Interim Report

For the half year ended 31 December 2015

Including

- Appendix 4D Disclosures
- Directors' Report
- Interim Financial Report

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

25 Conyngham Street
Glenside SA 5065

GPO Box 175
Adelaide SA 5001

T +61 8 8338 2833
W www.beachenergy.com.au
E info@beachenergy.com.au

Investor enquiries
Derek Piper
T +61 8 8338 2833

Media enquiries
Sylvia Rapo
T +61 8 8338 2833

Contents

About Beach

Formed in 1961 and listed on the Australian Securities Exchange in 1962, Beach Energy Limited is an oil and gas exploration and production company headquartered in Adelaide, South Australia. Beach has a core focus on the resource-rich Cooper and Eromanga basins, one of Australia's most prolific onshore oil and gas provinces, with interests in petroleum licenses spanning approximately 50,000 km^2.

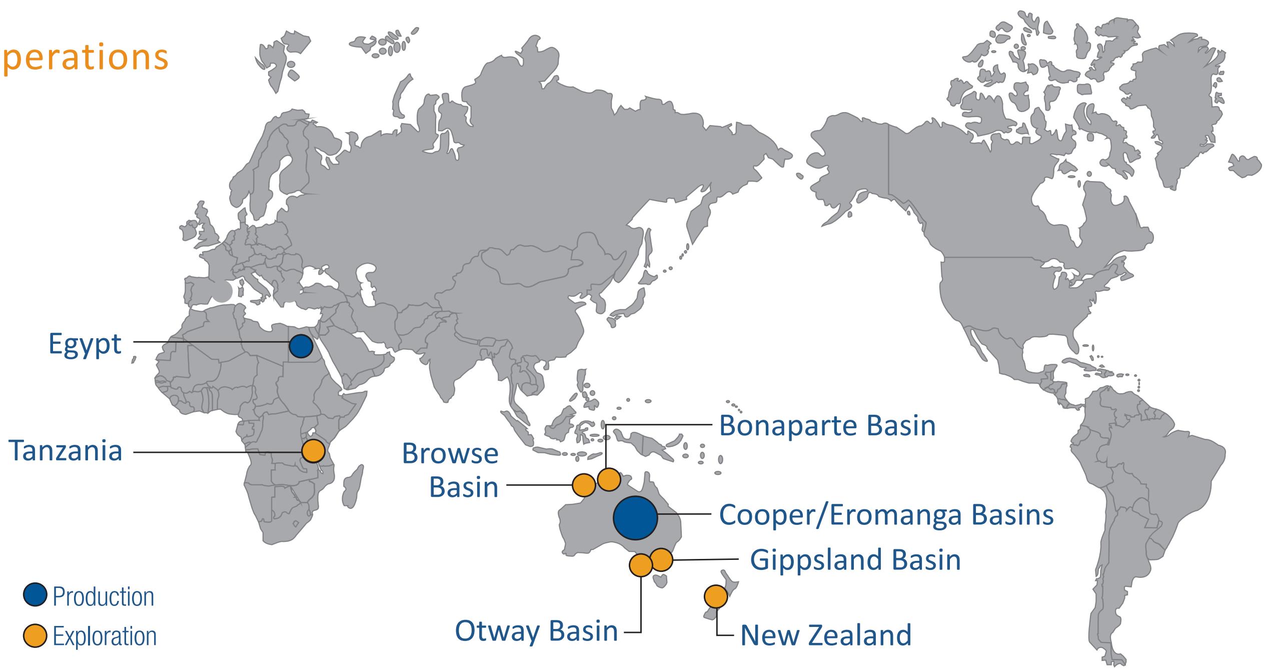
Key facts about Beach include:

- Australia's largest onshore oil producer and the leading operator in the Western Flank of the Cooper Basin
- Joint venture interest in a substantial gas business, which includes strategic infrastructure supplying key east coast energy markets
- Exposure to diverse and strategically located resource basins in Australia, including the Otway, Gippsland, Browse, Carnarvon and Bonaparte basins, as well as permits in New Zealand and Tanzania
- FY15 production of 9.15 million barrels of oil equivalent, comprising 51% oil and 49% gas and gas liquids
- Oil and gas reserves (2P) of 74 million barrels of oil equivalent and contingent oil and gas resources (2P and 2C) of 751 million barrels of oil equivalent, as at 30 June 2015
- A strong financial position and an anticipated fully funded FY16 capital expenditure program

Beach's purpose is to deliver sustainable growth in shareholder value. To achieve this, the Company's strategy comprises four pillars:

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

Operations



APPENDIX 4D

For the half year ended 31 December 2015

ABN	Previous Corresponding Period
20 007 617 969	31 December 2014

Results for Announcement to the Market

A$ million

Revenues from ordinary activities	Decreased	36%	to	274.4
Net loss from ordinary activities after tax (NPAT) attributable to members	Increased	659%	to	(600.1)
NPAT for the period attributable to members	Increased	659%	to	(600.1)
Underlying NPAT*	Decreased	88%	to	9.4

** Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. Underlying results are no longer being adjusted for unrealised hedging gains/(losses) with the prior year comparative restated to be on a consistent basis. Please refer to the table on page 7 for a reconciliation of this information to the interim report.*

Dividends	Amount per Security	Franked amount per Security
Fully franked final dividend paid (on 25 September 2015)	0.50 cents	0.50 cents
Fully franked interim dividend to be paid	nil	nil
Record date for determining entitlements to the dividend	Not applicable	Not applicable

This Interim Report is to be read in conjunction with the 2015 Annual Report, the December 2015 Interim Financial Report and Directors' Report.

Qualified petroleum reserves and resources evaluator statement

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

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	$0.59	$1.37

Change in ownership of controlled entities

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

Dividends

	Current Period $ million	Previous Corresponding Period $ million
Ordinary Securities	$6.5	$25.9

None of these dividends are foreign sourced.

Dividend Reinvestment Plan

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

Construction of the Kalladeina-2 beam pump

DIRECTORS' REPORT

For the half year ended 31 December 2015

The Directors of Beach present their interim report for the half year ended 31 December 2015 and the state of affairs of the Company at that date. The Company's Interim Financial Report for the half year ended 31 December 2015, presented on pages 17-33, forms part of this report.

FINANCIAL PERFORMANCE

		H1 FY16	H1 FY15	Change
Income				
Sales revenue	$m	271.6	426.8	(36%)
Total revenue	$m	274.4	431.2	(36%)
Cost of sales	$m	(246.3)	(312.9)	21%
Gross profit	$m	25.3	113.9	(78%)
Other income	$m	3.9	11.2	(65%)
Net profit/ (loss) after tax (NPAT)	$m	(600.1)	(79.1)	(659%)
Underlying NPAT*	$m	9.4	77.3	(88%)
Dividends paid	cps	0.50	2.00	(75%)
Dividends Announced	cps	—	1.00	(100%)
Basic EPS	cps	(46.09)	(6.11)	(655%)
Underlying EPS*	cps	0.72	5.97	(88%)
Cash flows				
Operating cash flow	$m	129.8	135.6	(4%)
Investing cash flow	$m	(132.0)	(280.9)	53%
Financial position		**As at 31 Dec. 2015**	**As at 30 June 2015**	**Change**
Net assets	$m	765.1	1,354.8	(44%)
Cash balance	$m	164.0	170.2	(4%)

Revenue

Sales volumes were down 11% to 5.1 MMboe due to lower production and lower gas sales, with a number of legacy gas contracts in the previous corresponding period (PCP) expiring and supply under the new Origin contract increasing throughout the current period.

Sales revenue for the half year ended 31 December 2015 decreased by 36% to $272 million, as compared to $427 million reported in the PCP, mainly due to lower oil and other liquids prices and lower crude sales volumes, including lower third party volumes, partly offset by a lower A$ / US$ exchange rate and higher gas/ethane prices. Oil sales revenue was down $130 million, mainly due to a lower realised oil price (down 39% to A$62/bbl) as well as lower third party volumes and production. Gas and gas liquids sales revenue was down 23% to $86 million, mainly due to lower gas sales volumes and lower gas liquid prices.

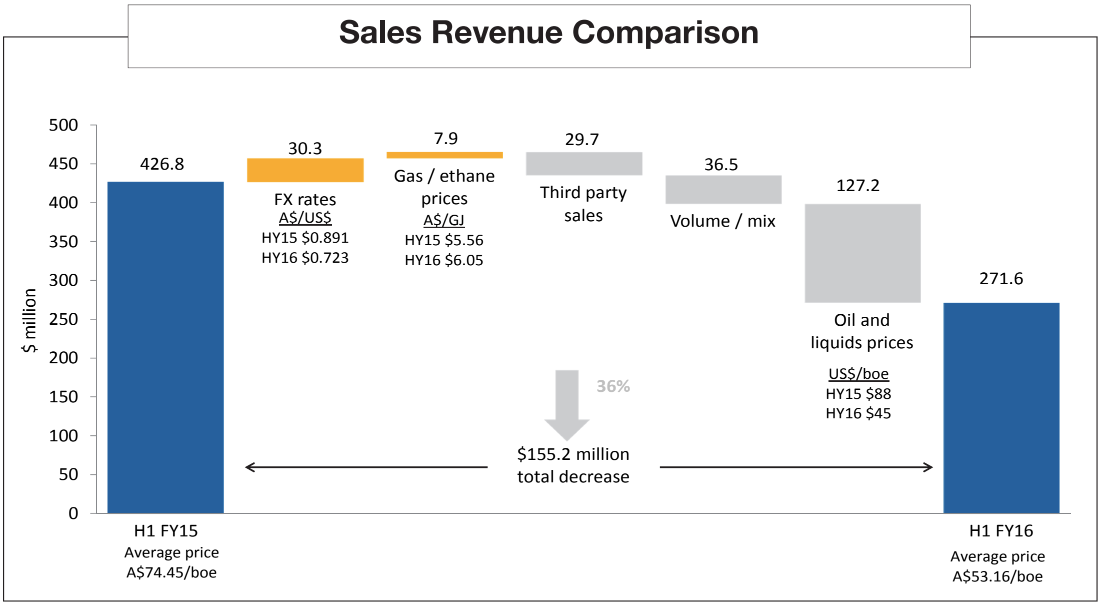
Gross Profit

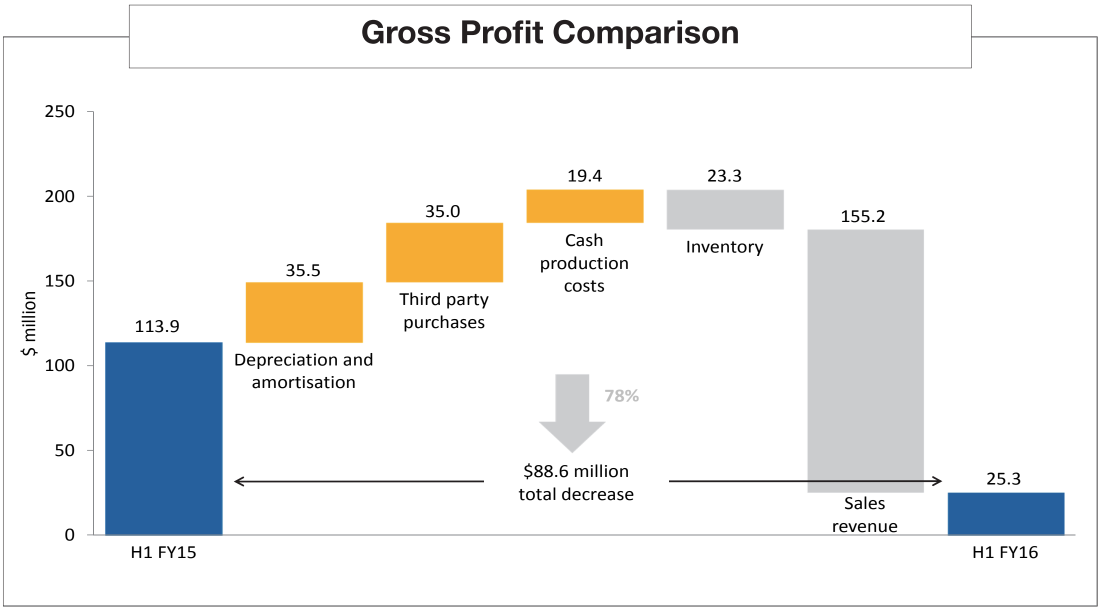
Gross profit for the half year ended 31 December 2015 of $25 million was down 78% from the PCP. This fall in gross profit was largely a result of lower oil prices, lower oil sales volumes and the sale of higher cost inventory produced in FY15, partly offset by lower third party purchases, royalties and depreciation and amortisation charges.

Cash production costs were down $19 million, reflecting lower royalties in line with reduced sales revenue, as well as lower cash operating costs resulting from various measures to reduce controllable costs.

Depreciation and amortisation was down by $36 million due to lower production and asset impairment charges taken in FY15. Third party oil and gas purchases were down by $35 million reflecting lower prices.

**Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. Underlying results are no longer being adjusted for unrealised hedging gains/ (losses) with the prior year comparative restated to be on a consistent basis. Please refer to the table on page 7 for a reconciliation of this information to the interim report.*





Net Profit after Tax

Other income of $4 million was down $7 million from the PCP, mainly due to reduced oil hedging and foreign exchange gains.

Other expenses of $656 million predominantly related to impairment charges, which includes $525 million of Cooper Basin assets due to lower oil prices, as well as $83 million for exploration interests including Nappamerri Trough Natural Gas and Tanzania due to limited work programs, and $26 million of available for sale financial assets due to a fall in the market value of these investments.

The reported net loss after income tax of $600 million is $521 million higher than the PCP, mainly due to additional impairment charges from the sustained fall in oil prices over the period.

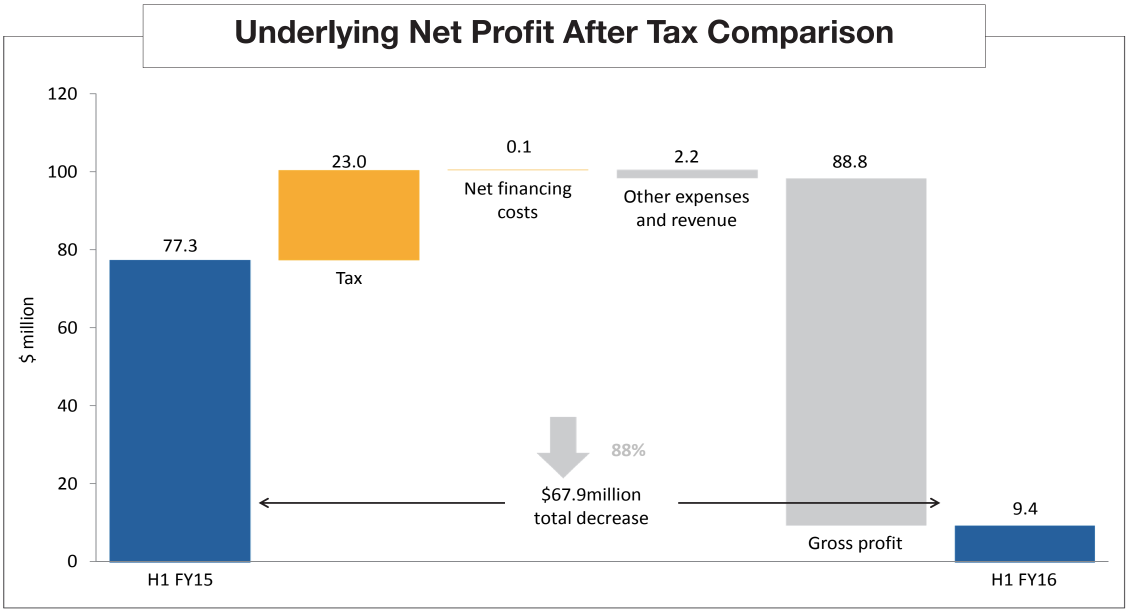
Underlying Profit

By adjusting the half year profit to exclude impairments and non-recurring items, Beach's underlying profit after tax is $9 million. This represents an 88% decrease from the PCP driven predominantly by lower oil prices and higher costs, from inventory produced in FY15, partly offset by lower depreciation and amortisation and cash production costs (as shown in the Gross Profit Comparison graph above).

Comparison of Underlying NPAT*	H1 FY16 $million	H1 FY15 $million	Movement from PCP	Change (%)
Net profit/(loss) after tax	**(600.1)**	**(79.1)**	**(521.0)**	**(659%)**
Remove merger costs	1.5	–	1.5	
Remove mark to market of convertible note derivative	–	(13.3)	13.3	
Remove provision for non-recovery of international taxes	7.5	–	7.5	
Remove impairment of assets	634.6	223.8	410.8	
Tax impact of above changes	(34.1)	(54.1)	20.0	
Underlying net profit after tax	**9.4**	**77.3**	**(67.9)**	**(88%)**

**Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. Underlying results are no longer being adjusted for unrealised hedging gains/(losses) with the prior year comparative restated to be on a consistent basis.*

The following graph summarises key drivers of the decrease in underlying net profit after tax.



Dividends

During the half year ended 31 December 2015, Beach paid a 0.5 cent per share fully franked final dividend based on the FY15 full year results. The Directors have decided not to pay a dividend for the half year ended 31 December 2015.

Financial Position

Total assets decreased by $645 million to $1,192 million during the period.

Cash balances decreased by $6 million. Operating cash flows of $130 million were offset by capital and exploration expenditure of $128 million, a final 0.5 cent final dividend paid totalling $5 million cash (excluding the dividend reinvestment plan), and other payments of $4 million. Receivables decreased by $48 million as a result of lower sales accruals from reduced prices, and lower joint venture debtors from reduced activity levels. Other movements included a decrease in inventories of $17 million. Assets held for sale increased by $10 million due to additional capital expenditure and sales receivables with respect to Egypt, and other current assets decreased by $6 million.

Non-current assets decreased by $578 million reflecting capital expenditure and restoration adjustments of $119 million, partly offset by non-cash depreciation and amortisation of $78 million and impairment charges of $609 million on petroleum and exploration and evaluation assets. Available for sale assets were reduced by $13 million due to lower share prices of investments.

Total liabilities decreased by $55 million to $427 million. Payables were $22 million lower due to lower activity levels. Deferred tax liabilities decreased $27 million due to the recognition of deferred tax assets with respect to impairment charges. Current provisions decreased by $6 million due to restoration and other payments. Income tax payable decreased $7 million reflecting tax payments during the half and an overprovision related to R&D expenditure not previously claimed. Borrowings decreased by $3 million due to establishment costs incurred on the new debt facility which will be amortised over the term of the facility . Non-current provisions increased by $10 million, mainly due to unwinding of the discount on the restoration provision, and new wells requiring restoration which were added during the period.

Total equity decreased by $590 million, primarily due to the net loss after tax of $600 million recorded for the six months to 31 December 2015 and the final dividend of $6 million partly offset by shares issued under the dividend reinvestment plan and other reserve movements.

OPERATIONS OVERVIEW

FY16 FULL YEAR OUTLOOK

Activities for the remainder of FY16 and the outlook for the full year continue to be influenced by the current environment of sustained lower oil prices and market sentiment toward a 'lower for longer' oil price recovery. Beach continues to apply discipline in balancing the need to preserve financial strength with the need for ongoing investment in exploration and development activities and growth beyond its existing asset base. Accordingly, in response to market conditions, Beach has taken further steps to adjust its capital expenditure program and drilling activity. Activities for the second half of FY16 and outlook for the full year are noted below.

- Integration of the Drillsearch business is expected to be completed by financial year end. Initial priorities include confirming the optimal organisational structure for the combined operations, undertaking a detailed review of Drillsearch acreage, high-grading opportunities from the combined exploration portfolio, and realising cost synergies[1].
- Field development and infrastructure activities aim to partially mitigate natural field decline and include tie-in of well stock in ex PEL 91 and ex PEL 106, installation of three variable speed beam pumps in the CKS fields in ex PEL 91, pipeline drag reducing agent trials, and continuation of the Middleton compression project in ex PEL 106.
- Exploration and appraisal activities aim to identify prospects and play types for future drilling campaigns and include reservoir simulation modelling of the Pennington, Stunsail and Parsons fields, completion of the Solidus 3D seismic re-processing project in ex PEL 91, acquisition of the Snowball 3D seismic survey in southwest Queensland, and detailed basin reviews to identify opportunities within and beyond the Cooper Basin.
- Curtailment of international operations will continue. Divestment of Egyptian assets by financial year end is targeted, and the search to identify a farminee partner for the Lake Tanganyika South Block permit in Tanzania will continue.
- Guidance for FY16 full year production has been narrowed to 8.0 – 8.6 MMboe (previously 7.8 – 8.6 MMboe). The narrowed range reflects outperformance in H1 FY16 following better than expected performance from the Bauer, Stunsail and Pennington fields in ex PEL 91, and from operated and non-operated gas fields.
- Guidance for FY16 full year capital expenditure has been reduced to $180 – $210 million (previously $240 – $270 million), which reflects approximately $20 million of reductions and deferrals achieved in H1 FY16, and up to a further $40 million identified for H2 FY16.

[1] As announced on 23 October 2015, annual pre-tax synergies of $20 million are expected to be achieved within two years

PRODUCTION

The Company's oil and gas production is derived from the Cooper and Eromanga basins, located in the northeast of South Australia and the southwest of Queensland. Additional production is derived from Egypt, however, the sale of these assets is currently underway (refer announcements of 10 August 2015 and 28 September 2015). Total net production for the period was 4,531 kboe, representing a 5% decrease from the prior corresponding period.

Oil production of 2,277 kboe (net) accounted for approximately 50% of total production and was 6% lower than the prior corresponding period. Western Flank oil production decreased approximately 7% to 9,169 bopd (net), with infrastructure upgrades, well connections and continuing strong performance from the Bauer Field partially offsetting natural field decline.

Gas and gas liquids production of 2,254 kboe (net) accounted for approximately 50% of total production and was 5% lower than the prior corresponding period. Natural field decline was partially offset by increased wellhead capacity within the SACB and SWQ JVs, including connection of stranded wells in the Windorah Trough, minimal downtime at the Moomba processing facility, and better than expected performance in ex PEL 106.

Cooper Basin

Ex PEL 91

(Beach 40% and operator, Drillsearch 60%)

Oil production increased 10% to 917 kbbl (net). The Stunsail and Pennington facilities (20,000 bfpd each) and associated pipeline installations were commissioned toward the end of Q1 FY16, with production from both fields outperforming relative to original expectations. The Bauer Field continued to perform better than originally anticipated, with only one well from the second four-well development pad (Bauer-20) brought online to maintain production levels. Production also commenced from the Balgowan Field and Chiton-3 well. Trucking of volumes beyond pipeline capacity continued throughout the period.

Ex PEL 92

(Beach 75% and operator, Cooper 25%)

Oil production decreased 20% to 496 kbbl (net) due to natural field decline. New connections at Callawonga-10 and Callawonga-11 were completed, and incremental production from Callawonga-7 was achieved following installation of a variable speed beam pump.

Ex PEL 106

(Beach 50% and operator, Drillsearch 50%)

Gas and gas liquids production decreased 18% to 149 kboe (net), mainly due to natural field decline. A 12-day shut-in of the Middleton facility for facility maintenance and biennial integrity inspections was undertaken. The program was completed ahead of schedule and without incident, which contributed to better than expected production during the period.

Ex PEL 104 / 111

(Beach 40%, Senex 60% and operator)

Oil production decreased 23% to 275 kbbl (net), mainly due to natural field decline and partially offset by a number of completions and connections. These included the second Namur Sandstone discovery within the permit, Martlet North-1, and the Growler-14 and Spitfire-7 wells.

Production	Area	H1 FY16	H1 FY15	% Change
Oil (kbbl)	Cooper Basin	2,189.2	2,370.2	(8%)
	Egypt	87.8	49.5	77%
	Total Oil	**2,277.0**	**2,419.7**	**(6%)**
Sales Gas and Ethane (PJ)	Cooper Basin	10.9	11.5	(5%)
	Egypt	0.2	–	–
LPG (kt)	Cooper Basin	21.8	24.2	(10%)
Condensate (kbbl)	Cooper Basin	176.9	198.9	(11%)
Total Oil and Gas (kboe)		**4,530.9**	**4,785.3**	**(5%)**

Kenmore and Bodalla
(Beach 100%)

Oil production decreased 10% to 83 kbbl (net).

SACB and SWQ JVs
(Various non-operated interests)

Sales gas and gas liquids production decreased 5% to 2,082 kboe (net). Natural field decline was partially offset by increased wellhead capacity, commencement of production from stranded gas fields in the Windorah Trough, and limited downtime at the Moomba processing facility. Oil production decreased 10% to 419 kbbl (net), mainly due to natural field decline.

Egypt

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

Production increased 123% to 110 kboe (net). Commissioning of the gas pipeline from the El Salmiya Field enabled commencement of gas production (22 kboe net) and an increase in oil production (88 kbbl net).

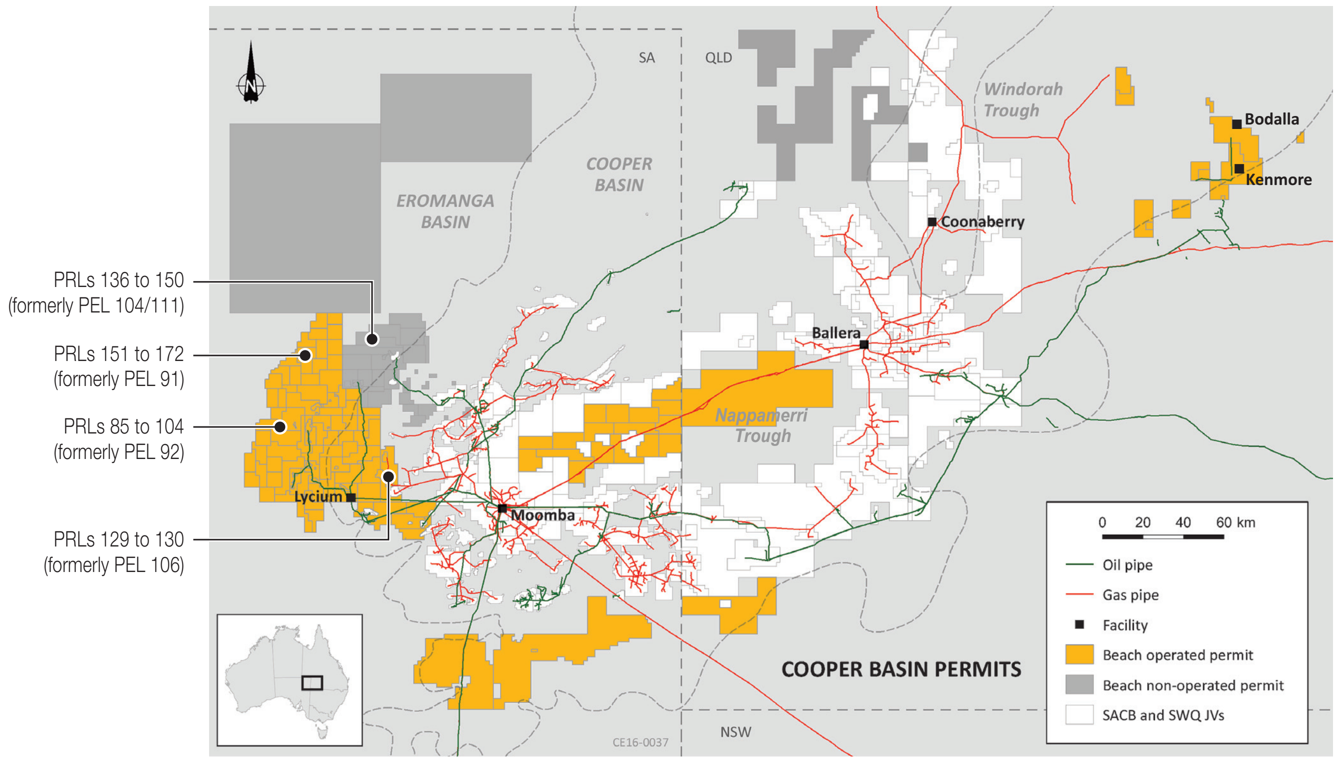
DEVELOPMENT

Cooper Basin

Ex PEL 104 / 111
(Beach 40%, Senex 60% and operator)

Spitfire-7 is a standalone oil development well in PPL 258 on the southern side of the Spitfire Field. The well, located approximately 450 metres west of Spitfire-2 and approximately 500 metres south west of Spitfire-4, targeted the Birkhead Formation. Spitfire-7 was cased and suspended as a future oil producer following intersection of 6.6 metres of net oil pay within the target Birkhead Formation.

Martlet-2 is a standalone oil development well in PRL 137, located approximately 190 metres southwest of the producing Martlet-1 oil well, and approximately 1.1 kilometres south-southeast of the producing Martlet North-1 oil well. Martlet-2 was drilled to accelerate production from the Namur Sandstone reservoir following re-mapping of the Martlet structure using the Mollichuta 3D seismic survey. The well was cased and suspended as a future producer following intersection of a 4.5 metre net oil column, which was in line with pre-drill estimates and is expected to result in a reserve increment.



South Australian Oil – SACB JVs

(Fixed Factor Area Joint Venture: Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

A five-well development, appraisal and exploration campaign was completed in the greater Limestone Creek area, located approximately 50 kilometres southeast of Moomba. Jena-23, the last of two development wells of the campaign, was drilled to develop booked reserves in the McKinlay Member and Mid-Namur Sandstone. The well was cased and suspended following the intersection of approximately two metres of net oil pay in the McKinlay Member. Beach elected not to participate in the first development well of the campaign.

Merrimelia-64 is a horizontal oil well which targeted the low-deliverability Murta oil reservoir, and is part of an ongoing trial to assess horizontal drilling in the Cooper Basin. The Merrimelia Field is located approximately 50 kilometres north of Moomba in PPL 17. Merrimelia-64 was cased and suspended following the intersection of oil shows throughout the Murta reservoir. The well will be fracture stimulated (multi-stage) and connected to the Merrimelia oil facility.

Queensland Oil – SWQ JVs

(Beach 20.0%, Santos 55.0% and operator, Origin 25.0%)

The Cocinero-3 development well was drilled in ATP 1189 in the Cocinero Field, which is located approximately 80 kilometres northwest of the Ballera gas processing facility. Drilling of Cocinero-1 in 2014 proved the extension of the adjoining Cuisinier Murta reservoir into the joint venture's permit area, and also discovered a new Hutton Sandstone oil reservoir. Consequently, Cocinero-3 was drilled to further evaluate and develop the Murta Formation and Hutton Sandstone, with the primary objective being the Hutton Sandstone. The well encountered approximately 2.4 metres of net oil pay in the Murta Formation and approximately 7.4 metres of net oil pay in the Hutton Sandstone. Based on this result, Cocinero-3 was cased and suspended as a future Murta and Hutton oil producer.

South Australian Gas – SACB JVs

(Fixed Factor Area Joint Venture: Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

A six-well development drilling campaign was completed in the Tirrawarra and Gooranie fields, located approximately 50 kilometres north of Moomba, targeting gas and gas liquids in the Patchawarra Formation and oil in the Tirrawarra Sandstone. The campaign was undertaken as a result of past drilling, which highlighted significant remaining potential within both gas and oil reservoirs, and findings from the detailed Patchawarra Formation study undertaken in 2011. The last five wells of the campaign were drilled during the period (Tirrawarra-85 to -88 and Gooranie-7). The completed drilling campaign proved successful, with all six wells cased and suspended and results ranging from in line with pre-drill estimates to high-side pay outcomes.

A three-well development drilling campaign was completed in the Moomba South Field, which aimed to increase the production rate of booked gas reserves in the Toolachee and Daralingie formations. Wells were drilled using under-balanced drilling techniques, a commonly used method whereby wellbore pressure is maintained below formation pressure to preserve formation integrity. This approach is suitable for low pressure reservoirs and was successfully undertaken in the Moomba South Field in 2007. Moomba-209, -210 and -211 were initially drilled in a batch to the top of the Toolachee Formation and cased, with under-balanced drilling through the Toolachee and Daralingie formations then undertaken. The campaign proved successful with all wells completed and initial flow rates in line with pre-drill estimates.

A six-well infill development drilling campaign commenced in the Moomba North Field, which aims to develop booked reserves in the Toolachee, Daralingie and Patchawarra formations. A phased approach is being undertaken which may result in drilling up to 26 new wells in the area, six of which were drilled in 2014. Outcomes from the 2014 campaign are being applied to the current campaign, including optimised well designs and improved well completions. The first five wells of the 2015-16 campaign (Moomba-203 to Moomba-207) were cased and suspended as future Permian gas producers, with intersection of gas pay broadly in-line with pre-drill estimates.

EXPLORATION

Cooper Basin

Ex PEL 91

(Beach 40% and operator, Drillsearch 60%)

A two-well oil appraisal program was undertaken in the Bauer Field to test southern and northern extensions of the field. Both wells were cased and suspended as future producers, and further evaluation of results will be undertaken to assess potential for follow-up drilling.

Bauer-24 is the southern-most well in the Bauer Field, located approximately 80 kilometres northwest of Moomba and approximately one kilometre north of the Chiton Field. The well was drilled to appraise a structural high between the Bauer and Chiton fields as a possible extension of the

Bauer Field. Primary targets were the McKinlay Member and Namur Sandstone reservoirs, with the Birkhead Formation providing a secondary target. The well was cased and suspended as a future producer following intersection of a three metre net oil column in the Namur Sandstone and a 3.5 metre gross oil bearing interval in the overlaying McKinlay Member.

The Bauer-25 appraisal well is located on the northern flank of the Bauer Field and is the northern-most well in the field. The northern flank is a low relief area extending to the Bauer North-1 discovery well, approximately 1.3 kilometres northeast of Bauer-25. The well tested a northern extension of the Bauer Field and targeted the McKinlay Member and Namur Sandstone reservoirs, with the Birkhead Formation providing a secondary target. The well was cased and suspended as a future producer following intersection of a two metre net oil column in the Namur Sandstone and a 3.5 metre gross oil bearing interval in the overlaying McKinlay Member.

Ex PEL 104 / 111

(Beach 40%, Senex 60% and operator)

The Fulcrum-1 exploration well is located in PRL 136 between the producing Spitfire Field and the Stanleys-1 oil discovery in ex PEL 91. The well was drilled to test a combination structural and stratigraphic trap within the Birkhead Formation, targeting the same reservoir as offset discoveries at the Spitfire Field and Stanleys-1. The well was located to also test the crest of a structural closure at the Namur Sandstone level as a secondary target. Good oil shows were encountered within the target Birkhead Formation, however the reservoir was poorly developed and the well was subsequently plugged and abandoned.

Eastern Flank – PL 184

(Beach 80.4% and operator, Australian Gas Fields 19.6%)

The Thylungra-2 oil and gas exploration well is located approximately 470 metres west of Thylungra-1 and 50 kilometres west of the Bodalla South oil field. The well targeted oil in the Hutton Sandstone, and the Toolachee and Patchawarra formations provided secondary gas targets. The well was cased and suspended as a future gas producer following intersection of approximately 10 metres of net gas pay across the Toolachee and Patchawarra formations. Minor oil shows were recorded in the basal Birkhead Formation.

ATP 924

(Beach farming-in 45% with Drillsearch)

The Maroochydore-1 oil exploration well is located in Queensland on the north-eastern flank of the Cooper Basin, approximately 250 kilometres northeast of Moomba. The well is situated on a large anticline and was drilled to test a northern four way closure, with the Hutton Sandstone the primary target and secondary targets in other Jurassic sandstones. Oil shows were seen during drilling, however wireline logs showed the Hutton Sandstone to be water saturated and the well was consequently plugged and abandoned. The well provided the joint venture with a significant amount of data which has improved its understanding of the north-eastern flank of the Cooper Basin.

South Australian Oil – SACB JVs

(Fixed Factor Area Joint Venture: Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

The previously mentioned five-well campaign in the greater Limestone Creek area included two appraisal wells and one near field exploration well, which aimed to appraise additional oil reserves in the McKinlay Member and other secondary targets. Hobbes-3, the first appraisal

Setting up for drilling at Thylungra-2

Raising the drill mast at Maroochydore-1

well of the campaign, was drilled to assess oil from the undeveloped western area of the Hobbes Field, located in PPL 234. The well was cased and suspended following intersection of six metres of net oil pay in the McKinlay Member. The Calamia East-1 near field exploration well was drilled up-dip of Calamia West-1 and targeted the McKinlay Member and Birkhead Formation. The well was cased and suspended following intersection of 1.7 metres of net oil pay in the McKinlay Member and 5.5 metres of net oil pay in the Birkhead / Hutton formations. Calamia East-1 marked completion of the campaign, with Beach electing not to participate in the appraisal well.

South Australian Gas – SACB JVs

(Fixed Factor Area Joint Venture: Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

Beanbush-2, a standalone appraisal well, was drilled to further define original gas in place in the Beanbush Field, which is located in PPL 156 approximately 100 kilometres northeast of Moomba. The well targeted conventional gas in the Toolachee, Epsilon and Patchawarra formations. Deep coals present in these three formations were also targeted and have been identified for fracture stimulation to assess the potential for incremental well productivity. Beanbush-2 provided a high-side (P10) gas pay outcome for conventional targets and was cased and suspended.

Correa-3 is the second of a two-well pad appraisal campaign in the Correa Field, located in PPL 80 approximately 50 kilometres north of Moomba. The well appraised the northeast area of the field and follows drilling of Correa-2 in January 2015 and the Gaschnitz 3D survey acquired in 2013. Correa-3 targeted the Tirrawarra Sandstone, with the Patchawarra Formation providing a secondary target. The well was cased and suspended as a future producer, with results exceeding pre-drill estimates.

Queensland Gas – SWQ JVs

(Beach 23.2%, Santos 60.06% and operator, Origin 16.74%)

Bolah-2 is a standalone appraisal well drilled in the Bolah Field in ATP 1189, located approximately 50 kilometres north of the Ballera gas processing facility. The field was discovered in late 2013 following intersection of gas pay in the Toolachee and Patchawarra formations. Bolah-2 was drilled to appraise the southern extent of the Bolah culmination and was cased and suspended following the intersection of gas pay in line with pre-drill estimates. The well also confirmed the extension of field limits, providing support for future field development, which may include seismic activity and installation and connection of infrastructure.

A five-well near-field gas exploration program was completed on the eastern flank of the Windorah Trough, which successfully re-defined the play fairway in the vicinity of the Whanto-1 gas discovery. The program tested simple four–way dip closures (Whanto-4, Whanto South West-1, Cougar East-1), a potential stratigraphic / fault trap (Whanto East-1), and a potential basin centred gas accumulation (Whanto West-1). All five wells were successful and have been cased and suspended as future Toolachee and Patchawarra Formation producers.

Results from the campaign are being reviewed. Preliminary interpretation indicates Whanto-4, Whanto East-1 and Whanto West-1 may be part a large anticlinal complex designated as the Greater Whanto Structure. Flow testing is expected during 2016 and these results will be incorporated in decisions regarding further appraisal and development drilling in this sector of the Windorah Trough.

The broader 2015 Windorah-Marama development project included pipelines and well head connections in the Whanto, Mt Howitt and Toby fields to the existing Coonaberry gathering system. This allowed existing stranded fields to be brought online and provides connections for wells from recent campaigns. Pipelines associated with the Windorah-Marama development project have been completed, with four wells connected and flowing gas. Initial flow rates from these wells are exceeding flow rates expected from the initial eight well connection program. The work program was completed on schedule and budget.

Other Australia – Otway Basin

T/49P – Offshore Otway

(Beach 30%, 3D Oil 70% and operator)

Interpretation and mapping of the 974 km^2 Flanagan 3D survey in the north of the block confirmed the presence of two large structures (Flanagan and Whalebone). Detailed mapping of these structures is continuing, with recommendations for future activity expected to be confirmed in Q3 FY16.

Egypt

Abu Sennan Concession

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

The ZZ-5X oil exploration well, located approximately nine kilometres to the west of the El Salmiya Field, discovered hydrocarbons in the primary Abu Roash Formation. Testing over three intervals totalling 14 metres in the Abu Roash Formation was conducted, with trace hydrocarbons recovered. The well was temporarily suspended to study possible stimulation options.

During H1 FY16, Beach participated in 34 wells with an overall success rate of 94%.

Location	Category		Wells	Successes	Success Rate
Cooper/ Eromanga	Oil	Exploration	4	2	50%
		Appraisal	3	3	100%
		Development	5	5	100%
	Gas	Exploration	5	5	100%
		Appraisal	3	3	100%
		Development	13	13	100%
Egypt	Oil	Exploration	1	1	100%
	Total		**34**	**32**	**94%**
	Exploration		10	8	80%
	Appraisal		6	6	100%
	Development		18	18	100%

DIRECTORS

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

Glenn Stuart Davis

INDEPENDENT NON-EXECUTIVE CHAIRMAN
LLB, BEc, FAICD

Colin David Beckett

INDEPENDENT NON-EXECUTIVE DEPUTY CHAIRMAN
FIEA, MICE, GAICD

Fiona Rosalyn Vivienne Bennett

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

John Charles Butler

INDEPENDENT NON-EXECUTIVE DIRECTOR
FCPA, FAICD, FIFS

Robert James Cole

INDEPENDENT NON-EXECUTIVE DIRECTOR
BSc. LLB (Hons)

Belinda Charlotte Robinson

INDEPENDENT NON-EXECUTIVE DIRECTOR
BA, MEnv Law, GAICD

Douglas Arthur Schwebel

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

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 report have been rounded to the nearest hundred thousand dollars, unless shown otherwise.

AUDITOR'S 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 review of the interim financial report. This Independence Declaration is made on page 15 and forms part of this Directors' Report.

Dated at Adelaide this 26th day of February 2016 and signed in accordance with a resolution of the Directors.

G S Davis
Chairman

KPMG

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 review for the half-year ended 31 December 2015, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Scott Fleming
Partner

Adelaide

26 February 2016

Glossary

3D Oil	3D Oil Ltd
$	Australian dollars
ASX	Australian Securities Exchange
ATP	Authority to Prospect
bbl	barrels
Beach	Beach Energy Ltd
Bcf	billion cubic feet
bfpd	barrels of fluid per day
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
bopd	barrels of oil per day
CKS	Congony, Kalladeina and Sceale oil fields
Company	Beach Energy Limited
Cooper	Cooper Energy Ltd
Cooper Basin	Includes both Cooper and Eromanga basins
Delhi	Delhi Petroleum Pty Ltd
Dover	Dover Investments Ltd
Drillsearch	Drillsearch Energy Ltd
EP	Exploration permit
Ex PEL 91	Replaced by Petroleum Retention Licences 151 to 172
Ex PEL 92	Replaced by Petroleum Retention Licences 85 to 104
Ex PEL 104 / 111	Replaced by Petroleum Retention Licences 136 to 150
Ex PEL 106	Replaced by Petroleum Retention Licences 129 and 130
Ex PEL 218	Replaced by Petroleum Retention Licences 33 to 49
FY(16)	financial year (2016)
GJ	gigajoule
H1 (FY16)	First half year period (of FY16)
H2 (FY16)	Second half year period (of FY16)
Kbbl	thousand barrels of oil
kboe	thousand barrels of oil equivalent
Kt	thousand tonnes
KEE	Kuwait Energy Egypt Ltd
LPG	liquefied petroleum gas
MMbbl	million barrels of oil
MMboe	million barrels of oil equivalent
MMscfd	million standard cubic feet of gas per day
Oil Search	Oil Search Ltd
Origin	Origin Energy Ltd
Origin Retail	Origin Energy Retail Ltd
PEL	Petroleum Exploration Licence
PRL	Petroleum Retention Licence
PJ	petajoule
Q(1 FY16)	(First) quarter (of FY16)
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% and Origin 10.54%)
SACB and SWQ JVs	The Delhi operations, which incorporate the SACB JVs and the SWQ JVs
Santos	Santos Ltd
Senex	Senex Energy Ltd
SWQ JVs	South West Queensland joint ventures
Woodside Petroleum	Woodside Petroleum Ltd

INTERIM FINANCIAL REPORT OF BEACH ENERGY LIMITED AND CONTROLLED ENTITIES

For the half year ended 31 December 2015

Cooper Basin operations

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2015 — Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
	Note	**Dec 2015 $million**	Dec 2014 $million
Sales revenue	**3(a)**	**271.6**	426.8
Cost of sales	**4(a)**	**(246.3)**	(312.9)
Gross profit		**25.3**	113.9
Other revenue	**3(b)**	**2.8**	4.4
Other income	**3(c)**	**3.9**	11.2
Other expenses	**4(b)**	**(656.3)**	(242.9)
Operating loss before net financing costs		**(624.3)**	(113.4)
Interest income	**4(c)**	**2.2**	5.6
Finance expenses	**4(c)**	**(12.1)**	(2.4)
Loss before income tax expense		**(634.2)**	(110.2)
Income tax benefit	**5**	**34.1**	31.1
Net loss after income tax expense		**(600.1)**	(79.1)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale financial assets		**(13.4)**	(26.1)
Net gain on translation of foreign operations		**2.8**	30.6
Tax effect relating to components of other comprehensive income		**(0.2)**	4.1
Other comprehensive income/(loss) net of tax		**(10.8)**	8.6
Total comprehensive loss after tax		**(610.9)**	(70.5)
Basic earnings per share (cents per share)	**18**	**(46.09¢)**	(6.11¢)
Diluted earnings per share (cents per share)	**18**	**(46.09¢)**	(6.11¢)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 — Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
	Note	**Dec 2015 $million**	June 2015 $million
Current assets			
Cash and cash equivalents		**164.0**	170.2
Receivables		**77.0**	125.4
Inventories		**97.6**	114.6
Derivative financial instruments		**2.7**	1.1
Other		**2.0**	8.1
Assets held for sale	**19**	**32.0**	22.2
Total current assets		**375.3**	441.6
Non-current assets			
Available for sale financial assets		**32.7**	46.1
Property, plant and equipment	**8**	**410.0**	448.1
Petroleum assets	**9**	**118.4**	588.2
Exploration and evaluation assets	**10**	**248.0**	305.3
Derivative financial instruments		**0.6**	0.2
Other financial assets		**6.8**	6.9
Total non-current assets		**816.5**	1,394.8
Total assets		**1,191.8**	1,836.4
Current liabilities			
Payables		**110.9**	128.5
Employee entitlements		**6.1**	8.5
Provisions		**1.5**	5.3
Tax liabilities		**-**	6.6
Liabilities held for sale	**19**	**1.4**	2.2
Total current liabilities		**119.9**	151.1
Non-current liabilities			
Payables		**-**	4.0
Employee entitlements		**1.0**	0.9
Provisions		**159.9**	150.2
Deferred tax liabilities		**-**	26.9
Borrowings		**145.9**	148.5
Total non-current liabilities		**306.8**	330.5
Total liabilities		**426.7**	481.6
Net assets		**765.1**	1,354.8
Equity			
Issued capital	**7**	**1,251.8**	1,250.1
Reserves		**282.1**	273.4
Retained earnings		**(768.8)**	(168.7)
Total equity		**765.1**	1,354.8

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2015 Beach Energy Limited and Controlled Entities

	$million	$million	$million	$million
For the half year ended 31 December 2015	**Issued Capital**	**Retained Earnings**	**Reserves**	**Total Equity**
1 July 2015 – opening balance	**1,250.1**	**(168.7)**	**273.4**	**1,354.8**
Loss after tax for the period	-	(600.1)	-	(600.1)
Other comprehensive income	-	-	(10.8)	(10.8)
Total comprehensive loss	**-**	**(600.1)**	**(10.8)**	**(610.9)**
DRP issue for final dividend	1.3	-	-	1.3
Shares issued under the terms of the Employee Share Purchase Plan	0.4	-	-	0.4
Dividends paid from profit reserve (final)	-	-	(6.5)	(6.5)
Impairment of available for sale financial assets	-	-	25.8	25.8
Increase in share based payments reserve – incentive options and rights	-	-	0.7	0.7
Decrease in share based payments reserve – forfeiture of incentive rights	-	-	(0.5)	(0.5)
Transactions with owners	**1.7**	**-**	**19.5**	**21.2**
31 December 2015 – closing balance	**1,251.8**	**(768.8)**	**282.1**	**765.1**

	$million	$million	$million	$million
For the half year ended 31 December 2014	**Issued Capital**	**Retained Earnings**	**Reserves**	**Total Equity**
1 July 2014 – opening balance	**1,239.9**	**572.6**	**58.3**	**1,870.8**
Loss after tax for the period	-	(79.1)	-	(79.1)
Other comprehensive income	-	-	8.6	8.6
Total comprehensive loss	**-**	**(79.1)**	**8.6**	**(70.5)**
DRP issue for final dividend	6.8	-	-	6.8
Shares issued under the terms of the Employee Share Purchase Plan	0.7	-	-	0.7
Dividends paid (final)	-	(25.9)	-	(25.9)
Increase in share based payments reserve – incentive options and rights	-	-	1.6	1.6
Decrease in share based payments reserve – forfeiture of incentive rights	-	-	(0.4)	(0.4)
Transactions with owners	**7.5**	**(25.9)**	**1.2**	**(17.2)**
31 December 2014 – closing balance	**1,247.4**	**467.6**	**68.1**	**1,783.1**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2015 — Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2015 $million	Dec 2014 $million
Cash flows from operating activities		
Receipts from oil and gas operations	**336.0**	441.8
Payments to suppliers and employees	**(201.6)**	(249.7)
Interest received	**2.1**	7.2
Interest and borrowing costs paid	**(8.2)**	(3.4)
Derivative payments received/(made)	**1.3**	(0.2)
Income tax paid	**(2.9)**	(64.5)
Other receipts	**3.1**	4.4
Net cash provided by operating activities	**129.8**	135.6
Cash flows from investing activities		
Proceeds from sale of non-current assets	**-**	0.1
Payments for property, plant and equipment	**(47.5)**	(55.0)
Payments for petroleum assets	**(50.6)**	(129.5)
Payments for exploration	**(29.9)**	(90.3)
Acquisition of exploration interests	**-**	(2.5)
Payment for restoration	**(2.0)**	(3.7)
Acquisition of subsidiary, net of cash acquired	**(2.0)**	-
Net cash used by investing activities	**(132.0)**	(280.9)
Cash flows from financing activities		
Proceeds from employee incentive loans	**0.4**	0.7
Dividends paid	**(5.2)**	(19.0)
Net cash used by financing activities	**(4.8)**	(18.3)
Net (decrease)/increase in cash held	**(7.0)**	(163.6)
Cash at the beginning of the half year	**170.2**	411.3
Effect of exchange rate changes on the balances of cash held in foreign currencies	**0.8**	0.9
Cash at the end of the half year	**164.0**	248.6

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

NOTE 1 REPORTING ENTITY

Beach Energy Limited (**Beach** or the **Company**) is a company domiciled in Australia. The Half Year Financial Report of the Company for the six months ended 31 December 2015 comprises the Company and its controlled entities (together referred to as the **Group**).

The 2015 Annual Report is available upon request from the Company's registered office at 25 Conyngham Street, Glenside, 5065 South Australia or at *www.beachenergy.com.au.*

NOTE 2 BASIS OF PREPARATION OF INTERIM REPORT

The Interim Financial Report for the six months ended 31 December 2015 is a general purpose report prepared in accordance with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. It is intended to provide users with an update on the latest annual financial statements of the Group and as such they do not include full disclosures of the type normally included in the annual report. It is recommended that they be read in conjunction with the 2015 Annual Report and any public announcements made by Beach during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The Interim Financial Report for the six months ended 31 December 2015 has been prepared in accordance with the accounting policies adopted in the 2015 Annual Report and have been consistently applied by the entities in the Group.

The Interim Financial Report for the six months ended 31 December 2015 was approved and authorised for issue by the Board of Directors on 26 February 2016.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2015 — Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
		Dec 2015 $million	Dec 2014 $million
NOTE 3	**REVENUE AND OTHER INCOME**		
(a)	Sales revenue		
	Crude oil	**185.7**	315.9
	- sales gas and ethane	**62.4**	69.9
	- liquified petroleum gas	**14.2**	21.2
	- condensate	**9.3**	19.8
	Gas and gas liquids	**85.9**	110.9
	Total sales revenue	**271.6**	426.8
(b)	Other revenue		
	- other	**2.8**	4.4
	Total revenue	**274.4**	431.2
(c)	Other income		
	- gain on sale of property, plant and equipment	**-**	0.2
	- foreign exchange gains	**0.6**	4.2
	- gain on crude oil hedging	**3.3**	6.8
	Total other income	**3.9**	11.2
NOTE 4	**EXPENSES**		
(a)	Cost of sales		
	- operating costs	**85.7**	90.6
	- royalties	**18.8**	33.3
	Total cash production costs	**104.5**	123.9
	- depreciation and amortisation	**77.0**	112.5
	- third party oil and gas purchases	**44.9**	79.9
	- change in inventories	**19.9**	(3.4)
	Total cost of sales	**246.3**	312.9

NOTE 4 EXPENSES (CONTINUED)

	CONSOLIDATED	
	Dec 2015 $million	Dec 2014 $million
(b) Other expenses		
Impairment		
- impairment of exploration and evaluation expenditure	**82.6**	30.2
- impairment of petroleum assets and other assets	**467.3**	193.6
- impairment of property, plant and equipment	**58.9**	-
- impairment of available for sale financial assets	**25.8**	-
Total impairment loss (refer note 13)	**634.6**	223.8
Other		
- employee benefits expense	**4.0**	10.3
- corporate development costs	**3.1**	1.9
- merger costs	**1.5**	-
- depreciation of property, plant and equipment	**1.2**	0.9
- provision for doubtful debts	**0.3**	-
- provision for non-recovery of international taxes	**7.5**	-
- other expenses	**4.1**	6.0
Other expenses	**21.7**	19.1
Total other expenses	**656.3**	242.9
(c) Net financing (income)/expenses		
- financing costs	**2.5**	2.6
- interest expense	**3.0**	3.0
- discount unwinding on convertible note	**-**	3.9
- discount unwinding on provision for restoration	**6.6**	6.2
- unrealised movement in value of convertible note conversion rights	**-**	(13.3)
Total finance expenses	**12.1**	2.4
- interest income	**(2.2)**	(5.6)
Net financing (income)/expenses	**9.9**	(3.2)

NOTE 5 INCOME TAX

		CONSOLIDATED Dec 2015 $million	CONSOLIDATED Dec 2014 $million
(a)	Reconciliation of income tax expense calculated on operating (loss)/profit to income tax charged in the statement of profit or loss		
	Operating (loss)/profit	**(634.2)**	(110.2)
	Income tax (benefit)/expense calculated at 30 cents in the dollar	**(190.3)**	(33.1)
	(Decrease)/increase in income tax (benefit)/expense due to:		
	- share based payments	**0.1**	0.3
	- prior year over provision	**(3.1)**	(7.9)
	- impairment Cooper Basin	**174.5**	-
	- impairment of overseas assets	**8.0**	9.1
	- impairment of investments	**7.7**	-
	- international tax losses not recognised	**2.2**	0.6
	- capital losses not recognised	**-**	0.8
	- recognition of deferred tax asset	**(33.7)**	(1.0)
	- other	**0.5**	0.1
	Income tax (benefit)/expense	**(34.1)**	(31.1)
(b)	Reconciliation of income tax expense calculated on net profit to income tax charged in the statement of profit or loss		
	Current tax	**(7.1)**	8.6
	Deferred tax	**(27.0)**	(39.7)
	Income tax (benefit)/expense	**(34.1)**	(31.1)

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2015 — Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2015 $million	Dec 2014 $million
NOTE 6 DIVIDENDS		
Final dividend of 2.0 cents per fully paid ordinary share declared on 25 August 2014 and paid on 26 September 2014.	**-**	25.9
Final dividend of 0.5 cents per fully paid ordinary share declared on 24 August 2015 and paid on 25 September 2015.	**6.5**	-
	6.5	25.9

		Dec 2015 $million	Jun 2015 $million
NOTE 7 EQUITY SECURITIES ISSUED			
(a)	Share capital	**1,251.8**	1,250.1
		Number	Number
(b)	Movement in fully paid ordinary shares		
	Balance at beginning of period	**1,300,149,513**	1,291,999,670
	Share issue on vesting of unlisted employee performance rights	**441,935**	898,136
	Shares issued under the terms of the dividend reinvestment plan	**2,286,529**	7,251,707
	Balance at end of period	**1,302,877,977**	1,300,149,513
(c)	Movement in unlisted Long Term Incentive Rights		
	Balance at beginning of period	**5,777,763**	7,526,330
	Issued during the period	**2,787,763**	2,072,089
	Converted to shares on vesting	**(441,935)**	(898,136)
	Cancelled during the period	**(3,104,566)**	(2,922,520)
	Balance at end of period	**5,019,025**	5,777,763

Employee Rights

During the period, Beach issued 2,787,763 Long Term Incentive unlisted rights under the Executive Incentive plan. These rights, which expire on 30 November 2020, are exercisable for nil consideration and are not exercisable before 1 December 2018. Further details of the Executive Incentive plan are detailed in the 2015 Annual Report.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2015 — Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2015 $million	Jun 2015 $million

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	Dec 2015 $million	Jun 2015 $million
Balance at beginning of period	**448.1**	440.7
Additions	**49.1**	87.5
Transfer to exploration and evaluation expenditure	**-**	(1.5)
Reclassification to assets held for sale	**-**	(12.9)
Depreciation expense	**(28.3)**	(46.3)
Impairment of property, plant and equipment	**(58.9)**	(21.6)
Foreign exchange movement	**-**	2.2
Balance at end of period	**410.0**	448.1

NOTE 9 PETROLEUM ASSETS

	Dec 2015 $million	Jun 2015 $million
Balance at beginning of period	**588.2**	872.1
Additions	**43.7**	212.1
Increase in restoration	**0.8**	9.4
Transfer (to)/from exploration and evaluation expenditure	**2.9**	26.9
Reclassification to assets held for sale	**-**	(1.3)
Impairment of petroleum assets	**(467.3)**	(370.8)
Amortisation expense	**(49.9)**	(176.0)
Foreign exchange movement	**-**	15.8
Balance at end of period	**118.4**	588.2

NOTE 10 EXPLORATION AND EVALUATION ASSETS

	Dec 2015 $million	Jun 2015 $million
Balance at beginning of period	**305.3**	541.7
Additions	**25.0**	131.3
Increase in restoration	**0.3**	3.6
Acquisition of joint venture interests	**2.0**	2.5
Transfer from/(to) petroleum assets	**(2.9)**	(26.9)
Transfer from property, plant and equipment	**-**	1.5
Impairment of exploration and evaluation expenditure	**(82.6)**	(360.7)
Reimbursement of exploration expenditure	**-**	(12.9)
Foreign exchange movement	**0.9**	25.2
Balance at end of period	**248.0**	305.3

NOTE 11 FINANCES AND BORROWINGS

In December 2015, Beach negotiated a $530 million secured corporate debt facility comprising a $200 million three year revolving general facility, a $200 million five year revolving general facility, a $100 million three year revolving acquisition facility and a $30 million letter of credit facility. The new facility replaced the previous $330 million secured corporate debt facility.

As at 31 December 2015, $150 million of the three year revolving general facility with a maturity date of 4 December 2018 was drawn, with the remaining $50 million undrawn. The $200 million revolving general facility with a maturity date of 4 December 2020 remained undrawn, the $100 million revolving acquisition facility with a maturity date of 4 December 2018 remained undrawn, and $20 million of the letter of credit facility had been utilised by way of bank guarantees. Bank debt bears interest at the relevant reference rate plus a margin.

NOTE 12 SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group has identified its operating segments to be its Cooper Basin interests, Other Australian interests and International interests based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Chief Executive Officer 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 licences 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.

Details of the performance of each of these operating segments for the six month period ended 31 December 2015 and 31 December 2014 are set out below.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2015 Beach Energy Limited and Controlled Entities

NOTE 12 SEGMENT INFORMATION (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	**265.6**	422.4	**-**	-	**6.0**	4.4	**271.6**	426.8
Segment results								
Gross segment result before depreciation, amortisation and impairment	**101.4**	225.7	**(1.1)**	(1.2)	**2.0**	1.9	**102.3**	226.4
Depreciation and amortisation	**(77.0)**	(110.1)	**-**	-	-	(2.4)	**(77.0)**	(112.5)
Impairment Loss	**(581.6)**	(193.6)	**-**	-	**(27.2)**	(30.2)	**(608.8)**	(223.8)
	(557.2)	(78.0)	**(1.1)**	(1.2)	**(25.2)**	(30.7)	**(583.5)**	(109.9)
Other revenue							**2.8**	4.4
Other income							**3.9**	11.2
Net financing costs							**(9.9)**	3.2
Other expenses							**(47.5)**	(19.1)
Profit/(loss) before tax							**(634.2)**	(110.2)
Income tax expense							**34.1**	31.1
Net profit/(loss) after tax							**(600.1)**	(79.1)

Details of the assets of each of these operating segments for the period ended 31 December 2015 and 30 June 2015 are set out below.

	Cooper Basin		Other Australia		International		Total	
	31 Dec 2015 $million	30 Jun 2015 $million	**31 Dec 2015 $million**	30 Jun 2015 $million	**31 Dec 2015 $million**	30 Jun 2015 $million	**31 Dec 2015 $million**	30 Jun 2015 $million
Segment assets	**791.0**	1,336.2	**101.9**	98.0	**9.9**	55.1	**902.8**	1,489.3
Total corporate and unallocated assets							**289.0**	347.1
Total consolidated assets							**1,191.8**	1,836.4
Segment liabilities	**221.0**	218.8	**35.3**	34.2	**2.7**	5.3	**259.0**	258.3
Total corporate and unallocated liabilities							**167.7**	223.3
Total consolidated liabilities							**426.7**	481.6

NOTE 13 CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

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

In preparing this Half Year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2015, except for impairment as detailed below.

Impairment of assets

The Group assesses whether there are indicators of impairment for non-financial assets on a bi-annual basis. This requires an estimation of the recoverable amount of the area of interest to which each asset belongs. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is assessed on the basis of the expected net cash flows that will be received from the asset's continued employment and subsequent disposal. For oil and gas assets the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices where applicable or based on market consensus prices where available. For the current half year period, Beach's impairment analysis has been based on Brent oil price assumptions of US$40/bbl in 2016, US$45/bbl in 2017, US$55/bbl in 2018 and US$70/bbl beyond 2018, with a prevailing A$/US$ exchange rate assumed consistent at 0.70 in all years. Where appropriate the cash flow inputs have been adjusted to reflect identifiable uncertainty and risk. A recoverable amount is then determined by discounting the expected net cash flows to their present values using a pre-tax real discount rate of 8% to take into account the risks that have not already been adjusted for in the cash flows. Where an asset does not generate cash flows that are largely independent of other assets or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For the half year ended 31 December 2015, Cooper Basin assets have been impaired, on an area of interest basis, by $525 million reflecting the current environment of lower oil prices as well as $83 million for exploration interests including Nappamerri Trough Natural Gas and Tanzania due to limited work programs, and $26 million of available for sale financial assets due to a fall in the market value of these investments.

NOTE 14 FINANCIAL RISK MANAGEMENT

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

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

NOTE 15 CONTINGENT LIABILITIES

There has been no material change to the contingent assets or contingent liabilities since 30 June 2015.

NOTE 16 COMMITMENTS

There has been no material change to the commitments since 30 June 2015.

NOTE 17 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

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.

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

		Carrying amount									
		Fair value – derivatives		Loans and receivables		Available-for-sale		Other financial assets/liabilities		Total	
	Note	**Dec 2015 $million**	Jun 2015 $million	**Dec 2015 $million**	Jun 2015 $million	**Dec 2015 $million**	Jun 2015 $million	**Dec 2015 $million**	Jun 2015 $million	**Dec 2015 $million**	Jun 2015 $million
Financial assets											
Measured at fair value											
Derivatives		**3.3**	1.3	**-**	-	**-**	-	**-**	-	**3.3**	1.3
Available-for-sale		**-**	-	**-**	-	**32.7**	46.1	**-**	-	**32.7**	46.1
		3.3	1.3	**-**	-	**32.7**	46.1	**-**	-	**36.0**	47.4
Not measured at fair value											
Cash		-	-	-	-	**-**	-	**164.0**	170.2	**164.0**	170.2
Receivables		**-**	-	**77.0**	125.4	**-**	-	**-**	-	**77.0**	125.4
Other		**-**	-	**-**	-	**-**	-	**8.8**	15.0	**8.8**	15.0
		-	-	**77.0**	125.4	**-**	-	**172.8**	185.2	**249.8**	310.6
Financial liabilities											
Not measured at fair value											
Payables		**-**	-	**-**	-	**-**	-	**110.9**	132.5	**110.9**	132.5
Borrowings (Debt)	11	**-**	-	**-**	-	**-**	-	**145.9**	148.5	**145.9**	148.5
		-	-	**-**	-	**-**	-	**256.8**	281.0	**256.8**	281.0

NOTE 17 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (CONTINUED)

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 an available for sale reserve within equity. Where there is objective evidence that an asset is impaired due to a significant or prolonged decline in fair value, then the decline in value shall be taken from the reserve and the impairment loss recognised in the profit or loss. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to the profit or loss.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2015 and there have been no transfers between the levels of the fair value hierarchy during the half year to 31 December 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.

NOTE 18 EARNINGS PER SHARE

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

	Dec 2015 $million	Dec 2014 $million
Basic (loss)/earnings per share	**(600.1)**	(79.1)
Diluted (loss)/earnings per share	**(600.1)**	(79.1)

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

	Dec 2015 Number	Dec 2014 Number
Basic (loss)/earnings per share	**1,301,794,445**	1,295,292,445
Diluted (loss)/earnings per share	**1,301,794,445**	1,295,292,445

NOTE 19 DISPOSAL GROUP HELD FOR SALE

In FY15, Beach commited to a plan to sell its Egyptian interests held within the International Segment and accordingly, presented these interests as a disposal group held for sale. In 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 for consideration of up to US$22 million (subject to adjustments).

Assets and liabilities of disposal group held for sale

	Dec 2015 $million	June 2015 $million
Receivables	**12.8**	8.0
Property, plant and equipment	**14.0**	12.9
Petroleum assets	**1.4**	1.3
Exploration and evaluation assets	**3.8**	-
Assets held for sale	**32.0**	22.2
Payables	**1.0**	1.9
Provisions	**0.4**	0.3
Liabilities held for sale	**1.4**	2.2

NOTE 20 EVENTS OCCURRING AFTER THE BALANCE DATE

Drillsearch Merger Update

Shareholders of Drillsearch Energy Limited ("Drillsearch") approved the scheme of arrangement ("Scheme") to implement the proposed merger of Beach and Drillsearch on 27 January 2016. The Scheme was then subsequently approved at the second Court hearing held on 18 February 2016 in the Federal Court of Australia, Sydney. Final court orders were then lodged with the Australian Securities and Investments Commission, at which point the Scheme become effective. As a result of the Scheme becoming effective, trading in Drillsearch shares were suspended from close of market on 18 February 2016. The record date for the purpose of the Scheme is 7.00pm on 25 February 2016, with the expected implementation date being 1 March 2016. Upon implementation, new Beach shares will be issued to Drillsearch shareholders, and Drillsearch will become a wholly-owned subsidiary of Beach.

Appointment of Mr Matthew Kay as Chief Executive Officer

As announced on 12 January 2016 and 23 February 2016, Mr Matthew Kay was appointed as the Company's new Chief Executive Officer and will commence on 2 May 2016. Mr Kay has over 25 years of experience in the oil and gas industry within Australia and overseas, and currently serves as Executive General Manager, Strategy and Commercial at Oil Search where he leads strategy, mergers and acquisitions, commercial, supply chain, economics, marketing and legal functions. Prior to Oil Search, Mr Kay held various senior roles at Woodside Petroleum and before that was at Santos. Mr Kay holds a Bachelor of Economics and a Master of Business Administration, and is a Fellow of CPA Australia and a graduate of the Australian Institute of Company Directors.

There has not been in the period since 31 December 2015 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years other than as mentioned elsewhere in this half year financial report.

Directors' declaration

The Directors of the Company declare that:

1. The interim financial report and notes set out on pages 17 to 33, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and

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

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

Dated at Adelaide this 26th day of February 2016.

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

G S Davis
Chairman

Independent auditor's review report to the members of Beach Energy Limited

We have reviewed the accompanying interim financial report of Beach Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 20 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Beach Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

KPMG

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

KPMG

Scott Fleming
Partner

Adelaide

26 February 2016