A critical foundation of our risk management and HSE strategy is to ensure operational competence meets internal and external standards. As such, a number of competency assessments were developed and trialed as a pilot project in FY15. The purpose of these assessments is to assist Beach to confirm its ability to perform tasks aligned with procedures. This is now being further expanded to include learning activities and knowledge checks to ensure staff possess the competency to adequately manage operational abnormalities and to identify and respond to emergency conditions. Competency assessments will continue to be developed over the new financial year.

Performance development review program

Beach continued to evolve the Performance Development Review Program with the process being transferred online for greater efficiency and transparency. The process has assisted managers and employees to have regular and meaningful discussions about performance and the achievement of goals.

Employee opinion survey

The FY15 employee survey results indicated a high level of employee engagement. There was an employee participation rate of 94% with the survey identifying that 99% of the workforce is committed to Beach's success, 96% take great pride in working for Beach and 95% of employees are motivated to do what is required to meet Beach's goals and strategy. Survey outcomes were used in the Assess Phase of the organisational review to identify key issues across the business, assisting us in redefining strategy and establishing our strategic objectives.

Equity and diversity

Key principles of Beach's Diversity Policy include:

- Recruiting on the basis of skills, qualifications, abilities and achievements;
- Encouraging personal and professional development to employees to benefit Beach and the individual;
- Aiming to be an employer of choice and to provide a family friendly work environment (10% of Beach's workforce is part time and 1% is casual); and
- Establishing measurable objectives for achieving gender diversity.

Please refer to the performance data beginning on page 28 for additional workforce information and our 2015 Corporate Governance Statement on our website at Sustainability under Beach/Corporate governance.

Looking ahead

The Company plans to:

- Deliver Contractor HSE Leadership Programs;
- Maintain and embed Standards Audit Systems;
- Implement Fitness for Work policies and procedures;
- Redesign and rollout of Heat Stress and Permit to Work online modules;
- Continue to ensure gender diversity in senior leadership and key decision making roles;
- Deliver a mentoring program across all technical disciplines to assist with technical and career development at Beach;
- Upgrade the performance review system to enable alignment and cascading of strategic goals; and
- Deliver a detailed scope of all components within the Verification of Competency project. Two learning modules, including learning assignments and assessments are to be built by the end of FY16.



Beach Drilling Supervisor Michael Thompson (Far right), providing a tour of Rig 965 to the Dieri survey team (L-R) Mandy Tuipuloto, Leanne Warren and David Strangways.

Our Communities

Contribution to local communities

Our approach

We recognise that our long-term sustainability is contingent upon maintaining strong and effective relationships with the communities in which we operate. This is and will continue to be demonstrated by being:

- A good corporate citizen through employment of local labour and contractors where possible;
- Supportive of communities in which we operate;
- Clear and timely in communicating our operational plans; and
- Committed to minimising impacts on the community during operations and leaving a positive social legacy after those operations.

Aboriginal participation

Beach Energy recognises Aboriginal and Torres Strait Islander Peoples as the traditional owners of this country throughout Australia, and we pay our respects to them and their cultures and to Elders past, present and future. We acknowledge the traditional owners from where we operate in Australia and respect their historical and ongoing connection to country through cultural and spiritual sites, language and ceremony.

Beach is committed to fostering and maintaining positive relationships with the Aboriginal communities where we operate. Beach provides traditional owners with opportunities to participate in training and employment programs and sponsors community led programs. Throughout FY15, the following are examples of Beach's promotion of employment and training opportunities:

- Dieri on country trip - This trip enabled Dieri Elders to visit their traditional lands and pass down cultural heritage knowledge to the younger generation. These trips are also relevant in assisting with ongoing anthropological research and data collection.
- Dieri, Department of State Development and TAFE SA awareness field trip - This field trip was proposed by the Dieri Aboriginal Corporation and involved Dieri Technical and Further Education students incorporating a field visit into their TAFE studies.
- Aboriginal Engagement Policy - This new policy outlines various commitments towards Aboriginal employment and is a revision of an earlier policy and can be viewed on Beach's website under Sustainability at Beach/Our communities.

Cultural heritage and heritage management

Beach recognises and respects the cultural, historical and spiritual connection Aboriginal people have with their country. It is of great importance that our cultural heritage management procedures are adhered to and that cultural heritage awareness is elevated amongst our employees and contractors. Prior to the commencement of our projects, Beach,

in consultation with the traditional owners, undertakes a cultural heritage management process to identify areas of cultural significance for protection during Beach activities. Recent initiatives that demonstrate our commitment to cultural heritage include:

- Rig tour with the Dieri cultural heritage survey team with ongoing awareness training of operations for new survey team members.
- Funding towards a cultural heritage healing camp in the Bonaparte Basin. This camp was proposed by local Aboriginal group due to significant mental health issues in the community.
- Attendance and support of Boonthamurra Native Title Consent Determination. Beach senior staff attended this event in support of the Boonthamurra.
- Thirteen project related cultural heritage field surveys were conducted with traditional owner survey teams, identifying 2168 cultural heritage condition points. These points were collected with a Global Positioning System (GPS) and contain instructions to guide Beach operations away from over 700 cultural heritage sites.

Aboriginal engagement

Beach is committed to engaging in meaningful, open and honest consultation with those Aboriginal communities that are affected by our operations. We believe this is demonstrated from the meeting room table to field operations and, whilst disputes are rare, these Aboriginal communities have access to formal grievance processes documented within their cultural heritage agreements with us. Contact can be made to our corporate office and the contact details can be located on our website. Where a relationship exists with communities our cultural heritage or land access staff can be contacted directly. Beach is committed to a positive relationship with Aboriginal stakeholders, with concerns raised, whether they are formal or informal taken seriously and responded to promptly.

Community and stakeholder engagement policy

A Community and Stakeholder Engagement Policy was developed through the year, confirming our commitment to engage effectively with stakeholders. The policy ensures due consideration is made to community views, issues and concerns, and ensures positive relationships are developed and maintained with communities operational areas. This policy is available on Beach’s website under Sustainability at Beach/ Our communities.

Community and Stakeholder Engagement Policy developed in FY15

Community investment

Our values are underpinned by our community sponsorship program. Sponsorships extend from South Australia to Tanzania. In FY15, we invested \$1.4 million in sponsorships across the following categories:

- Community (24%);
- Environment and conservation (23%);
- Aboriginal (16%);
- Health and wellbeing (9%);
- Arts and culture (7%);
- Youth, education and science (6%);
- Industry (6%); and
- Other (9%).

Specific examples of our community sponsorship are set out below and can be found on the Beach website at Sustainability under Beach/Sponsorships.

South Australian Museum

The foundation of Beach’s long standing partnership with the South Australian Museum reflects a common interest to promote science. This is reflected in the ‘Out of the Glass Case’ program, which takes science to regional and remote communities to provide an opportunity to experience the various museum collections. This program is tailored to each regional community, with a scientist travelling with the collections to provide a first-hand science experience for those areas visited.



Case Study - Western Flank Operations Bring Enduring Benefit to the Dieri People

During the year the Dieri Aboriginal Corporation provided information to Beach about the use of production payments they receive from our Western Flank operations. Some of the positive impacts these payments have made to the Dieri community over the past decade include: assistance with funeral expenditures, transport to community activities, ongoing native title research, dental, health and optical assistance, purchase of businesses and properties, and language and education programs. The Dieri Elders created a fund to provide long-term support to their community. This vision ensures culture is maintained and that education, health and employment are paramount. Beach is grateful to the Dieri People for sharing information about the positive impact that our activities are having on its people.

In recent years, the Museum has expanded this program to include an annual visit to the Anangu, Pitjantjatjara and Yankunytjatjara (APY) Lands in the state's far north. This program caters for ten communities in the APY Lands including; Indulkana, Fregon, Mimili, Pukatja (Ernabella), Amata, Pipalyatjara, Kenmore Park, Murputja, Watarru and Wingelina. It provides these remote communities with the opportunity to experience the discoveries, exhibitions and experiences offered by the Museum. The program has multiple benefits including providing the promotion of cultural connection, pride, leadership and the opportunity for discussion around career paths in science, natural history and cultures. The map on page 24 outlines the reach of the Out of the Glass Case program across South Australia.

Our sponsorship of the Museum also covers, the Sprigg Lecture Series. This series comprises free public lectures on recent scientific research and cultural discoveries, from both a local and global perspective. The series commemorates the life of Dr. Reg Sprigg, Beach's founder and respected South Australian oilman, geologist, explorer and conservationist. In 1946 Dr. Sprigg discovered the world's oldest fossils in the Flinders Ranges, now internationally recognised as the Ediacaran fossils.

Feature lectures of the 2015 series included:

- From the Cambrian of Kangaroo Island to the Ordovician of Morocco.
- Blue whales and the Bonney Upwelling.

Looking ahead

The Company plans to:

- Fund 4wd training courses for the Wongkumara People and participate in Wongkumara employment subcommittee round table meetings;
- Work with the Boonthamurra People in relation to environmental rehabilitation activities;
- Continue participation in the Governor's Aboriginal Employment Industry Clusters Programs (South Australia);
- Undertake further Dieri cultural heritage awareness sessions for field camps and office; and
- Provide financial support to local Aboriginal communities in the Bonaparte Basin towards a cultural healing camp and outstation water bore equipment.

- Bringing together science and adventure: Exciting the public to tackle a changing world.
- Queens (and Kings) of decay: Osedax boneworms and whalefalls.

Beach also proudly recognises Reg Sprigg's significant discovery by supporting the Museum's Ediacaran and Cambrian fossil research and Ediacara Biota gallery.

Our Environment

Our approach

As an oil and gas explorer and producer, we recognise our responsibility to respect the environment and minimise our environmental impact. The environmental aspects of our operations are governed by strict regulations which are integrated into our operational procedures. These procedures are driven by environmental management plans that are a legislative requirement of all activities in Australia. The overview of our HSE strategy was discussed at page 21. In FY15 we undertook the following environmental initiatives:

- Developed internal capacity for remediation of contaminated soil. Beach completed Work Area Clearance and is preparing a report for submission to the South Australian government.
- Developed an underground water impact report for south-west Queensland operations, which was approved by the Queensland government and may be accessed on the Queensland government website.
- Developed an Erosion Management Plan for south-west Queensland and engaged with the landholders to communicate project activities to them.
- Stunsail to Bauer pipeline installed and end of line work at Bauer is in progress.
- Analysis of water consumption data, provided by contractors, to understand collection points for water in the Cooper Basin.
- Waste management strategy results reviewed.
- Installation of groundwater monitoring bores at two facilities, with more planned to be installed in the coming year.

Managing produced water

Produced water is water that is brought to the surface along with oil and gas during exploration and production activities. Depending on the geographic location of the field, the physical and chemical properties of produced water can vary

Case Study – Creating Relationships and Contributing to Local Economy

From November 2014 to January 2015 Beach conducted two seismic surveys in its exploration permit in Lake Tanganyika in Tanzania. The nearshore/onshore survey consisted of 12 lines totalling 107 kilometres and recorded close to the village of Karema and across extensive rice growing areas. During the survey 30 expatriates worked with up to 200 locally hired workers to conduct the survey. In addition local supplies and services were used wherever possible. Local farmers were compensated for delaying their crop sowing as a result of seismic lines over their properties, as well as restoration following the survey. As part of the commitment to give back to the local community, Beach is upgrading the local Karema Health Centre which provides the only health service to about 35,000 people in the district.

Extensive community consultations were conducted before, during and following the survey and there was an overwhelming positive reaction to the project. The surrounding villages have requested our base to be located in their villages when we are next working in the area.

considerably and may contain high mineral or salt content. We recognise that responsible water usage and constant improvement in water management is important for our business, communities and the environment.

Produced water undergoes a two-step separation process which begins in the separator tanks where the majority of oil is separated from water. This water then goes into a lined interceptor pond, which acts as a buffer, to ensure the remaining hydrocarbons are retained and not carried over to evaporation ponds designed to evaporate water naturally. Evaporation ponds are an important source of water for livestock in the Cooper Basin, which has limited water availability as a result of the area's remoteness and arid conditions. Water quality in the evaporation ponds is monitored to ensure it meets regulatory standards and is suitable for livestock and wildlife. We have investigated additional ways to use produced water for secondary purposes such as road construction and reinjection, however due to strict regulatory control and associated high costs, these options have not been developed.

Contamination

Accidental loss of liquid containment is a key risk due to the potential consequences for the environment, field staff, assets and local communities. A range of measures have been put in place to prevent, manage and respond to accidental loss of leaks and spills, including:

- Containment of all hazardous substances in appropriate vessels and bunds.
- Appropriate storage of chemicals.
- Maintaining safe and secure transfer areas.
- Training to ensuring that hazardous substances are handled appropriately and emergency response procedures are tested.
- Testing to ensure the integrity of flowline and pipeline design, construction and maintenance standards, including corrosion protection measures, and overpressure protection devices and integrity testing.
- Testing of spill response and clean-up procedures.

We monitor our activities to ensure compliance with relevant petroleum and environmental legislation, Australian Standard 1940 and the Australian Dangerous Goods code. In the event of a spill, Beach ensures the spill is contained, reported, cleaned-up and contaminated soil is remediated. Active remediation methods are implemented where it is determined that contamination is spreading or the level of contamination is not decreasing. Groundwater monitoring bores are installed where there is potential risk to groundwater, which is able to measure any potential underground water contamination and movement. All groundwater monitoring bores and wells are monitored on an annual basis. All incidents, including spills are reported into Beach's incident reporting database

which records spills by type, volume, duration, cause, as well as corrective actions taken to address the incident. A total of 36 spills were recorded in the Beach incident reporting database this year. However, none of the spills were of high environmental impact and all sites were remediated immediately. No environmental fines or penalties were issued in relation to spills.

Waste management

Beach aims to reduce its impact on the environment by keeping waste generation to a minimum and ensuring all waste material is disposed of in an appropriate manner. Licenced contractors are used and records maintained for any hazardous waste disposal. Beach continues its waste recycling process that has all office waste sorted for recycling and all biodegradable waste becoming composted and re-used. Only a very small percentage goes to landfill. An initiative to reduce head office waste is setting of multifunction printers to black and white and double sided printing. This is predicted to reduce paper consumption up to 20% annually. Beach has a waste tracking system to capture waste streams and volumes in its field operations, which is aimed at building our capacity to measure, reduce and effectively manage waste.

Climate change and GHG emissions

Beach recognises climate change as a global challenge. As a member of the oil and gas industry, we have a significant role to play in managing our carbon emissions and have put production procedures in place to minimise the incidence of uncontrolled and controlled atmospheric emissions.

At some of our facilities, we have installed solar powered telemetry units, which allow field operators to remotely monitor and capture data on the status of equipment from a central location, thereby reducing vehicle traffic and engine emissions.

We monitor and report greenhouse gas emissions associated with our activities through the National Greenhouse and Energy Reporting Scheme. In FY15, greenhouse gas emissions for all operated Beach facilities was 52,189 tonnes of CO₂-e. We also report under the National Pollutant Inventory, which is publicly available on the Environment Protection Authority website. Detailed data for FY14 reporting period is available at www.npi.gov.au.

Looking ahead

The Company plans to:

- Conduct oil spill response training and review current procedures;
- Provide appropriate training to contractors to minimise land disturbance; and
- Review existing potable water treatment systems.

Case study – Improving efficiency and minimising environmental impact

Multi-well pad drilling has allowed us to minimise our operating footprint while also delivering significant cost savings to the business. This year, two four-well pads were completed at the Bauer field in the Cooper Basin. Each pad has a lease size of 21,450 m², which represents a 70 percent reduction in footprint size had each of these wells been drilled on a separate pad. There was also significant reduction in water usage at the Bauer pad, with approximately 50 percent less water used in the pad drilling campaign.

Economics

Our approach

Our focus is on creating long term sustainable growth for our shareholders and the communities in which we operate. Economic value created from our operations is distributed to our many stakeholders, which include shareholders, suppliers, government, employees and local communities.

Market volatility

The collapse in the global oil prices has led to a significant reduction in the revenue and profitability of oil and gas companies. While Beach cannot control fluctuations in commodity prices, it can control its response to market volatility with a focus on improving efficiency, monitoring costs, managing stakeholder expectations, and exploring opportunities for maximising revenue. In FY15 we reduced operational costs while ensuring timely delivery of projects. We also commenced a long-term gas sales contract with Origin, which has provided further financial support in the current low oil price climate. We will continue to focus on effectively managing capital spend, improving efficiency and implementing our new strategy to ensure we are well placed to take advantage of any potential commodity price increases.

Operational excellence

Operational excellence allows organisations to demonstrate that they are operating assets safely, sustainably and cost effectively. Beach continues to demonstrate operational excellence through improvements in health and safety performance and systems, ongoing employee training, development of a supplier management system, and exploring ways to improve contractor efficiency. We are focused on our internal systems as a way of driving fundamental improvements in the way we conduct our operations.

Local content

Our main operations are in the Cooper and Eromanga basins in South Australia and Queensland. We recognise the importance of local economic participation as one of the ways of maintaining our social licence to operate, through contributing to the long term development of those communities and regions in which we conduct our operations. Where practical, Beach contracts locally owned businesses as a way of supporting the growth of local communities and small to medium enterprises (SMEs).

Over the years, a number of small enterprises have benefited from the oil and gas operations, providing employment and thriving on opportunities in the Cooper Basin. This year's contracted spend with local suppliers was 60% of total spend in the Cooper

Basin. During the year we undertook the following initiatives to improve input from local content:

- Development and implementation (ongoing) of our Contracts and Procurement Policy and Standard. As part of this, regular service quality meetings are undertaken with key suppliers.
- Engaged the services of an external provider to develop our supplier management system. This will be a single system to pre-qualify suppliers to assist with the sourcing of services and supplies.
- Representation on several South Australian forums, including:
 - Multiple working groups on the Department of State Development's (South Australia) Roundtable for Oil and Gas Projects; and
 - The Upper Spencer Gulf Resources Sector Cluster, SA Resources Supply Chain Panel.

Accounting system

The implementation of a new finance system aimed at improving cost, data capture, management capability and process efficiencies is ongoing and expected to be implemented in 2016.

Looking ahead

The Company plans to:

- Implement a Contracts and Procurement Standard; and
- Implement the new SAP accounting system.



Nidal, Beach employee

Case study – Supporting local businesses

Dunns Earthmoving, one of Beach's contractors, commenced operations in 2004 with four employees, a home office and an onsite vehicle. Initial works contracted by Beach included building access roads to neighbouring stations, with Dunns engaged to construct the first of many lease pads for Beach on the Western Flank.

As Beach's drilling program grew, so did the scope of services provided by Dunns Earthmoving. The consistency and quality of the service offering delivered by Dunns enabled a more permanent labour force and staff roster to be established. Dunns now has a workforce of 90 personnel, a head office in Adelaide and fully functioning camps to service its work in the Cooper Basin.

Performance Data

Following table shows our performance across a range of social, environmental, economics and health and safety indicators.

Our people			
	FY15	FY14	FY13
Health and Safety			
LTI - Beach	1	1	3
LTI - Contractors	1	4	4
LTIFR - Beach	3.0	3.4	11.8
LTIFR - Contractors	1.6	5	3.8
Work hours - Beach	335,348	293,263	254,378
Work hours - Contractors	626,502	795,637	1,052,795
Fatalities	0	0	0
TRI - Beach	2	NR	NR
TRI - Contractors	13	NR	NR
TRIFR - Beach	5.9	NR	NR
Employee Data			
Total number of employees ⁽¹⁾	235	208	180
% Gender split (M:F)	69 : 31	70:30	70:30
% Full time/ Part time / Casual	89 / 10 / 1	88 / 10 / 2	88 / 10 / 2
% Total Employee turnover	3.15	4.62	6.22
% Employee turnover (M:F)	1.80 : 1.35	NR	NR
% Employees in permanent full-time roles (M:F)	75 : 25	NR	NR
% Employees in permanent part time roles (M:F)	26 : 74	NR	NR
% Employees in fixed term contracts (M:F)	33 : 67	NR	NR
% Employees as casuals (M:F)	33 : 67	NR	NR
Employees by WGEA ⁽²⁾ category			
% Board (M:F)	67 : 33	NR	NR
% CEO (M:F)	17 : 0	NR	NR
% KMP ⁽³⁾ (M:F)	71 : 29	NR	NR
% Senior Managers (M:F)	75 : 25	NR	NR
% Other Managers (M:F)	68 : 32	NR	NR
% Professionals (M:F)	71 : 29	NR	NR
% Technicians and Trade (M:F)	90 : 10	NR	NR
% Labourers (M:F)	100 : 0	NR	NR
% Clerical and Administration (M:F)	10 : 90	NR	NR
% Employees aged under 29 (M:F)	59 : 41	NR	NR
% Employees aged between 30-49 (M:F)	66 : 34	NR	NR
% Employees aged above 50 (M:F)	79 : 22	NR	NR
% Female employees on Board	33	NR	NR
Total workforce by location (M:F) - SA	149 : 73	NR	NR
Total workforce by location (M:F) - Qld	12 : 1	NR	NR
Number of employees entitled to maternity leave	60	NR	NR

⁽¹⁾ Excludes International employees, but includes directors

⁽²⁾ WGEA : Workplace Gender Equality Agency

⁽³⁾ KMP : Key Management Personnel

	FY15	FY14	FY13
Employees by WGEA ⁽²⁾ category continued			
Number of employees who took maternity leave	4	NR	NR
Number of employees whose maternity leave ended ⁽⁴⁾	1	NR	NR
Number of employees who returned after maternity leave	1	NR	NR
% Employees by tenure length of < 5 years (M:F)	66 : 34	NR	NR
% Employees by tenure length of 5-9 years (M:F)	75 : 25	NR	NR
% Employees by tenure length of 10-19 years (M:F)	71 : 29	NR	NR
% Employees by tenure length of 20+ years (M:F)	100 : 0	NR	NR
Training Data			
Total training hours	9443.45	NR	NR
Average number of training hours per employee	40.88	NR	NR
Number of training attendances ⁽⁵⁾	1,087	NR	NR
<i>% of training hours by training category</i>			
Professional Development	34.2	NR	NR
Safety	29.5	NR	NR
Technical	36.3	NR	NR
Our communities			
Sponsorships			
Total expenditure (\$ million) ⁽⁶⁾	1.4	1.4	1.3
Our environment			
Spills			
Total spills	36	22	NR
Volume of hydrocarbon spills (bbl)	368	79	NR
Volume of non-hydrocarbon spills (bbl)	26,197	1,279	NR
Total volume of spills (bbl)	26,565	1,358	NR
Fines			
Number of fines for non-compliance with environmental regulations	0	0	NR
Value of fines (\$)	0	0	NR
Greenhouse gas emissions			
Scope 1 emissions (tCO ₂ e)	51,835	62,696	94,915
Scope 2 emissions (tCO ₂ e)	354	614	623
Total GHG emissions (tCO ₂ e)	52,189	63,310	95,538
Volume of flared hydrocarbons (sm ³)	3,550,233	3,999,900	NR
Volume of vented hydrocarbons (sm ³)	197,918	NR	NR
National Pollutant Inventory (kg) ⁽⁷⁾			
Carbon monoxide	NYR	117,000	40,652
Fluoride compounds	NYR	19,400	6,950
Hexane	NYR	71,000	61,180
Oxides of Nitrogen (NOx)	NYR	493,000	117,258

⁽²⁾ WGEA : Workplace Gender Equality Agency

⁽⁴⁾ One employee returned to work from maternity leave in FY15 and three others who commenced leave remain on maternity leave

⁽⁵⁾ An attendance refers to a Training Course. Employees may attend multiple training courses over the Financial Year

⁽⁶⁾ This is the rounded figure. Actual amount spent on sponsorships in FY15 is \$1,437,680

⁽⁷⁾ NPI data is available for viewing at <http://npi.gov.au/npi-data/search-npi-data>. NPI data for FY15 will be reported in FY16 Sustainability Report

	FY15	FY14	FY13
National Pollutant Inventory (kg) ⁽⁷⁾ continued			
Particulate matter <2.5um	NYR	28,700	7,967
Particulate matter <10.0 um	NYR	87,300	186,109
Polycyclic aromatic hydrocarbons	NYR	5.86	0.19
Sulphur dioxide (SO _x)	NYR	131	31
Total Volatile Organic Compounds	NYR	1,129,700	1,100,070
Emissions to Air	NYR	1,926,921	NR
Emissions to Land	NYR	19,481	NR
Emissions to Water	NYR	0.01	NR
Economic performance			
Realised oil price (\$)	90/bbl	126/bbl	111/bbl
Product sales revenue (\$ million)	727.7	1,052.1	698.2
NPAT (\$ million)	(514.1)	101.8	153.7
Total assets (\$ million)	1,836	2,591 ⁽⁸⁾	2,405
Net cash (\$ million)	22	268 ⁽⁹⁾	228
Total equity (shareholder funds) (\$ million)	1,355	1,871	1,783
Market cap (\$ million)	1,356	2,171	1,440
Reserves (2P) (MMboe)	74.4	85.6	92.7
Production (MMboe)	9.15	9.6	8.0
Exploration wells drilled	21	32	35
Exploration expenditure (\$ million)	131	195	203
Royalties and taxes (\$ million)	60.8	144.8	86.7

⁽⁷⁾ NPI data is available for viewing at <http://npi.gov.au/npi-data/search-npi-data>. NPI data for FY15 will be reported in FY16 Sustainability Report

⁽⁸⁾ Represents the reclassification of the deferred tax asset

⁽⁹⁾ Represents an adjustment between borrowings and derivative financial instruments



IPIECA and GRI reference table

The following table indicates how Beach has reported against the indicators within IPIECA, the global oil and gas industry association for environmental and social issues and GRI G4 Guidelines, and where the information is included in the report.

IPIECA Indicators description	IPIECA Indicators	GRI Reference	Page
Greenhouse gas emissions	E1	EN15, EN16	26
Energy use	E2	EN3, EN4	29
Alternative energy sources	E3	EN19	26
Flared gas	E4	OG6	29
Other air emissions	E7	EN21	26, 30
Spills to the environment	E8	EN24	26, 29
Waste	E10	EN25	26
Local community impacts and engagement	SE1	SO1	23 – 25
Indigenous peoples	SE2	HR9	23 – 24
Social investment	SE4	EC1	25, 29
Local content practices	SE5	–	25, 27
Local procurement and supplier development	SE7	EC9	27
Preventing corruption	SE11	SO4, SO5	18 – 19
Preventing corruption involving business partners	SE12	SO5	19
Transparency of payments to host governments	SE13	–	18, 30
Workforce diversity and inclusion	SE15	LA12	23, 28
Workforce engagement	SE16	–	22
Workforce training and development	SE17	LA9, LA10	23, 29
Workforce participation	HS1	LA6	21
Workforce Health	HS2	LA8	22
Occupational injury and illness incidents	HS3	LA7	22, 28
Process safety	HS5	OG13	21
G4 Economic Indicators description	IPIECA Indicators	G4 Reference	Page
Direct economic value generated and distributed	N/A	EC1	29 – 30
Indirect economic impacts	N/A	EC8	25, 27
Proportion of spending on local suppliers	N/A	EC9	27

Governance at Beach

Beach's vision is to be Australia's premier multi-basin upstream oil and gas company and its purpose is to deliver sustainable growth in shareholder value. To achieve this, it is committed to conducting a business that values, among other things, safety, integrity, respect and performance. Beach's governance framework provides the structure to achieve this through:

- A set of values and a Code of Conduct supported by policies, procedures and systems designed to promote high standards of governance and the right behaviour of our people and those we deal with. Copies of those policies are found at Beach's website at Sustainability at Beach/Corporate governance
- Open and timely communication and engagement with our shareholders and key stakeholders
- An appropriate risk management framework
- An experienced, skilled and diverse Board
- Accountability through a clear delegation of authority
- Monitoring and accounting for our performance.

This year Beach has published its Corporate Governance Statement on its website rather than in its annual report. Our 2015 Corporate Governance Statement can be viewed on our website at Sustainability at Beach/Corporate governance.

Safety takes precedence in everything we do





Financial Report

- 34 Directors' report
- 49 Auditor's independence declaration
- 50 Remuneration report
- 70 Directors' declaration

Financial Statements

- 71 Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 72 Consolidated Statement of Financial Position
- 73 Consolidated Statement of Changes in Equity
- 74 Consolidated Statement of Cash Flows

Notes to the Financial Statements

- 75 Basis of preparation
- 77 Results for the year
 - 77 1. Operating segments
 - 79 2. Revenue and Other income
 - 80 3. Expenses
 - 81 4. Employee benefits
 - 83 5. Taxation
 - 85 6. Earnings per share
- 86 Capital employed
 - 86 7. Inventories
 - 86 8. Property, plant and equipment
 - 88 9. Petroleum assets
 - 89 10. Exploration and evaluation assets
 - 90 11. Interests in joint operations
 - 91 12. Impairment of non-financial assets
 - 92 13. Provisions
 - 93 14. Commitments for expenditure
- 94 Financial and Risk Management
 - 94 15. Finances and Borrowings
 - 95 16. Cash flow reconciliation
 - 96 17. Financial risk management
- 101 Equity and Group Structure
 - 101 18. Contributed equity
 - 102 19. Reserves
 - 102 20. Dividends
 - 103 21. Subsidiaries
 - 104 22. Deed of cross guarantee
 - 106 23. Parent entity financial information
 - 107 24. Related party disclosures
 - 107 25. Disposal group held for sale
- 108 Other information
 - 108 26. Contingent assets and liabilities
 - 109 27. Remuneration of auditors
 - 109 28. Subsequent events
- 111 Independent auditor's report

Directors' report

Your directors present their report for Beach Energy Limited (Beach or Company) on the consolidated accounts for the financial year ended 30 June 2015 (FY15). Beach is a company limited by shares that is incorporated and domiciled in Australia.

The directors of the Company during the year ended 30 June 2015 and up to the date of this report are:

Surname	Other Names	Position
Davis	Glenn Stuart	Non-Executive Chairman
Cole	Robert James	Managing Director ⁽¹⁾
Nelson	Reginald George	Managing Director ⁽²⁾
Beckett	Colin David	Non-Executive Director ⁽³⁾
Bennett	Fiona Rosalyn Vivienne	Non-Executive Director
Butler	John Charles	Non-Executive Lead Independent Director ⁽⁴⁾
Robinson	Belinda Charlotte	Non-Executive Director
Schwebel	Douglas Arthur	Non-Executive Director

⁽¹⁾ Appointed Managing Director from 10 March 2015

⁽²⁾ Managing Director until 9 March 2015 and appointed as Special Advisor to the Board from 10 March 2015 until retirement on 1 July 2015

⁽³⁾ Appointed Non-Executive Director from 2 April 2015

⁽⁴⁾ Appointed Lead Independent Director from 1 July 2014

Directors Interests in shares, options and rights

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

Shares held in Beach Energy Limited	Shares	Rights
G S Davis	122,139 ⁽²⁾	-
R J Cole	-	-
C D Beckett	31,929 ⁽¹⁾	-
F R V Bennett	30,075 ⁽²⁾	-
J C Butler	167,393 ⁽¹⁾	-
B C Robinson	15,663 ⁽¹⁾	-
D A Schwebel	74,860 ⁽²⁾	-

⁽¹⁾ Held directly

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

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

Principal activities

The principal activities of the Group (comprising Beach and its subsidiaries) continue to be oil and gas exploration, development and production and investment in the resources industry.

Operating and Financial Review

A review of Group operations and results of those operations is summarised below.

- Beach produced 9.15 million barrels of oil equivalent (MMboe), 51% of which was oil and 49% gas and gas liquids.
- Total oil production was 4.6 million barrels (MMbbl), down 11% from record levels in FY14. This reduction was mainly due to natural field decline, partially offset by successful drilling campaigns and infrastructure upgrades.
- Gas and gas liquids production was 4.5 MMboe, up 3% from FY14, mainly due to increased well head capacity.
- A total of 121 wells were completed with an overall success rate of 88%. Exploration wells accounted for 17% of total wells drilled, with a success rate of 52%, and appraisal wells accounted for 18% of total wells drilled, with a success rate of 82%.
- Beach continues to be the largest onshore oil producer in Australia, with a major gas business.

Cooper / Eromanga basins

Delhi

The Delhi operations incorporate the South Australian Cooper Basin Joint Venture (SACB JVs) (Beach 20.21%, Santos 66.6%, Origin 13.19%) and the South West Queensland Joint Ventures (SWQ JVs) (Beach 20-40%). Net sales gas and gas liquids production of 4.2 MMboe was up 7% from FY14, mainly due to increased well head capacity. Net oil production of 0.9 MMbbl was down 8% from FY14, mainly due to natural field decline. The gas development program on the South Australian side of the Cooper Basin completed, having focused on closely spaced infill drilling in the Cowralli, Moomba North and Big Lake fields. A three-well unconventional gas program in the Gaschnitz Field was also completed. Following these programs, drilling campaigns are being undertaken in more geographically widespread fields, with liquids-rich fields in South Australia and low CO₂ content fields in Queensland of particular focus.

Western Flank

Strong oil production from Beach's operated and non-operated permits continued during FY15, driven by infrastructure upgrades, new wells coming online and successful drilling campaigns, including two Bauer Field pad development well campaigns. Average gross Western Flank daily production was 19,875 barrels of oil per day (bopd), with the Lycium hub to Moomba trunkline operating at full capacity of 19,500 bopd. Excess production was trucked to Moomba. Net production from the Western Flank was 3.4 MMbbl, or 9,389 bopd.

Ex PEL 91

(Beach 40% and operator, Drillsearch 60%)

Gross oil production of 4.1 MMbbl (1.6 MMbbl net) was down 11% from FY14, with average daily gross production of 11,263 bopd (4,505 bopd net). Natural field decline was partly offset by continued strong performance of the Bauer Field. A 10-well development campaign was completed in the Bauer Field, which included two four-well pad drilling campaigns. Results from the program exceeded pre-drill estimates and added 2.5 MMbbl of net 2P reserves. A Bauer facility upgrade was completed, which increased water handling capacity from 50,000 bfpd to 75,000 bfpd. Exploration discoveries were made at Balgowan-1 and Burners-1, with the former confirming a north-eastern extension of the oil fairway. The joint venture was granted Petroleum Retention Licenses 151 to 172 over the former PEL 91 permit, which secures tenure over this area for up to 15 years.

Ex PEL 92

(Beach 75% and operator, Cooper 25%)

Gross oil production of 1.5 MMbbl (1.1 MMbbl net) was down 26% from FY14, with average daily gross production of 4,110 bopd (3,083 bopd net). Lower production was mainly due to natural field decline, but partially mitigated by installation of additional flowlines and a separator cleaning campaign, both completed late in the financial year. A two-well development and appraisal campaign was undertaken in the Callawonga Field, with both wells cased and suspended.

Ex PEL 104 and 111

(Beach 40%, Senex 60% and operator)

Gross oil production of 1.6 MMbbl (0.7 MMbbl net) was up 4% from FY14, with average daily gross production of 4,502 bopd (1,801 bopd net). Natural field decline was offset by stronger than expected production from the Spitfire Field and the Martlet-1 exploration well coming online. Discovery of the Martlet Field represented the first Namur Sandstone oil discovery in the permit, which provides another primary target to the proven Birkhead Formation oil play. The Martlet North-1 exploration well was also cased and suspended as a future Namur Sandstone oil producer. The joint venture was granted Petroleum Retention Licences 136 to 150 over the former PEL 104 and 111 permits, which secures tenure over this area for up to 15 years.

Ex PEL 106

(Beach 50% and operator, Drillsearch 50%)

Gross gas and gas liquids production of 0.7 MMboe (0.3 MMboe net) was down 30% from FY14, with average daily gross production of 1,794 boepd (897 boepd net). The decline in production was mainly attributable to natural field decline. A five-well exploration and appraisal campaign was completed in the permit, with the Ralgnal-1 exploration well and Canunda-2 appraisal well cased and suspended as future producers. The joint venture was granted Petroleum Retention Licences 129 and 130 over the former PEL 106 permit, which secures tenure over this area for up to 15 years.

Nappamerri Trough Natural Gas

(PRLs 33 to 49 (Beach 100%) and ATP 855 (Beach 64.9% and operator, Icon 35.1%))

Four wells in ATP 855 and one well in PRL 37 were fracture stimulated, marking the end of the Stage 1 exploration work programs in both permits. All Stage 1 technical objectives were met. Following completion of Stage 1, joint venture partner Chevron advised that it would not participate in Stage 2 of the work program, and its equity interests returned to Beach for nil consideration. At financial year end, Beach was completing its Stage 1 technical review, after which a scope of work for Stage 2 will be determined, and a farm-down process commenced to identify a suitable joint venture partner.

International

In Egypt, gross production of 1.5 MMboe (142 kboe net entitlement) was up 129% from FY14, with average daily gross production of 4,158 boepd (388 boepd net entitlement). Higher production was attributable to a number of exploration and appraisal wells brought online in the Abu Sennan concession, as well as commissioning of the gas pipeline from the El Salmiya Field. The pipeline has alleviated production constraints previously encountered due to gas flaring restrictions. Subsequent to financial year end, Beach entered into a binding agreement to sell its Egyptian assets (refer Matters arising subsequent to the end of the financial year).

In Tanzania, 2D seismic survey acquisition, processing and interpretation was completed, with an onshore drilling opportunity identified. Joint venture partner, Woodside Tanzania, advised it would not enter into the next period of the exploration program. Beach has preserved its right to proceed into the next exploration period, with a farm-down process to identify a suitable partner having commenced.

Reserves and resources

Beach's reserves and contingent resources as at 30 June 2015 are summarised in the tables below. Key movements relative to 30 June 2014 include reductions due to production, an increase in Bauer Field reserves due to development drilling, a downward revision to Delhi reserves following internal assessment and external review, and an increase in contingent resources relating to the Nappamerri Trough Natural Gas project. Further information is detailed in Beach's announcement on 21 August 2015. No new information has subsequently come to hand which would materially alter these estimates or underlying assumptions.

Reserves (Net)	1P	2P	3P
Oil (MMbbl)	8.0	19.4	39.3
Gas and gas liquids (MMboe)	24.4	55.0	105.5
Total (MMboe)	32.4	74.4	144.8

NB. All reserve and resource figures are quoted net of fuel; due to rounding, numbers presented may not add precisely to totals provided

Contingent resources (Net)	2C
Oil (MMbbl)	12.9
Conventional gas and gas liquids (MMboe)	75.2
Unconventional gas and gas liquids (MMboe)	588.6
Total (MMboe)	676.6

Developed and undeveloped reserves (Net)	Developed			Undeveloped		
	1P	2P	3P	1P	2P	3P
Oil (MMbbl)	6.5	14.6	28.8	1.5	4.8	10.5
Gas and gas liquids (MMboe)	14.3	35.1	63.8	10.1	19.9	41.6
Total (MMboe)	20.8	49.6	92.6	11.6	24.7	52.2

2P reserves (Net)		Oil equivalent (MMboe)				Oil (MMbbl)	Gas liquids (MMboe)	Gas (PJ)
Note	FY14	Production	Revisions	FY15	(MMbbl)	(MMboe)	(PJ)	
Ex PEL 91	5.4	(1.6)	2.0	5.8	5.8	-	-	
Ex PEL 92	2.9	(1.1)	0.7	2.5	2.5	-	-	
Ex PEL 111	0.2	(0.1)	0.1	0.2	0.2	-	-	
Ex PEL 104	1.0	(0.5)	0.7	1.2	1.2	-	-	
BPT Qld	0.5	(0.2)	0.1	0.4	0.4	-	-	
Ex PEL 106	2.0	(0.3)	0.5	2.2	-	0.6	9.1	
Delhi	71.9	(5.1)	(7.9)	58.9	6.3	7.9	260.1	
Cooper / Eromanga	83.9	(9.0)	(3.6)	71.3	16.5	8.5	269.2	
Egypt	1.7	(0.1)	1.6	3.1	2.9	-	1.3	
Total	85.6	(9.1)	(2.0)	74.4	19.4	8.5	270.5	

1. Beach equity interest: 40%; production retention licences (PRL) 151 to 172 granted; probabilistic methodology applied, except for Chiton Field (deterministic methodology applied)
2. Beach equity interest: 75%; PRL 85 to 104 granted; deterministic methodology applied, except for Rincon Field (probabilistic methodology applied)
3. Beach equity interest: 40%; PRL 142 to 150 granted; deterministic methodology applied
4. Beach equity interest: 40%; PRL 136 to 141 granted; deterministic methodology applied
5. Beach equity interest: 100%; deterministic methodology applied
6. Beach equity interest: 50%; PRL 129 and 130 granted; deterministic methodology applied
7. Beach equity interests: SACB JVs – 20.21% and SWQ JVs – 20-40%; deterministic methodology applied
8. Beach equity interest: 22%; probabilistic methodology applied; Beach has entered into a binding agreement with Rockhopper Exploration plc in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd. Further details of the transaction are included in Beach's announcement of 10 August 2015 (reference 042/15).

Directors' report

	FY15 \$million	FY14 \$million
Group profit/(loss) attributable to equity holders of Beach	(514.1)	101.8

The key FY15 financial highlights are summarised below.

- Sales revenue was down 31% from FY14 to \$728 million due to lower oil prices and oil sales volumes. This reduction in sales revenue was partly offset by a lower average AUD/USD exchange rate, whilst maintaining steady total sales volumes.
- Cost of sales were down 12% from FY14, to \$563 million, mainly as a result of lower third party purchases, lower royalties from the fall in the oil price and the repeal of the carbon tax.
- A net loss after tax of \$514 million was reported, as non-cash impairment charges of \$789 million offset strong underlying operating performance.
- Other expenses were \$828 million, \$620 million higher than FY14, mainly due to asset impairments for the Cooper Basin (\$583 million), Egypt (\$174 million) and Romania (\$32 million)

Key financial results

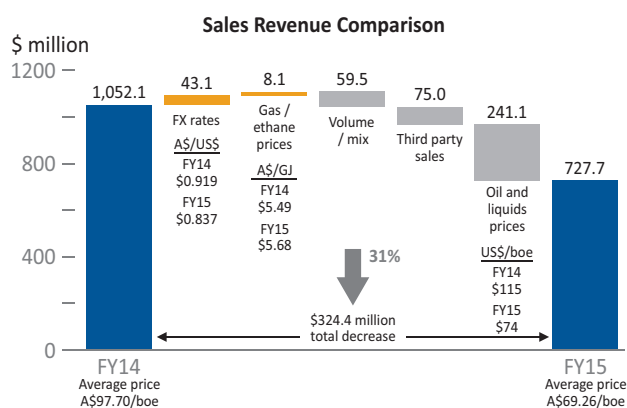
		FY15	FY14	Change
Income				
Sales revenue	\$m	727.7	1,052.1	(31%)
Total revenue	\$m	735.5	1,057.7	(30%)
Cost of sales	\$m	(562.5)	(639.9)	12%
Gross profit	\$m	165.2	412.2	(60%)
Other income	\$m	6.7	19.5	(66%)
Net profit/(loss) after tax (NPAT)	\$m	(514.1)	101.8	(605%)
Underlying NPAT	\$m	90.7	259.2	(65%)
Dividends paid	cps	3.00	4.00	(25%)
Final dividend declared	cps	0.50	2.00	(75%)
Basic EPS	cps	(39.64)	7.95	(598%)
Underlying EPS	cps	6.99	20.26	(65%)
Cash flows				
Operating cash flow	\$m	228.5	582.6	(61%)
Investing cash flow	\$m	(442.3)	(491.6)	10%
		As at 30 June 2014	As at 30 June 2014	Change
Financial position				
Net assets	\$m	1,354.8	1,870.8	(28%)
Cash balance	\$m	170.2	411.3	(59%)

Revenue

As a result of lower oil prices and oil sales volumes in FY15, sales revenue was down 31% to \$728 million (\$1,052 million in FY14). This reduction in sales revenue was partly offset by a lower average AUD/USD exchange rate. Sales revenue from production decreased by \$249 million and third party sales decreased by \$75 million. Sales volumes of 10.5 MMboe were marginally lower than FY14 due to lower oil production and third party volumes, offset by higher gas sales volumes.

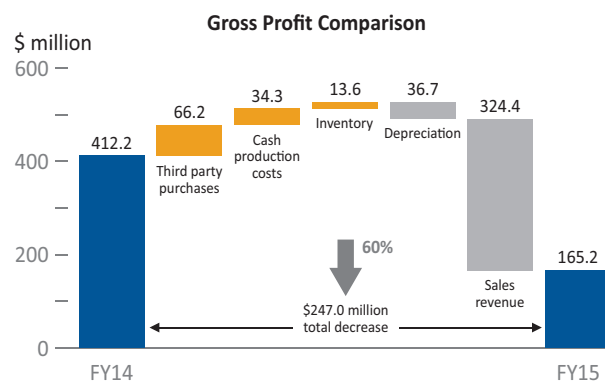
The average realised oil price decreased to A\$90/bbl, down A\$37/bbl from FY14, due to a lower US\$ oil price, but partly offset by a fall in the average AUD/USD exchange rate.

Total revenue decreased by 30% to \$736 million, down from \$1,058 million in FY14.



Gross Profit

Gross Profit was down 60% to \$165.2 million (from \$412.2 million in FY14) primarily as a result of lower sales revenue, offset by lower total cost of sales, down 12% from FY14, to \$563 million. The reduction in cost of sales is primarily due to lower third party purchases (\$66 million), lower royalties from the fall in the oil price (\$25 million), repeal of the carbon tax (\$17 million) and an increase in inventory (\$14 million), partly offset by higher depreciation and amortisation (\$37 million) and operating costs (\$8 million). The increases in depreciation were mainly due to higher capital expenditure and the impact of reserve adjustments in the prior year. Third party purchases decreased due to lower oil prices and lower oil deliveries through the SACB JVs facilities at Moomba. Key movements in Gross Profit are summarised below:



Net profit/(loss) after tax (NPAT)

A net loss after tax of \$514 million was reported, as non-cash impairment charges of \$789 million offset strong underlying operating performance.

Other income of \$7 million was, down by \$13 million from FY14 which included \$16 million of gains on the sale of joint venture interests, including the sale of Beach's interest in the Williston Basin, USA.

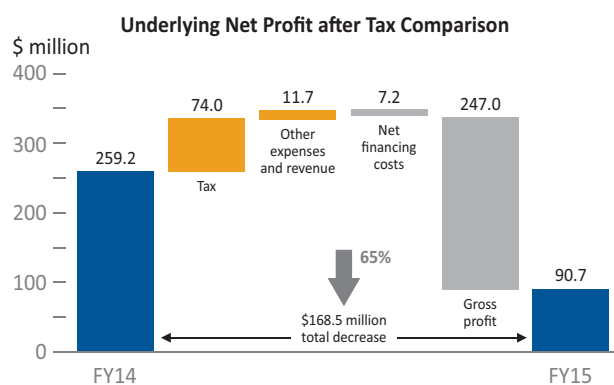
Other expenses were \$828 million, \$620 million higher than FY14, mainly due to current year asset impairments (pre-tax) for the Cooper Basin (\$583 million), Egypt (\$174 million) and Romania (\$32 million) as summarised below:

	Cooper	Egypt	Romania	Total		Dec	Jun	Total
Property, plant and equipment	22	–	–	22		–	22	22
Petroleum assets	287	84	–	371		157	214	371
Exploration and evaluation assets	238	90	32	360		30	330	360
Other financial assets	36	–	–	36		36	–	36
Total impairment expense (pre tax)	583	174	32	789		223	566	789
Tax benefit	175	–	–	175		58	117	175
Total impairment expense (after tax)	408	174	32	614		165	449	614

Underlying NPAT

By adjusting FY15 NPAT to exclude impairment and non-recurring items (as summarised below), underlying NPAT was \$91 million. This represents a 65% decrease on FY14, due mainly to lower oil prices and volumes.

Comparison of underlying profit	FY15 \$m	FY14 \$m	Movement from PCP \$m	Change
Net profit/(loss) after tax	(514.1)	101.8	(615.9)	(605%)
Remove mark to market of convertible note derivative	(13.3)	14.3	(27.6)	
Remove asset sales	–	(15.7)	15.7	
Remove impairment of assets	789.1	162.2	626.9	
Tax impact of above changes	(171.0)	(3.4)	(167.6)	
Underlying net profit after tax	90.7	259.2	(168.5)	(65%)



Financial position

Assets

Total assets decreased by \$754 million to \$1,836 million, significantly as a result of asset impairment write-downs.

Cash balances decreased by \$241 million to \$170 million, primarily due to:

- Capital expenditure of \$448 million; and
- Dividends paid of \$30 million;

partly offset by:

- Cash flow from operations of \$229 million; and
- Reimbursement of exploration expenditure \$13 million.

Inventories increased \$23 million due to higher gas volumes held in storage. Available for Sale (AFS) financial assets decreased by \$24 million due to downward revaluation adjustments booked through the AFS reserve. Assets held for sale of \$22 million relate to Beach's Egyptian interests.

Fixed assets, development and exploration assets decreased by \$513 million. Capital expenditure of \$433 million, increases for restoration of \$13 million and foreign exchange movements of \$43 million, were partly offset by amortisation and depreciation of \$222 million, impairment charges of \$753 million, reclassification to assets held for sale of \$14 million and reimbursement of exploration expenditure of \$13 million. Other assets decreased by \$21 million, mainly due to impairment.

Liabilities

Total liabilities decreased by \$238 million to \$482 million, mainly due to tax paid of \$75 million and a reduced deferred tax liability of \$160 million as the impairment of non-current assets reverses timing differences previously booked. Borrowings increased by \$5 million and provisions increased by \$13 million, mainly due to the unwinding of the present value discount on these balances partly offset by the payment of residual carbon tax liabilities from FY14. Other movements included a decrease in creditors of \$26 million due to lower activity levels across the Cooper Basin at period end and a decrease in derivative liabilities of \$13 million, due to the unwinding of value attached to the convertible note conversion rights.

Equity

Equity decreased by \$516 million, mainly due to the net loss after tax of \$514 million and dividends paid during the year of \$39 million partly offset by shares issued during the year (primarily from the dividend reinvestment plan) of \$10 million and an increase in reserves of \$27 million, excluding the transfer from retained earnings to the profit distribution reserve.

Dividends

During the financial year the Company paid the FY14 final fully franked dividend of 2.0 cents per share, as well as an interim fully franked dividend of 1.0 cent per share. The Company will also pay an FY15 fully franked final dividend of 0.5 cents per share from the profit distribution reserve.

State of affairs

In the opinion of the directors, other than the effect of movement in oil prices as summarised below, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not disclosed elsewhere in the Directors' Report.

Oil prices

The average AUD Brent oil price for FY15 has fallen almost 30% as compared to the average received in FY14. This low oil price environment resulted in Beach reviewing its capital expenditure program in FY15 and significantly reducing its FY16 capital expenditure program. Beach is also committed to reduce operating and corporate costs where possible.

The underlying performance of Beach's business is strong and well positioned to take advantage of a future oil price recovery.

Matters arising subsequent to the end of the financial year

International – Sale of Beach Egypt

On 10 August 2015, Beach announced it had entered into a binding agreement with Rockhopper Exploration plc (Rockhopper) in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd, whose core asset is a 22% interest in the Abu Sennan Concession in Egypt. Consideration will be up to US\$22 million (subject to adjustments) comprising US\$11.5 million cash, with the balance to be made up of Rockhopper shares. The share component will be limited to no more than 5% of Rockhopper's issued capital. Completion of the transaction is expected to occur in late 2015 / early 2016 and is dependent on satisfaction of certain conditions precedent, including Egyptian regulatory approvals, limited confirmatory due diligence, divestment of certain excluded non-core assets, and joint venture consents, including pre-emption. The divestment of the excluded assets is not expected to result in a material adjustment to the proceeds from this transaction. The sale of Beach Egypt is consistent with Beach's strategy to focus on Australia and nearby.

Cooper Basin – Acquisition of 40% operatorship interest in ATP 1056

On 11 August 2015, Beach announced it had signed a binding agreement to acquire a 40% operating interest in the ATP 1056 permit from AGL Cooper Basin Pty Ltd, a subsidiary of AGL Energy Ltd (AGL), for \$1.15 million. ATP 1056 is located on the south-eastern flank of the Cooper Basin and adjoins long-producing oil fields such as Jackson and Naccowlah. The permit area has been identified as highly prospective for oil and is covered by 610 km² of 3D seismic, with two small discoveries currently on extended production test. Completion is subject to satisfaction of conditions precedent, including Queensland Government indicative approval, appointment of Beach as operator of the ATP 1056 joint venture, and joint venture consents and waivers. On completion, Beach will hold a 40% participating interest in the ATP 1056 joint venture, comprising a 20% registered interest in ATP 1056, and a right to earn a further 20% by satisfying farm-in obligations assumed from AGL. The acquisition will allow Beach to leverage its core capability and is consistent with its strategy to pursue Cooper Basin adjacencies.

Cooper Basin – Commencement of gas delivery under long term sales agreement with Origin

On 1 July 2015, Beach announced that its long term gas sales agreement with Origin Retail had been initiated for delivery of up to 139 PJ of sales gas over an initial eight year term. Key benefits to Beach from the agreement include attractive oil-linked pricing with other parameters, and expected delivery of significant sales gas volumes, with a potential two year extension available to Origin Retail (for total volumes of up to 173 PJ over a ten year period). It is expected that daily sales gas volumes supplied to Origin Retail under this contract will increase over the course of FY16, while legacy contracts continue to be serviced. Initiation of this contract continues Beach's transition to separate lifting and marketing of its equity share of sales gas from the SACB and SWQ JVs, and is consistent with its strategy to benefit from increasing gas demand from east coast markets.

Bonaparte Basin

Beach completed the acquisition of TOAG, which delivered to Beach TOAG's 45% interest in EP 126. While the transaction is immaterial to Beach, terms of the transaction remain confidential. Beach has a resulting 100% interest in the permit and is reviewing options for future activities, which may include farm down to a suitable partner to fund further appraisal and development efforts.

Other than the above matters, there has not arisen in the interval between 30 June 2015 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, unless otherwise noted in the Financial Report.

Future developments

Our strategy

During FY15, Beach completed two of three stages of a whole-of-organisation review. The review aims to clearly define Beach's medium and long-term strategies, and ensure the appropriate structure and capabilities are in place to achieve its strategic goals. The first stage, Assess Phase, was a broad ranging health check of the business, including a review of the existing strategy, business plans, management processes and organisational capabilities. This laid the foundation for the second stage, Strategy Review, the main priority for which was to clearly define the ambition of Beach and develop an executable plan to achieve objectives.

Outcomes of the Strategy Review were communicated subsequent to year end on 12 August 2015. Beach's strategy is premised on a refreshed Vision: We aim to be Australia's premier multi-basin upstream oil and gas company, and a refreshed Purpose: To deliver sustainable growth in shareholder value. To achieve these goals, four strategic pillars were developed to drive all decision-making and serve as a roadmap for the future. The four strategic pillars are:

1. Optimise our core in the Cooper Basin: Drive growth in Beach's core business through organic and inorganic opportunities.
2. Build a complementary gas business in east coast basins: Establish a gas business in east coast basins to benefit from increasing gas demand from east coast markets.
3. Pursue compatible growth opportunities in Australia and nearby: A disciplined approach to mature the current opportunity set, identify prospective basins and execute growth opportunities.
4. Maintain financial strength: Continued financial strength will underpin exploration efforts and growth options, and support the objective of sustainable growth in shareholder value.

These strategic pillars have re-defined Beach's geographic boundaries by focusing close to home, and are expected to propel Beach towards being Australia's premier multi-basin upstream oil and gas company. Over the next 10 years, Beach's aspirational goal is to achieve a step-change in annual production, with similar growth in 2P reserves. Should this be achieved, Beach will be on the path to becoming a top 50 ASX company.

Beach is already delivering on its strategy. In June, the exit from Romania was announced, and in August, the sale of Beach's Egyptian assets was announced. With regard to the core business, in August the acquisition of a 40% interest in ATP 1056 was announced. This permit is located in Queensland on the south-eastern flank of the Cooper Basin and will allow Beach to leverage its core capability.

In FY16, the final stage of the whole-of-organisation review, Organisational Model and Capability, will be completed. This stage will determine the appropriate structure, capabilities and processes required to most effectively and efficiently deliver on Beach's strategic objectives. Progress has already been made, with the identification of corporate cost savings in the order of 15% for FY16. Review of costs will be ongoing during this stage and beyond.

FY16 outlook

Activity in FY16 will be constrained relative to FY15 due to a major reduction in capital expenditure, brought about by the reduction in oil prices experienced in FY15 and the subsequent impact on cash flows. The work program for FY16 has been developed on the assumption of a continuing lower oil price environment and hence the need to preserve financial strength and flexibility. The drilling program in FY16 is expected to include approximately 60 wells, 60% of which are likely to be development wells and 40% exploration / appraisal wells. Annual capital expenditure guidance for FY16 is \$240 million to \$270 million, which Beach expects to be fully funded.

Annual production guidance for FY16 is 7.8 to 8.6 MMboe, which is lower than FY15 production due to natural field decline and curtailed drilling activity. Despite lower production, gas sales volumes in FY16 are expected to be higher than FY15 levels as a result of likely drawdown of gas from storage.

Cooper Basin

Delhi

A significant portion of capital expenditure for FY16 will be allocated to the SACB and SWQ JVs acreage, with approximately 40 wells expected to be drilled. Drilling activity will be lower than FY15 levels due to the rig count reducing from seven rigs in FY15 to three rigs in FY16. Drilling will be more geographically widespread relative to the infill program of FY15, and will include a focus on liquids-rich fields in South Australia and low CO₂ content fields in Queensland. A number of under-appraised fields will also be targeted, with potential for infrastructure installations and upgrades dependent on drilling outcomes.

Of the approximately 40 wells to be drilled, up to 30 will be oil and gas development wells, with the balance to be oil and gas appraisal and exploration wells. Total Delhi capital expenditure is expected to be approximately \$160 million, with one quarter relating to infrastructure maintenance and the remainder relating to drilling and infrastructure upgrades and installations. Such upgrades include gas compression projects in Queensland.

Western Flank oil

Capital expenditure for the Western Flank is estimated at approximately \$51 million and includes a drilling program of up to 16 wells. This is expected to include six development wells and five exploration / appraisal wells in Beach operated permits, and, subject to joint venture partner approvals, one development well and three exploration / appraisal wells in non-operated permits.

Infrastructure installations are expected to be completed at the Stunsail and Pennington fields, which comprise new facilities providing a total of 40,000 bfpd capacity, trunkline installation to connect these facilities to the Bauer to Lycium network, and connection of three completed wells. Planning is underway for a further increase in capacity at the Bauer facility, with the upgrade expected to be completed by financial year end.

Processing and interpretation of various 3D seismic surveys and inversion projects are expected to be completed in the first half of FY16, which are expected to replenish Beach's seriatim of prospects and leads. A whole of Cooper Basin review will be undertaken, including assessment of farm-in and gazettal opportunities, to identify meaningful targets to assist with reinvigoration of exploration in the basin.

Operated gas

Within ex PEL 106, the work program is expected to comprise two exploration wells and completion of the compression project at the Middleton gas processing facility. In addition, four existing wells are expected to be brought online, which is expected to result in a material uplift in production by financial year end. Within PEL 94 / 95, a program is expected to commence to test the potential for gas production from deep coals in the south of the Cooper Basin.

Eastern Flank oil

Wells expected to be drilled in the first half of FY16 include an exploration well in ATP 924 to start the farm-in process with Drillsearch, and an exploration well in PL 184. A review of ATP 1056 will also commence following acquisition of a 40% operatorship interest in August 2015 (refer to Matters arising subsequent to the end of the financial year).

Nappamerri Trough Natural Gas

Development of the stage 2 scope for the Nappamerri Trough Natural Gas project is expected to be completed during the first half of FY16. A farm-down process will then be initiated to secure a suitable partner to progress appraisal work.

International

Beach has redefined its geographical boundaries closer to home and in FY16 is expected to continue to reduce exposure to non-core international interests. In Egypt, Beach is expected to complete the sale process of its portfolio of assets, as announced in August 2015 (refer to Matters arising subsequent to the end of the financial year). Completion is expected to occur late calendar year 2015 / early 2016. In Tanzania, Beach will progress the farm-down process in relation to the Lake Tanganyika South Block. If a suitable partner is not located in a timely manner, Beach will re-assess the asset to develop a plan moving forward.

In New Zealand, a review of the Canterbury Basin value proposition and broader domestic gas market will be undertaken to guide future activities. In addition, a farm-down process in relation to the Barque Block in PEP 52717 will continue in order to identify a suitable partner for progressing the work program.

Funding and capital management

As at 30 June 2015, Beach held cash and cash equivalents of \$170.2 million. In July 2013, Beach negotiated a \$320 million syndicated debt facility, which was increased to \$330 million in October 2014. \$150 million of the five year revolving loan facility was fully drawn down in April 2015 and has a maturity date of 31 July 2018. As at 30 June 2015, the \$150 million three year revolving loan facility remains undrawn with a maturity date of 31 July 2016.

Beach anticipates that its current funding to be adequate for capital expenditure anticipated in the 2016 financial year.

Material business risks

Beach recognises that the management of risk is a critical component in Beach achieving its purpose of delivering sustainable growth in shareholder value.

The Company has a framework to identify, understand, manage and report risks. As specified in its Board Charter, the Board has responsibility for overseeing Beach's risk management framework and monitoring its material business risks.

Given the nature of Beach's operations, there are many factors that could impact Beach's operations and results. The material business risks that could have an adverse impact on Beach's financial prospects or performance include economic risks, health, safety and environmental risks and social licence to operate risks. These may be further categorised as operational risks, commercial risks, regulatory risks, reputational and financial risks. A description of the nature of the risk and how such risks are managed is set out below. This list is neither exhaustive nor in order of importance.

Economic risks

Exposure to oil and gas prices

A decline in the price of oil and gas may have a material adverse effect on Beach's financial performance. Historically, international crude oil prices have been very volatile. A sustained period of low or declining crude oil prices could adversely affect Beach's operations, financial position and ability to finance developments. Beach has a policy for hedging oil price and currency risks. Beach has responded to recent declines in prices with a focus on reducing FY16 capital and operating expenditure and improving business efficiency.

Foreign exchange and hedging risk

Beach's financial report is presented in Australian dollars. Beach converts funds to foreign currencies as its payment obligations in those jurisdictions where the Australian dollar is not an accepted currency become due. Certain Beach costs will be incurred in currencies other than Australian dollars, including the US dollar, Egyptian pound, the New Zealand dollar, the Romanian leu and the Tanzanian shilling. Accordingly, Beach is subject to fluctuations in the rates of currency exchange between these currencies.

The Company uses derivative financial instruments such as foreign exchange contracts, commodity contracts and interest rate swaps to hedge certain risk exposures, including commodity price fluctuations through the sale of petroleum productions and other oil-linked contracts. The Company does not have a policy to hedge interest rates, which means it may be adversely affected by fluctuations in interest rates.

Ability to access funding

The oil and gas business involves significant capital expenditure, including exploration and development, production, processing and transportation. Beach relies on cash flows from operating activities and bank borrowings and offerings of debt or equity securities to finance capital expenditure.

If cash flows decrease or Beach is unable to raise the necessary financing, this may result in reduction in planned capital expenditures. Any such reduction could have a material adverse effect on Beach's ability to expand its business and/or maintain operations at current levels, which in turn could have a material adverse effect on Beach's business, financial condition and operations.

Beach has a Board approved financial risk management policy covering areas such as liquidity, investment management, debt management, interest rate risk, foreign exchange risk, commodity risk and counterparty credit risk. The policy sets out the organisational structure to support this policy. Beach has a treasury function and clear delegations and reporting obligations. The annual capital and operating budgeting processes approved by the Board ensure appropriate allocation of resources.

Operational risks

Joint Venture Operations

Beach participates in a number of joint ventures for its business activities. This is a common form of business arrangement designed to share risk and other costs. Under certain joint venture operating agreements, Beach may not control the approval of work programs and budgets and a joint venture partner may vote to participate in certain activities without the approval of Beach. As a result, Beach may experience a dilution of its interest or may not gain the benefit of the activity, except at a significant cost penalty later in time.

Failure to reach agreement on exploration, development and production activities may have a material impact on Beach's business. Failure of Beach's joint venture partners to meet financial and other obligations may have an adverse impact on Beach's business.

Beach works closely with its joint venture partners to minimise joint venture misalignment.

Material change to reserves and resources

Underground oil and gas reserves and resources estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which are valid at a certain point in time may alter significantly or become uncertain when new oil and gas reservoir information become available through additional drilling, or reservoir engineering over the life of the field. As reserves and resources estimates change, development and production plans may be altered in a way that may adversely affect Beach's operations and financial results.

Beach's reserves are estimated in accordance with SPE PRMS guidelines (March 2007) and subject to periodic external review or audit.

Exploration and development

Success in oil and gas production is key and in the normal course of business, Beach depends on the following factors: successful exploration, establishment of commercial oil and gas reserves, finding commercial solutions to exploitation of reserves, ability to design and construct efficient production, gathering and processing facilities, efficient transportation and marketing of hydrocarbons and sound management of operations. Oil and gas exploration is a speculative endeavour and the nature of the business carries a degree of risk associated with failure to find hydrocarbons in commercial quantities or at all.

Beach utilises well-established prospect evaluation and ranking methodology to manage exploration and development risks.

Production risks

Any oil and gas projects may be exposed to production decrease or stoppage, which may be the result of facility shut-downs, mechanical or technical failure, climactic events and other unforeseeable events. A significant failure to maintain production could result in Beach lowering production forecasts, loss of revenue and additional operational costs to bring production back online.

There may be occasions where loss of production may incur significant capital expenditure, resulting in the requirement for Beach to seek additional funding, through equity or debt. Beach's approach to facility design and integrity management is critical to mitigating production risks.

Social licence to operate risks

Regulatory risk

Changes in government policy (such as in relation to taxation, environmental protection and the methodologies permitted to be used in oil and gas exploration and production activity) or statutory changes may affect Beach's business operations and its financial position. A change in government regime may significantly result in changes to fiscal, monetary, property rights and other issues which may result in a material adverse impact on Beach's business and its operations.

Companies in the oil and gas industry may also be required to pay direct and indirect taxes, royalties and other imposts in addition to normal company taxes. Beach currently has operations or interests in Australia, New Zealand, Egypt and Tanzania. Accordingly its profitability may be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies in each of these jurisdictions.

Beach monitors changes in relevant regulations and engages with regulators and governments to ensure policy and law changes are appropriately influenced and understood.

Permitting risk

All petroleum licences held by Beach are subject to the granting and approval of relevant government bodies and ongoing compliance with licence terms and conditions.

Tenure management processes and standard operating procedures are utilised to minimise the risk of losing tenure.

Land access and Native Title

Beach is required to obtain the consent of owners and occupiers of land within its licence areas. Compensation may be required to be paid to the owners and occupiers of land in order to carry out exploration activities.

Beach operates in a number of areas, within Australia, that are or may become subject to claims or applications for native title determinations or other third party access. Although, Beach has experience in dealing with a number of native title claims in Australia in relation to some of its existing Cooper Basin licences, native title claims have the potential to introduce delays in the granting of petroleum and other licences and, consequently, may have an effect on the timing and cost of exploration, development and production.

Native or indigenous title and land rights may also apply or be implemented in other jurisdictions in which Beach operates outside of Australia.

Beach's standard operating procedures and stakeholder engagement processes are used to manage land access and native title risks.

Health, safety and environmental risks

The business of exploration, development, production and transportation of hydrocarbons involves a variety of risks which may impact the health and safety of personnel, the community and the environment.

Oil and natural gas production and transportation can be impacted by natural disasters, operational error or other occurrences which can result in hydrocarbon leaks or spills, equipment failure and loss of well control. Potential failure to manage these risks could result in injury or loss of life, damage or destruction of wells and production facilities pipelines and other property and damage to the environment, legal liability and damage to Beach's reputation.

Losses and liabilities arising from such events could significantly reduce revenues or increase costs and have a material adverse effect on the operations and/or financial conditions of Beach.

Beach employs a combination of insurance policies, standard operating procedures, contractor pre-qualification, facility design and integrity management systems to mitigate these risks.

Forward looking statements

This report contains forward-looking statements, including statements of current intention, opinion and predictions regarding the Company's present and future operations, possible future events and future financial prospects. While these statements reflect expectations at the date of this report, they are, by their nature, not certain and are susceptible to change. Beach makes no representation, assurance or guarantee as to the accuracy or likelihood of fulfilling of such forward looking statements (whether expressed or implied), and except as required by applicable law or the ASX Listing Rules, disclaims any obligation or undertaking to publicly update such forward-looking statements.

Material prejudice

As permitted by sections 299(3) and 299A(3) of the Corporations Act 2001, Beach has omitted some information from the above Operating and Financial Review in relation to the Company's business strategy, future prospects and likely developments in operations and the expected results of those operations in future financial years on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice (for example, because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage). The omitted information typically relates to internal budgets, forecasts and estimates, details of the business strategy, and contractual pricing.

Environmental regulations and performance statement

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

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

Beach reports under the National Greenhouse and Energy Reporting Act.

Dividends paid or recommended

Since the end of the financial year the directors have resolved to pay a fully franked dividend of 0.5 cents per share on 25 September 2015. The record date for entitlement to this dividend is 4 September 2015. The financial impact of this dividend, amounting to \$6.5 million, which will be paid from the profit distribution reserve has not been recognised in the Financial Statements for the year ended 30 June 2015 and will be recognised in subsequent Financial Statements.

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

Dividend	Record Date	Date of payment	Cents per share	Total Dividends
FY14 full year	5 Sept. 2014	26 Sept. 2014	2.00	\$25.9 million
FY15 half year	6 March 2015	27 March 2015	1.00	\$13.0 million

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

Share options and rights

Beach does not have any options on issue at the end of financial year and has not issued any during FY15.

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

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

Executive Performance Rights

On 1 September 2014 and 1 December 2014, Beach issued 192,859 and 211,559 unlisted performance rights respectively pursuant to the Executive Incentive Plan for the 2013 short term incentive offer. Half of the total of these unlisted performance rights vest 1 July 2015 with the balance vesting on 1 July 2016 subject to the holder of the performance rights remaining employed with Beach on the vesting dates. On 1 December 2014, Beach issued a further 1,667,671 Long Term Incentive unlisted performance rights under the Executive Incentive plan. These performance rights, which expire on 30 November 2019, are exercisable for nil consideration and are not exercisable before 1 December 2017.

Rights	Balance at beginning of financial year	Issued during the financial year	Exercised during the financial year	Expired during the financial year and not exercised	Balance at end of financial year
2011 LTI unlisted rights Issue 1 December 2011	2,566,470	–	–	(2,566,470)	–
2011 STI unlisted rights Issue 14 September 2012	751,995	–	(751,995)	–	–
2012 LTI unlisted rights Issue 21 December 2012	1,848,839	–	–	(162,359)	1,686,480
2012 STI unlisted rights Issue 30 August 2014	292,282	–	(146,141)	(12,196)	133,945
2013 LTI unlisted rights Issue 2 December 2014	2,066,744	–	–	(181,495)	1,885,249
2013 STI unlisted rights Issue 1 September 2014	–	192,859	–	–	192,859
2013 STI unlisted rights Issue 1 December 2014	–	211,559	–	–	211,559
2014 LTI unlisted rights Issue 1 December 2014	–	1,667,671	–	–	1,667,671
Total	7,526,330	2,072,089	(898,136)	(2,922,520)	5,777,763

Information on Directors

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

Glenn Stuart Davis

Independent Non-Executive Chairman - LLB, BEC, FAICD

Experience and expertise

Mr Davis is a solicitor and principal of DMAW Lawyers, a firm he founded. He joined Beach in July 2007 as a non-executive director and was appointed non-executive Deputy Chairman in June 2009 and Chairman in November 2012. Mr Davis brings to the Board his expertise in the execution of large legal and commercial transactions and his expertise and experience in corporate activity regulated by the Corporations Act and ASX Limited.

Current and former directorships in the last three years

Mr Davis is a director of ASX listed companies Monax Mining Limited (since 2004) and a former director of Marmota Energy Limited (from 2007 to June 2015).

Responsibilities

His special responsibilities include membership of the Risk Committee, the Corporate Governance Committee and the Remuneration and Nomination Committee.

Date of appointment

Mr Davis was elected to the Board on 6 July 2007, last having been re-elected to the Board on 27 November 2014.

Robert James Cole

Managing Director - BSc, LLB (Hons)

Experience and expertise

Mr Cole joined Beach as Managing Director in March 2015. Prior to this, he held the position of Executive Director and Executive Vice President Corporate and Commercial at Woodside Petroleum Limited. In 2012 he was appointed to the Board of Woodside becoming one of two executive directors on the Board. During his nine years at Woodside, Mr Cole was responsible for many functions including upstream commercial, marketing and trading, legal, company secretariat, internal audit, human resources, corporate affairs, strategy and planning, chief economist, health and safety, environment, security and emergency management. Prior to this, Mr Cole worked for 21 years at Mallesons Stephen Jaques (now King & Wood Mallesons). Mr Cole's area of expertise was in the energy and resources sector as a legal advisor to many national and international corporates. Mr Cole also held the position of Chairman of the Australian Petroleum Production and Exploration Association from 2011 until 2012. Mr Cole has completed the Harvard Business School Advanced Management Program.

Subsequent to year-end, Rob announced his resignation as Managing Director of the Company and was appointed Independent Non-Executive Director.

Current and former directorships in the last three years

Mr Cole is a former director of ASX listed Woodside Petroleum Limited (from 2012 to 2014).

Responsibilities

His special responsibilities include membership of the Risk Committee.

Date of appointment

Mr Cole was elected to the Board on 10 March 2015.

Colin David Beckett

Non-Executive Director – FIEA, MICE, GAICD

Experience and expertise

Mr Beckett joined Beach in April 2015. As an Engineer with over 35 years' experience in engineering design, project management, commercial and gas marketing. Mr Beckett offers a diverse and complementary set of skills in a range of technical disciplines. Mr Beckett previously held senior executive positions at Chevron Australia Pty Ltd, most recently as the General Manager responsible for the development of the Gorgon LNG and domestic gas project, being developed on Barrow Island offshore Western Australia. Prior to this, Mr Beckett was employed at: Mobil in Australia, predominantly in a strategic planning role; Woode, planning the expansion of the North West Shelf business; BP Australia, in a role primarily focused on financial, safety and environmental performance of BP's North West Shelf and PNG assets; and BP in the UK, where he was involved in the development of North Sea oil and gas assets.

Mr Beckett read engineering at Cambridge University and has a Master of Arts (1975). He is currently the Chancellor of Curtin University, Chairman of Perth Airport Pty Ltd and Western Power and a past Chairman and board member of the Australian Petroleum Producers and Explorers Association (APPEA), and a member of the West Australian Scitech Board. In addition Mr Beckett is a past member of the Resources Sector Suppliers Advisory Forum and a Fellow of the Australian Institute of Engineers.

Current and former directorships in the last three years

Nil

Responsibilities

His special responsibilities include membership of the Risk Committee.

Date of appointment

Mr Beckett was elected to the Board on 2 April 2015.

Fiona Rosalyn Vivienne Bennett

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

Experience and expertise

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

Current and former directorships in the last three years

She is currently a director of Hills Limited (since 2010) and a former director of Boom Logistics Limited (from 2010 to 2015).

Responsibilities

Her special responsibilities include chairmanship of the Risk Committee and membership of the Audit Committee and the Remuneration and Nomination Committee.

Date of appointment

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

John Charles Butler

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

Experience and expertise

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

Current and former directorships in the last three years

He is a former director and chairman of Lifeplan Australia Friendly Society Group (from 1984 to 2014 and as chairman from 2005) and a director of Australian Unity Limited (from 2009 to October 2014).

Responsibilities

Effective 1 July 2015, Mr Butler was appointed as the Lead Independent Director. His special responsibilities include chairmanship of the Audit Committee and membership of the Corporate Governance Committee.

Date of appointment

Mr Butler was elected to the Board on 23 June 1999, last having been re-elected to the Board on 27 November 2014.

Belinda Charlotte Robinson

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

Experience and expertise

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

Responsibilities

Her special responsibilities include chairmanship of the Remuneration and Nomination Committee and membership of the Risk Committee.

Date of appointment

Ms Robinson was elected to the Board on 27 May 2011, last having been re-elected to the Board on 27 November 2014.

Douglas Arthur Schwebel

Independent Non-Executive Director – PhD, BSc (Hons) (Geology)

Experience and expertise

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

Current and former directorships in the last three years

He is currently a director of Tap Oil Limited (since 2012).

Responsibilities

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

Date of appointment

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

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

Reginald George Nelson

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

Experience and expertise

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

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

Current and former directorships in the last three years

Mr Nelson was a director of ASX listed companies, Ramelius Resources Limited (from 1995 until August 2012), Monax Mining Limited (from 2004 until August 2012) and Marmota Energy Limited (from 2006 until August 2012).

Date of appointment

Mr Nelson was appointed on 25 May 1992 until his retirement on 1 July 2015.

Directors' meetings

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

Name	Number of Directors' Meetings		Audit Committee Meetings		Corporate Governance Committee Meetings		Remuneration and Nomination Committee Meetings		Risk Committee Meetings	
	Held ⁽¹⁾	Attended ⁽¹⁾	Held	Attended	Held	Attended	Held	Attended	Held	Attended
G S Davis	10	10	–	–	4	4	5	5	4	4
C D Beckett	2	2	–	–	–	–	–	–	1	1
F R V Bennett	10	10	6	6	–	–	5	5	4	4
J C Butler	10	10	6	6	4	4	–	–	4	4
R J Cole	3	3	–	–	–	–	–	–	2	2
R G Nelson	7	7	–	–	–	–	–	–	2	2
B C Robinson	10	10	–	–	–	–	5	5	4	4
D A Schwebel	10	10	6	6	3	3	–	–	4	4

⁽¹⁾ Number of Meetings held during the time that the director was appointed to the Board

Board committees

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

Committee	Chairman	Members
Audit	J C Butler	F R V Bennett, D A Schwebel
Corporate Governance	D A Schwebel	G S Davis, J C Butler
Risk	F R V Bennett	G S Davis, C D Beckett, J C Butler, R J Cole, B C Robinson, D A Schwebel
Remuneration and Nomination	B C Robinson	G S Davis, F R V Bennett

Indemnity of directors and officers

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

Company secretaries

Kathryn Anne Presser

Chief Financial Officer and Joint Company Secretary and Executive Vice-President Corporate Services - BA (Accounting), Grad Dip CSP, FAICD, FCPA, FGIA, FCIS, AFAIM

Ms Presser joined Beach in January 1997 and was appointed to the role of Company Secretary in January 1998. Appointed as the Chief Financial Officer in June 2005, Ms Presser has over 30 years' experience in senior accounting and company secretarial roles and is a qualified chartered secretary. She is currently a fellow of CPA Australia and the Governance Institute of Australia and is also a member of the Petroleum Exploration Society of Australia. She is a director of Mawson Petroleum Pty Limited. She is a Fellow of the Australian Institute of Company Directors and has completed the Company Director Diploma and was selected to participate in the AICD's ASX 200 Chairman's Mentoring Program and currently holds positions on not-for-profit and government boards and management/advisory committees.

Catherine Louise Oster

General Counsel and Joint Company Secretary and Executive Vice-President Sustainability – BA (Jurisprudence), LLM (Corporate & Commercial), FGIA, FCIS

Ms Oster was appointed Joint Company Secretary in July 2005. Ms Oster has more than 25 years' experience as a lawyer including as a partner in private practice, advising on corporate and commercial transactions. Ms Oster is a qualified chartered secretary. She is a member of the Governance Institute of Australia, the Australian Institute of Company Directors, the Law Society of South Australia, AMPLA and the Australian Corporate Lawyers Association. She also serves on the SA&NT State Council of the Governance Institute of Australia and currently holds positions on not-for-profit boards and management / advisory committees.

Non-audit services

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

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

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

Details of the amounts paid or payable to the external auditors, KPMG for audit and non-audit services provided during the year are set out at Note 27 to the financial statements.

Rounding off of amounts

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

Proceedings on behalf of Beach

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

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

Audit independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the directors of Beach with an Independence Declaration in relation to the audit of the full year financial statements. This Independence Declaration is made on the following page and forms part of this Directors' Report.

This directors' report is signed in accordance with a resolution of directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



G S Davis
Chairman

Adelaide
24 August 2015



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Beach Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'S. Fleming'.

KPMG

A handwritten signature in blue ink, appearing to read 'S. Fleming'.

Scott Fleming
Partner

Adelaide

24 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Remuneration report (audited)

This report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Corporations Act) for the consolidated entity for the financial year ended 30 June 2015 (FY15). This Remuneration Report has been audited as required by section 308(3C) of the Corporations Act and forms part of the Directors' Report.

This report details the key remuneration activities in 2015 and provides remuneration information in relation to the Company's directors, the Managing Director and the Company's senior executives who are the key management personnel (KMP) of the consolidated entity for the purpose of the Corporations Act and the Accounting Standards.

2015 Remuneration outcomes at a glance

Fixed Remuneration	NO MD INCREASE CPI INCREASE FOR SENIOR EXECUTIVES	Managing Director, Mr Nelson's total fixed remuneration did not increase. Following a review of his role and responsibilities, the Chief Operating Officer's salary increased by 11% from 1 July 2014. Other senior executives' total fixed remuneration increased by 3.25% in line with CPI.
Short Term Incentive (STI)	NO STI AWARDED	The return on capital gate of 5% which must be met before other KPIs are measured was not achieved, so no STI was awarded to senior executives for FY15. STI performance rights issued in 2012 and 2013 to the Managing Director and senior executives, following assessment of the performance of KPIs by the Board, converted automatically to shares on the employment retention condition being met on 1 July 2014.
Long Term Incentive (LTI)	NO LTI VESTING	LTI performance rights issued in December 2011 were measured during the year. The measure over a three year period, Beach's total shareholder return (TSR), was negative so no performance rights vested.
Non-executive directors	NO DIRECTOR FEE INCREASE	Non-executive directors' base fees and committee fees did not increase for the financial year.

Voting and comments made at the Company's 2014 Annual General Meeting

Beach received more than 98% of "yes" proxy votes on its Remuneration report for the 2014 financial year. The resolution to adopt the Remuneration report was passed unanimously and no specific feedback on Beach's remuneration practices was received at the 2014 annual general meeting.

1. What is in this report?

This report:

- Explains Beach's policy and framework for structuring and setting remuneration for its KMP to align with company objectives and performance - see section 2;
- Describes how Beach makes decisions about remuneration - see section 3;
- Describes how Beach engages with external remuneration advisers and other stakeholders - see section 4;
- Describes how the company links incentives to company performance - see section 5;
- Details the structure of remuneration for its senior executives - see section 6;
- Details senior executive employment arrangements - see section 7;
- Details total remuneration for senior executives as required under the Corporations Act and also provides a summary of realised remuneration - see section 8;
- Explains Beach's remuneration policy for non-executive directors - see section 9;
- Details total remuneration for non-executive directors calculated pursuant to legislative and Accounting Standard requirements- see section 10; and
- Details additional remuneration disclosures required by the law - see section 11.

2. Beach's remuneration policy framework

Beach's purpose is to deliver sustainable growth in shareholder value.

Beach's remuneration is designed to attract and retain suitably qualified and experienced non-executive directors with a diverse set of skills. The Board establishes the Company's purpose and oversees the development and implementation of the strategy for its achievement. The Board also sets core values which it expects its senior executives to adhere to in achieving this purpose.

Beach's remuneration policy framework for its senior executives is designed to:

- Attract, motivate and retain a skilled and talented senior executive team focused on achieving the Company's objective by offering fixed remuneration that aligns the roles and responsibilities of the senior executive with market practice and prevailing economic conditions;
- Link 'at risk' performance based incentives to shorter term and longer term Company goals that contribute to the achievement of the Company's purpose; and
- Align the longer term 'at risk' incentive rewards with expectations and outcomes consistent with shareholder objectives and interests by:
 - Benchmarking shareholder return against a peer group of companies that could be considered as an alternative investment to Beach;
 - Giving share based rather than all cash based rewards to senior executives.

Two additional features of Beach's policy framework are:

- A right to recover remuneration benefits awarded in situations involving fraud or dishonesty;
- A process to monitor compliance with the legal requirement prohibiting hedging to ensure 'at risk' incentives are genuinely 'at risk'.

These features are described in more detail below.

Clawback of Senior Executive Remuneration

The Board can take action in relation to vested and unvested entitlements where a senior executive acts fraudulently or dishonestly or in breach of his or her obligations to Beach. In these circumstances the Board may decide that entitlements such as shares or rights lapse are forfeited or that cash awards be repaid or that the proceeds of the sale of shares be paid to the Company.

Where an Award vests because of the fraud, dishonesty or breach of obligations by a senior executive and other senior executives not involved also benefit, the Board may decide that the award has not vested or shares issued are forfeited to ensure that there is no unfair benefit. The Board may make a different award to those not involved in the inappropriate conduct. A claw back of incentive benefits applies to STI and LTI offers.

Hedging

The Corporations Act prohibits KMPs and their closely related parties from entering into transactions that limit the economic risk of participating in unvested entitlements or vested entitlements subject to holding locks imposed by the Company in equity based remuneration schemes. Beach monitors this requirement through a policy that includes the requirement that a senior executive confirm compliance with the policy and/or provide confirmation of dealings in Beach securities on request. This prohibition is also reflected in Beach's share trading policy which can be viewed on Beach's website.

Remuneration for 2016

Review of total fixed remuneration for 2016

In light of the dramatic fall in the crude oil price over 2015, the Board resolved that there would be no fixed remuneration increase for senior executives for the coming year.

Review of non-executive directors fees

The Board also resolved not to increase Board or committee fees. To date no committee fees have been paid to the chairman or members of the Risk Committee which was formed in 2014. The Board has resolved to pay the chairman of that committee, Ms Bennett a fee from the start of the new financial year but members of that Committee will not receive a fee. Dr Schwebel attends Reserves Committee meetings at the request of the Audit Committee and from the commencement of the new financial year will be paid a sitting fee. The annual fee for both positions is \$15,000 (inclusive of superannuation).

Review of 'at risk' remuneration structure for 2016

In March 2015, the new Managing Director, Mr Cole commenced a companywide organisational review. In parallel with this review, the Remuneration and Nomination Committee undertook a review of the short term 'at risk' component of senior executive remuneration for the coming financial year. The results of the initial phases of the organisational review identified five principles that the committee considered in the design of Beach's short term incentive in particular. These were:

- Ensuring alignment of incentives with the strategic plan;
- Ensuring that the short term incentive provides motivation to senior executives and their teams in both good and challenging economic conditions;
- Driving improvement in safety performance;
- Maintaining a low cost and reliable operator focus;
- Increasing the performance orientation of the Company.

The review focussed on the short term incentive design and the performance measures or KPIs for 2016 benchmarking the design against ASX 200 Energy Index constituents. It considered the weighting between company and individual KPIs for the Managing Director and other senior executives, the use of a gate before any incentive is awarded and the appropriateness of the current company KPIs. The review resulted in:

- Revised KPIs being set for FY16. In particular, the underlying NPAT, reserves and staff moral measures were replaced by measures with a focus on reducing operating costs and a strategic objective KPI linked to the strategic plan recently adopted by the Board following completion of the second stage of the organisational review.

- New weighting for company and individual KPIs from 90% company and 10% individual KPIs to 60% company and 40% individual KPIs for all senior executives.
- Replacement of the gate with a structured Board discretion described below.

The Board has also considered how the short term incentive could be better aligned with its purpose of delivering sustainable growth in shareholder value. The suitability of the current performance gate of 5% Return on Capital (ROC) was considered. It was designed to ensure that no short term incentives would be awarded at a time when shareholder expectations of a minimum return on investment are not achieved. However, the Board considered that the current performance gate does not provide the desired performance incentive in difficult economic circumstances caused by external factors such as low oil prices. Nor does the ROC gate recognise other contributions to shareholder returns including material exploration success or execution of a material growth initiative. After consideration the Board decided to replace the Return on Capital (ROC) gate with another test that in its view will better align with shareholder expectation whilst motivating senior employees. A combination of the following was adopted:

- Retention of the current payment of 50% cash and 50% performance rights with an employment retention criteria of up to 2 years; and
- A calculation at the end of a performance period (being the end of Beach's financial year) of both a return on capital and a one year relative total shareholder return against the ASX 200 Energy Index as set out in the table below.

Table 1: Two tiered test

Measures	Green	Yellow	Red
1 year Relative Total Shareholder Return against ASX 200 Energy Total Return Index (Index Return) at the end of the Performance Period	>Index Return	= Index Return	<Index Return
Return on capital ⁽¹⁾	>5%	5%	<5%

⁽¹⁾ Return on capital (ROC) is based on statutory NPAT / average total equity (being the average total equity at the beginning and end of the financial year)

If any one of the measures in the table falls within the red band or any two measures fall within the yellow band then the Board may use its discretion to determine by resolution whether to award an STI or decrease the award of an STI.

3. How Beach makes decisions about remuneration

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

The committee's charter can be viewed or downloaded from the Company's website at www.beachenergy.com.au. In FY15, the committee comprised the following non-executive directors:

Table 2: Remuneration and Nomination Committee members

Name	Position
B C Robinson	Committee Chairman
G S Davis	
F R V Bennett	

At the invitation of the committee, the Managing Director also attends its meetings in an advisory capacity. Other senior executives may also attend committee meetings to provide management support. Executives are excluded from discussion concerning their own remuneration arrangements.

4. External advisers and remuneration advice

Beach engaged independent remuneration advisers Guerdon Associates, during the year to advise it and undertake work on KMP remuneration issues and to remain up to date with market practice. That work included providing remuneration data for new Managing Director recruitment, remuneration benchmarking and market practice data and TSR performance testing and share rights valuation work. No remuneration recommendations were made to the Remuneration and Nomination Committee or the Board by Guerdon Associates during FY15.

Where advisers are engaged by the Board and the Remuneration and Nomination Committee to undertake remuneration related work, where a remuneration recommendation is made, the engagement occurs in accordance with its protocol. The protocol for the engagement of external remuneration advisers is used to ensure that the information, advice or work the committee and the Board receives is free from any undue influence from management. The Board or the committee, through its chairmen, appoints and engages directly with the consultant in relation to remuneration matters for KMP. The terms of any engagement are finalised by the Board or committee and all remuneration advice, work or recommendations are provided directly to the Board or committee chairman. Management is involved in this process only to extent that it can assist to coordinate the work of the advisers as requested.

In addition to engaging external advisers to provide advice and undertake work on KMP remuneration issues, the committee may also request recommendations from the Managing Director about remuneration packages for Beach's senior executive team (other than the Managing Director). The committee also considers industry benchmarking information including the National Rewards Group Incorporated remuneration survey. The Board through the Chairman and the chairman of the Remuneration and Nomination Committee consulted with governance specialists and other stakeholder groups during the year on a range of matters including KMP remuneration. These recommendations and views are taken into account in the recommendations made to the Board by the committee, recognising that there is no commonly held view on various key remuneration issues across these groups.

5. Describes how the Company links performance to incentives

Beach's remuneration policy includes short and long term incentive plans designed to align management performance with shareholder interests. The LTI in particular links long term management performance to an increase in shareholder value through a total shareholder return measure applied over an extended period. The STI is an incentive comprising a mix of half cash and half performance rights for Beach shares.

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

Table 3: Shareholder wealth indicators 2011 - 2015

	2011	2012	2013	2014	2015
Total revenue	\$498.2m	\$619.3m	\$700.5m	\$1,057.7m	\$735.5m
Net profit / (loss) after tax	\$(97.5)m	\$164.2m	\$153.7m	\$101.8m	\$(514.1)m
Underlying net profit after tax	\$42.1m	\$122.1m	\$140.8m	\$259.2m	\$90.7m
Share price at year-end	91.5 cents	94.0 cents	113.5 cents	168.0 cents	105.0 cents
Dividends declared	1.75 cents	2.25 cents	2.75 cents	4.00 cents	1.50 cents
Reserves	77 MMboe	93 MMboe	93 MMboe	86 MMboe	74 MMboe
Production	6.6 MMboe	7.5 MMboe	8.0 MMboe	9.6 MMboe	9.1 MMboe

6. Senior executive remuneration structure

This section details the remuneration structure for senior executives

Table 4: Details of senior executives

Name	Position
Current senior executives	
R J Cole	Managing Director (from 10 March 2015)
N M Gibbins	Chief Operating Officer/EVP Australian Oil and International and Acting Chief Executive Officer (from 19 August 2015)
C G Jamieson	Group Executive External Affairs (from 8 December 2014)
G M Moseby	Group Executive Portfolio Management/EVP Planning Management
C L Oster	General Counsel/Joint Company Secretary/EVP Sustainability
K A Presser	Chief Financial Officer/Company Secretary/EVP Corporate Services
R A Rayner	Group Executive Commercial/EVP Australian Gas
M R Squire	Group Executive Corporate Development (from 8 December 2014)
Former senior executives	
R G Nelson	Managing Director (ceased to be a KMP on 10 March 2015 although he continued as Special Advisor to the Board until 1 July 2015)
S B Masters	Group Executive Corporate Development/EVP Growth (ceased on 8 December 2014)

Remuneration mix

<p>What is the balance between fixed and 'at risk' remuneration?</p>	<p>The remuneration structure and packages offered to senior executives for the period were:</p> <ul style="list-style-type: none"> • Fixed remuneration; • Performance based 'at risk' remuneration comprises: <ul style="list-style-type: none"> • Short term incentive (STI) - an annual cash and/or equity based incentive, which may be offered at the discretion of the Board, linked to Company and individual performance; and • Long term incentive (LTI) - equity grants, which may be granted annually at the discretion of the Board, linked to performance conditions measured over an extended period. <p>The balance between fixed and 'at risk' depends on the senior executives role in Beach. The Managing Director has the highest level of 'at risk' remuneration reflecting the greater level of responsibility of this role.</p> <p>Table 5 sets out the relative proportions of the three elements of the senior executives total remuneration packages for the 2014 and 2015 financial years that relate to performance and those that are not.</p>
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Table 5: Remuneration mix

Name	Fixed Remuneration	Performance based remuneration		At risk
	%	STI %	LTI %	%
Managing Director				
2015	34	33	33	66
2014	34	33	33	66
Senior Executives				
2015	51	23	26	49
2014	51	23	26	49

The Managing Director referred to in the table is Mr Reg Nelson who ceased as Managing Director effective 10 March 2015. Mr Cole commenced on 10 March 2015 but was not offered 'at risk' remuneration for FY15.

The remuneration mix set out in the table assumes at risk awards at 100% of their 'face value' and are not discounted to take account of the performance conditions. Percentages shown in the later section of the this report reflect the actual incentives paid as a percentage of total fixed remuneration, movements in leave balances and other benefits and share based payments calculated using the relevant accounting standards.

Fixed remuneration

<p>What is fixed remuneration?</p>	<p>Senior executives are entitled to a fixed remuneration amount inclusive of the guaranteed superannuation contribution. The amount is not based upon performance. Senior executives may decide to salary sacrifice part of their fixed remuneration for additional superannuation contributions and other benefits.</p>
<p>How is fixed remuneration reviewed?</p>	<p>Fixed remuneration is determined by the Board based on independent external review or advice that takes account of the role and responsibility of each senior executive. It is reviewed annually against industry benchmarking information including the National Awards Group Incorporated remuneration survey.</p>

Fixed remuneration for the year

For the reporting period fixed remuneration:

- Did not increase for the Managing Director, Mr Nelson;
- For the Chief Operating Officer, Mr Gibbins increased by 11% after a review of his role and responsibilities;
- For other senior executives increased by 3.25% in line with CPI.

Remuneration details for individuals are provided in Table 10 and Table 11. Table 10 reports on the remuneration for senior executives as required under the Corporations Act. Table 11 shows actual realised remuneration that senior executives received.

Short Term Incentive (STI)

What is the STI?	The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12 month period coinciding with Beach's financial year. It is provided in equal parts of cash and equity that may or may not vest subject to additional retention conditions. It is offered annually to senior executives at the discretion of the Board.
How does the STI link to Beach's objectives?	The STI is an at risk opportunity for senior executives to be rewarded for meeting or exceeding key performance indicators that are linked to Beach's key business objective. The STI is designed to motivate senior executives to meet Company expectations for success. Beach can only achieve its objectives if it attracts and retains high performing senior executives. An award made under the STI also serves as a retention incentive for senior executives. Half of the award is paid in cash with the remaining half issued as performance rights with a service condition component.
What are the performance conditions or KPIs?	The performance conditions or key performance indicators (KPIs) are set by the Board for each 12 month period beginning at the start of a financial year. They reflect financial and operational goals of Beach that are essential in achieving Beach's key objective. They also reflect the values of Beach that are essential to ensure that success is achieved in an appropriate manner. Individual KPIs are also set for each senior executive to reflect their particular responsibilities. For the reporting period, the performance measures comprised: <ul style="list-style-type: none"> • Company KPIs (90% weighting) <ul style="list-style-type: none"> • Underlying net profit after tax for the relevant financial year (35%) • Reserves (20%) • Production (20%) • Safety (10%) and • Employee morale (5%). • Individual KPIs (10% weighting).
Are there different performance levels?	The Board sets KPI measures at threshold, target and stretch levels. A threshold objective must be achieved in any individual KPI before a participant is entitled to any payment for that KPI. A stretch level indicates a maximum performance outcome for a KPI.
What is the value of the STI award that can be earned?	The incentive payment if the KPIs are achieved is based on a percentage of a senior executive's fixed remuneration. The Managing Director can earn from 25% to a maximum of 100% of his fixed remuneration. The value of the award that can be earned by other senior executives ranges from 15% to a maximum of 45% of fixed remuneration.
How are the performance conditions assessed?	Financial measures and production expectations are reviewed against budget. Reserves are reviewed against a calculation of the level that reserves are replaced from the end of the previous reporting period. Non-executive directors assess the extent to which KPIs were met for the period after the close of the relevant financial year and once results are finalised. The assessment of performance of senior executives other than the Managing Director is made by the non-executive directors on the Managing Director's recommendation. The non-executive directors assess the achievement of the KPIs for the Managing Director.
Is there a threshold level of performance or gate before an STI is paid?	Yes. For the current year, unless Beach achieves a return on capital based on statutory NPAT / average total equity (being the average total equity at the beginning and end of the financial year) of at least 5% to equate to shareholder expectation of return on investment, no STI is awarded or paid (ROC gate).

Remuneration report

What happens if an STI is awarded?	<p>On achievement of the relevant KPIs, one half of the STI award is paid in cash. Any cash that is earned pursuant to the STI is included in the financial statements for the financial year but paid after the conclusion of the financial year, usually in September after release of annual financial results.</p> <p>The remaining half of the STI award value is issued in performance rights that vest progressively over the next one to two years, subject to the senior executive remaining employed with Beach at each vesting date. If a senior executive leaves Beach's employment the performance rights will be forfeited. Early vesting of the performance rights may occur at the discretion of the Board if the senior executive leaves Beach due to death or disability. The Board also reserves the right to exercise its discretion for early vesting in the event of a change of control of the Company. There is a general discretion available to the Board, to allow early vesting of performance rights. However, the Board would require exceptional circumstances to exist before it would consider using its discretion.</p>
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STI Performance for the year

At the completion of the financial year the Board tested each senior executive's performance against the STI performance indicators set for the year. As the ROC gate of at least 5% return on capital was not achieved, no STI was awarded.

In September and December 2014, STI rights were issued for the 2013 STI offer. Details of the number of performance rights issued to each senior executive are provided in Table 16. Those performance rights will not vest unless senior executives continue their employment with Beach for up to two years.

Table 6: STI Performance rights issued in FY15

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

STI Performance Rights

	2011 Rights	2012 Rights	2012 Rights	2013 Rights	2013 Rights
	<i>Retention met on 1 July 2014 and shares issued</i>	<i>Retention met on 1 July 2014 and shares issued</i>	<i>Retention met on 1 July 2015 and shares issued</i>	<i>Retention met on 1 July 2015 and shares issued</i>	<i>Retention to be tested on 1 July 2016</i>
Number of securities issued	751,995	146,141	146,141	202,211	202,207
Share price	0.912	1.130	1.130	1.710	1.710
Exercise price	–	–	–	–	–
Volatility (average)	41.872%	33.780%	39.022%	30.428%	31.876%
Vesting period (years)	2.0	1.0	2.0	1.0	2.0
Term	2.0	1.0	2.0	1.0	2.0
Risk free rate	2.460%	2.530%	2.530%	2.471%	2.471%
Dividend yield	2.390%	1.970%	1.970%	3.323%	3.323%
Fair value of security at grant date (weighted average)	0.912	1.112	1.091	1.672	1.618
Total fair value at grant date	685,819	162,509	159,440	338,156	327,108
Expensed in prior period	(342,910)	–	–	–	–
Expensed FY14	(342,909)	(162,509)	(79,720)	–	–
Cancelled FY15 – expensed in prior period	–	–	6,653	–	–
Cancelled FY15 – not expensed	–	–	(13,306)	–	–
Expensed FY15	–	–	(73,067)	(338,156)	(163,554)
Remaining expenditure in future years	–	–	–	–	163,554

Long Term Incentive (LTI)

What is the LTI?	The LTI is an equity based 'at risk' incentive plan. The LTI is intended to reward efforts and results that promote long term growth in shareholder value or total shareholder return (TSR). LTIs are offered to senior executives at the discretion of the Board.
How does the LTI link to Beach's key objective?	The LTI links to Beach's key objective by aligning the longer term 'at risk' incentive rewards to senior executives with expectations and outcomes that match shareholder objectives and interests by: <ul style="list-style-type: none"> • Benchmarking shareholder return against a peer group of companies considered an alternative investment option to Beach; • Giving share based rather than cash based rewards to executives to link their own rewards to shareholder expectations of dividend return and share price growth.
What equity based grants are given and are there plan limits?	Performance rights are granted. If the performance conditions are met, senior executives have the opportunity to acquire one Beach share for every vested performance right. There are no plan limits as a whole for the LTI. This is due to the style of the plan combined with the guidance requested from external remuneration consultants about appropriate individual plan limits. Those individual limits for the plans that are currently operational are set out in Table 7.
What is the performance condition?	The most recent offer to senior executives uses a performance condition based on Beach's Total Shareholder Return (TSR) performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the three year performance period. Further details are set out in Table 7.
Why choose this performance condition?	TSR is a measure of the return to shareholders over a period of time through the change in share price and any dividends paid over that time. The dividends are notionally reinvested for the purpose of the calculation. This performance condition was chosen to align senior executives' remuneration with a corresponding increase in shareholder value. The Board has reinforced the alignment to shareholder return by imposing two additional conditions. First, the Board sets a threshold level that must be achieved before an award will be earned. Secondly, the Board will not make an award if Beach's TSR is negative.
Is shareholders equity diluted when shares are issued on vesting of performance rights or exercise of options?	The Board has not imposed dilution limits having regard to the structure of the LTI plan as a whole and that the historical level rights on issue would result in minimal dilution. If all of the current performance rights vested at 30 June 2015, shareholders equity would have diluted by 0.58% (FY14 - 0.58%). It has been the practice of the Board when there is an entitlement to shares on vesting of performance rights to issue new shares. However, there is provision for shares to be purchased on market should the Board consider that dilution of shareholders equity is likely to be of concern.
What happens to LTI performance rights on a change of control?	The Board reserves the right to exercise its discretion for early vesting in the event of a change of control of the Company. Certain adjustments to a participant's entitlements may occur in the event of a company reconstruction and certain share issues.

Table 7 – Details of LTI equity awards issued, in operation or tested during the year

Details	2011, 2012, 2013 and 2014 Performance Rights
Type of Grant	Performance rights
Calculation of Grant limits for senior executives	<p>2012, 2013 and 2014 Performance Rights Max LTI is 100% of Total Fixed Remuneration (TFR) for MD Max LTI is 50% of TFR for other senior executives</p> <p>2011 Performance Rights Max LTI is 100% of TFR for MD Max LTI is 60% - 80% of TFR for other senior executives according to position</p>
Grant Date	<p>2014 Performance Rights 1 Dec 2014</p> <p>2013 Performance Rights 2 Dec 2013</p> <p>2012 Performance Rights 21 Dec 2012</p> <p>2011 Performance Rights 1 Dec 2011</p>
Issue price of Performance Rights	Granted at no cost to the participant
Performance period	<p>2014 Performance Rights 1 Dec 2014 – 30 Nov 2017</p> <p>2013 Performance Rights 1 Dec 2013 – 30 Nov 2016</p> <p>2012 Performance Rights 1 Dec 2012 – 30 Nov 2015</p> <p>2011 Performance Rights 1 Dec 2011 – 30 Nov 2014</p>
Performance Conditions for vesting Note: No vesting will occur if Beach has a negative TSR.	<p>2012 Performance Rights, 2013 Performance Rights and 2014 Performance Rights For Managing Director (only 2013) and for other senior executives (2012, 2013 and 2014) - Beach's TSR performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the performance period such that:</p> <ul style="list-style-type: none"> • < the Index return – 0% vesting • = the Index return – 50% vesting; • Between the Index return and Index + 5.5% – a prorated number will vest; • = or > Index return + 5.5% – 100% vesting <p>2012 Performance Rights for Managing Director - Beach's TSR performance relative to the total shareholder return performance of the companies in the S&P/ASX 300 Energy Index is ranked:</p> <ul style="list-style-type: none"> • < 50th percentile – 0% vesting • = 50th percentile – 50% vesting; • > 50th percentile and < the 100th percentile – a prorated number will vest; • = 100th percentile – 100% vesting <p>2011 Performance Rights Where Beach's TSR relative to the comparator group (see below for this group) over the performance period is ranked:</p> <ul style="list-style-type: none"> • < 50th percentile – 0% vesting • = 50th percentile – 50% vesting; • > 50th percentile and < the 75th percentile – a prorated number will vest; • = or > the 75th percentile – 100% vesting
Comparator Group	This group is made up predominantly of Australian oil and gas exploration and development companies and other companies in the S&P/ASX 300 Energy list. It comprised AWE Limited, Horizon Oil Limited, Karoon Gas Australia Limited, Nexus Energy Limited, Origin Energy Limited, Oil Search Limited, ROC Oil Limited, Santos Limited and Woodside Petroleum Limited. Companies removed from the TSR calculation because they have delisted are Aurora Oil & Gas Limited, Dart Energy Limited, Linc Energy Limited and Bow Energy Limited.
Expiry /Lapse	Performance rights lapse if vesting does not occur on testing of performance condition

Table 7 – Details of LTI equity awards issued, in operation or tested during the year continued

Details	2011, 2012, 2013 and 2014 Performance Rights
Expiry Date	2014 Performance Rights 30 Nov 2019 2013 Performance Rights 30 Nov 2018 2012 Performance Rights 30 Nov 2017 2011 Performance Rights 30 Nov 2016
Exercise price on vesting	Not applicable – provided at no cost
What is received on vesting?	One ordinary share in Beach for every one performance right
Status	2014 Performance Rights In progress 2013 Performance Rights In progress 2012 Performance Rights In progress 2011 Performance Rights Testing completed. Resulted in no vesting of performance rights.

Table 8: Details of LTI performance rights at 30 June 2015

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

LTI Performance Rights

	2010 Rights	2011 Rights	2012 Rights	2013 Rights	2014 Rights
	<i>Vested</i>	<i>Lapsed</i>	<i>To be tested in December 2015</i>	<i>To be tested in December 2016</i>	<i>To be tested in December 2017</i>
Number of securities issued	5,453,895	2,566,470	1,848,839	2,066,744	1,667,671
Share price	0.670	1.411	1.470	1.350	0.975
Volatility (average)	37.410%	45.200%	44.925%	35.815%	35.100%
Vesting period (years)	3.0	3.0	3.0	3.0	3.0
Term	5.0	5.0	5.0	5.0	5.0
Risk free rate	5.345%	3.475%	2.600%	2.990%	2.310%
Dividend yield	2.300%	1.400%	1.560%	2.400%	3.080%
Fair value of security at grant date (weighted average)	0.670	1.411	0.772	0.672	0.471
Total fair value at grant date	3,654,110	3,621,289	1,427,895	1,387,819	785,640
Expensed in prior period	(3,146,595)	(1,911,236)	(277,646)	–	–
Cancelled in prior period	–	–	–	–	–
Expensed FY14	(507,515)	(1,207,096)	(475,965)	(269,854)	–
Cancelled due to conditions not met (S. Masters)	–	(56,590)	(59,787)	(98,176)	–
Expensed FY15	–	(446,367)	(433,763)	(421,982)	(152,763)
Remaining expenditure in future years	–	–	180,733	597,807	632,877

LTI Performance and outcomes during FY15

LTI performance rights issued in December 2011 were measured. As the measure over a three year period, Beach's total shareholder return (TSR), was (19.8%), none of the performance rights vested.

Other plans that senior executives have participated in that are still in operation: Employee Incentive Plan (EIP)

Senior executives have previously participated in the shareholder approved Employee Incentive Plan where at the Board's discretion, employees may be offered fully paid ordinary shares or options to acquire fully paid ordinary shares in Beach by way of non-recourse loans for a term of 10 years which are repayable on cessation of employment with the consolidated entity or expiry of the loan. In 2007 as a result of the introduction of a formal STI / LTI incentive scheme, the Board determined that senior executives would not participate in the EIP in the future. However, the senior executives continue to participate in the EIP in respect of the shares already issued to them under the EIP. An exception was the issue of EIP shares to Mr Jamieson in 2010 as he was not a senior executive as the time of issue.

A total of \$1,374,583 in EIP loans remains outstanding from employee shares issued in prior reporting periods to senior executives as detailed in Table 9:

Table 9: Details of EIP loans for senior executives

Name	Issue Date	Expiry Date	Number of shares	Outstanding loan value – \$
N M Gibbins	1 Jul 2006	1 Jul 2016	312,500	490,625
C G Jamieson	3 Dec 2010	3 Dec 2020	107,500	72,778
G M Moseby	1 Jul 2006	1 Jul 2016	312,500	490,625
C L Oster	1 Sep 2005	1 Sep 2015	75,000	58,889
C L Oster	1 Jul 2006	1 Jul 2016	166,666	261,666
Total			974,166	1,374,583

If interest was charged at arm's length based on the ATO statutory interest rate of 5.95%, the relevant interest charge in FY15 would be \$81,788.

7. Employment agreements – senior executives

The senior executives have employment agreements with Beach.

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

Managing Director of Beach

The Managing Director's employment agreement commenced with effect 10 March 2015 and is ongoing until terminated by either Beach or Mr Cole on 6 months' notice. Beach may terminate the Managing Director's employment at any time for cause (for example, for serious breach) without notice. In certain circumstances Beach may terminate the employment on notice of not less than six months for issues concerning the Managing Directors performance that have not been satisfactorily addressed.

The Managing Director may also give one months' notice of termination of his employment in the event that Beach requires him to permanently transfer to another location outside of Adelaide. If this occurs, Beach will pay to the Managing Director a retirement payment equal to his Final Average Remuneration. The Final Average Remuneration payment is calculated as the total of the remuneration received by the Managing Director from Beach in the three years immediately preceding the date of termination of employment, divided by three and includes salary, superannuation payments and the value of any non-monetary components of the annual remuneration package, but excluding any payments or other benefits under any incentive or bonus scheme.

Other Senior Executives

Other senior executives have an employment agreement that is ongoing until terminated by either Beach from 3 to up to 12 months' notice or the senior executive upon giving three months' notice. Beach may terminate a senior executive's appointment for cause (for example, for serious breach) without notice. Beach must pay any amount owing but unpaid to the employee whose services have been terminated at the date of termination, such as accrued leave entitlements. In certain circumstances Beach may terminate employment on notice of not less than three months for issues concerning the senior executives performance that have not been satisfactorily addressed. If Beach terminates the senior executive's appointment other than for cause or he or she resigns due to a permanent relocation of his or her workplace to a location other than Adelaide, then they are entitled to an amount up to 1 times their final annual salary.

Former Managing Director of Beach

Former Managing Director, Mr Nelson's employment agreement expired on 1 July 2015 and Mr Nelson retired from Beach effective 2 July 2015. On his retirement Beach paid Mr Nelson a retirement payment equal to his Final Average Remuneration. The Final Average Remuneration payment is calculated as the total of the remuneration received by the Managing Director from Beach in the three years immediately preceding the date of termination of employment, divided by three which includes salary, superannuation payments and the value of any non-monetary components of the annual remuneration package, but excluding any payments or other benefits under any incentive or bonus scheme. This retirement amount of \$1.3 million was accrued in the FY11 financial statements. The final retirement payment made to Mr Nelson including superannuation and annual leave and long service leave entitlements, totalled \$1.896 million.

Mr Nelson's retirement arrangements for dealing with his remaining performance rights were approved by shareholders at the 2014 annual general meeting. The terms of that arrangement are that Mr Nelson's unvested LTI and STI performance rights lapsed on his retirement from the Company. A pro rata reward will be provided to Mr Nelson at the date of testing the LTI performance rights in 2015 and 2016. If the testing criteria are not met, Mr Nelson will not receive any financial reward pertaining to these performance rights. If testing criteria are met Mr. Nelson will receive at that time a pro rata benefit equal to the period of his contribution to the relevant shareholder returns.

Specifically, in relation to the 869,781 performance rights that might vest on 1 December 2015, the Board has determined that Mr Nelson would have contributed for 100% of the relevant period to any gains made by shareholders. In relation to the 972,292 performance rights that might vest on 1 December 2016, Mr Nelson would have contributed for 50% of the relevant period. The Board will not accelerate the vesting date of these incentive arrangements to which Mr Nelson may be entitled after his retirement. The Board will pay to Mr Nelson at the relevant time in 2015 and 2016 a cash amount equal to the value, if any, of the full or pro rata amount of the performance rights that would otherwise have vested on those dates.

8. Details of total remuneration for senior executives calculated as required under the Corporations Act for FY14 and FY15 and a summary of realised remuneration for FY15

Legislative and IFRS reported remuneration for senior executives

Details of the remuneration package by value and by component for senior executives in the reporting period and the previous period are set out in Table 10. These details differ from the actual payments made to senior executives for the reporting period that are set out in Table 11.

Table 10: Senior executives' remuneration for FY14 and FY15 as required under the Corporations Act

Name & Year	Short Term Employee Benefits			Share based payments		Other long term benefits	Total	Total at risk	Total issued in equity
	Fixed Remuneration ⁽¹⁾	Annual Leave	STI ⁽⁴⁾	LTI Rights ⁽⁵⁾	STI Rights ⁽⁵⁾	Long Service Leave			
	\$	\$	\$	\$	\$	\$	\$	%	%
R J Cole									
2015	473,659	28,500	-	-	-	2,492	504,651	0	0
2014	-	-	-	-	-	-	-	-	-
N M Gibbins									
2015	577,357	1,947	-	171,285	57,538	27,887	836,014	27	27
2014	517,740	(1,804)	69,333	268,063	64,694	13,280	931,306	43	36
C G Jamieson ⁽³⁾									
2015	247,917	819	-	18,844	-	10,534	278,114	7	7
2014	-	-	-	-	-	-	-	-	-
G M Moseby									
2015	509,027	11,573	-	161,901	53,679	17,163	753,343	29	29
2014	491,863	18,069	64,460	253,980	52,678	12,566	893,616	42	35
C L Oster									
2015	465,700	(3,281)	-	120,916	50,531	18,735	652,601	26	26
2014	451,032	(15,150)	60,889	142,862	32,858	12,704	685,195	34	25
K A Presser									
2015	530,200	3,177	-	169,299	57,538	(12,790)	747,424	30	30
2014	513,575	(18,607)	69,333	299,907	64,694	3,277	932,179	46	38
R A Rayner									
2015	517,400	18,869	-	165,203	54,774	11,758	768,004	30	30
2014	501,147	4,020	65,776	205,833	48,961	5,274	831,011	39	31
M R Squire ⁽³⁾									
2015	247,917	1,056	-	18,844	-	3,410	271,227	7	7
2014	-	-	-	-	-	-	-	-	-
Former Senior Executives									
R G Nelson ⁽²⁾									
2015	907,124	10,732	-	628,582	300,718	23,296	1,870,452	50	50
2014	1,320,063	10,515	361,765	1,035,808	259,389	34,005	3,021,545	55	43
S B Masters ⁽⁶⁾									
2015	222,316	(28,846)	-	(441,377)	(6,653)	1,091	(253,469)	N/A	N/A
2014	491,124	10,612	66,302	253,980	61,865	19,881	903,764	43	35
TOTAL									
2015	4,698,617	44,546	-	1,013,497	568,125	103,576	6,428,361	25	25
2014	4,286,544	7,655	757,858	2,460,433	585,139	100,987	8,198,616	46	37

Remuneration report

⁽¹⁾ Fixed remuneration comprises base salary and superannuation

⁽²⁾ Mr Nelson's remuneration has been included up to and including the date that he ceased being a KMP on 9 March 2015

⁽³⁾ Mr Jamieson's and Mr Squire's remuneration has only been included from their commencement as a KMP from 1 December 2014. As from this date each of their fixed remuneration increased to \$425,000 per annum including superannuation.

⁽⁴⁾ No STI was awarded for FY15. The percentage of the STI that will be paid for the period and that was forfeited by each senior executive is set out below:

Name	Maximum STI payable		Total
	Achieved	Forfeited	
N M Gibbins	0%	100%	100%
C G Jamieson	0%	100%	100%
G M Moseby	0%	100%	100%
C L Oster	0%	100%	100%
K A Presser	0%	100%	100%
R A Rayner	0%	100%	100%
M R Squire	0%	100%	100%
R G Nelson	0%	100%	100%
S B Masters	0%	100%	100%

⁽⁵⁾ In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options as at the date of their grant has been determined in accordance with principles set out in Note 4 to the Financial Report.

⁽⁶⁾ As Mr Masters has resigned with effect 8 December 2014, he is not entitled to receive 50% of his STI payable for FY14 as 50% of this STI is payable in performance rights vesting over 2 subsequent years.

Realised cash remuneration paid to Senior Executives in FY15

Beach believes that providing a summary in Table 11 (below) of what was actually paid or payable to senior executives in the reporting period is useful information for its investors and other stakeholders and provides clear and transparent disclosure of remuneration paid.

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

Table 11: Realised cash remuneration of current senior executives for FY15 (non IFRS)

Name	Gross	Super	STI - Cash Bonus	Other ⁽¹⁾	Total Cash
	\$	\$	\$	\$	\$
R J Cole ⁽²⁾ – Managing Director	363,536	17,867	-	92,256	473,659
N M Gibbins – Chief Operating Officer/EVP Australian Oil and International	540,000	35,000	69,333	2,357	646,690
C G Jamieson ⁽³⁾ – Group Executive External Affairs	230,478	15,689	-	1,750	247,917
G M Moseby – Group Executive Portfolio Management/EVP Planning Management	477,100	30,000	64,460	1,927	573,487
C L Oster – General Counsel/Joint Company Secretary/EVP Sustainability	435,700	30,000	60,889	-	526,589
K A Presser – Chief Financial Officer/Company Secretary/EVP Corporate Services	505,200	25,000	69,333	-	599,533
R A Rayner – Group Executive Commercial/EVP Australian Gas	482,400	35,000	65,776	-	583,176
M R Squire ⁽³⁾ – Group Executive Corporate Development	229,719	16,448	-	1,750	247,917
Total	3,264,133	205,004	329,791	100,040	3,898,968

⁽¹⁾ Other remuneration includes allowances paid under the terms and conditions of employment.

⁽²⁾ Mr Cole commenced on 10 March 2015 and his other allowances include a one-off relocation allowance.

⁽³⁾ Mr Jamieson's and Mr Squire's remuneration has only been included from their commencement as a KMP from 1 December 2014. As from this date each of their fixed remuneration increased to \$425,000 per annum including superannuation.

9. Remuneration policy for non-executive directors

Table 12: Non-executive directors

Name	Position
G S Davis	Chairman
C D Beckett	Director
F R V Bennett	Director
J C Butler	Director
B C Robinson	Director
D A Schwebel	Director

Appointed 2 April 2015

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

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

The remuneration of Beach non-executive directors is within the aggregate annual limit of \$1,300,000 approved by shareholders at the 2014 annual general meeting.

The remuneration for non-executive directors comprises directors' fees, board committee fees and superannuation contributions to meet Beach's statutory superannuation obligations. No fees were paid to directors for their membership of the Risk Committee in FY15. Mr Butler also received an additional \$10,000 as the Lead Independent Director. Other than these superannuation contributions, Beach does not have a scheme for retirement benefits for non-executive directors.

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

Details of the fees payable to non-executive directors for Board and committee membership are set out in Tables 13 and 14.

Table 13: Beach board and board committee fees for FY15 and FY14 inclusive of statutory superannuation

	Board ⁽¹⁾		Board Committee ⁽²⁾					
	Chairman/ Deputy Chairman	Member	Chairman Audit	Member Audit	Chairman Remuneration	Member Remuneration	Chairman Corporate Governance	Member Corporate Governance
	\$	\$	\$	\$	\$	\$	\$	\$
Fees for FY14 and FY15	250,000 / N/A	100,000	25,000	15,000	25,000	15,000	15,000	10,000

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

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

10. Remuneration for non-executive directors

The nature and amount of remuneration for the financial year and the previous financial year of each non-executive director are detailed in Table 14.

Table 14: Non-executive directors' remuneration for FY14 and FY15

Beach	Year	Directors Fees	Super Contribution ⁽¹⁾	Total
		\$	\$	\$
G S Davis	2015	250,000	-	250,000
	2014	250,000	-	250,000
C D Beckett	2015	22,485	2,135	24,620
(appointed 2 April 2015)	2014	-	-	-
F R V Bennett	2015	118,721	11,279	130,000
	2014	118,993	11,007	130,000
J C Butler	2015	110,000	35,000	145,000
	2014	123,570	11,430	135,000
B C Robinson	2015	114,155	10,845	125,000
	2014	114,416	10,584	125,000
D A Schwebel	2015	99,155	25,845	125,000
	2014	105,263	9,737	115,000
F G Moretti	2015	-	-	-
(Director until 30 June 2014)	2014	114,416	10,584	125,000
Total	2015	714,516	85,104	799,620
	2014	826,658	53,342	880,000

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

11. Other Remuneration disclosures required

The following table summarises the movements in shares, options and performance rights in the Company of KMP and their related entities for FY14 and FY15 and at the date of this report.

Table 15: Key management personnel interests in shares, options and performance rights

Movement	Shares	Employee Options	Performance Rights
G S Davis			
Balance 1 July 2013	116,077	-	-
FY14 – Issued under the terms of the DRP	3,199	-	-
FY15 – Issued under the terms of the DRP	2,863	-	-
Balance 30 June 2015	122,139	-	-
R G Nelson			
Balance 1 July 2013	3,711,823	5,221,000	4,946,556
FY14 – Issued under the terms of the DRP	116,820	-	-
FY14 – Issued STI Rights	-	-	145,190
FY14 – Issued LTI Rights	-	-	972,292
FY14 – Shares issued upon vesting of Rights	2,804,962	-	(2,804,962)
FY14 – Exercise of Options	1,221,000	(1,221,000)	-
FY14 – Sold on market	(3,499,952)	-	-
FY14 – Options cancelled due to non-performance	-	(4,000,000)	-
FY15 – Issued under the terms of the DRP	63,864	-	-
FY15 – Issued STI Rights	-	-	211,559
FY15 – Shares issued upon vesting of Rights	377,557	-	(377,557)
FY15 – Sold on market	(450,000)	-	-
FY15 – Lapse of Rights	-	-	(966,851)
Balance 30 June 2015	4,346,074	-	2,126,227

Table 15: Key management personnel interests in shares, options and performance rights continued

Movement	Shares	Employee Options	Performance Rights
C D Beckett			
FY15 – Initial holding	31,929	-	-
Balance 30 June 2015	31,929	-	-
F R V Bennett			
Balance 1 July 2013	-	-	-
FY14 – Shares acquired on market	30,075	-	-
Balance 30 June 2015	30,075	-	-
J C Butler			
Balance 1 July 2013	167,393	-	-
Balance 30 June 2015	167,393	-	-
B C Robinson			
Balance 1 July 2013	14,884	-	-
FY14 – Issued under the terms of the DRP	411	-	-
FY15 – Issued under the terms of the DRP	368	-	-
Balance 30 June 2015	15,663	-	-
D A Schwebel			
Balance 1 July 2013	-	-	-
FY14 – Shares acquired on market	74,860	-	-
Balance 30 June 2015	74,860	-	-
N M Gibbins			
Balance 1 July 2013	941,067	221,519	1,276,654
FY14 – Issued STI Rights	-	-	25,508
FY14 – Issued LTI Rights	-	-	189,792
FY14 – Shares issued upon vesting of Rights	709,392	-	(709,392)
FY14 – Exercise of Options	221,519	(221,519)	-
FY14 – Sold on market	(335,000)	-	-
FY15 – Issued STI Rights	-	-	40,545
FY15 – Issued LTI Rights	-	-	278,316
FY15 – Shares issued upon vesting of Rights	108,268	-	(108,268)
FY15 – Lapse of Rights	-	-	(301,967)
Balance 30 June 2015	1,645,246	-	691,188
C G Jamieson			
FY15 – Initial holding	151,386	-	-
FY15 – Issued LTI Rights	-	-	205,712
Balance 30 June 2015	151,386	-	205,712
G M Moseby			
Balance 1 July 2013	549,923	221,519	1,155,138
FY14 – Issued STI Rights	-	-	24,392
FY14 – Issued LTI Rights	-	-	181,495
FY14 – Shares issue upon vesting of Rights	632,823	-	(632,823)
FY14 – Exercise of Options	221,519	(221,519)	-
FY14 – Sold on market	(930,132)	-	-
FY15 – Issued STI Rights	-	-	37,696
FY15 – Issued LTI Rights	-	-	245,451
FY15 – Shares issue upon vesting of Rights	83,386	-	(83,386)

Remuneration report

Table 15: Key management personnel interests in shares, options and performance rights continued

Movement	Shares	Employee Options	Performance Rights
G M Moseby continued			
FY15 – Sold on market	(245,019)	-	-
FY15 – Lapse of Rights	-	-	(288,766)
Balance 30 June 2015	312,500	-	639,197
C L Oster			
Balance 1 July 2013	433,859	121,520	595,952
FY14 – Issued STI Rights	-	-	22,402
FY14 – Issued LTI Rights	-	-	166,679
FY14 – Shares issue upon vesting of Rights	292,011	-	(292,011)
FY14 – Exercise of Options	121,520	(121,520)	-
FY14 – Sold on market	(605,724)	-	-
FY15 – Issued STI Rights	-	-	35,608
FY15 – Issued LTI Rights	-	-	225,412
FY15 – Shares issue upon vesting of Rights	42,543	-	(42,543)
FY15 – Lapse of Rights	-	-	(123,494)
Balance 30 June 2015	284,209	-	588,005
K A Presser			
Balance 1 July 2013	800,000	1,184,178	1,618,858
FY14 – Issued STI Rights	-	-	25,508
FY14 – Issued LTI Rights	-	-	189,792
FY14 – Shares issue upon vesting of Rights	1,051,596	-	(1,051,596)
FY14 – Exercise of Options	759,178	(759,178)	-
FY14 – Sold on market	(1,919,042)	-	-
FY14 – Options cancelled due to non-performance	-	(425,000)	-
FY15 – Issued STI Rights	-	-	40,545
FY15 – Issued LTI Rights	-	-	256,632
FY15 – Shares issue upon vesting of Rights	108,268	-	(108,268)
FY15 – Lapse of Rights	-	-	(301,967)
Balance 30 June 2015	800,000	-	669,504
R A Rayner			
Balance 1 July 2013	35,000	-	584,602
FY14 – Issued under the terms of the DRP	950	-	-
FY14 – Issued STI Rights	-	-	24,890
FY14 – Issued LTI Rights	-	-	185,199
FY14 – Shares issue upon vesting of Rights	62,135	-	(62,135)
FY15 – Issued under the terms of the DRP	1,814	-	-
FY15 – Issued STI Rights	-	-	38,465
FY15 – Issued LTI Rights	-	-	250,436
FY15 – Shares issue upon vesting of Rights	74,580	-	(74,580)
FY15 – Lapse of Rights	-	-	(294,659)
Balance 30 June 2015	174,479	-	652,218
M R Squire			
FY15 – Issued LTI Rights	-	-	205,712
Balance 30 June 2015	-	-	205,712
Total balance 30 June 2015	8,155,953	-	5,777,763
Total balance 1 July 2014	7,804,146	-	6,777,980

Remuneration report

Specific details of the number of LTI and STI performance rights issued, vested and lapsed in FY15 for senior executives are set out below in Table 16.

Table 16: Details of LTI and STI Performance Rights

Name	Date of grant ⁽²⁾	Performance rights on issue at 30 June 2014	Fair Value \$	Granted	Vested ⁽¹⁾	Lapsed ⁽²⁾	Performance rights on issue at 30 June 2015	Date performance rights first vest and become exercisable
R G Nelson	1 Dec 2011	966,851	1.411	-	-	(966,851)	-	1 Dec 2014
	14 Sept 2012	304,962	0.912	-	(304,962)	-	-	1 July 2014
	21 Dec 2012	869,781	0.764	-	-	-	869,781	1 Dec 2015
	30 Aug 2013	72,595	1.112	-	(72,595)	-	-	1 July 2014
	30 Aug 2013	72,595	1.091	-	-	-	72,595	1 July 2015
	2 Dec 2013	972,292	0.672	-	-	-	972,292	1 Dec 2016
	1 Dec 2014	-	1.668	105,780	-	-	105,780	1 July 2015
	1 Dec 2014	-	1.601	105,779	-	-	105,779	1 July 2016
Total		3,259,076		211,559	(377,557)	(966,851)	2,126,227	
Total (\$)				345,793	357,326	1,364,227		
N M Gibbins	1 Dec 2011	301,967	1.411	-	-	(301,967)	-	1 Dec 2014
	14 Sept 2012	95,514	0.912	-	(95,514)	-	-	1 July 2014
	21 Dec 2012	169,781	0.780	-	-	-	169,781	1 Dec 2015
	30 Aug 2013	12,754	1.112	-	(12,754)	-	-	1 July 2014
	30 Aug 2013	12,754	1.091	-	-	-	12,754	1 July 2015
	2 Dec 2013	189,792	0.672	-	-	-	189,792	1 Dec 2016
	1 Sept 2014	-	1.677	20,273	-	-	20,273	1 July 2015
	1 Sept 2014	-	1.636	20,272	-	-	20,272	1 July 2016
1 Dec 2014	-	0.471	278,316	-	-	278,316	1 Dec 2017	
Total		782,562		318,861	(108,268)	(301,967)	691,188	
Total (\$)				198,277	101,023	426,075		
C G Jamieson	1 Dec 2014	-	0.471	205,712	-	-	205,712	1 Dec 2017
Total		-		205,712	-	-	205,712	
Total (\$)				96,911	-	-		
G M Moseby	1 Dec 2011	288,766	1.411	-	-	(288,766)	-	1 Dec 2014
	14 Sept 2012	71,190	0.912	-	(71,190)	-	-	1 July 2014
	21 Dec 2012	162,359	0.780	-	-	-	162,359	1 Dec 2015
	30 Aug 2013	12,196	1.112	-	(12,196)	-	-	1 July 2014
	30 Aug 2013	12,196	1.091	-	-	-	12,196	1 July 2015
	2 Dec 2013	181,495	0.672	-	-	-	181,495	1 Dec 2016
	1 Sept 2014	-	1.677	18,848	-	-	18,848	1 July 2015
	1 Sept 2014	-	1.636	18,848	-	-	18,848	1 July 2016
1 Dec 2014	-	0.471	245,451	-	-	245,451	1 Dec 2017	
Total		728,202		283,147	(83,386)	(288,766)	639,197	
Total (\$)				178,075	78,231	407,449		
C L Oster	1 Dec 2011	123,494	1.411	-	-	(123,494)	-	1 Dec 2014
	14 Sept 2012	31,342	0.912	-	(31,342)	-	-	1 July 2014
	21 Dec 2012	149,105	0.780	-	-	-	149,105	1 Dec 2015
	30 Aug 2013	11,201	1.112	-	(11,201)	-	-	1 July 2014
	30 Aug 2013	11,201	1.091	-	-	-	11,201	1 July 2015

Table 16: Details of LTI and STI Performance Rights continued

Name	Date of grant (²)	Performance rights on issue at 30 June 2014	Fair Value \$	Granted	Vested (¹)	Lapsed (²)	Performance rights on issue at 30 June 2015	Date performance rights first vest and become exercisable
C L Oster	2 Dec 2013	166,679	0.672	-	-	-	166,679	1 Dec 2016
	1 Sept 2014	-	1.677	17,804	-	-	17,804	1 July 2015
	1 Sept 2014	-	1.636	17,804	-	-	17,804	1 July 2016
	1 Dec 2014	-	0.471	225,412	-	-	225,412	1 Dec 2017
Total		493,022		261,020	(42,543)	(123,494)	588,005	
Total (\$)				165,176	40,804	174,250		
K A Presser	1 Dec 2011	301,967	1.411	-	-	(301,967)	-	1 Dec 2014
	14 Sept 2012	95,514	0.912	-	(95,514)	-	-	1 July 2014
	21 Dec 2012	169,781	0.780	-	-	-	169,781	1 Dec 2015
	30 Aug 2013	12,754	1.112	-	(12,754)	-	-	1 July 2014
	30 Aug 2013	12,754	1.091	-	-	-	12,754	1 July 2015
	2 Dec 2013	189,792	0.672	-	-	-	189,792	1 Dec 2016
	1 Sept 2014	-	1.677	20,273	-	-	20,273	1 July 2015
	1 Sept 2014	-	1.636	20,272	-	-	20,272	1 July 2016
	1 Dec 2014	-	0.471	256,632	-	-	256,632	1 Dec 2017
Total		782,562		297,177	(108,268)	(301,967)	669,504	
Total (\$)				188,062	101,023	426,075		
R A Rayner	1 Dec 2011	294,659	1.411	-	-	(294,659)	-	1 Dec 2014
	14 Sept 2012	62,135	0.912	-	(62,135)	-	-	1 July 2014
	21 Dec 2012	165,673	0.780	-	-	-	165,673	1 Dec 2015
	30 Aug 2013	12,445	1.112	-	(12,445)	-	-	1 July 2014
	30 Aug 2013	12,445	1.091	-	-	-	12,445	1 July 2015
	2 Dec 2013	185,199	0.672	-	-	-	185,199	1 Dec 2016
	1 Sept 2014	-	1.677	19,233	-	-	19,233	1 July 2015
	1 Sept 2014	-	1.636	19,232	-	-	19,232	1 July 2016
	1 Dec 2014	-	0.471	250,436	-	-	250,436	1 Dec 2017
Total		732,556		288,901	(74,580)	(294,659)	652,218	
Total (\$)				181,698	70,245	415,764		
M R Squire	1 Dec 2014	-	0.471	205,712	-	-	205,712	1 Dec 2017
Total		-		205,712	-	-	205,712	
Total (\$)				96,911	-	-		

⁽¹⁾ The rights that vested resulted in the issue of one share for each right as set out in table 16. No amount was paid for the issue of those shares.

⁽²⁾ The lapsed rights were those granted on 1 December 2011. The value of the rights that lapsed during FY15 was \$3,621,289 (FY14 \$3,879,840). The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options and rights as at the date of their grant has been determined in accordance with AASB 2. The calculations are performed using various approved option valuation methodologies. The total value of the options and rights, if the performance conditions are not met, is nil.

No rights that vested during FY15 were unexercisable at the end of the reporting period. The percentage of all rights that vested in the year and lapsed in the year for senior executives listed was 100%. All performance rights issued during the year are issued with a zero exercise price

Related Party disclosures

During the financial year Beach paid \$30,000 (plus GST) to Energy Insights (a company owned by Mr Rayner) for office rental in Brisbane.

Transactions with other related parties

During the financial year ended 30 June 2015, Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a principal. Beach paid \$160,339 during the financial year (FY14: \$239,045) to DMAW lawyers for legal and advisory services, of which \$4,465 related to FY14. In addition to fees paid during the year a further \$3,879 (FY14: \$9,680) is payable to DMAW Lawyers as at 30 June 2015 for invoices received but not yet paid and work in progress not yet invoiced. Directors fees payable to Mr Davis for the year ended 30 June 2015 of \$250,000 (FY14: \$250,000) were also paid directly to DMAW Lawyers.

Directors' Declaration

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 71 to 110 are in accordance with the Corporations Act 2001, including:
 - (i) complying with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
 - (b) there are reasonable grounds to believe that Beach will be able to pay its debts as and when they become due and payable.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as noted in the Basis of Preparation which forms part of the financial statements.
3. At the time of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 22.
4. The directors have been given the declarations by the Managing Director and the Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



G S Davis
Chairman

Adelaide
24 August 2015

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2015

	Note	Consolidated	
		2015 \$million	2014 \$million
Sales revenue	2(a)	727.7	1,052.1
Cost of sales	3(a)	(562.5)	(639.9)
Gross profit		165.2	412.2
Other revenue	2(a)	7.8	5.6
Other income	2(b)	6.7	19.5
Other expenses	3(b)	(828.1)	(207.8)
Operating profit/(loss) before financing costs		(648.4)	229.5
Interest income	15	8.5	13.8
Finance expenses	15	(15.1)	(40.9)
Profit/(loss) before income tax expense		(655.0)	202.4
Income tax (expense)/benefit	5	140.9	(100.6)
Net profit/(loss) after tax		(514.1)	101.8
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of available-for-sale financial assets		(24.2)	17.7
Net (loss)/gain on translation of foreign operations		45.2	(5.9)
Tax effect relating to components of other comprehensive income	5	3.7	(4.8)
Other comprehensive income, net of tax		24.7	7.0
Total comprehensive income/(loss) after tax		(489.4)	108.8
Basic earnings per share (cents per share)	6	(39.64¢)	7.95¢
Diluted earnings per share (cents per share)	6	(39.64¢)	7.79¢

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Consolidated	
		2015 \$million	2014 \$million
Current assets			
Cash and cash equivalents		170.2	411.3
Receivables	17	125.4	126.9
Inventories	7	114.6	91.8
Derivative financial instruments	17	1.1	-
Other		8.1	7.9
Assets held for sale	25	22.2	-
Total current assets		441.6	637.9
Non-current assets			
Available-for-sale financial assets	17	46.1	70.3
Property, plant and equipment	8	448.1	440.7
Petroleum assets	9	588.2	872.1
Exploration and evaluation assets	10	305.3	541.7
Derivative financial instruments	17	0.2	-
Other financial assets		6.9	28.0
Total non-current assets		1,394.8	1,952.8
Total assets		1,836.4	2,590.7
Current liabilities			
Payables	17	128.5	160.0
Employee entitlements		8.5	7.7
Provisions	13	5.3	11.6
Current tax liabilities	5	6.6	65.4
Borrowings	15	-	143.0
Derivative financial instruments	17	-	13.3
Liabilities held for sale	25	2.2	-
Total current liabilities		151.1	401.0
Non-current liabilities			
Payables	17	4.0	-
Employee entitlements		0.9	0.8
Provisions	13	150.2	131.0
Deferred tax liabilities	5	26.9	187.1
Borrowings	15	148.5	-
Total non-current liabilities		330.5	318.9
Total liabilities		481.6	719.9
Net assets		1,354.8	1,870.8
Equity			
Contributed equity	18	1,250.1	1,239.9
Reserves	19	273.4	58.3
Retained earnings/(accumulated losses)		(168.7)	572.6
Total equity		1,354.8	1,870.8

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2015

	\$million Contributed Equity	\$million Retained Earnings / (Accumulated Losses)	\$million Reserves	\$million Total
Balance as at 30 June 2013	1,214.1	521.8	46.7	1,782.6
Profit for the year	-	101.8	-	101.8
Other comprehensive income	-	-	7.0	7.0
Total comprehensive income for the year	-	101.8	7.0	108.8
Transactions with owners in their capacity as owners:				
Shares issued during the year	25.8	-	-	25.8
Increase in share based payments reserve	-	-	4.6	4.6
Dividends paid (Note 20)	-	(51.0)	-	(51.0)
Transactions with owners	25.8	(51.0)	4.6	(20.6)
Balance as at 30 June 2014	1,239.9	572.6	58.3	1,870.8
Loss for the year	-	(514.1)	-	(514.1)
Other comprehensive income	-	-	24.7	24.7
Total comprehensive income/(loss) for the year	-	(514.1)	24.7	(489.4)
Transactions with owners in their capacity as owners:				
Shares issued during the year	10.2	-	-	10.2
Increase in share based payments reserve	-	-	2.1	2.1
Dividends paid (Note 20)	-	(38.9)	-	(38.9)
Transfer to profit distribution reserve (Note 19)	-	(188.3)	188.3	-
Transactions with owners	10.2	(227.2)	190.4	(26.6)
Balance as at 30 June 2015	1,250.1	(168.7)	273.4	1,354.8

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2015

	Note	Consolidated	
		2015 \$million	2014 \$million
Cash flows from operating activities			
Receipts from oil and gas operations		720.2	1,080.4
Operating and personnel costs paid		(428.4)	(494.6)
Interest received		11.2	15.1
Other receipts		7.8	6.1
Financing costs		(7.8)	(8.7)
Derivative payments		-	(0.6)
Income tax refund		-	8.7
Income tax paid		(74.5)	(23.8)
Net cash provided by operating activities	16	228.5	582.6
Cash flows from investing activities			
Payments for property, plant and equipment		(90.2)	(98.3)
Payments for petroleum assets		(216.7)	(213.7)
Payments for exploration		(141.0)	(188.4)
Payments for restoration		(5.2)	(3.7)
Acquisition of exploration interests		(2.5)	(1.5)
Payments for investments		-	(10.6)
Proceeds from sale of joint venture interests		-	20.9
Proceeds from sale of non-current assets		0.4	3.7
Reimbursement of exploration expenditure		12.9	-
Net cash used in investing activities		(442.3)	(491.6)
Cash flows from financing activities			
Proceeds from the exercise of options		-	3.8
Proceeds from drawdown of debt		150.0	-
Repayment of convertible notes		(150.0)	-
Repayment of Employee Incentive Loans		0.8	1.7
Dividends paid		(29.5)	(30.7)
Net cash used in financing activities		(28.7)	(25.2)
Net increase/(decrease) in cash held		(242.5)	65.8
Cash at beginning of financial year		411.3	347.6
Effects of exchange rate changes on the balances of cash held in foreign currencies		1.4	(2.1)
Cash at end of financial year		170.2	411.3

The accompanying notes form part of these financial statements

Notes to the Financial Statements

Basis of preparation

This section sets out the basis upon which the Group's (comprising Beach and its subsidiaries) financial statements are prepared as a whole. The structure and format of the current year financial statements (including comparatives) has been updated to improve their readability. Significant accounting policies and key judgements and estimates of the Group that summarise the measurement basis used and assist in understanding the financial statements are described in the relevant note to the financial statements or are otherwise provided in this section.

Beach Energy Limited (Beach) is a for profit company limited by shares, incorporated in Australia and whose shares are publicly listed on the Australian Securities Exchange (ASX). The nature of the Group's operations are described in the segment note. The consolidated general purpose financial report of the Group for the financial year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 24 August 2015.

This general purpose financial report

- has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Beach Energy Limited also comply with IFRSs.
- has been prepared on an accruals basis and is based on the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income.
- is presented in Australian dollars with all amounts rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with Class Order 98 / 100 issued by the Australian Securities and Investment Commission.
- has been prepared by consistently applying all accounting policies to all the financial years presented, unless otherwise stated.
- has been prepared by reclassifying comparative information to be consistent with the presentation in the current year where required by Accounting Standards or arising through changes in disclosure (refer note 17).

Notes to the financial statements

The notes include information which is required to understand the financial statements that is material and relevant to the operations, financial position or performance of the Group. Information is considered material and relevant where the amount is significant in size or nature, it is important in understanding changes to the operations or results of the Group or it may significantly impact on future performance.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has had to make judgements, estimates and assumptions about future events that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates and the reasonableness of these estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are found in the following notes:

Note 5 – Taxation

Note 8 - Property, plant and equipment

Note 9 - Petroleum assets

Note 10 - Exploration and evaluation assets

Note 12 - Impairment of non-financial assets

Note 13 – Provisions

Basis of consolidation

The consolidated financial statements are those of Beach and its subsidiaries (detailed in Note 21). Subsidiaries are those entities that Beach controls as it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

In preparing the consolidated financial statements, all transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Basis of preparation (continued)

Foreign currency

Both the functional and presentation currency of Beach is Australian dollars. Some subsidiaries have different functional currencies which are translated to the presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

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

Revenues, expenses and equity items of foreign operations are translated to Australian dollars using the exchange rate at the date of transaction while assets and liabilities are translated using the rate at balance date with differences recognised directly in the Foreign Currency Translation Reserve.

Adoption of new and revised accounting standards

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

The adoption of these new and revised Australian Accounting Standards and Interpretations has had no significant impact on the group's accounting policies or the amounts reported during the financial year.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group:

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Year ended 30 June 2017: Amendments to AASB 116 and AASB 138, Clarification of acceptable methods of depreciation and amortisation

This standard will clarify that revenue based methods to calculate depreciation and amortisation are not considered appropriate. This will not result in a change to the manner in which the Group's financial result is determined as no such method is currently in use.

Year ended 30 June 2018: AASB 15: Revenue from Contracts with Customers

This standard will change the timing and in some cases the quantum of revenue recognised from customers. AASB 15 requires an entity to recognise revenue by identifying for each customer contract, the performance obligations in the contract and the transaction price. The transaction price is then allocated against the performance obligations in the contract with revenue recognised when (or as) the entity satisfies each performance obligation. Management is currently assessing the impact of the new standard but it is not expected to have a material impact on the financial performance or financial position of the Group.

Year ended 30 June 2019: AASB 9: Financial Instruments

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

Results for the year

This section explains the results and performance of the Group including additional information about those individual line items in the financial statements most relevant in the context of the operations of the Group, including accounting policies that are relevant for understanding the items recognised in the financial statements and an analysis of the Group's result for the year by reference to key areas, including operating segments, revenue, expenses, employee costs, taxation and earnings per share.

1. Operating segments

The Group has identified its operating segments to be its Cooper Basin, Other Australia 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 Group.

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

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

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

Details of the performance of each of these operating segments for the financial years ended 30 June 2015 and 30 June 2014 are set out on the following page:

1. Operating segments (continued)

	Cooper Basin		Other Australia		International		Total	
	2015 \$million	2014 \$million	2015 \$million	2014 \$million	2015 \$million	2014 \$million	2015 \$million	2014 \$million
Segment revenue								
Oil and gas sales	716.8	1,046.0	-	-	10.9	6.1	727.7	1,052.1
<i>During the year revenue from three customers amounted to \$497.5 million (2014: \$794.3 million from two customers) arising from sales from the Cooper Basin segment.</i>								
Segment results								
Gross segment result before depreciation, amortisation and impairment	381.6	596.1	(1.9)	(1.9)	5.9	1.7	385.6	595.9
Depreciation and amortisation	(212.3)	(177.7)	-	-	(8.1)	(6.0)	(220.4)	(183.7)
Impairment Loss	(583.2)	-	-	(13.6)	(205.9)	(148.6)	(789.1)	(162.2)
	(413.9)	418.4	(1.9)	(15.5)	(208.1)	(152.9)	(623.9)	250.0
Other revenue							7.8	5.6
Other income							6.7	19.5
Net financing costs							(6.6)	(27.1)
Other expenses							(39.0)	(45.6)
Profit/(loss) before tax							(655.0)	202.4
Income tax expense							140.9	(100.6)
Net profit/(loss) after tax							(514.1)	101.8
Segment assets	1,336.2	1,673.1	98.0	81.9	55.1	200.8	1,489.3	1,955.8
Total corporate and unallocated assets							347.1	634.9
Total consolidated assets							1,836.4	2,590.7
Segment liabilities	218.8	229.4	34.2	34.9	5.3	5.0	258.3	269.3
Total corporate and unallocated liabilities							223.3	450.6
Total consolidated liabilities							481.6	719.9
Additions and acquisitions of non current assets								
Exploration and evaluation assets	99.4	127.7	19.1	37.7	18.9	32.0	137.4	197.4
Petroleum assets	213.2	227.3	-	-	8.3	12.5	221.5	239.8
Other land, buildings plant and equipment	68.7	86.5	-	-	3.8	1.7	72.5	88.2
	381.3	441.5	19.1	37.7	31.0	46.2	431.4	525.4
Total corporate and unallocated assets							15.0	13.1
Total additions and acquisitions of non current assets							446.4	538.5
Non-current assets *	1,309.5	1,655.3	-	142.1	32.1	57.1	1,341.6	1,854.5

*excluding financial assets

2. Revenue and Other income

The Group's revenue is derived primarily from the sale of gas and liquid hydrocarbons. Sales revenue is recognised on the basis of the Group's interest in a producing field, when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of ship or truck loading, or on the product entering the relevant pipeline.

	Consolidated	
	2015	2014
	\$million	\$million
(a) Revenue		
Crude oil	538.9	857.3
Gas and gas liquids	188.8	194.8
Sales revenue	727.7	1,052.1
Other revenue	7.8	5.6
Total revenue	735.5	1,057.7
(b) Other income		
Gain on sale of non-current assets	0.7	3.3
Gain on sale of joint operation interests	-	15.7
Gain on commodity hedging	1.2	-
Foreign exchange gains	4.8	-
Insurance proceeds	-	0.5
Total other income	6.7	19.5

3. Expenses

The Group's significant expenses in operating the business are described below split between cost of sales and other expenses including impairment, employee benefit expense and corporate and other costs.

	Consolidated	
	2015 \$million	2014 \$million
(a) Cost of sales		
Operating costs	175.0	166.9
Carbon cost	-	17.4
Royalties	54.2	79.2
Total operating costs	229.2	263.5
Depreciation of property, plant and equipment	44.4	39.9
Amortisation of petroleum assets	176.0	143.8
Total amortisation and depreciation for operations	220.4	183.7
Third party oil and gas purchases	138.1	204.3
Change in inventory	(25.2)	(11.6)
Total cost of sales	562.5	639.9
(b) Other expenses		
Impairment		
Impairment of other financial assets	36.0	-
Impairment of property, plant & equipment	21.6	-
Impairment of petroleum assets	370.8	-
Impairment of exploration	360.7	162.2
Total impairment loss (Note 12)	789.1	162.2
Other		
Employee benefits expense (Note 4)	20.0	26.9
Foreign exchange losses	-	3.7
Loss on commodity hedging	-	0.6
Depreciation of property, plant and equipment	1.9	1.3
Corporate development costs	3.2	2.9
Corporate expenses	13.9	10.2
Other expenses	39.0	45.6
Total other expenses	828.1	207.8

4. Employment benefits

Provision is made for the Group's employee benefits liability arising from services rendered by employees to the end of the reporting period. These benefits include wages, salaries, annual leave and long service leave. Where these benefits are expected to be settled within 12 months of the reporting date, they are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-vesting personal leave are recognised when the leave is taken and are measured at the rates paid or payable. Liabilities for long service leave and annual leave that is not expected to be taken wholly before 12 months after the end of the reporting period in which the employee rendered the related service, are recognised and measured as the present value of the estimated future cash outflows to be made in respect of employees' services up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, experience of employee departures and periods of service. Consistent with the determination that Australia now has a deep market for high quality corporate bonds, the estimated future payments have been discounted using Australian corporate bond rates. The obligations are presented as current liabilities in the statement of financial position if the Group does not have the unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Superannuation commitments: Each employee nominates their own superannuation fund into which Beach contributes compulsory superannuation amounts based on a percentage of their salary.

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

Equity settled compensation:

Employee Incentive Plan - The Group operates an Employee Incentive Plan, approved by shareholders. Shares are allotted to employees under this Plan at the Board's discretion. Shares acquired by employees are funded by interest free non-recourse loans for a term of 10 years which are repayable on cessation of employment with the consolidated entity or expiry of the loan term. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of shares issued is determined with reference to the latest ASX share price. Options are valued using an appropriate valuation technique such as the Binomial or Black-Scholes Option Pricing Models which takes into account the vesting conditions.

The following employee shares are currently on issue	Number	Issue price	Fair value (\$million)
Balance as at 30 June 2013	14,412,517		
Issued during the financial year – 29 August 2013	121,935	\$1.364	0.1
Sold / loan repaid during the financial year	(1,667,903)		
Balance as at 30 June 2014	12,866,549		
Sold / loan repaid during the financial year	(713,600)		
Balance as at 30 June 2015	12,152,949		

During the financial year, no shares were issued to employees pursuant to this plan. In the prior year, 121,935 shares were issued and fair valued at \$102,193 based on a 10 year loan term, risk free rate of 3.91%, share price of \$1.364 and volatility of 44.7%.

The closing ASX share price of Beach fully paid ordinary shares at 30 June 2015 was \$1.05 as compared to \$1.68 as at 30 June 2014.

4. Employment benefits (continued)

Incentive Rights – The Group operates an Executive Incentive Plan for key management personnel providing both Short Term Incentives (STIs) and Long Term Incentives (LTIs). The STI is part of ‘at risk’ remuneration offered to senior executives. It measures individual and Company performance over a 12 month period coinciding with Beach's financial year. It is provided in equal parts of cash and equity that may or may not vest subject to additional retention conditions. It is offered annually to senior executives at the discretion of the Board. The LTI is an equity based ‘at risk’ incentive plan. The LTI is intended to reward efforts and results that promote long term growth in shareholder value or total shareholder return (TSR). LTIs are offered to senior executives at the discretion of the Board. The fair value of performance rights issued are recognised as an employee benefits expense with a corresponding increase in equity. The fair value of the performance rights are measured at grant date and recognised over the vesting period during which the key management personnel become entitled to the performance rights. The fair value of the STIs is measured using the Black-Scholes Option Pricing Model and the fair value of the LTIs is measured using Monte Carlo simulation, taking into account the terms and conditions upon which these rights were issued.

Movements in unlisted performance rights are set out below:

	2015 number	2014 number
Balance at beginning of period	7,526,330	11,767,747
Issued during the period	2,072,089	2,359,026
Cancelled during the period	(2,922,520)	(4,773)
Vested during the period	(898,136)	(6,595,670)
Balance at end of period	5,777,763	7,526,330

In the current financial year, Beach issued 404,418 unlisted performance rights pursuant to the Executive Incentive Plan for the 2013 short term incentive offer. Half of these unlisted performance rights vest 1 July 2015 with the balance vesting on 1 July 2016 subject to the holder of the performance rights remaining employed with Beach on the vesting dates. On 1 December 2014, Beach issued a further 1,667,671 Long Term Incentive unlisted performance rights under the Executive Incentive Plan. These performance rights, which expire on 30 November 2019, are exercisable for nil consideration and are not exercisable before 1 December 2017.

	Consolidated	
	2015 \$million	2014 \$million
Employee benefits expense		
Short term benefits	14.3	19.5
Post employment benefits	3.6	2.8
Share based payments	2.1	4.6
Total	20.0	26.9

5. Taxation

Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. The income tax expense or benefit for the period is the tax payable on the current period's taxable income, which is based on the notional income tax rates, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. These temporary differences are recognised at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

	Consolidated	
	2015 \$million	2014 \$million
Recognised in the statement of profit or loss		
Current tax expense		
Current financial year tax expense	19.1	77.6
Over provision in the prior year	(8.7)	(18.2)
Other	5.2	0.4
Total current tax expense	15.6	59.8
Deferred tax expense		
Origination and reversal of temporary differences	(157.0)	31.2
Under/(Over) provision in the prior year	0.8	9.6
Other	(0.3)	-
Total deferred tax expense	(156.5)	40.8
Total income tax expense	(140.9)	100.6
Numerical reconciliation between tax expense and prima facie tax expense		
Reconciliation of the prima facie income tax expense calculated on profit before income tax expense included in the statement of profit or loss		
Profit/(loss) before income tax expense	(655.0)	202.4
Prima facie income tax expense/(benefit) using an income tax rate at 30% (2014: 30%)	(196.5)	60.7
Adjustment to income tax expense due to:		
Non-deductible expenses	0.9	1.5
Losses of controlled foreign entities not recognised	62.9	46.2
Adjustment to income tax expense due to:		
Foreign tax impact	-	1.0
Other	(0.3)	(0.2)
Over provision in the prior year	(7.9)	(8.6)
Income tax expense on pre-tax profit	(140.9)	100.6

Tax effects relating to each component of other comprehensive income (\$million)

Group	2015			2014		
	Before tax amount	Tax benefit	Net of tax amount	Before tax amount	Tax (expense)	Net of tax amount
Available for sale financial assets	(24.2)	3.7	(20.5)	17.7	(4.8)	12.9
Exchange difference on translating foreign controlled entities	45.2	-	45.2	(5.8)	-	(5.8)

5. Taxation (continued)

Beach and its wholly owned Australian subsidiaries are consolidated for Australian income tax purposes with Beach responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. Beach has entered into tax sharing agreements with its wholly owned subsidiaries whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. Accordingly, as head entity, Beach is responsible for recognising current tax liabilities, current tax assets and deferred tax assets from unused tax losses and credits of members of the tax consolidated group. Deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are allocated amongst the members of the tax consolidated group on a "standalone" basis in accordance with Interpretation 1052, *Tax Consolidation Accounting*.

Movement in Group deferred tax balances (\$million)

	Balance 1 July 2014	Recognised in income	Recognised in OCI	Balance 30 June 2015	Deferred Tax Asset	Deferred Tax Liability
Current financial year						
Property, plant and equipment	(227.6)	148.8	-	(78.8)	22.3	(101.1)
Investments	(11.4)	7.1	3.7	(0.6)	-	(0.6)
Provisions	42.7	4.0	-	46.7	46.7	-
Employee benefits	2.5	(0.1)	-	2.4	2.4	-
Other Items	4.8	(3.7)	-	1.1	10.1	(9.0)
Tax value of losses carried forward	0.7	(0.7)	-	-	-	-
Inventories	1.2	1.1	-	2.3	3.9	(1.6)
Tax assets/(liabilities) before set-off	(187.1)	156.5	3.7	(26.9)	85.4	(112.3)
Set-off of deferred tax assets in Australia					(85.4)	85.4
Net deferred tax assets/(liabilities)					-	(26.9)
	Balance 1 July 2013	Recognised in income	Recognised in OCI	Balance 30 June 2014	Deferred Tax Asset	Deferred Tax Liability
Previous financial year						
Property, plant and equipment	(176.3)	(51.3)	-	(227.6)	2.3	(229.9)
Investments	(7.9)	1.2	(4.7)	(11.4)	-	(11.4)
Provisions	34.7	8.0	-	42.7	42.7	-
Employee benefits	2.1	0.4	-	2.5	2.5	-
Other Items	2.7	2.1	-	4.8	12.4	(7.6)
Tax value of losses carried forward	1.9	(1.2)	-	0.7	0.7	-
Inventories	1.2	-	-	1.2	3.3	(2.1)
Tax assets/(liabilities) before set-off	(141.6)	(40.8)	(4.7)	(187.1)	63.9	(251.0)
Set-off of deferred tax assets in Australia					(63.9)	63.9
Net deferred tax assets/(liabilities)					-	(187.1)

Petroleum Resource Rent Tax (PRRT): PRRT is recognised as an income tax under *AASB112 - Income Taxes*. From 1 July 2012, the PRRT regime was extended to all Australian onshore oil and gas projects. Accounting for PRRT involves judging the impact of the combination of production licences into PRRT projects, the taxing point of projects, the measurement of the starting base of projects, the impact of farm-ins, the deductibility of expenditure and the impact of legislative amendments. A deferred tax asset is recognised in relation to the carry forward deductible PRRT expenditure of projects only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The group has determined the carry forward deductible PRRT expenditure of projects including augmentation on expenditure categories in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements. Deferred tax assets in respect of PRRT are reduced to the extent that it is no longer probable that the related tax benefit will be realised. During the 2014 financial year, Beach applied for and was granted a PRRT combination certificate by the Minister for Industry in respect of its Cooper Basin projects. Therefore, the Cooper Basin production licences together are treated as one project for PRRT purposes. The government has also enacted legislation which will enable contract liabilities with third parties to be apportioned based on the extent that the expenditure relates to the petroleum project.

5. Taxation (continued)

Due to the substantial value of carry forward deductible PRRT expenditure at 30 June 2015, the Group does not expect to pay PRRT in the short to medium term and as a result, no additional deferred tax asset has been recognised in the financial statements for the year ended 30 June 2015.

	Consolidated	
	2015	2014
	\$million	\$million
Deferred tax assets have not been recognised in respect of the following items:		
Contingent consideration on sale of controlled entity	-	1.4
Tax losses (capital)	11.5	10.3
Foreign tax losses (revenue)	24.0	15.2
PRRT (net of income tax)	1,057.3	796.7
Total	1,092.8	823.6

These taxation benefits will only be obtained if assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised; conditions for deductibility imposed by the law are complied with; and no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Goods and services tax

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

6. Earnings per share (EPS)

The Group presents basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the dilutive effect, if any, of outstanding share rights which have been issued to employees.

Earnings after tax used in the calculation of EPS is as follows:

	2015	2014
	\$million	\$million
Basic EPS	(514.1)	101.8
After tax interest saving on convertible notes assuming conversion	-	4.1
Diluted EPS	(514.1)	105.9

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of EPS is as follows:

	2015	2014
	Number	Number
Basic EPS	1,297,076,016	1,279,624,315
Convertible notes	-	77,704,509
Share rights	1,379,865	2,858,098
Diluted EPS	1,298,455,881	1,360,186,922

4,397,898 (2014: 4,668,232) potential ordinary shares relating to performance rights were not considered dilutive during the period as vesting would not have occurred based on the status of the required vesting conditions at the end of the relevant reporting period and so have been excluded from the calculation of diluted EPS. Since the end of the current financial year and before the completion of this report, 441,935 ordinary shares were issued upon vesting of unlisted performance rights issued pursuant to the Beach Energy Limited Executive Incentive Plan.

Capital Employed

This section details the investments made by the Group in exploring for and developing its petroleum business including inventories, property plant and equipment, petroleum assets, joint operations and any related restoration provisions as well as an assessment of asset impairment and details of future commitments.

7. Inventories

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

- (i) Drilling and maintenance stocks, which include plant spares, consumables, maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; and
- (ii) Petroleum products, which comprise extracted crude oil, liquefied petroleum gas, condensate and naphtha stored in tanks and pipeline systems and process sales gas and ethane stored in sub-surface reservoirs, are valued using the absorption cost method in a manner which approximates specific identification.

	Consolidated	
	2015 \$million	2014 \$million
Petroleum products	98.7	77.1
Drilling and maintenance stocks	29.5	26.4
Less provision for obsolescence	(13.6)	(11.7)
Total current inventories at lower of cost and net realisable value	114.6	91.8
Petroleum products included above which are stated at net realisable value	80.7	55.2

8. Property, plant and equipment (PPE)

PPE is measured at cost less depreciation and impairment losses. The carrying amount of PPE is reviewed bi-annually for impairment (refer Note 12). The cost of PPE constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and is included in the profit or loss.

The depreciable amount of all PPE excluding freehold land is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Production facilities, field equipment and buildings are depreciated based on the proved and probable hydrocarbon reserves.

The depreciation rates used in the current and previous period for each class of depreciable asset are

- 2% for the corporate head office building
- 5-33% for other equipment
- Life of the area according to the rate of depletion of the proved and probable hydrocarbon reserves for production facilities and field buildings and equipment.

8. Property, plant and equipment (PPE) (continued)

	Consolidated	
	2015 \$million	2014 \$million
Land and buildings		
Land and buildings at cost	58.9	42.3
Less accumulated depreciation	(15.1)	(13.5)
Total land and buildings	43.8	28.8
Reconciliation of movement in land and buildings:		
Balance at beginning of financial year	28.8	16.2
Additions	16.7	15.5
Disposals	-	(1.8)
Depreciation expense	(1.7)	(1.1)
Total land and buildings	43.8	28.8
Production facilities, field and other equipment		
Production facilities and field equipment	801.6	750.9
Production facilities and field equipment under construction	37.5	52.6
Less accumulated depreciation	(434.8)	(391.6)
Total production facilities and field equipment	404.3	411.9
Reconciliation of movement in production facilities and field equipment:		
Balance at beginning of financial year	411.9	366.7
Additions	70.8	85.8
Disposals	-	(0.3)
Transfer to exploration and evaluation expenditure	(1.5)	-
Impairment of production facilities and field equipment (Note 12)	(21.6)	-
Reclassification to assets held for sale (Note 25)	(12.9)	-
Depreciation expense	(44.6)	(40.1)
Foreign exchange movement	2.2	(0.2)
Total production, facilities and field equipment	404.3	411.9
Total property, plant and equipment	448.1	440.7

9. Petroleum Assets

Petroleum assets are measured at cost less amortisation and impairment losses. The assets useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying amount of petroleum assets is reviewed bi-annually (Refer Note 12). Gains and losses on disposals are determined by comparing proceeds with the carrying amount and included in the profit or loss. Petroleum assets are amortised over the life of the area according to the rate of depletion of the proved and probable hydrocarbon reserves. Retention of petroleum assets is subject to meeting certain work obligations/ commitments as detailed in Note 14.

	Consolidated	
	2015 \$million	2014 \$million
Petroleum assets at cost	1,399.0	1,570.7
Petroleum assets under construction	167.1	118.1
Less accumulated amortisation	(977.9)	(816.7)
Total petroleum assets	588.2	872.1
Reconciliation of movement in petroleum assets		
Balance at beginning of financial year	872.1	714.4
Additions	212.1	224.5
Increase in restoration	9.4	15.3
Transfer from exploration and evaluation expenditure	26.9	66.6
Reclassification to assets held for sale (Note 25)	(1.3)	-
Impairment of petroleum assets (Note 12)	(370.8)	-
Disposals	-	(4.5)
Amortisation expense	(176.0)	(143.8)
Foreign exchange movement	15.8	(0.4)
Total petroleum assets	588.2	872.1

10. Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of proved and probable hydrocarbon reserves. A bi-annual review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs. All exploration and evaluation expenditure is capitalised until a "trigger event" occurs that will invoke impairment testing. A trigger event could arise from a significant change in the forward looking assessment of geo-technical and/or commercial factors. This could involve a series of dry holes, the relinquishment of an area, a significant farm-out of an area or any similar type event. Once impairment testing events arise, Beach will complete a full assessment of the recoverable value of the area of interest as compared to the carrying value of the area of interest. This may result in a write down of its carrying value. Accumulated costs in relation to an abandoned area are written off in full in the profit or loss in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are transferred to petroleum assets and amortised over the life of the area according to the rate of depletion of the proved and probable hydrocarbon reserves.

The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, activities in the area have reached a stage that permits reasonable assessment of the existence of proved and probable hydrocarbon reserves and management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount is written off through the profit or loss. Retention of exploration assets is subject to meeting certain work obligations/exploration commitments (Note 14).

	Consolidated	
	2015	2014
	\$million	\$million
Exploration and evaluation areas at beginning of financial year (net of amounts written off)	541.7	579.4
Additions	131.3	195.2
Increase in restoration	3.6	0.9
Acquisitions of joint venture interests	2.5	1.3
Transfer to petroleum assets	(26.9)	(66.6)
Transfer from property, plant & equipment	1.5	-
Reimbursement of exploration expenditure	(12.9)	-
Impairment of exploration expenditure (Note 12)	(360.7)	(162.2)
Disposal of joint venture interests	-	(1.5)
Foreign exchange movement	25.2	(4.8)
Total exploration and evaluation assets	305.3	541.7

11. Interests in joint operations

Exploration and production activities are conducted through joint arrangements governed by joint operating agreements, production sharing contracts or similar contractual relationships. A joint operation involves the joint control, and often the joint ownership, of one or more assets contributed to, or acquired for the purpose of the joint operation and dedicated to the purposes of the joint operation. The assets are used to obtain benefits for the parties to the joint operation. Each party may take a share of the output from the assets and each bears an agreed share of expenses incurred. Each party has control over its share of future economic benefits through its share of the joint operation. The interests of the Group in joint operations are brought to account by recognising in the financial statements the Group's share of jointly controlled assets, share of expenses and liabilities incurred, and the income from the sale or use of its share of the production of the joint operation in accordance with the Group's revenue policy.

The Group has a direct interest in a number of unincorporated joint operations with those significant joint operation interests shown below.

Joint Operation	Principal activities	% interest	
		2015	2014
Oil and Gas interests			
Abu Sennan	Oil production and exploration	22.0	22.0
Block 28	Oil exploration	-	30.0
Naccowlah Block	Oil production	38.5	38.5
North Shadwan	Oil production and exploration	20.0	20.0
PEL 31,32,47	Oil production	100.0	100.0
Ex PEL 91 (PRLs 151-172)	Oil production	40.0	40.0
Ex PEL 92 (PRLs 85-104)	Oil production	75.0	75.0
Ex PEL 104 (PRLs 15,136-141)	Oil production	40.0	40.0
Ex PEL 106 (PRLs 129-130)	Gas exploration	50.0	50.0
Ex PEL 218 (PRLs 33-49) (Permian) ⁽¹⁾	Shale gas exploration	70.0	70.0
ATP 855 ⁽²⁾	Shale gas exploration	46.9	46.9
SA Fixed Factor Area	Oil and gas production	20.2	20.2
SA Unit	Oil production	20.2	20.2
SWQ Unit	Gas production	23.2	23.2
Total 66 Block	Oil production	30.0	30.0

(1) 100% upon reassignment by Chevron of 30%

(2) 64.9% upon reassignment by Chevron of 18%

Details of commitments and contingent liabilities incorporating the Group's interests in joint operations are shown in Notes 14 and 26 respectively.

12. Impairment of non-financial assets

The carrying value of the Group's assets, other than inventories and deferred tax assets are reviewed on a bi-annual basis to determine whether there are any indications of impairment. Petroleum assets and property, plant and equipment are assessed for impairment on a cash-generating unit (CGU) basis. A CGU is the smallest grouping of assets that generates independent cash inflows, and generally represents an area of interest. Impairment losses recognised in respect of CGU's are allocated to reduce the carrying amount of the assets on a pro-rata basis. An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

This requires an estimation of the recoverable amount of the area of interest to which each asset belongs. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is assessed on the basis of the expected net cash flows that will be received from the assets continued employment and subsequent disposal. For oil and gas assets the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices where applicable or based on market consensus prices.

For the current financial year, the following assumptions were used in the assessment of the CGU's recoverable amounts:

- Brent oil price of US\$62.5/bbl in FY16, US\$75/bbl in FY17, US\$85/bbl in FY18 and US\$90/bbl beyond FY18
- A\$/US\$ exchange rate of 0.80 in all years.
- Inflation rate – both revenue and costs have not been inflated
- Where appropriate the cash flow inputs have been adjusted to reflect identifiable uncertainty and risk.
- Pre-tax real discount rate of 8% (2014: 8%-10%) to take into account the risks that have not already been adjusted for in the cash flows.

Where an asset does not generate cash flows that are largely independent of other assets or groups of assets, the recoverable amount is determined for the CGU to which the asset belongs.

For the financial year ended 30 June 2015, the Group assessed each CGU to determine whether an indicator of impairment existed. Indicators of impairment include changes in future selling prices, future costs and reserves. As a result, the recoverable amounts of the CGU's and some specific oil and gas assets were formally assessed, resulting in the recognition of an impairment loss of \$583.2 million for Cooper Basin assets and \$173.7 million for Egyptian assets, on an area of interest basis and reflecting the current environment of lower oil prices and decision to sell the Egyptian assets, while the value of Romanian interests have been impaired from \$32.2 million to nil, with no further exploration scheduled. In the previous financial year, International exploration assets in the Egypt area of interest were impaired by \$148.6 million, reflecting risked mean outcomes, and Other Australian exploration assets were impaired by \$13.6 million.

Reconciliation of Impairment expense for the current financial year (\$million)

	Note	Cooper	Egypt	Romania	Total
Property, plant and equipment	8	21.6	-	-	21.6
Petroleum assets	9	287.2	83.6	-	370.8
Exploration and evaluation assets	10	238.4	90.1	32.2	360.7
Other financial assets		36.0	-	-	36.0
Total impairment expense		583.2	173.7	32.2	789.1

All impairment write-downs have been recognised within other expenses in the profit or loss.

Estimates of reserve quantities

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

13. Provisions

A provision for rehabilitation and restoration is provided by the Group where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas once petroleum reserves are exhausted. Restoration liabilities are discounted to present value and capitalised as a component part of petroleum assets. The capitalised costs are amortised over the life of the petroleum assets and the provision revised at the end of each reporting period through the profit or loss as the discounting of the liability unwinds. The unwinding of discounting on the provision is recognised as a finance cost.

Estimate of restoration costs

As in most instances restoration will occur many years in the future, management is required to make judgements regarding estimated future costs of restoration, taking into account estimated timing of restoration activities, planned environmental legislation, the extent of restoration activities and future removal technologies.

	Consolidated	
	2015 \$million	2014 \$million
Current		
Carbon	-	6.4
Restoration	5.3	5.2
Total	5.3	11.6
Non-Current		
Restoration	150.2	131.0

Movement in the Group's provisions are set out below:

	Carbon tax \$million	Restoration \$million
Balance at 1 July 2014	6.4	136.2
Provision made during the year	-	13.0
Provision paid/used during the year	(6.4)	(5.2)
Reclassification to liabilities held for sale	-	(0.3)
Unwind of discount	-	11.8
Balance at 30 June 2015	-	155.5

Following the repeal of the carbon tax effective 1 July 2014, the remaining carbon tax liability for the year ended 30 June 2014 was paid during the current financial year.

14. Commitments for expenditure

	Consolidated	
	2015 \$million	2014 \$million
Capital Commitments		
The Group has contracted the following amounts for capital expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.		
Due within 1 year	40.4	90.2
Due within 1-5 years	-	-
Due later than 5 years	-	-
	40.4	90.2

Minimum Exploration Commitments

The Group is required to meet minimum expenditure requirements of various government regulatory bodies and joint arrangements. These obligations may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

Due within 1 year	36.8	15.3
Due within 1-5 years	79.1	98.4
Due later than 5 years	-	-
	115.9	113.7

The Group's share of the above commitments that relate to its interest in joint arrangement are \$39.5 million (2014: \$90.2 million) for capital commitments and \$108.3 million (2014: \$113.7 million) for minimum exploration commitments.

Operating Commitments

The Group has contracted the following amounts for operating expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.

Due within 1 year	15.7	12.5
Due within 1-5 years	-	-
Due later than 5 years	-	-
	15.7	12.5

Default on permit commitments by other joint arrangement participants could increase the group's expenditure commitments over the forthcoming 5 year period and/or result in relinquishment of tenements. Any increase in the Group's commitments that arises from a default by a joint arrangement party would be accompanied by a proportionate increase in the Group's equity in the tenement concerned.

Financial and Risk Management

This section provides details on the Group's debt and related financing costs, interest income, cashflows and the fair values of items in the Group's Statement of financial position. It also provides details of the Group's market, credit and liquidity risks and how they are managed.

15. Finances and Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the profit or loss over the period of the borrowings on an effective interest basis. Transaction costs are amortised on a straight line basis over the term of the facility. The unwinding of present value discounting on debt and provisions is also recognised as a finance cost. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Interest income is recognised in the profit or loss as it accrues using the effective interest method and if not received at balance date, is reflected in the balance sheet as a receivable.

	Consolidated	
	2015	2014
	\$million	\$million
Net finance expenses/(income)		
Finance costs	4.8	4.8
Interest expense	6.0	5.9
Unrealised movement in the value of convertible note conversion rights	(13.3)	14.3
Discount unwinding on convertible note	5.8	6.1
Discount unwinding on provision for restoration (Note 13)	11.8	9.8
Total finance expenses	15.1	40.9
Interest income	(8.5)	(13.8)
Net finance expenses	6.6	27.1
Borrowings		
Current (convertible notes)	-	143.0
Non-current (bank debt)	148.5	-
Total borrowings	148.5	143.0

On 3 April 2012, Beach issued A\$150 million of convertible notes (Notes). The Notes carried a fixed coupon rate of 3.95% per annum, payable semi-annually in arrears, for a term of five years. They ranked as senior unsecured obligations of Beach and were listed on the Singapore Securities Exchange. Note Holders exercised their right to have the Notes redeemed at the issue price together with accrued interest on the third anniversary of issue being 3 April 2015.

In July 2013, Beach negotiated a \$320 million syndicated debt facility comprising \$150 million three year revolving loan facility; \$150 million five year revolving loan facility; and a \$20 million letter of credit facility. In October 2014, the letter of credit facility was increased to \$30m of which \$19.5 million had been utilised by way of bank guarantees as at 30 June 2015. The \$150 million five year revolving loan facility was fully drawn down in April 2015 to repay the Notes and has a maturity date of 31 July 2018. As at 30 June 2015, the \$150 million three year revolving loan facility remained undrawn with a maturity date of 31 July 2016. Bank debt bears interest at the relevant reference rate plus a margin.

16. Cash flow reconciliation

For the purpose of the statement of cash flows, cash includes cash on hand, cash at bank, term deposits with banks, and highly liquid investments in money market instruments, net of outstanding bank overdrafts. Any investments of the Group with fixed maturities are stated at amortised cost using effective interest rate method where it is the Group's intention to hold them to maturity.

	Consolidated	
	2015 \$million	2014 \$million
Reconciliation of net profit to net cash provided by operating activities:		
Net profit after tax	(514.1)	101.8
Less items classified as investing/financing activities:		
- Gain on disposal of non-current assets	(0.7)	(3.3)
- Recognition of deferred tax assets/(liability) on items direct in equity	3.7	(4.8)
- Gain on disposal of joint operation interests	-	(15.7)
	(511.1)	78.0
Add/(less) non-cash items:		
- Share based payments	2.1	4.6
- Depreciation and amortisation	222.3	184.9
- Impairment expenses	789.1	162.2
- Unrealised hedging (gain)/loss	(0.2)	1.2
- Discount unwinding on convertible note	5.8	6.1
- Discount unwinding on provision for restoration	11.8	9.8
- Unrealised movement in the value of convertible note conversion rights	(13.3)	14.3
- Provision for stock obsolescence movement	2.0	(1.8)
- Other	2.9	0.3
Net cash provided by operating activities before changes in assets and liabilities	511.4	459.6
Changes in assets and liabilities net of acquisitions / disposal of subsidiaries:		
- Decrease/(increase) in trade and other receivables	(6.3)	54.7
- Increase in inventories	(24.8)	(13.8)
- Increase in other current assets	(4.4)	(0.2)
- Increase/(decrease) in provisions	(5.4)	5.9
- Increase/(decrease) in current tax liability	(58.9)	36.0
- Increase/(decrease) in deferred tax liability	(160.2)	45.4
- Increase in other non-current assets	(3.3)	(7.2)
- Increase/(decrease) in trade and other payables	(19.6)	2.2
Net cash provided by operating activities	228.5	582.6

17. Financial risk management

The Group's activities expose it to a variety of financial risks including currency, commodity, interest rate, credit and liquidity risk. Management identifies and evaluates all financial risks and enters into financial risk instruments such as foreign exchange contracts, commodity contracts and interest rate swaps to hedge certain risk exposures and minimise potential adverse effects of these risk exposures in accordance with the Group's financial risk management policy as approved by the Board. The Group does not trade in derivative financial instruments for speculative purposes.

The Board actively reviews all hedging on a regular basis with updates provided to the Board from independent consultants/banking analysts to keep them fully informed of the current status of the financial markets. Reports providing detailed analysis of all hedging are also continually monitored against the Group's financial risk management policy.

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

Financial assets at fair value through profit or loss: A financial asset is classified in this category if acquired principally for the purpose of selling in the near term. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments: These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments of the Group are stated at amortised cost using effective interest rate method.

Available-for-sale financial assets: Available for sale financial assets include any financial assets not capable of being included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Financial liabilities: Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value: Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment: At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are transferred from the available for sale reserve to be recognised in the profit or loss.

(a) Fair values

Certain assets and liabilities of the Group 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.

17. Financial risk management (continued)

The Group's financial assets and financial liabilities measured and recognised at fair value is set out below:

	Note	Fair value – derivatives		Loans and receivables		Carrying amount Available-for-sale		Other financial assets/liabilities		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Financial assets											
Measured at fair value											
Derivatives	1.3	-	-	-	-	-	-	-	-	1.3	-
Available-for-sale	-	-	-	-	46.1	70.3	-	-	46.1	70.3	
	1.3	-	-	-	46.1	70.3	-	-	47.4	70.3	
Not measured at fair value											
Cash	-	-	-	-	-	-	170.2	411.3	170.2	411.3	
Receivables	-	-	125.4	126.9	-	-	-	-	125.4	126.9	
Other	-	-	-	-	-	-	15.0	36.0	15.0	35.9	
	-	-	125.4	126.9	-	-	185.2	447.3	310.6	574.1	
Financial liabilities											
Measured at fair value											
Borrowings (Notes)	15	-	-	-	-	-	-	143.0	-	143.0	
Derivatives (Notes)	15	-	13.3	-	-	-	-	-	-	13.3	
	-	13.3	-	-	-	-	-	143.0	-	156.3	
Not measured at fair value											
Payables	-	-	-	-	-	-	132.5	160.0	132.5	160.0	
Borrowings (Debt)	15	-	-	-	-	-	148.5	-	148.5	-	
	-	-	-	-	-	-	281.0	160.0	281.0	160.0	

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

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Derivative financial instruments

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are recognised at fair value using valuation techniques that maximise the use of observable market data where it is available with any gain or loss on re-measurement to fair value being recognised through the profit or loss. The Group'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). These investments are measured at fair value using the closing price on the reporting date as listed on various securities exchanges. Unrealised gains and losses arising from changes in fair value are taken directly to equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to the profit or loss.

Convertible notes

In April 2012, Beach issued A\$150 million of Convertible Notes (Notes) which were convertible into Beach Ordinary Shares until March 2017. The conversion rights could 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 was subject to the conversion price which could be reset under certain circumstances. Accordingly, the conversion rights were a derivative financial liability and were marked to market. Each reporting period the conversion rights were fair valued using a range of observable inputs (Level 2). The allocation of the convertible note liability between borrowings and the conversion rights was reassessed and a reallocation of \$15.9 million reflected at 30 June 2014. In addition, unrealised gains or losses on the movement in the value of the convertible note conversion rights were reclassified from other income/expense to financing costs (including comparatives) as these amounts effectively formed part of the overall financing arrangement. Following the full cash redemption of the notes (including accrued interest) on the investor put date of 3 April 2015, being the third anniversary of their issue, the conversion rights were fair valued to nil through the profit or loss.

17. Financial risk management (continued)

The allocation of the convertible note liability between borrowings and the conversion rights was reassessed during the period with a reallocation of \$15.9 million being reflected at 30 June 2014. In addition, unrealised gains or losses on the movement in the value of the convertible note conversion rights have been reclassified from other income/expense to financing costs (including comparatives) as these amounts effectively form part of the overall financing arrangement.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2015 and there have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2015.

The Group 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.

(b) Market Risk

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

The Group is exposed to commodity price fluctuations through the sale of petroleum products and other oil-linked contracts. Option contracts are used by the Group to manage its forward commodity risk exposure. The Group policy is to hedge up to 80% of forecast oil production by way of Australian dollar denominated oil floor contracts for up to 18 months. Changes in fair value of these derivatives are recognised immediately in the profit or loss and other comprehensive income.

Commodity Hedges outstanding at 30 June 2015

- Brent Crude oil monthly average fixed price floor for \$70/bbl for 37,500 bbls/month for the period July 2015–December 2015.
- Brent Crude oil monthly average fixed price floor for \$65/bbl for 82,500 bbls/month for the period July 2015–September 2015 and 37,500 bbls/month for the period October 2015–March 2016.
- Brent Crude oil monthly average fixed price floor for \$45/bbl for 52,500 bbls/month for the period July 2015–September 2015, 100,000 bbls/month for the period October 2015–December 2015, 140,000 bbls/month for the period January 2016–June 2016, 87,500 bbls/month for the period July 2016–September 2016 and 40,000 bbls/month for the period October 2016–December 2016.

Commodity Hedges outstanding at 30 June 2014

- Brent Crude oil monthly average fixed price floor for \$70/bbl for 37,500 bbls/month for the period January 2015–December 2015.
- Brent Crude oil monthly average fixed price floor for \$65/bbl for 180,000 bbls/month for the period July 2015–December 2015, 135,000 bbls/month for the period January 2015–March 2015, 90,000 bbls/month for the period April 2015–June 2015 and 45,000 bbls/month for the period July 2015–September 2015.

The Group's interest rate risk arises from the interest bearing cash held on deposit and its bank loan facility which is subject to variable interest rates. The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	Consolidated	
	2015 \$million	2014 \$million
Fixed rate instruments:		
Financial assets	104.5	329.0
Convertible notes	-	(143.0)
	104.5	186.0
Variable rate instruments:		
Financial assets	75.2	91.3
Bank loan facility	(148.5)	-
	(73.3)	91.3

17. Financial risk management (continued)

Sensitivity analysis for all market risks

The following table demonstrates the estimated sensitivity to changes in the relevant market parameter, with all variables held constant, on post tax profit and equity, which are the same as the profit impact flows through to equity. These sensitivities should not be used to forecast the future effect of a movement in these market parameters on future cash flows which may be different as a result of the Group commodity hedge book.

	Consolidated	
	2015 \$million	2014 \$million
Impact on post-tax profit and equity		
AUD/\$US - 10% increase in Australian/US dollar exchange rate	(27.2)	(40.3)
AUD/\$US - 10% decrease in Australian/US dollar exchange rate	32.8	49.3
US\$ oil price – increase of \$10/bbl	39.6	39.3
US\$ oil price – decrease of \$10/bbl	(37.5)	(39.3)
Interest rates – increase of 1%	1.6	2.9
Interest rates – decrease of 1%	(1.6)	(2.9)

(c) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and represents the potential financial loss if counterparties fail to perform as contracted. Management monitors credit risk on an ongoing basis. Gas sales contracts are spread across major Australian energy retailers and industrial users with liquid hydrocarbon products sales being made to major multi-national energy companies based on international market pricing.

In addition, receivables balances are monitored on an ongoing basis with the result that Beach's exposure to bad debts is not significant. The Group does not hold collateral, nor does it securitise its trade and other receivables. At 30 June 2015, Beach does not have any material trade and other receivables which are outside standard trading terms which have not been provided against.

	Consolidated	
	2015 \$million	2014 \$million
Ageing of Receivables :		
Receivables not yet due	118.7	124.4
Past due not impaired	6.8	2.6
Considered impaired	(0.1)	(0.1)
Total Receivables	125.4	126.9

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

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

17. Financial risk management (continued)

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims at maintaining flexibility in funding to meet ongoing operational requirements, exploration and development expenditure, and small-to-medium-sized opportunistic projects and investments, by keeping committed credit facilities available.

Details of Beach's financing facilities are outlined in Notes 15.

The Group's exposure to liquidity risk for each class of financial liabilities is set out below:

	Note	Carrying amount							
		Less than 1 year		1 to 2 years		2 to 5 years		Carrying amount	
		2015 \$million	2014 \$million	2015 \$million	2014 \$million	2015 \$million	2014 \$million	2015 \$million	2014 \$million
Financial liabilities									
Payables		128.5	160.0	4.0	-	-	-	132.5	160.0
Borrowings (Notes)	15	-	143.0	-	-	-	-	-	143.0
Derivatives (Notes)	15	-	13.3	-	-	-	-	-	13.3
Borrowings (Debt)	15	-	-	-	-	148.5	-	148.5	-
		128.5	316.3	4.0	-	148.5	-	281.0	316.3

Equity and Group Structure

This section provides information which will help users understand the equity and group structure as a whole including information on equity, reserves, dividends, subsidiaries, the parent company, related party transactions and other relevant information.

18. Contributed equity

Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as a reduction to the proceeds received, net of any related income tax benefit. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

	Number of Shares	\$million
Issued and fully paid ordinary shares at 30 June 2013	1,268,647,188	1,214.1
<u>Issued during the FY14 financial year</u>		
Vesting of unlisted performance rights	6,595,670	-
Employee Incentive Plan	121,935	-
Dividend Reinvestment Plan		
Final 2.0 cent per share dividend	8,012,844	10.5
Interim 1.0 cent per share dividend	2,969,028	4.9
Special 1.0 cent per share dividend	2,969,028	4.9
Exercise of unlisted options	2,683,977	3.8
Repayment of employee loans and sale of employee shares	-	1.7
Issued and fully paid ordinary shares at 30 June 2014	1,291,999,670	1,239.9
<u>Issued during the FY15 financial year</u>		
Shares issued on vesting of unlisted performance rights	898,136	-
Shares issued under the terms of the Dividend Reinvestment Plan		
Final 2.0 cent per share dividend	4,599,080	6.8
Interim 1.0 cent per share dividend	2,652,627	2.6
Repayment of employee loans and sale of employee shares	-	0.8
Issued and fully paid ordinary shares at 30 June 2015	1,300,149,513	1,250.1

In accordance with changes to applicable corporations legislation effective from 1 July 1998, the shares issued do not have a par value as there is no limit on the authorised share capital of the Company. All shares issued under the Company's employee incentive plan are accounted for as a share-based payment (refer Note 4 and 19 for further details). Shares issued under the Company's dividend reinvestment plan and employee investment plan represent non-cash investing and financing activities. On a show of hands, every person qualified to vote, whether as a member or proxy or attorney or representative, shall have one vote. Upon a poll, every member shall have one vote for each ordinary share held.

Details of shares and rights issued and outstanding under the Employee Incentive plan and Executive Incentive Plan are provided in note 4.

Dividend Reinvestment Plan

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

Capital management

Management is responsible for managing the capital of the Group, on behalf of the Board, in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure the Group can fund its operations with secure, cost-effective and flexible sources of funding. The Group debt and capital includes ordinary shares, borrowings and financial liabilities including derivatives supported by financial assets. Management effectively manages the capital of the Group by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of debt levels, dividends to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital during the year. The Group gearing ratio is 11.0% (2014: 8.6%). Gearing has been calculated as financial liabilities (including borrowings, derivatives and bank guarantees) as a proportion of these items plus shareholder's equity.

19. Reserves

The Share based payments reserve is used to recognise the fair value of shares, options and rights issued to employees of the Company.

The Available-for-sale reserve is used to recognise changes in the fair value of available for sale financial assets. Amounts are recognised in the profit or loss when the associated assets are sold or impaired.

The Foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than Australian dollars.

The Profit distribution reserve represents an amount allocated from retained earnings that is preserved for future dividend payments.

	Consolidated	
	2015	2014
	\$million	\$million
Share based payments reserve	27.7	25.7
Available-for-sale reserve	(10.3)	10.2
Foreign currency translation reserve	67.7	22.4
Profit distribution reserve ⁽¹⁾	188.3	-
Total reserves	273.4	58.3

⁽¹⁾ The amount transferred to the profit distribution reserve represents a transfer from FY14 retained earnings.

20. Dividends

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

	Consolidated	
	2015	2014
	\$million	\$million
Final dividend of 2.0 cents (2014 2.0 cents)	25.9	25.4
Interim dividend of 1.0 cent (2014: 1.0 cent)	13.0	12.8
Special dividend in 2014 of 1.0 cent	-	12.8
Total dividends paid or payable	38.9	51.0
Franking credits available in subsequent financial years based on a tax rate of 30% (2014 - 30%)	73.4	15.3

21. Subsidiaries

Name of Company	Place of incorporation	Percentage of shares held	
		2015	2014
Beach Energy Limited	South Australia		
Beach Petroleum (NZ) Pty Ltd	South Australia	100	100
Beach Oil and Gas Pty Ltd	New South Wales	100	100
Beach Production Services Pty Ltd	South Australia	100	100
Beach Petroleum Pty Ltd	Victoria	100	100
Beach Petroleum (Cooper Basin) Pty Ltd	Victoria	100	100
Beach Petroleum (CEE) s.r.l	Romania	100	100
Beach Petroleum (Egypt) Pty Ltd	Victoria	100	100
Beach Petroleum (Exploration) Pty Ltd	Victoria	100	100
Beach Petroleum (NT) Pty Ltd	Victoria	100	100
Beach Petroleum (Tanzania) Pty Ltd	Victoria	100	100
Beach Petroleum (Tanzania) Limited	Tanzania	100	100
Beach (USA) Inc	USA	100	100
Adelaide Energy Pty Ltd	South Australia	100	100
Australian Unconventional Gas Pty Ltd	South Australia	100	100
Deka Resources Pty Ltd	South Australia	100	100
Well Traced Pty Ltd	South Australia	100	100
Australian Petroleum Investments Pty Ltd	Victoria	100	100
Delhi Holdings Pty Ltd	Victoria	100	100
Delhi Petroleum Pty Ltd	South Australia	100	100
Impress Energy Pty Ltd	Western Australia	100	100
Impress (Cooper Basin) Pty Ltd	Victoria	100	100
Springfield Oil and Gas Pty Ltd	Western Australia	100	100
Mazeley Ltd	Liberia	100	100
Mawson Petroleum Pty Ltd	Queensland	100	100
Claremont Petroleum (USA) Pty Ltd	Victoria	100	100
Tagday Pty Ltd	New South Wales	100	100
Claremont Petroleum (PNG) Ltd	Papua New Guinea	100	100
Midland Exploration Pty Ltd	South Australia	100	100
Shale Gas Australia Pty Ltd	Victoria	100	100

All shares held are ordinary shares, other than Mazely Ltd which is held by a bearer share.

22. Deed of cross guarantee

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

As a condition of the Class Order, Beach and each of the subsidiaries (the Closed Group) entered into a Deed of Cross Guarantee (Deed). The effect of the Deed is that Beach has guaranteed to pay any deficiency in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. The Subsidiaries have also given a similar guarantee in the event that Beach is wound up.

The consolidated statement of profit or loss and other comprehensive income, summary of movements in retained earnings and statement of financial position of the Closed Group are as follows:

	Closed Group	
	2015 \$million	2014 \$million
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Sales revenue	711.3	1,037.4
Cost of sales	(554.6)	(637.4)
Gross profit	156.7	400.0
Other revenue	0.4	0.7
Other income	0.7	13.6
Other expenses	(739.8)	(163.1)
Operating profit / (loss) before financing costs	(582.0)	251.2
Interest income	8.4	13.7
Finance expenses	(28.0)	(26.2)
Profit before / (loss) income tax expense	(601.6)	238.7
Income tax benefit / (expense)	131.9	(88.8)
Profit / (loss) after tax for the year	(469.7)	149.9
Other comprehensive income/(loss)		
Net change in fair value of available for sale financial assets	(20.5)	12.9
Other comprehensive income / (loss), net of tax	(20.5)	12.9
Total comprehensive income / (loss) after tax	(490.2)	162.8
Summary of movements in the Closed Group's retained earnings		
Retained earnings at beginning of the year ⁽¹⁾	526.5	427.7
Net profit / (loss) for the year	(469.7)	149.9
Transfer to profit distribution reserve	(188.3)	-
Dividends paid to shareholders	(38.9)	(51.1)
Retained earnings at end of the year	(170.4)	526.5

⁽¹⁾ 2014 includes reclassification of other financial assets to retained earnings of \$6 million

22. Deed of cross guarantee (continued)

	Closed Group	
	2015 \$million	2014 \$million
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	146.5	398.4
Receivables	132.3	134.3
Inventories	114.1	91.3
Derivative financial instruments	1.1	-
Other	8.1	7.9
Total current assets	402.1	631.9
Non-current assets		
Receivables	-	43.5
Available-for-sale financial assets	46.1	70.3
Property, plant and equipment	430.0	428.2
Petroleum assets	588.0	792.7
Exploration and evaluation assets	229.5	352.1
Derivative financial instruments	0.2	-
Other financial assets ⁽¹⁾	127.1	154.7
Other	7.0	27.9
Total non-current assets	1,427.9	1,869.4
Total assets	1,830.0	2,501.3
Current liabilities		
Payables	129.7	166.6
Employee entitlements	6.8	6.2
Provisions	5.3	11.6
Current tax liability	6.6	65.7
Borrowings	-	143.0
Derivative financial instruments	-	13.3
Total current liabilities	148.4	406.4
Non-current liabilities		
Payables	86.3	-
Employee entitlements	0.8	0.7
Provisions	144.7	126.0
Deferred tax liabilities	15.9	166.0
Borrowings	148.5	-
Total non-current liabilities	396.2	292.7
Total liabilities	544.6	699.1
Net assets	1,285.4	1,802.2
Equity		
Contributed equity	1,250.1	1,239.9
Reserves	205.7	35.8
Retained earnings/(accumulated losses) ⁽¹⁾	(170.4)	526.5
Total equity	1,285.4	1,802.2

⁽¹⁾ 2014 includes reclassification of other financial assets to retained earnings of \$6 million

23. Parent entity financial information

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

Financial performance

	Parent	
	2015 \$million	2014 \$million
Net profit/(loss) after tax	(531.3)	74.2
Other comprehensive income/(loss), net of tax	(20.5)	12.9
Total comprehensive income/(loss) after tax	(551.8)	87.1
Total current assets	1,387.0	1,381.0
Total assets	1,940.4	2,251.0
Total current liabilities	753.2	576.3
Total liabilities	1,015.8	748.1
Issued capital	1,250.1	1,239.9
Share based payments reserve	27.8	25.7
Available-for-sale reserve	(10.3)	10.2
Profits distribution reserve	188.3	-
Retained earnings	(531.3)	227.1
Total equity	924.6	1,502.9

Expenditure Commitments

The Company's contracted expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.

Capital expenditure commitments	1.2	13.4
Minimum exploration commitments	66.5	64.6
Operating commitments	0.1	-

Contingent liabilities

Details of contingent liabilities for the Company in respect of service agreements, bank guarantees and parent company guarantees are disclosed in Note 26.

Parent Entity financial information has been prepared using the same accounting policies as the consolidated financial statements. Investments in controlled entities are included in other financial assets and are initially recorded in the financial statements at cost. These investments may have subsequently been written down to their recoverable amount determined by reference to the net assets of the controlled entities at the end of the reporting period where this is less than cost.

24. Related party disclosures

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

Remuneration for Key Management Personnel

	Consolidated	
	2015	2014
	\$	\$
Short term benefits	5,542,783	5,932,057
Share based payments	1,581,622	3,045,572
Other long term benefits	103,576	100,987
Total	7,227,981	9,078,616

Subsidiaries

Interests in subsidiaries are set out in Note 21.

Transactions with other related parties

During the financial year ended 30 June 2015, Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a principal. Beach paid \$160,339 during the financial year (FY14: \$239,045) to DMAW lawyers for legal and advisory services, of which \$4,465 related to FY14. In addition to fees paid during the year a further \$3,879 (FY14: \$9,680) is payable to DMAW Lawyers as at 30 June 2015 for invoices received but not yet paid and work in progress not yet invoiced. Directors fees payable to Mr Davis for the year ended 30 June 2015 of \$250,000 (FY14: \$250,000) were also paid directly to DMAW Lawyers.

During the current and previous financial year Beach paid \$30,000 (plus GST) to Energy Insights (a company owned by Mr Rayner) for office rental in Brisbane.

25. Disposal group held for sale

During the year, Beach committed to a plan to sell its Egyptian interests held within the International Segment. Accordingly, these interests are presented as a disposal group held for sale. On 10 August 2015, Beach announced the signing of a binding agreement with Rockhopper Exploration plc (Rockhopper) in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd (refer note 28). Consideration will be up to US\$22 million (subject to adjustments).

Impairment losses of \$173.7 million for writedowns of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in 'other expenses' (Note 3). The impairment losses have been applied to reduce the carrying value of petroleum assets and exploration and evaluation assets within the disposal group.

Assets and liabilities of disposal group held for sale

	\$million
Receivables	8.0
Property, plant and equipment	12.9
Petroleum assets	1.3
Assets held for sale	22.2
Payables	1.9
Provisions	0.3
Liabilities held for sale	2.2

There is cumulative income of \$53.3 million for gains on translation of foreign operations included in OCI relating to the disposal group up to 30 June 2015 which will be realised on completion of the sale. The fair value is categorised as a level 2 as it represents a mixture of cash and shares to be received based on a signed sale agreement.

Other Information

Additional information required to be disclosed under Australian Accounting Standards.

26. Contingent assets and liabilities

CONTINGENT ASSETS

Under an agreement to sell its 40% interest in the Tipton West Joint Venture coal seam gas (CSG) asset to Arrow Energy Limited in 2009, Beach had an entitlement to receive contingent payments of up to \$70 million. In September 2010, Beach received \$43.2 million of these contingent payments leaving possible remaining payments of up to \$26.8 million. At 30 June 2015, no further contingent payments will be paid.

CONTINGENT LIABILITIES

The directors are of the opinion that the recognition of a provision is not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Service agreements

Service agreements exist with other executive officers under which termination benefits may, in appropriate circumstances, become payable. The maximum contingent liability at 30 June 2015 under the service agreements for the other executive officers (excluding the Managing Director) is \$2,807,900 (2014: \$2,961,577).

Mr Nelson's retirement arrangements for dealing with his remaining performance rights were approved by shareholders at the 2014 AGM. The terms of that arrangement are that Mr Nelson's unvested LTI and STI performance rights lapsed on his retirement from the Company. A pro rata reward will be provided to Mr Nelson at the date of testing the LTI performance rights in 2015 and 2016. If the testing criteria are not met, Mr. Nelson will not receive any financial reward pertaining to these performance rights. If testing criteria are met Mr. Nelson will receive at that time a pro rata benefit equal to the period of his contribution to the relevant shareholder returns.

Specifically, in relation to the 869,781 performance rights that might vest on 1 December 2015, the Board has determined that Mr Nelson would have contributed for 100% of the relevant period to any gains made by shareholders. In relation to the 972,292 performance rights that might vest on 1 December 2016, Mr Nelson would have contributed for 50% of the relevant period. The Board will not accelerate the vesting date of these incentive arrangements to which Mr Nelson may be entitled after his retirement. The Board will pay to Mr Nelson at the relevant time in 2015 and 2016 a cash amount equal to the value, if any, of the full or pro rata amount of the performance rights that would otherwise have vested on those dates.

Bank guarantees

Beach has been provided with a \$30 million letter of credit facility, of which \$19.5 million had been utilised by way of bank guarantees at 30 June 2015. Refer Note 15 for further details on the syndicated debt facility.

Parent Company Guarantees

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

27. Remuneration of auditors

	Consolidated	
	2015 \$000	2014 \$000
Audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- auditing or reviewing the financial statements	286	282
- joint operation audits	-	8
	286	290
Amounts received or due and receivable by other firms for:		
- auditing or reviewing the financial statements	37	15
- joint operation audits	16	16
Total audit services	339	321
Non-audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- tax and other services ⁽¹⁾	381	15
Total non-audit services	381	15

(1) \$16,000 relating to Grant Thornton

Following shareholder approval at the 2014 AGM, KPMG replaced Grant Thornton as auditor of the Group. Accordingly figures shown as payable to the auditor of Beach for 2015 represent amounts paid or payable to KPMG and for 2014 represent amounts paid or payable to Grant Thornton, unless specified otherwise. Fees for non-audit services were unusually high in FY15 as KPMG provided a significant amount of work associated with transactions and divestments relating to overseas interests.

28. Subsequent events

International – Sale of Beach Egypt

On 10 August 2015, Beach announced it had entered into a binding agreement with Rockhopper Exploration plc (Rockhopper) in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd, whose core asset is a 22% interest in the Abu Sennan Concession in Egypt. Consideration will be up to US\$22 million (subject to adjustments) comprising US\$11.5 million cash, with the balance to be made up of Rockhopper shares. The share component will be limited to no more than 5% of Rockhopper's issued capital. Completion of the transaction is expected to occur in late 2015 / early 2016 and is dependent on satisfaction of certain conditions precedent, including Egyptian regulatory approvals, limited confirmatory due diligence, divestment of certain excluded non-core assets, and joint venture consents, including pre-emption. The divestment of the excluded assets is not expected to result in a material adjustment to the proceeds from this transaction. The sale of Beach Egypt is consistent with Beach's strategy to focus on Australia and nearby.

Cooper Basin – Acquisition of 40% operatorship interest in ATP 1056

On 11 August 2015, Beach announced it had signed a binding agreement to acquire a 40% operating interest in the ATP 1056 permit from AGL Cooper Basin Pty Ltd, a subsidiary of AGL Energy Ltd (AGL), for \$1.15 million. ATP 1056 is located on the south-eastern flank of the Cooper Basin and adjoins long-producing oil fields such as Jackson and Naccowlah. The permit area has been identified as highly prospective for oil and is covered by 610 km² of 3D seismic, with two small discoveries currently on extended production test. Completion is subject to satisfaction of conditions precedent, including Queensland Government indicative approval, appointment of Beach as operator of the ATP 1056 joint venture, and joint venture consents and waivers. On completion, Beach will hold a 40% participating interest in the ATP 1056 joint venture, comprising a 20% registered interest in ATP 1056, and a right to earn a further 20% by satisfying farm-in obligations assumed from AGL. The acquisition will allow Beach to leverage its core capability and is consistent with its strategy to pursue Cooper Basin adjacencies.

28. Subsequent events (continued)

Cooper Basin – Commencement of gas delivery under long term sales agreement with Origin

On 1 July 2015, Beach announced that its long term gas sales agreement with Origin Retail had been initiated for delivery of up to 139 PJ of sales gas over an initial eight year term. Key benefits to Beach from the agreement include attractive oil-linked pricing with other parameters, and expected delivery of significant sales gas volumes, with a potential two year extension available to Origin Retail (for total volumes of up to 173 PJ over a ten year period). It is expected that daily sales gas volumes supplied to Origin Retail under this contract will increase over the course of FY16, while legacy contracts continue to be serviced. Initiation of this contract continues Beach's transition to separate lifting and marketing of its equity share of sales gas from the SACB and SWQ JVs, and is consistent with its strategy to benefit from increasing gas demand from east coast markets.

Bonaparte Basin

Beach completed the acquisition of TOAG, which delivered to Beach TOAG's 45% interest in EP 126. While the transaction is immaterial to Beach, terms of the transaction remain confidential. Beach has a resulting 100% interest in the permit and is reviewing options for future activities, which may include farm down to a suitable partner to fund further appraisal and development efforts.

Other than the above matters, there has not arisen in the interval between 30 June 2015 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, unless otherwise noted in the Financial Report.



Independent auditor's report to the members of Beach Energy Limited

Report on the financial report

We have audited the accompanying financial report of Beach Energy Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In the Basis of Preparation, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Beach Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the Basis of Preparation.

Report on the remuneration report

We have audited the Remuneration Report included in pages 50 to 69 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Beach Energy Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Scott Fleming
Partner

Adelaide
24 August 2015

Glossary of terms

\$	Australian dollars	kboe	thousand barrels of oil equivalent
1C	Contingent resource low estimate ⁽¹⁾	km	kilometre
2C	Contingent resource best estimate ⁽¹⁾	Kuwait Energy	Kuwait Energy Egypt Ltd
3C	Contingent resource high estimate ⁽¹⁾	LNG	Liquefied Natural Gas
3D	3D Oil Ltd	LPG	Liquefied Petroleum Gas
1P	Proved reserve estimate ⁽¹⁾	LTI	Lost Time Injury
2P	Proved and probable reserve estimate ⁽¹⁾	LTIFR	Lost Time Injury Frequency Rate
3P	Proved, probable and possible reserve estimate ⁽¹⁾	MMbbl	Million barrels of oil
ASX	Australian Securities Exchange	MMboe	Million barrels of oil equivalent
ATP	Authority To Prospect (QLD)	MMscfd	Million standard cubic feet of gas per day
bbl	barrels	NPAT	Net Profit After Tax
Bcf	billion cubic feet	NTNG	Nappamerri Trough Natural Gas program
bfpd	Barrels of fluid per day	Origin	Origin Energy Ltd
boe	barrels of oil equivalent - the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy. For example, 1 Bcf of gas equals approximately 0.18 million boe, the exact conversion being dependent on the gas composition	Origin Retail	Origin Energy Retail Ltd
bopd	barrels of oil per day	pcp	Prior corresponding period
boepd	barrels of oil equivalent per day	PEL	Petroleum Exploration Licence (SA)
Beach	Beach Energy Ltd	PEP	Petroleum Exploration Permit (NZ)
Chevron	Chevron Exploration 1 Pty Ltd	PL	Petroleum Lease (QLD)
CSG	Coal Seam Gas	PPL	Petroleum Production Licence (SA)
Cooper	Cooper Energy Ltd	PJ	Petajoule
Co ₂ -e	Carbon dioxide equivalent	PRL	Petroleum Retention Licence (SA)
Dover	Dover Investments Ltd	PRMS	Petroleum Resources Management System
Drillsearch	Drillsearch Energy Ltd	SACB JVs	South Australian Cooper Basin Joint Venture which includes the Fixed Factor Area (Beach 20.21%, Santos 66.6%, Origin 13.19%) and the Patchawarra East Block (Beach 17.14%, Santos 72.32%, Origin 10.54%)
EP	Exploration Permit (NT)	SACB and SWQ JVs	The Delhi operations, which incorporate the SACB JVs and the SWQ JVs
Ex PEL 104 / 111	Replaced by Petroleum Retention Licences 136 to 150	Santos	Santos Ltd
Ex PEL 106	Replaced by Petroleum Retention Licences 129 and 130	Senex	Senex Energy Ltd
Ex PEL 218	Replaced by Petroleum Retention Licences 33 to 49	SPE	Society of Petroleum Engineers
Ex PEL 91	Replaced by Petroleum Retention Licences 151 to 172	Strike	Strike Energy Ltd
Ex PEL 92	Replaced by Petroleum Retention Licences 85 to 104	SWQ JVs	South West Queensland joint ventures, incorporating various equity interests (Beach 20-40%)
FY	Financial Year	TAG Oil	TAG Oil Ltd
GJ	Gigajoule	TOAG	Territory Oil and Gas Pty Ltd
GRI	Global reporting initiative	Tcf	Trillion cubic feet
Icon	Icon Energy Ltd	TJ	Terajoule
IPIECA	International Petroleum Industry Environmental Conservation Association	Tri-Ocean	Tri-Ocean Energy Company
kbbbl	thousand barrels of oil	USA	United States of America
		USA\$	United States \$
		WAC	Work area clearance
		Woodside Tanzania	Woodside Energy (Tanzania) Ltd

⁽¹⁾ Complete definitions for Reserves and Contingent Resources can be sourced from "Guidelines for Application of the Petroleum Resources Management System" November 2011 – better known as SPE PRMS.

Schedule of tenements

For the financial year ended 30 June 2015

Basin	State/ Country	Beach Group Tenements	%
Cooper/ Eromanga	Queensland	ATP 1189 ex ATP 259 (Naccowlah Block and PLs) ⁽¹⁾	38.5%
		ATP 1189 ex ATP 259 (Aquitaine A Block) ⁽²⁾	22.5%
		ATP 1189 ex ATP 259 (Aquitaine B Block) ⁽³⁾	20%
		ATP 1189 ex ATP 259 (Aquitaine C Block) ⁽⁴⁾	25.2%
		ATP 1189 ex ATP 259 (Innamincka Block) ⁽⁵⁾	30%
		ATP 1189 ex ATP 259 (Total 66 Block) ⁽⁶⁾	30%
		ATP 1189 ex ATP 259 (Wareena Block) ⁽⁷⁾	28.8%
		PL 55 (50/40/10)	40%
		PL 31 (Bodalla South Oil Field)	100%
		PL 32 (Kenmore Oil Field)	100%
		PL 47 (Black Stump Oil Field)	100%
		PL 184 (Thylungra Gas Discovery)	80.4%
		ATP 269 (Glenvale/Bargie JV and PLs) ⁽⁸⁾	93.9%
		ATP 269 (Coolum/Byrock JV and PLs) ⁽⁹⁾	93.21%
		SWQ Gas Unit ⁽¹⁰⁾	23.2%
		ATP 633 ⁽¹¹⁾	50%
		ATP 855 ⁽¹²⁾	64.9%
		ATP 732	50%
		ATP 924 ⁽¹³⁾	45%
		Cooper/ Eromanga	South Australia
PPL 205 (Christies Oil Field)	75%		
PPL 210 (Aldinga Oil Field)	50%		
PPL 212 (Kiana Oil Field)	40%		
PPL 220 (Callawonga Oil Field)	75%		
PPL 224 (Parsons Oil Field)	75%		
PPL 239 (Middleton/ Brownlow Fields)	50%		
PPL 240 (Snatcher Oil Field)	40%		
PPL 242 (Growler Oil Field)	40%		
PPL 243 (Mustang Oil Field)	40%		
PPL 245 (Butlers Oil Field)	75%		
PPL 246 (Germein Oil Field)	75%		
PPL 247 (Perlubie Oil Field)	75%		
PPL 248 (Rincon Oil Field)	75%		
PPL 249 (Elliston Oil Field)	75%		
PPL 250 (Windmill Oil Field)	75%		
PPL 253 (Bauer, Bauer-North, Chiton, Arno Oil Field)	40%		
PPL 254 (Congony-Kalladeina Oil Field)	40%		

Basin	State/ Country	Beach Group Tenements	%
Cooper/ Eromanga	South Australia	PPL 255 (Hanson-Snelling Oil Field)	40%
		PPL 256 (Sceale Oil Field)	40%
		PPL 257 (Canunda/Coolawang Fields)	50%
		PPL 258 (Spitfire Field)	40%
		Reg Sprigg West Unit	12.86%
		PEL 87	40%
		ex PEL 91 ⁽¹⁴⁾	40%
		GSEL 648 (ex PEL 91)	40%
		ex PEL 92 ⁽¹⁵⁾	75%
		GSEL 634 (ex PEL 92)	75%
		PEL 94	50%
		PEL 95	50%
		ex PEL 104 ⁽¹⁶⁾	40%
		PRL 15 (Growler Block)	40%
		ex PEL 106 ⁽¹⁷⁾	50%
		GSEL 646 (ex PEL 106)	50%
		ex PEL 107 ⁽¹⁸⁾	40%
		ex PEL 111 ⁽¹⁶⁾	40%
		GSEL 653 (ex PEL 107)	40%
		ex PEL 218 (Permian) ⁽¹⁹⁾	100%
		GSEL 633 (ex PEL 218)	70%
		ex PEL 218 (Post Permian) ⁽²⁰⁾	43.39%
		PEL 424	40%
		PRL 26 (Udacha Unit)	15%
		GSEL 645 (ex Udacha Unit)	15%
		Patchawarra East ⁽²¹⁾	17.14%
		Fixed Factor Agreement ⁽²²⁾	20.21%
SA Unit	20.21%		
Otway	South Australia	PEL 186	66.67%
		PEL 494	70%
		PEL 495 ⁽²³⁾	70%
		PPL 62 (Katnook)	100%
		PPL 168 (Redman)	100%
		PPL 202 (Haselgrove)	100%
		PRL 1 (Wynn)	100%
		PRL 2 (Limestone Ridge)	100%
		PRL 13 (Killanoola Field)	100%
		PRL 32 (ex PEL 255)	70%
GSRL ⁽²⁷⁾	100%		
Arrowie	South Australia	GEL 156	21%
Otway	Victoria	PPL 6 (McIntee Gas Field)	10%
		PPL 9 (Lavers Gas Field)	10%
		PRL 1 (Buttress North)	10%
		PEP 150	50%
		PEP 168	50%
		PEP 171	75%

Basin	State/Country	Beach Group Tenements	%
Gippsland	Victoria	VIC L26 (Basker, Manta, Gummy)	35%
		VIC L27 (Basker, Manta, Gummy)	35%
		VIC L28 (Basker, Manta, Gummy)	35%
Browse	Western Australia	WA-281-P	7.34%
Carnarvon	Western Australia	WA-48-R (Hurricane)	10%
Bonaparte Basin	Northern Territory	EP 126	55%
		EP 138 ⁽²⁴⁾	55%
Canterbury	New Zealand	PEP 52717	50%
Taranaki	New Zealand	PEP 52181	25%
		PEP 57080	50%
Bass	Tasmania	T/49P	30%
Gulf of Suez	Egypt	North Shadwan-1 Development Lease (377)	20%
		North Shadwan-2 Development Lease (385)	20%
		North Shadwan-3 Development Lease (394)	20%
		El Qa'a Plain Concession	25%
Abu Gharadig	Egypt	Abu Sennan Concession	22%
		Abu Sennan-1 DL (Al Jahraa Field)	22%
		Abu Sennan-2 DL (El Salmiya Field)	22%
		Abu Sennan-3 DL (ASA Field)	22%
		Abu Sennan-4 DL (Al Qasdsiya Field)	22%
		Al Ahmadi DL (ZZ Field, Al Ahmadi Field)	22%
Mesaha	Egypt	Mesaha Graben Conc. ⁽²⁵⁾	15%
East African Rift	Tanzania	Lake Tanganyika South	100%

Notes

- The Naccowlah Block consists of ATP 1189 (Naccowlah) and PLs 23-26, 35, 36, 62, 76-79, 82, 87, 105, 107, 109, 133, 149, 175, 181, 182, 189, 302, 495, 496 and PLA 287. Note sub-leases of PLs (gas) to SWQ Unit.
- The Aquitaine A Block consists of ATP 1189 (Aquitaine A) and PLs 86, 131, 146, 177, 208 and 254. Note sub-leases of part PLs (gas) to SWQ Unit.
- The Aquitaine B Block consists of ATP 1189 (Aquitaine B) and PLs 59 – 61, 81, 83, 85, 97, 106, 108, 111, 112, 132, 135, 139, 147, 151, 152, 155, 205, 207 and PLA 288. Note sub-leases of part of PLs (gas) to SWQ Unit.
- The Aquitaine C Block consists of ATP 1189 (Aquitaine C) and PLs 138 and 154.
- The Innamincka Block consists of ATP 1189 (Innamincka) and PLs 58, 80, 136, 137, 156, 159 and 249. Note sub-leases of part PLs (gas) to SWQ Unit.
- The Total 66 Block consists of ATP 1189 (Total 66) and PLs 34, 37, 63, 68, 75, 84, 88, 110, 129, 130, 134, 140, 142 – 144, 150, 168, 178, 186, 193, 241, 255 and 301. Note sub-leases of part of PLs (gas) to SWQ Unit.

- The Wareena Block consists of ATP 1189 (Wareena) and PLs 113, 114, 141, 145, 148, 153, 157, 158, 187, 188 and 411. Note sub-leases of part of PLs (gas) to SWQ Unit.
- The Glenvale/Bargie Joint Venture consists of ATP 269 and PL 256 and production from the Glenvale Well located within PL 483.
- The Coolum/Byrock Joint Venture consists of ATP 269 and PLs 482, 483 and 484 (excluding production from the Glenvale Well. Beach holds a 65.62% interest and Mawson a 27.59% interest.
- The SWQ Gas Unit consists of subleases of PLs within the gas production area of Naccowlah Block, Aquitaine A Block, Aquitaine B Block, Innamincka Block, Wareena Block and Total 66 Block.
- Registered interest is 100%. Assignment of 50% subject to completion of assignment documentation and regulatory approval.
- Re-assignment to Beach by Chevron of 18% subject to completion of assignment documentation and regulatory approval.
- Beach registered interest is 0%. Up to 45% can be earned, subject to completion of farmin obligations, and subject to regulatory approval.
- ex PEL 91 consists of PRLs 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171 and 172.
- ex PEL 92 consists of PRLs 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103 and 104.
- ex PEL 104/111 consists of PRLs 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149 and 150.
- ex PEL 106 consists of PRL 129 and 130.
- ex PEL 107 consists of PRLs 175, 176, 177, 178 and 179
- ex PEL 218 (Permian) consists of Permian section of PRLs 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48 and 49. Re-assignment to Beach by Chevron of 30% subject to completion of assignment documentation and regulatory approval.
- ex PEL 218 (Post Permian) consists of Post Permian section of PRLs 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48 and 49. Registered interest is 66.67%. Assignment of 23.28% subject to completion of assignment documentation and regulatory approval.
- Patchawarra East consists of PPLs 26, 76, 77, 118, 121 -123, 125, 131, 136, 147, 152, 156, 158, 167, 182, 187, 194, 201 and 229.
- The Fixed Factor Agreement consists of PPLs 6 – 20, 22 - 25, 27, 29 - 33, 35 - 48, 51 - 61, 63 - 70, 72 - 75, 78 - 81, 83, 84, 86 - 92, 94, 95, 98 - 111, 113 - 117, 119, 120, 124, 126 - 130, 132 - 135, 137 - 140, 143 - 146, 148 - 151, 153 - 155, 159 - 166, 172, 174 - 180, 189, 190, 193, 195, 196, 228 and 230 - 238.
- Transfer of interest to Adelaide Energy Pty Ltd subject to regulatory approval, an application made for consolidation of permit with PEL 494.
- Application to surrender lodged.
- Application to relinquish subject to regulatory approval.

Tenements acquired

T/49P, PPL 253, PPL 254, PPL 255, PPL 256, PPL 257, GSEL 646, PPL 258, PRL 129, PRL 130, PRL 136, PRL 137, PRL 138, PRL 139, PRL 140, PRL 141, PRL 142, PRL 143, PRL 144, PRL 145, PRL 146, PRL 147, PRL 148, PRL 149, PRL 150, GSEL 648 (ex PEL 91), PRL 26 (Udacha Block ex PELs 91 and 106), PRL 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171 and 172 (ex PEL 91), ATP 924, PRL 175, 176, 177, 178 and 179 (ex PEL 107), GSEL 653 (ex PEL 107), PEP 57080.

Tenements divested

ATP 613, ATP 674, ATP 733, Block Ex-27 El Muridava, PEL 106*, PEL 104**, PEL 111**, NTC/P10, PEL 91***, PEL 107****, EP 135, GEL 254, Block Ex-28 Est Cobalcescu

* Replaced by Petroleum Retention Licences PRLs 129 and 130, effective 8 October 2014 (refer to comment 17)

** Replaced by Petroleum Retention Licence PRLs 136 – 150, effective 27 October 2014 (refer to comment 16)

*** Replaced by Petroleum Retention Licences PRLs 151 – 172, effective 16 December 2014 (refer to comment 14)

**** Replaced by Petroleum Retention Licences PRLs 175 – 179, effective 16 April 2014 (refer to comment 18)

Shareholder information

Beach Energy Limited

Share details – Distribution as at 21 September 2015

Range of shares	Number of shareholders Fully paid ordinary shares
1 – 1,000	5,067
1,001 – 5,000	8,303
5,001 – 10,000	4,541
10,001 – 100,000	7,073
100,001 and over	558
Total	25,542
Shareholders with non-marketable parcels	4,390

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

Twenty largest shareholders as at 21 September 2015

Rank		Fully paid ordinary shares Number	%
1.	Network Investment Holdings Pty Ltd	217,386,427	16.71
2.	J P Morgan Nominees Australia Limited	207,927,549	15.99
3.	HSBC Custody Nominees (Australia) Limited	162,362,929	12.48
4.	Citicorp Nominees Pty Limited	140,249,865	10.78
5.	National Nominees Limited	70,422,527	5.41
6.	UBS Nominees Pty Ltd	26,843,311	2.06
7.	BNP Paribas Noms Pty Ltd <DRP>	23,959,775	1.84
8.	Network Investment Holdings Pty Ltd	14,172,317	1.09
9.	Citicorp Nominees Pty Limited <Citibank NY ADR DEP A/C>	10,614,180	0.82
10.	Merrill Lynch (Australia) Nominees Pty Limited	6,596,698	0.51
11.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,648,987	0.43
12.	HSBC Custody Nominees (Australia) Limited - A/C 2	3,752,216	0.29
13.	Netwealth Investments Limited <Wrap Services A/C>	2,327,432	0.18
14.	AMP Life Limited	2,304,753	0.18
15.	Aussie Merchandise Pty Ltd	2,200,000	0.17
16.	RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	2,000,000	0.15
17.	Mr Reginald George Nelson	1,889,663	0.15
18.	Sandhurst Trustees Ltd <VAT A/C>	1,725,711	0.13
19.	Merrill Lynch (Australia) Nominees Pty Limited	1,658,990	0.13
20.	Bainpro Nominees Pty Limited	1,596,707	0.12
TOTAL: Top 20 holders of FULLY PAID ORDINARY SHARES		905,640,037	69.63
Total: Remaining Holders Balance		394,951,411	30.37
Total		1,300,591,448	100.0

Corporate directory

Chairman

Glenn Davis
LLB, BEc, FAICD
Non-Executive

Directors

John Butler
FCPA, FAICD, FIFS
Non-Executive

Belinda Robinson
BA, MEnv Law, GAICD
Non-Executive

Fiona Bennett
BA (Hons) FCA, FAICD, FAIM
Non-Executive

Douglas Schwebel
PhD BSc (Hons) - Geology
Non-Executive

Colin Beckett
FIEA, MICE, GAICD
Non-Executive

Robert Cole
BSc, LLB (Hons)
Non-Executive

Company Secretaries

Kathryn Presser
BA (Acc), Grad Dip CSP, FAICD, FCPA, FGIA, FCIS, AFAIM
Chief Financial Officer, Company Secretary and
Executive Vice-President Corporate Services

Catherine Oster
BA (Jurisprudence),
LLM (Corporate and Commercial), FGIA, FCIS
General Counsel, Joint Company Secretary and
Executive Vice-President Sustainability

Registered Office

25 Conyngham Street
GLENSIDE SA 5065
Telephone: (08) 8338 2833
Facsimile: (08) 8338 2336
Email: info@beachenergy.com.au

Share Registry - South Australia

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell St
ADELAIDE SA 5000
Telephone: (08) 8236 2300
Facsimile: (08) 8236 2305

Auditors

KPMG
151 Pirie Street
Adelaide SA 5000
Telephone: +61 8 8236 3111
Facsimile: +61 8 8236 3299

Securities Exchange Listing

Beach Energy Limited shares are listed
on the ASX Limited
(ASX Code: BPT)

Beach Energy Limited

ACN 007 617 969
ABN 20 007 617 969

Website

www.beachenergy.com.au