BEACH ENERGY

Full Year Report

Incorporating Appendix 4E

Preliminary Final Report under ASX Listing Rule 4.3A for the period ended 30 June 2016. This report is based on financial statements which have been audited.

Full Year Report Incorporating Appendix 4E

Beach Energy Limited

ABN 20 007 617 969

Preliminary Final Report under ASX Listing Rule 4.3A for the year ended 30 June 2016. This report is based on financial statements which have been audited.

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ABOUT BEACH

Beach Energy Limited is an innovative oil and gas company where people and safety come first.

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

Beach holds interests in more than 300 exploration and production tenements in Australia, Tanzania and New Zealand. Beach continues to seek additional opportunities in Australia and nearby.

APPENDIX 4E

Preliminary Final Annual Report for the year ended 30 June 2016 (Rule 4.3A)

Results for announcement to the market

Previous corresponding period – 30 June 2015

		Change %		Amount $ million
Revenues from ordinary activities	DOWN	23%	to	**564.6**
Net loss from ordinary activities after tax attributable to members	UP	15%	to	**(588.8)**
Net loss after tax for the period attributable to members	UP	15%	to	**(588.8)**
Underlying Net profit after tax *	DOWN	61%	to	**35.7**

**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. Please refer to the table on page 14 for a reconciliation of this information to the financial report.*

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	**$0.58**	$1.04

Change in ownership of controlled entities

Control gained over entities having material effect	Drillsearch Energy Limited group of companies
Loss of control of entities having material effect	Not applicable

Competent Persons Statement

The reserves and resources information in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Tony Lake (Manager Cooper Gas). 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.

Dividends

$ million	Current Period	Previous Corresponding Period
Ordinary Securities	**$6.5**	$38.9

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend (fully franked)	**-**	-
Final dividend (fully franked)	**0.50 cents**	0.50 cents
Record date for determining entitlements to the final dividend	**9 September 2016**	-
Payment date for final dividend	**30 September 2016**	-

None of these dividends are foreign sourced. The final dividend will be paid from the profit distribution reserve.

Dividend Reinvestment Plan

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

Discount Rate for Dividend Reinvestment Plan (DRP)	2.50%
Last election date for participation in the DRP	12 September 2016
Record date	9 September 2016
Period over which share price for DRP will be determined	5 trading day period will commence on 14 September 2016 and end after 20 September 2016
Date of payment	30 September 2016

FULL FINANCIAL REPORT

INCORPORATING

DIRECTORS' REPORT
REMUNERATION REPORT
FULL FINANCIAL STATEMENTS

Directors' Report

Your directors present their report for Beach Energy Limited (Beach or Company) on the consolidated accounts for the financial year ended 30 June 2016. 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 2016 and up to the date of this report are:

Surname	Other Names	Position
Bainbridge	Philip James	Independent non-executive director(1)
Beckett	Colin David	Independent non-executive Deputy Chairman
Bennett	Fiona Rosalyn Vivienne	Independent non-executive director
Butler	John Charles	Independent non-executive director (2)
Cole	Robert James	Managing Director and non-executive director (3)
Davis	Glenn Stuart	Independent non-executive Chairman
McKerlie	James David	Independent non-executive director(1)
Robinson	Belinda Charlotte	Independent non-executive director(4)
Schwebel	Douglas Arthur	Independent non-executive director
Stokes	Ryan Kerry	Non-executive director(5)

(1) Appointed as a non- executive director from 1 March 2016
(2) Retired on 20 July 2016
(3) Appointed Managing Director until 14 October 2015 and then as a non-executive director from 15 October 2015 to his retirement on 1 March 2016
(4) Retired on 1 March 2016
(5) Appointed as a non- executive director from 20 July 2016

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		
Name	**Shares**	**Rights**
P J Bainbridge	97,250(2)	-
C D Beckett	41,929 (1)	-
F R V Bennett	100,075 (2)	-
G S Davis	123,238 (2)	-
J D McKerlie	2,499,868(2)	-
D A Schwebel	74,860 (2)	-
R K Stokes(3)	-	-

(1) Held directly
(2) Held by entities in which a relevant interest is held
(3) Mr Stokes does not hold a relevant interest in Beach shares but he was nominated as a director by Beach's largest shareholder Seven Group Holdings Limited (SGH) and related corporations who collectively have a relevant interest in 22.89% of Beach shares. He is Managing Director and Chief Executive Officer of SGH

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 continue to be oil and gas exploration, development and production and investment in the resources industry.

Operating and Financial Review

The following operating results and key events from FY16 are discussed in this Directors' Report.

Summary of results and events

- Beach produced 9.7 MMboe, of which oil accounted for 53% and gas and gas liquids accounted for 47%.
- Total oil production was 5.2 MMbbl, up 12% from FY15 due to successful completion of the merger with Drillsearch, new wells brought online and various field development projects.
- Gas and gas liquids production was 4.5 MMboe, down 1% from FY15 as successful drilling campaigns and new wells online offset natural field decline.
- Capital expenditure of $184 million was down $232 million from FY15, with discretionary expenditure proactively managed due to the continuing environment of lower oil prices.
- Consequently, less drilling was undertaken with 51 wells completed at an overall success rate of 90%. Exploration and appraisal wells accounted for 31% and 24% of total wells, respectively, with success rates of 75% and 92%, respectively.
- Beach successfully completed the merger with Drillsearch, which provided full ownership of key Western Flank oil and gas permits, additional gas and gas liquids exploration acreage, and expected annual pre-tax cost savings of up to $40 million.
- An organisational review was completed in conjunction with a global consulting firm, and various recommendations regarding structure and headcount were implemented.
- Beach continued to deliver results in line with its vision to become a premier multi-basin upstream oil and gas company, focussed on delivering sustainable growth in shareholder value.

Production summary

Production (Net)	Oil (MMbbl)	Gas Liquids (MMboe)	Gas (PJ)	Oil Equivalent (MMboe)	Oil Equivalent (MMboe)
	FY16				FY15
Ex PEL 91	2.6	-	-	2.6	1.6
Ex PEL 92	0.9	-	-	0.9	1.1
Ex PEL 104 / 111	0.5	-	-	0.5	0.7
Kenmore-Bodalla	0.1	-	-	0.1	0.2
Tintaburra	0.1	-	-	0.1	-
Ex PEL 106	-	0.1	1.2	0.3	0.3
Ex PEL 513 / 632	-	0.0	0.3	0.1	-
Delhi	0.8	0.6	20.3	4.9	5.1
Cooper / Eromanga	**5.1**	**0.7**	**21.8**	**9.5**	**9.0**
Egypt	0.1	-	0.3	0.2	0.1
Total	**5.2**	**0.7**	**22.1**	**9.7**	**9.1**

NB. Due to rounding, figures may not reconcile to totals

Operating and Financial Review (continued)

Drilling summary

Area	Category	Wells Drilled	Successful Wells	Success Rate
Cooper / Eromanga Basins	Exploration - Oil	3	1	33%
	Appraisal - Oil	3	3	100%
	Development - Oil	6	6	100%
	Exploration - Gas	11	9	82%
	Appraisal - Gas	9	8	89%
	Development - Gas	17	17	100%
Total Cooper / Eromanga		**49**	**44**	**90%**
Egypt	Exploration - Oil	2	2	100%
Total		**51**	**46**	**90%**

Cooper Basin

Western Flank Oil

Beach's Western Flank oil operations comprise interests in operated and non-operated permits which account for the majority of Beach's oil production and free cash flow generation. Western Flank oil operations include a 100% interest in ex PEL 91, a 75% operated interest in ex PEL 92, and a 40% non-operated interest in ex PEL 104 / 111. The successful merger with Drillsearch and various field development projects resulted in increased Western Flank oil production in FY16. Net production was 4.0 MMbbl (11,000 bopd), up 17% from FY15.

Ex PEL 91 (Beach 100%)

Beach's interest in ex PEL 91 increased from 40% to 100% upon completion of the merger with Drillsearch, with additional production recognised from 1 March 2016. Gross oil production of 4.4 MMbbl was up 8% from FY15, and net oil production of 2.6 MMbbl was up 59% from FY15. Production benefited from commissioning of new facilities at the Stunsail and Pennington fields, new wells brought online and various production optimisation initiatives, including variable speed beam pump installations in the Chiton, Kalladeina and Sceale fields. Three wells were drilled within the permit area, including two successful appraisal wells in the Bauer Field. At year-end, 2P reserves were 10.0 MMboe (up 4.2 MMboe).

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

Gross oil production of 1.2 MMbbl (895 kbbl net) was down 20% from FY15, mainly due to natural field decline. Various field development projects and production optimisation initiatives were undertaken to help mitigate natural field decline, including two wells brought online in the Callawonga Field, installation of artificial lift and flowline reconfigurations. No drilling activity was undertaken. At year-end, 2P reserves were 2.7 MMboe (up 0.2 MMboe).

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

Gross oil production of 1.3 MMbbl (520 kbbl net) was down 21% from FY15, mainly due to natural field decline. New wells brought online, including the second Namur Sandstone producer, Martlet North-1, and continued strong performance from the Growler and Martlet fields helped mitigate natural field decline. Three wells were drilled within the permit area, including two successful development wells. At year-end, 2P reserves were 1.1 MMboe (down 0.4 MMboe).

Western Flank Gas

Beach's Western Flank gas operations comprise interests in operated and non-operated permits, which provide a material contribution to Beach's gas and gas liquids production. Western Flank gas operations include a 100% interest in ex PEL 106, a 40% non-operated interest in ex PEL 513 / 632, and various other interests in conventional and unconventional acreage. Net production was 370 kboe (1,015 boepd), up 13% from FY15.

Operating and Financial Review (continued)

Ex PEL 106 (Beach 100%)
Beach's interest in ex PEL 106 increased from 50% to 100% upon completion of the merger with Drillsearch, with additional production recognised from 1 March 2016. Gross gas and gas liquids production of 495 kboe was down 24% from FY15, and net gas and gas liquids production of 295 kboe was down 10% from FY15. Production was impacted by natural field decline and repair and maintenance works in Q4 FY16 at the Middleton gas separator. Work continued on the Middleton compression project and connection of two new wells occurred at year-end. These new wells have resulted in a near doubling of production, with approximately 3,700 boepd produced in July 2016. Two exploration wells were drilled within the permit area, with one success. At year-end, 2P reserves were 4.8 MMboe (up 2.6 MMboe).

Ex PEL 513 / 632 (Beach 40%, Santos 60% and operator)
Ex PEL 513 / 632 was acquired as part of the merger with Drillsearch. Net gas and gas liquids production of 78 kboe was recognised since 1 March 2016. Three wells were drilled within the permit area, including two successful exploration wells and one successful appraisal well. Beach recognised 0.2 MMboe of 2P reserves at year-end.

Delhi
The Delhi operations comprise non-operated interests in the South Australian Cooper Basin joint ventures (Beach 17.14% and 20.21%) and the South West Queensland joint ventures (Beach 20% to 40%). These joint ventures account for the majority of Beach's gas production and a material portion of oil production. Net sales gas and gas liquids production of 4.1 MMboe was down 3% from FY15, as successful drilling campaigns and well connections broadly offset natural field decline. Net oil production of 810 kbbl was down 9% from FY15, mainly due to natural field decline. A total of 36 wells were drilled at a success rate of 97%. A five-well near-field exploration campaign redefined the play fairway of the Whanto-1 gas discovery in the Windorah Trough in Queensland. The program delivered five new field discoveries and included infrastructure installations and connection of previously stranded fields. Other drilling activity focussed on liquids-rich fields, with seven wells cased and suspended in the Tirrawarra and Gooranie fields, and under-balanced drilling, with three wells cased and suspended in the Moomba South Field. Drilling also included gas appraisal campaigns in the Durham Downs and Coolah complexes in Queensland, infill drilling in the Moomba North Field in South Australia, and various standalone oil and gas wells across the basin. At year-end, 2P reserves were 46.5 MMboe (down 12.4 MMboe).

Other operating results and key events

Operating results and key events from FY16 which occurred outside of Beach's core Western Flank and Delhi operations are discussed below.

Operated oil and gas exploration
The Thylungra-2 gas exploration well in PL 184 (Beach 80.4% and operator, Australian Gas Fields 19.6%) was cased and suspended following the intersection of gas pay across the Toolachee and Patchawarra formations. The Maroochydore-1 oil exploration well in ATP 924 (Beach 100%) was plugged and abandoned, however advanced Beach's understanding of the north-eastern flank of the Cooper Basin. The Jute-1 and Willow-1 gas exploration wells were drilled by Drillsearch in ex PEL 101 (Beach 80% and operator, Mid Continent 20%). Subsequent testing failed to record meaningful gas flow and these wells were plugged and suspended.

Acquisition of 3D seismic in the offshore Otway Basin (Beach 30%, 3D Oil 70% and operator)
Interpretation and mapping of the 974 km^2 Flanagan 3D seismic survey in the north of T/49P confirmed the presence of two large structures, Flanagan and Whalebone. A nine month suspension and extension to the permit's third year licence conditions was granted by NOPTA, which will allow analysis to be completed before deciding on future activity.

Withdrawal from joint ventures
Beach announced its withdrawal, subject to approval of various conditions precedent, of the Basker, Manta and Gummy gas field permits VIC/RL 13, 14 and 15 in the offshore Gippsland Basin, ATP 732 on the eastern flank of the Cooper Basin, and PEP 52181 in the Taranaki Basin in New Zealand. These withdrawals were consistent with Beach's ongoing focus on portfolio optimisation and capital allocation to achieve required shareholder returns.

Egypt (Beach 22%, KEE 50% and operator, Dover 28%)
Production of 190 kboe (net entitlement) was up 33% from FY15 due to new wells brought online and a full year of operation of the gas pipeline from the El Salmiya Field. The pipeline was installed in late FY15 to alleviate production constraints previously encountered due to gas flaring restrictions. Subsequent to year-end, Beach completed its exit from Egypt with the sale of Beach Egypt to Rockhopper. The sale will provide all cash consideration of up to US$20.5 million (subject to certain terms and adjustments). Further details are contained in the announcement of 17 August 2016.

Operating and Financial Review (continued)

Corporate activities

Significant corporate activities from FY16 are discussed below.

Completion of merger with Drillsearch

A scheme of arrangement to merge Beach and Drillsearch was implemented on 1 March 2016, and integration of the Drillsearch business was completed in Q4 FY16. The merger delivered a range of benefits, including full ownership of key Western Flank oil and gas permits, additional gas and gas liquids acreage, and an enlarged exploration footprint. In addition, up to $40 million of annual pre-tax cost savings will be achieved in FY17 due to elimination of duplicated operational and administration functions.

Completion of organisational review

In conjunction with the integration of Drillsearch, a review of Beach's organisational structure was completed by a global consulting firm. The review concluded that Beach has been operating with a lean structure and top-quartile staffing metrics. However, various changes were recommended and implemented to ensure Beach's structure and capabilities are aligned with its strategic objectives. As a consequence, the combined headcount of Beach and Drillsearch reduced from 301 at 30 June 2015 to 214 at 30 June 2016.

Reserves and resources

Beach's reserves and contingent resources as at 30 June 2016 are summarised in the tables below. Key movements since 30 June 2015 include volumes produced, additional reserves and resources due to permit interests acquired as part of the merger with Drillsearch, a downward revision and reclassification of undeveloped reserves attributable to the SACB and SWQ joint ventures, and a downward revision of contingent resources attributable to the Nappamerri Trough natural gas project. Further information is detailed in Beach's announcement of 29 August 2016. No new information has subsequently come to hand which would materially alter these estimates or underlying assumptions.

Reserves (Net)	1P	2P	3P
Oil (MMbbl)	9.4	23.2	44.7
Gas and gas liquids (MMboe)	20.5	46.6	87.9
Total (MMboe)	**29.9**	**69.8**	**132.6**

NB. All reserve and resource figures are quoted net of fuel; due to rounding, figures may not reconcile to totals

Contingent resources (Net)	2C
Oil (MMbbl)	25.1
Conventional gas and gas liquids (MMboe)	88.6
Unconventional gas and gas liquids (MMboe)	91.5
Total (MMboe)	**205.2**

Developed and undeveloped reserves (Net)	Developed			Undeveloped		
	1P	2P	3P	1P	2P	3P
Oil (MMbbl)	7.8	18.4	35.2	1.7	4.8	9.5
Gas and gas liquids (MMboe)	13.6	35.6	66.5	6.9	11.0	21.4
Total (MMboe)	**21.4**	**54.0**	**101.8**	**8.6**	**15.8**	**30.9**

Operating and Financial Review (continued)

2P reserves (Net)	Note	Oil equivalent (MMboe) FY15	Production	Revisions	FY16	Oil (MMbbl)	Gas liquids (MMboe)	Gas (PJ)
Ex PEL 91	1	5.8	(2.6)	6.8	10.0	10.0	-	-
Ex PEL 92	2	2.5	(0.9)	1.1	2.7	2.7	-	-
Ex PEL 104 / 111	3	1.5	(0.5)	0.1	1.1	1.1	-	-
Kenmore-Bodalla	4	0.4	(0.2)	0.1	0.3	0.3	-	-
Tintaburra	5	-	(0.1)	1.0	0.9	0.9	-	-
Ex PEL 106	6	2.2	(0.3)	3.0	4.8	-	1.4	20.1
Ex PEL 513 / 632	7	-	(0.1)	0.3	0.2	-	0.1	0.8
Delhi	8	58.9	(4.9)	(7.5)	46.5	5.2	6.7	201.6
Cooper / Eromanga		**71.3**	**(9.5)**	**4.9**	**66.7**	**20.3**	**8.1**	**222.6**
Egypt	9	3.1	(0.2)	0.2	3.1	2.9	-	1.0
Total		**74.4**	**(9.7)**	**5.1**	**69.8**	**23.2**	**8.1**	**223.6**

NB. Production is presented on a pre-fuel usage basis

1. Beach equity interest: 100%; probabilistic methodology applied, except for Chiton Field (deterministic methodology applied); revisions primarily reflect equity interest uplift from the merger with Drillsearch
2. Beach equity interest: 75%; deterministic methodology applied
3. Beach equity interest: 40%; deterministic methodology applied
4. Beach equity interest: 100%; deterministic methodology applied; as announced on 3 August 2016, Beach has entered into a binding agreement for the sale of its Kenmore-Bodalla interests to Bridgeport
5. Beach equity interest: 40%; deterministic methodology applied; interest acquired as part of the merger with Drillsearch
6. Beach equity interest: 100%; deterministic methodology applied; revisions include 2.7 MMboe of equity interest uplift from the merger with Drillsearch
7. Beach equity interest: 40%; deterministic methodology applied; interest acquired as part of the merger with Drillsearch
8. Beach equity interests: SACB JV 17.14% and 20.21%, SWQ JVs 20% to 40%; deterministic methodology applied
9. Beach equity interest: 22% (net entitlement 9.4%); probabilistic methodology applied; as announced on 17 August 2016, Beach completed the sale of Beach Egypt to Rockhopper, with a consequent reduction in Egypt reserves and resources to nil

Operating and Financial Review (continued)

	FY16 $ million	FY15 $ million
Group profit/(loss) attributable to equity holders of Beach	**(588.8)**	(514.1)

Financial results from FY16 are summarised below.

- Sales revenue was down 23% from FY15 to $558 million due to lower oil prices. This reduction in sales revenue was partly offset by a lower average A$/US$ exchange rate and higher total sales volumes.
- Cost of sales were down 15% from FY15 to $478 million, mainly as a result of lower third party purchases, lower depreciation from impairment charges, lower royalties from the fall in the oil price and lower operating costs.
- A net loss after tax of $589 million was reported, as non-cash impairment charges of $635 million and lower oil prices offset a strong underlying operating performance.
- Other expenses were $692 million, $136 million lower than FY15, mainly due to lower asset impairment charges.

Key Financial Results

		FY16	FY15	Change
Income				
Sales revenue	$m	**558.0**	727.7	**(23%)**
Total revenue	$m	**564.6**	735.5	**(23%)**
Cost of sales	$m	**(477.8)**	(562.5)	**15%**
Gross profit	$m	**80.2**	165.2	**(51%)**
Other income	$m	**4.8**	6.7	**(28%)**
Net profit/(loss) after tax (NPAT)	$m	**(588.8)**	(514.1)	**(15%)**
Underlying NPAT	$m	**35.7**	90.7	**(61%)**
Dividends paid	cps	**0.50**	3.00	**(83%)**
Dividends announced	cps	**0.50**	0.50	**0%**
Basic EPS	cps	**(39.56)**	(39.64)	**(0%)**
Underlying EPS	cps	**2.40**	6.99	**(66%)**
Cash flows				
Operating cash flow	$m	**233.4**	228.5	**2%**
Investing cash flow	$m	**(36.4)**	(442.3)	**92%**
Financial position		As at 30 June 2016	As at 30 June 2015	Change
Net assets	$m	**1,074.5**	1,354.8	**(21%)**
Cash balance	$m	**199.1**	170.2	**17%**

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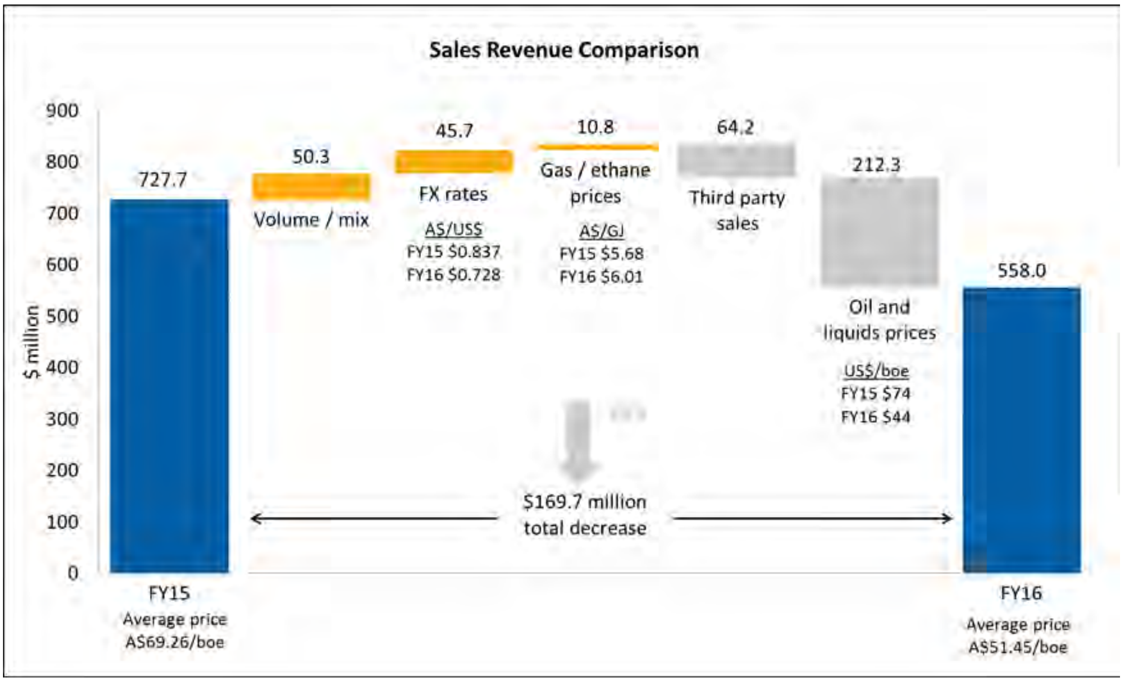
Operating and Financial Review (continued)

Revenue

Lower oil prices and third party sales volumes in FY16 contributed to a 23% fall in sales revenue to $558 million ($728 million in FY15). Higher oil production, higher gas/ethane prices and a lower average A$/US$ exchange rate partly offset the reduction in oil prices. Sales revenue from production decreased by $106 million and third party sales decreased by $64 million. Sales volumes of 10.8 MMboe were 3% higher than FY15 due to higher oil production and gas sales volumes, offset by lower third party volumes.

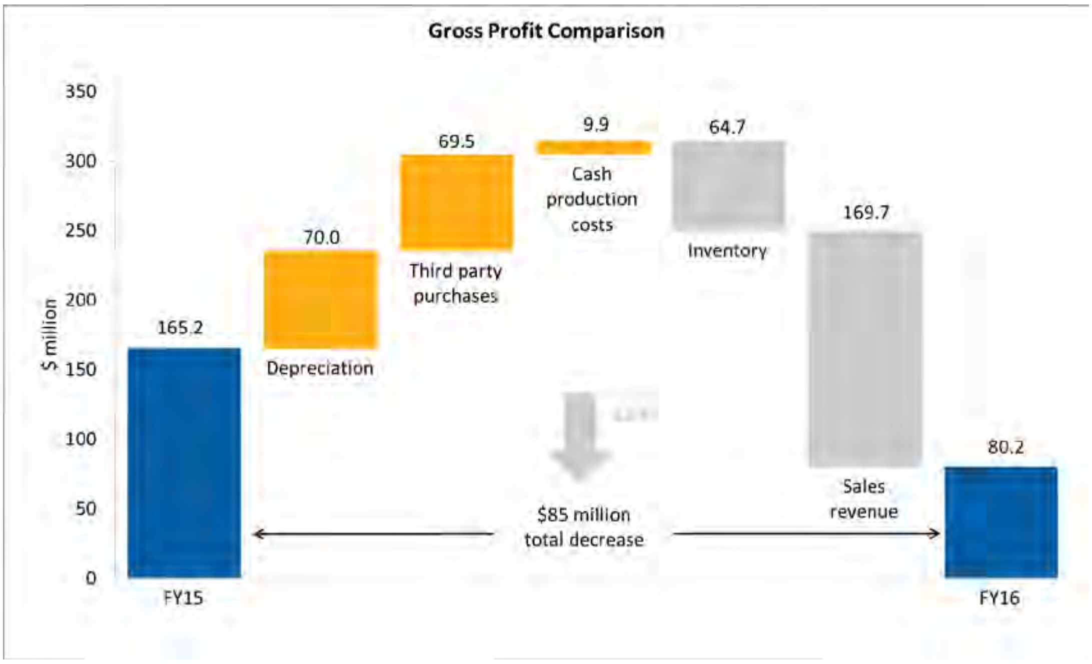
The average realised oil price decreased to A$60/bbl, down A$30/bbl from FY15, due to a lower US$ oil price, but was partly offset by a fall in the average A$/US$ exchange rate.



Operating and Financial Review (continued)

Gross Profit

Gross profit for the full year of $80 million (FY15 $165 million) was down 51%. The fall in gross profit was primarily due to lower sales revenue, offset by lower total cost of sales which were down 15% from FY15 to $478 million. The reduction in cost of sales is principally due to lower third party purchases ($70 million), lower depreciation and amortisation ($70 million) and lower cash production costs ($10 million) partly offset by a decrease in inventory ($65 million). Cash production costs were down $10 million (4%), reflecting lower royalties from the fall in oil prices and lower field operating costs as a result of various measures to reduce controllable costs, offset in part by higher pipeline tariffs and processing tolls paid due to higher production following the Drillsearch merger. Lower depreciation and amortisation charges were mainly due to asset impairment charges taken in FY15 and 1H FY16. Third party oil and gas purchases decreased due to lower oil prices and volumes. The decrease in inventory primarily reflects a build-up of inventory during FY15 and the expensing of higher cost inventory in FY16 following further impairment charges and a change in third party crude inventory. Key movements in gross profit are summarised below:



Net profit/(loss) after tax (NPAT)

The reported net loss after tax of $589 million is $75 million higher than FY15, primarily due to the sustained fall in oil prices over the year.

Other expenses were down 16% to $692 million, $136 million lower than FY15. Impairment charges (pre-tax) of $635 million were recognised in 1H FY16 and included Cooper Basin assets ($525 million) due to lower oil prices, exploration interests ($83 million) including Nappamerri Trough Natural Gas and Tanzania due to limited work programs, and available for sale financial assets ($26 million) due to a fall in the market value of these investments.

Operating and Financial Review (continued)

Underlying NPAT

By adjusting FY16 NPAT to exclude impairment and non-recurring items (as summarised below), underlying NPAT was $36 million. This represents a 61% decrease on FY15, due mainly to lower oil prices.

Comparison of underlying profit	FY16 $m	FY15 $m	Movement from PCP $m	
Net profit/(loss) after tax	**(588.8)**	**(514.1)**	**(74.7)**	(15%)
Remove merger costs	**7.7**	-	7.7	
Remove mark to market of convertible note derivative	**-**	(13.3)	13.3	
Remove unrealised hedging movements	**15.4**	-	15.4	
Remove provision for non-recovery of international taxes	**7.5**	-	7.5	
Remove impairment of assets	**634.6**	789.1	(154.5)	
Tax impact of above changes	**(40.7)**	(171.0)	130.3	
Underlying net profit after tax	**35.7**	**90.7**	**(55.0)**	(61%)

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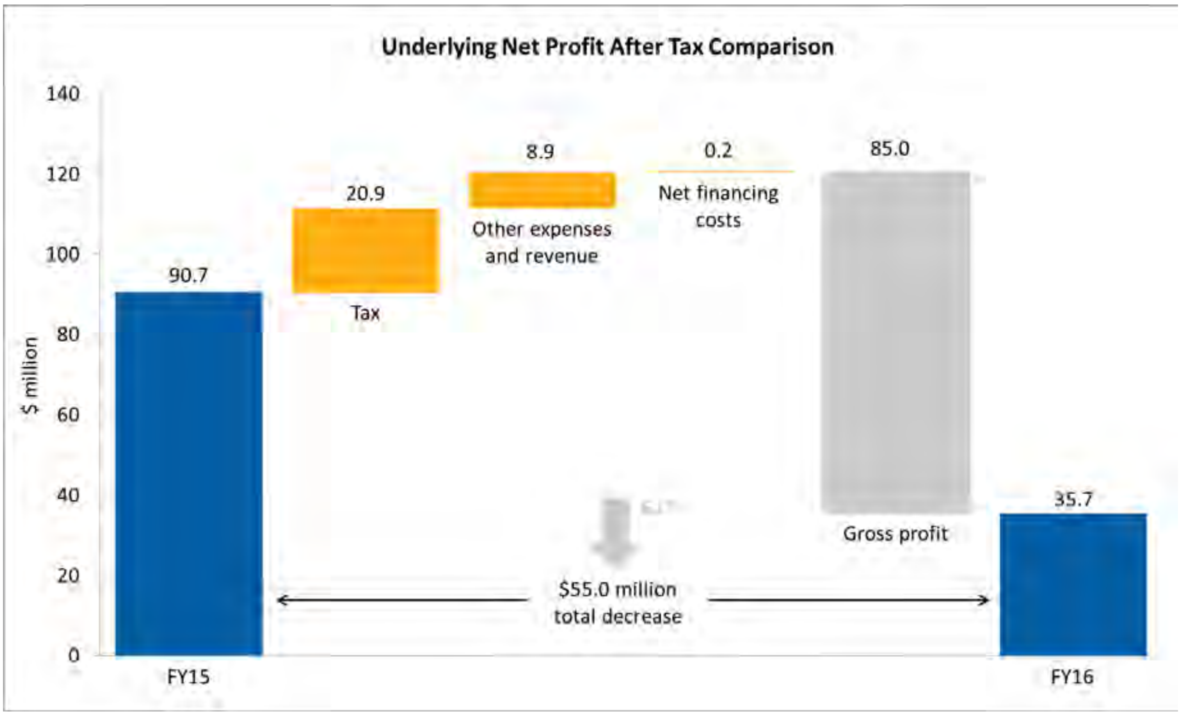

Operating and Financial Review (continued)

Financial Position

Assets

Total assets decreased by $211 million to $1,626 million. An increase in assets resulting from the successful merger with Drillsearch was more than offset by asset impairment write-downs.

Cash balances increased by $29 million to $199 million, primarily due to:

- Cash flow from operations of $233 million; and
- Cash balances acquired of $182 million;

partly offset by:

- Capital expenditure of $216 million; and
- Repayment of Drillsearch convertible notes of $165 million.

Receivables decreased by $41 million primarily due to lower prices for sales accruals. Inventories decreased $37 million due to the expensing of higher cost inventory in FY16 following further impairment charges. Available for Sale (AFS) financial assets decreased by $33 million, due mainly to the fall in value of investments over the period along with the elimination of the investment held in Drillsearch on completion of the merger. Assets held for sale have increased by $44 million mainly due to increased assets for Egypt and the sale of certain Queensland oil assets by Beach and interests in Tintaburra acquired through the merger with Drillsearch.

Fixed assets, petroleum and exploration assets decreased by $172 million. Amortisation and depreciation of $153 million, impairment charges of $609 million and reclassifications to assets held for sale of $7 million, were partly offset by capital expenditure of $175 million, increases for restoration of $91 million and assets acquired of $330 million.

Liabilities

Total liabilities increased by $69 million to $551 million, mainly due to higher restoration provisions of $102 million, offset in part by lower payables of $42 million reflecting lower activity across the Cooper Basin, and a reduced deferred tax liability of $27 million due to the recognition of deferred tax assets with respect to impairment charges. Other movements included an increase in other provisions of $8 million, representing an estimate of onerous contracts and other contingent liabilities associated with the Drillsearch merger, lower current tax payable of $6 million and an increase in liabilities held for sale of $37 million for the sale of certain Queensland oil assets by Beach and interest in Tintaburra acquired through the merger with Drillsearch.

Equity

Equity decreased by $280 million, mainly due to the net loss after tax of $589 million and dividends paid during the year of $7 million from the profit distribution reserve, partly offset by shares issued during the year (primarily for the Drillsearch merger) of $299 million and an increase in other reserves of $16 million, primarily due to the recognition of accumulated losses in the available for sale reserve as an impairment expense in the Statement of Profit or Loss.

Operating and Financial Review (continued)

Dividends

During the financial year the Company paid the FY15 final fully franked dividend of 0.5 cents per share. The Company will also pay an FY16 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 the movement in oil prices 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 A$ realised oil price for FY16 fell 33% from the average price received in FY15. This low oil price environment resulted in Beach reviewing 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

Egypt divestment

On 17 August 2016, Beach announced it had completed the sale of Beach Petroleum (Egypt) Pty Ltd, whose core asset is a 22% interest in the Abu Sennan Concession, to Rockhopper Exploration plc. Transaction terms provide for cash consideration of up to US$20.5 million. An upfront payment of US$10.8 million was received on completion, and deferred consideration of approximately US$7.4 million is expected over the next 12 months subject to receipt of outstanding receivables. Payments received by Beach prior to completion include a deposit of US$1.1 million and outstanding receivables of US$1.2 million. In addition to cash consideration payments, a post completion adjustment will be agreed and settled by early Q2 FY17 to account for net cash flow attributable to the assets from 1 January 2016 to completion. A payment to Beach is expected in relation to this adjustment.

Sale of Queensland oil assets

On 3 August 2016, Beach announced it had entered into a binding sale and purchase agreement with Bridgeport in relation to the sale of various operated oil permit interests within the greater Kenmore-Bodalla area. The mature oil fields comprise Beach's only operated production in the Queensland area of the Cooper Basin and contributed 140 kbbl of net production in FY16. The transaction is expected to complete by the end of Q2 FY17 and will provide modest cash consideration, manage ongoing liabilities and increase the efficiency of Beach's Cooper Basin operations.

Other than the above matters, there has not arisen in the interval between 30 June 2016 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.

Operating and Financial Review (continued)

Future developments

Our strategy

During FY16, Beach completed its whole-of-organisation review, which aimed to clearly define the Company's medium and long-term strategies, and ensure an appropriate structure and capabilities are in place to achieve the Company's goals. 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 drive all decision-making and serve as a roadmap for the future. The four strategic pillars are:

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

In FY16, Beach demonstrated its ability to deliver results in line with its Vision and Purpose, with tangible progress made across each strategic pillar. Key outcomes are noted below.

	Objectives	FY16 Progress
Pillar 1	*Drive growth in Beach's core business through organic and inorganic opportunities*	✓ Merger with Drillsearch and completion of integration ✓ Identification of $40 million of merger cost savings ✓ Reduced field costs within operated permits ✓ High drilling success rate of 90% from 51 wells ✓ Continued excellence in safety standards ✓ Portfolio rationalisation progressed
Pillar 2	*Establish a gas business in east coast basins to benefit from increasing gas demand from east coast markets*	✓ Greater influence over SACB and SWQ joint venture participation and outcomes ✓ Commencement of oil-linked gas contract with Origin ✓ Multiple basin reviews progressed ✓ Disciplined review of opportunities
Pillar 3	*A disciplined approach to mature the current opportunity set, identify prospective basins and execute growth opportunities*	✓ Rationalisation of poor performing assets ✓ Withdrawal and extension of various permit interests ✓ Multiple basin reviews completed or progressing ✓ Disciplined review of opportunities
Pillar 4	*Maintain financial strength to underpin exploration efforts and growth options, and support the objective of sustainable growth in shareholder value*	✓ Proactive management and reduction of capital expenditure ✓ Corporate cost savings achieved ✓ Net cash flow of $28 million generated ✓ Year-end liquidity of ~$550 million

FY17 outlook

Capital Expenditure

Activity in FY17 will focus on proactive management of discretionary expenditure and result in greater allocation of capital to Western Flank exploration and development activities, and less capital allocation to the SACB and SWQ joint ventures. FY17 capital expenditure is expected to be within the range of $180 – 200 million and reflects Beach's strict focus on value accretive capital allocation. Approximately 55% of the FY17 program is discretionary expenditure. These projects have been high-graded to maximise returns and have satisfied Beach's capital allocation requirements. Accordingly, these discretionary projects:

Operating and Financial Review (continued)

- Present the most attractive expected return on capital profiles within Beach's current opportunity set;
- Satisfy strict financial metrics, including but not limited to: NPV, risk weighted NPV, payback period and capital efficiency measures;
- Provide near-term line of sight to production and financial return;
- Balance the need for both development and replacement of 2P reserves; and
- May be selectively deferred if oil prices materially decline.

The remaining 45% of the FY17 program is stay-in-business and committed expenditure (Fixed Expenditure). This is required expenditure on existing assets for purposes such as maintenance, regulatory commitments and contractual obligations.

Western Flank Oil
Approximately $40 – 48 million of discretionary expenditure is allocated to Beach's Western Flank oil permits. An active exploration program and a broad suite of development activities are planned to balance the need for both replacement and development of 2P reserves.

Exploration activities will target reserve additions through near-field drilling, with up to 12 exploration wells planned across Beach's operated and non-operated permits. These wells will be located close to existing infrastructure, thus enabling timely connection and commencement of production in the event of exploration success. Exploration drilling will test extensions of existing reservoirs, as well as new play types such as the Birkhead and Patchawarra formations in ex PEL 91. If successful, these new play types will provide significant opportunity for follow-on drilling. Beach will also seek to replenish its seriatim of exploration prospects through the acquisition of approximately 300 km^2 of 3D seismic, inversion of approximately 1,700 km^2 of 3D seismic, and acquisition of approximately 200 km of 2D seismic. Broad ranging development activities will be undertaken to mitigate natural field decline and accelerate production where appropriate. Activities include up to four development wells, expansion of the Bauer facility to 120,000 barrels of fluid per day (+60% / 45,000 barrels), additional artificial lift and various other initiatives.

Western Flank Gas
Approximately $25 – 30 million of discretionary expenditure is allocated to Beach's Western Flank gas permits. The FY17 program is mainly focussed on reserve additions through exploration activities, and maintaining maximum production capacity from the Middleton compression project.

Exploration activities include up to three wells in ex PEL 106 which will test near-field and step-out extensions of the proven gas and gas-liquids fairway. These wells will be located proximal to existing infrastructure, thus enabling timely connection and commencement of production in the event of exploration success. Acquisition of approximately 250 km^2 of 3D seismic will be undertaken in the underexplored ex PEL 107 permit area to assess a possible southern extension of the ex PEL 106 fairway. Development activities include the Middleton gas compression project which aims to achieve maximum production capacity, well connections and testing of prior year exploration wells.

Delhi
Approximately $35 - 40 million of discretionary expenditure is allocated to the SACB and SWQ joint ventures, and mainly relates to participation in selected gas drilling campaigns. Beach's primary objective in relation to FY17 SACB and SWQ joint venture expenditure is the cost effective development of gas reserves to satisfy existing contractual obligations. In doing so, Beach will participate in those drilling campaigns which meet our capital allocation requirements and therefore provide an attractive expected return on investment. This approach also preserves capital for deployment within other business areas or in line with Beach's growth strategy.

Total FY17 capital expenditure for the SACB and SWQ joint ventures is expected to be within the range of $75 – 85 million (Discretionary and Fixed). Due to an ongoing focus on reducing costs, and Beach's ability to selectively participate in most drilling campaigns, FY17 expenditure represents a reduction of approximately 35% from FY16, and a reduction of approximately 65% from FY15. Furthermore, FY17 capital expenditure for the SACB and SWQ joint ventures represents a significantly smaller fraction of Beach's total capital expenditure (c.42%) compared with FY16 (c.66%). Beach is working closely with Santos, operator of the SACB and SWQ joint ventures, in an ongoing drive to further reduce costs and execute capital programs as efficiently as possible.

Operating and Financial Review (continued)

Production

FY17 production is expected to exceed volumes achieved in FY16, with guidance in the range of 9.7 – 10.3 MMboe and comprising approximately 53% oil and 47% gas and gas liquids. FY17 production is expected to be influenced by the following factors, which are incorporated into guidance estimates:

- ↑ Additional oil and gas production from ex PEL 91 and ex PEL 106 due to the merger with Drillsearch;
- ↑ Additional oil and gas production from various field development activities, including:
  - Bauer facility expansion: Fluid handling capacity to be increased to 120,000 barrels of fluid per day (+60% / 45,000 barrels), enabling a material increase in production capacity. Commissioning is expected in early Q3 FY17.
  - Middleton compression project: Gas compression to be completed at the Middleton facility in ex PEL 106 to achieve maximum production capacity. Commissioning is expected in early Q3 FY17.
  - Full field development plans: Recently completed oil field development plans will be executed during FY17. Activities include connection of well stock, development drilling, artificial lift and other initiatives.
- ↓ Natural field decline due to increasing water cuts and recent reductions in drilling activity;
- ↓ No further Egypt production post anticipated completion of sale in Q1 FY17; and
- − Successful FY17 exploration wells assumed to commence production in FY18.

Funding and capital management

As at 30 June 2016, Beach held cash and cash equivalents of $199.1 million. 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 30 June 2016, $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 $19 million of the letter of credit facility had been utilised by way of bank guarantees.

Beach anticipates that its current funding to be adequate for capital expenditure anticipated in the 2017 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 strategic risks, operational risks, commercial risks, regulatory risks, reputational risks 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 the sustained low oil price by developing a structured framework for capital allocation decisions. The process provides rigorous value and risk assessment against a broad range of business

Material Business Risks (continued)

metrics and stringent hurdles to maximise return on capital. This process is a significant development in Beach's continuing focus on reducing capital and operating expenditure and improving business efficiency.

Declines in the price of oil and continuing price volatility may also lead to revisions of the medium and longer term price assumptions for oil from future production, which, in turn, may lead to a revision of the carrying value of some of Beach's assets.

The valuation of oil and gas assets is affected by a number of assumptions, including the quantity of reserves and resources booked in relation to these oil and gas assets and their expected cash flows. An extended or substantial decline in oil and/or gas prices or demand, or an expectation of such a decline, may reduce the expected cash flows and/or quantity of reserves and resources booked in relation to the associated oil and gas assets, which may lead to a reduction in the valuation of these assets. If the valuation of an oil and gas asset is below its carrying value, a non-cash impairment adjustment to reduce the historical book value of these assets will be made with a subsequent reduction in the reported net profit in the same reporting period.

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 of Beach's costs will be incurred in currencies other than Australian dollars, including the US dollar, the New Zealand dollar 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 on 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 access necessary financing, this may result in postponement of or reduction in planned capital expenditure, relinquishment of rights in relation to assets, or an inability to take advantage of opportunities or otherwise respond to market conditions. Any of these outcomes 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.

Material Business Risks (continued)

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 becomes 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 Petroleum Resources Management System (PRMS) guidelines (November 2011) and are 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 for 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 or gas project 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 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.

Material Business Risks (continued)

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 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 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, production facilities, pipelines and other property, 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 30 September 2016. The record date for entitlement to this dividend is 9 September 2016. The financial impact of this dividend, amounting to $9.3 million, which will be paid from the profit distribution reserve has not been recognised in the Financial Statements for the year ended 30 June 2016 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
FY15 Final	4 September 2015	25 September 2015	0.50	$6.5 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 FY16.

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 December 2015, Beach issued 2,787,763 Long Term Incentive (LTI) unlisted performance rights under the Executive Incentive Plan (EIP). These performance rights, which expire on 30 November 2020, are exercisable for nil consideration and are not exercisable before 1 December 2018. On 19 May 2016, Beach issued various unlisted rights granted pursuant to the EIP and the employment contract between the Company and the Chief Executive Officer, as announced on 12 January 2016. 815,401 2015 LTI unlisted performance rights were issued which expire on 30 November 2020 and subject to meeting performance criteria, are not exercisable before 1 December 2018, and were issued for nil consideration. 565,956 unlisted rights were issued which are subject to a 12 month service condition starting on 2 May 2016 and ending on 2 May 2017 inclusive. A further 414,547 unlisted rights were issued which are subject to a 24 month service condition starting on 2 May 2016 and ending on 2 May 2018 inclusive.

Rights	Balance at beginning of financial year	Issued during the financial year	Exercised during the financial year	Expired during the year and not exercised	Balance at end of financial year
2012 LTI unlisted rights					
Issue 21 December 2012	1,686,480	-	-	(1,686,480)	-
2012 STI unlisted rights					
Issue 30 August 2013	133,945	-	(133,945)	-	-
2013 LTI unlisted rights					
Issue 2 December 2013	1,885,249	-	-	(1,153,787)	731,462
2013 STI unlisted rights					
Issue 1 September 2014	202,211	-	(202,211)	-	-
2013 STI unlisted rights					
Issue 1 September 2014	202,207	-	(105,779)	(18,848)	77,580
2014 LTI unlisted rights					
Issue 1 December 2014	1,667,671	-	-	(245,451)	1,422,220
2015 LTI unlisted rights					
Issue 1 December 2015	-	2,787,763	-	-	2,787,763
2015 LTI unlisted rights					
Issue 19 May 2016	-	815,401	-	-	815,401
CEO STI unlisted rights					
Issue 19 May 2016	-	565,956	-	-	565,956
CEO STI unlisted rights					
Issue 19 May 2016	-	414,547	-	-	414,547
Total	**5,777,763**	**4,583,667**	**(441,935)**	**(3,104,566)**	**6,814,929**

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 3 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 Remuneration and Nomination Committee and the Risk Committee.

Date of appointment

Mr Davis was elected to the Board on 6 July 2007, last having been re-elected to the Board on 23 November 2014.

Information on Directors

Colin David Beckett

Independent non-executive Deputy Chairman – *FIEA, MICE, GAICD*

Experience and expertise

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.

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 past 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 3 years

Nil

Responsibilities

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

Date of appointment

Mr Beckett was elected to the Board on 2 April 2015, last having been re-elected to the Board on 25 November 2015.

Philip James Bainbridge

Independent non-executive director - *BSc (Hons) (Mechanical Engineering), MAICD*

Experience and expertise

Mr Bainbridge joined Beach in March 2016. Mr Bainbridge has extensive industry experience having worked for the BP Group for 23 years in a range of petroleum engineering, development, commercial and senior management roles in the UK, Australia and USA. From 2006, he has worked at Oil Search, initially as Chief Operating Officer, then Executive General Manager LNG, responsible for all aspects of Oil Search's interests in the $19 billion PNG LNG project, then EGM Growth responsible for gas growth and exploration.

Current and former directorships in the last 3 years

He is currently a non-executive director of the board of the PNG Sustainable Development Program and a Non-executive Chairman of Sino Gas and Energy Holding. He was formerly a non-executive director of Drillsearch Energy Limited from 2013 to 2016.

Responsibilities

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

Date of appointment

Mr Bainbridge was elected to the Board on 1 March 2016.

Information on Directors

Fiona Rosalyn Vivienne Bennett

Independent non-executive director – *BA(Hons) FCA, FAICD, FAIM*

Experience and expertise

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

Current and former directorships in the last 3 years

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

Responsibilities

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

Date of appointment

Ms Bennett was elected to the Board on 23 November 2012, last having been re-elected to the Board on 25 November 2015.

James David McKerlie

Independent non-executive director - *BEc, Dip Fin Mgt, FCA FAICD*

Experience and expertise

Mr McKerlie is a Chartered Accountant and business consultant and has had an international career consulting to the public and private sector on technology, digital innovation and growth strategies as a partner at KPMG and Partner in Charge at Deloitte. He brings to the Board extensive corporate experience as director and chairman of private and public companies.

Current and former directorships in the last 3 years

He is the former chairman of Drillsearch Energy Limited (from 2008 to 2016).

Responsibilities

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

Date of appointment

Mr McKerlie was elected to the Board on 1 March 2016

Douglas Arthur Schwebel

Independent non-executive director – *PhD, BSc (Hons) (Geology)*

Experience and expertise

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

Current and former directorships in the last 3 years

He is a former director of Tap Oil Limited (from 2012 to 2016).

Information on Directors

Responsibilities

His special responsibilities include chairmanship of the Corporate Governance and Sustainability 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, last having been re-elected to the Board on 25 November 2015.

Ryan Kerry Stokes

Non-executive director - *BComm, FAIM*

Experience and expertise

Mr Stokes is the Managing Director and Chief Executive Officer of Seven Group Holdings Limited (SGH). He has been an executive director of the company since February 2010 and CEO since 2015. SGH and related corporations collectively have a relevant interest in 22.89% of the shares of Beach.

SGH owns 43% of Seven West Media Limited (SWM). SWM owns the Seven Network (the largest free to air television network in Australia and a significant content producer), The West Australian Newspaper, Pacific Magazines and 50% of Yahoo7. SGH owns WesTrac Pty Limited, a large Caterpillar franchisee in NSW, ACT, WA and Northern China. Mr Stokes has extensive experience in China, having developed relationships with various mining and media companies over the past fifteen years. He is also a Director of Coates Hire Pty Limited a joint venture between SGH and Carlyle.

Current and former directorships in the last 3 years

He has been a director of Seven West Media Limited since 2012.

Date of appointment

Mr Stokes was elected to the Board on 20 July 2016.

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

John Charles Butler

Independent non-executive director - *FCPA, FAICD, FIFS*

Experience and expertise

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

Current and former directorships in the last 3 years

He is a former director and chairman of Lifeplan Australia Friendly Society Group (from 1984 to 2015 and as chairman from 2005) and a director of Australian Unity Limited (from 2009 to October 2015).

Date of appointment

Mr Butler was elected to the Board on 23 June 1999, last having been re-elected to the Board on 29 November 2013. He retired on 20 July 2016.

Information on Directors

Robert James Cole

Managing Director and non-executive 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.

Current and former directorships in the last 3 years

Mr Cole is a former director of ASX listed Woodside Petroleum Limited (from 2012 to 2015).

Date of appointment

Mr Cole was elected to the Board on 10 March 2015. He retired on 1 March 2016.

Belinda Charlotte Robinson

Independent non-executive director – *BA, MEnv Law, GAICD*

Experience and expertise

Ms Robinson joined Beach in May 2011. Ms Robinson is the chief executive and executive director of Universities Australia, the national body representing Australia's 39 universities to Government. Prior to that Ms Robinson was the chief executive of the Australian Petroleum Production & Exploration Association (APPEA), a role she held for six and a half years. She held a number of 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. 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.

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 2015. She retired on 1 March 2016.

Directors' meetings

The Board met eighteen times, the Audit Committee met five times, the Corporate Governance and Sustainability Committee met three times, the Remuneration and Nomination Committee met six 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:

	Number of Directors' Meetings		Audit Committee Meetings		Corporate Governance and Sustainability Committee Meetings		Remuneration and Nomination Committee Meetings		Risk Committee Meetings	
Name	**Held [1]**	**Attended [1]**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
G S Davis	18	18	-	-	1	1	6	6	4	4
P J Bainbridge	5	5	-	-	1	1	-	-	1	1
C D Beckett	18	18	-	-	2	2	5	5	4	3
F R V Bennett	18	18	5	5	-	-	6	6	4	4
J C Butler	18	18	4	4	2	2	-	-	4	4
R J Cole	13	7	-	-	-	-	-	-	3	-
J D McKerlie	5	5	1	1	-	-	-	-	1	1
B C Robinson	13	13	-	-	-	-	1	1	3	3
D A Schwebel	18	18	5	5	3	3	-	-	4	4

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

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	F R V Bennett	D A Schwebel, J D McKerlie
Corporate Governance & Sustainability	D A Schwebel	C D Beckett, P J Bainbridge
Risk	F R V Bennett	G S Davis, C D Beckett, D A Schwebel, P J Bainbridge, J D McKerlie
Remuneration and Nomination	C D Beckett	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

Catherine Louise Oster

General Counsel and Company Secretary– *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.

Kathryn Anne Presser

Chief Financial Officer - *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 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. Ms Presser resigned as Joint Company Secretary on 16 March 2016.

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 28 to the financial statements.

Rounding off of amounts

Beach is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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.

Directors' Report

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, 29 August 2016

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 2016, there have been:

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

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Scott Fleming
Partner

Adelaide

29 August 2016

Remuneration Report (Audited)

FY16 remuneration outcomes at a glance		
Fixed Remuneration	NO INCREASES FOR SENIOR EXECUTIVES	Total fixed remuneration (TFR) did not increase for senior executives from the previous year. Some increases in TFR were made due to a change in a role or responsibilities.
Short Term Incentive (STI)	NO STI AWARDED	The return on capital and a one year relative total shareholder return against the ASX 200 Energy Index hurdles were not met so no STI was awarded to senior executives for FY16. STI performance rights issued in 2012 and 2013 to 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 2015.
Long Term Incentive (LTI)	NO LTI VESTING	LTI performance rights issued in December 2012 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 (other than the Risk Committee) did not increase for the financial year. Prior to 2015 no committee fees were paid to the chairman or members of the Risk Committee. From 2015 only the chairman was paid a fee. A fee is also paid to a director as a sitting fee to attend Reserves Committee meetings. Mr Beckett was appointed the Deputy Chairman for which he is paid an additional $10,000 per annum (inclusive of superannuation). This fee was formerly paid to the Lead Independent Director, a position that has been replaced by the role of Deputy Chairman.
2015 AGM Remuneration Report	98% 'YES VOTE'	Beach received more than 98% of "yes" votes on a poll to adopt its Remuneration Report for the 2015 financial year. No specific feedback on Beach's remuneration practices was received at the 2015 annual general meeting.

Realised cash remuneration paid to senior executives in FY16

The summary in Table 1 shows what was actually paid to senior executives in the reporting period. It does not include the value of any securities issued as STIs or LTIs during the year.

Disclosures required in the Remuneration Report by the Corporations Act, particularly the inclusion of accounting values for LTI performance rights awarded but not vested, can vary significantly from the remuneration actually paid to senior executives. This is because the Accounting Standards require a value to be placed on a right at the time it is granted to a senior executive and then reported as remuneration even if ultimately the senior executive does not receive any actual value, for example because performance conditions are not met and the rights do not vest.

Table 1: Realised cash remuneration for FY16 of the senior executive team as at 30 June 2016 (non-IFRS) (unaudited)

Name	TFR Salary $	TFR Super $	Other [1] $	Total Cash $
M V Kay [2] *Chief Executive Officer*	137,486	13,014	127,159	**277,659**
M R Dodd [3] *Group Executive Exploration and Development*	377,074	23,324	2,134	**402,532**
N M Gibbins [4] *Chief Operating Officer*	735,058	35,000	2,134	**772,192**
C L Oster *General Counsel/ Company Secretary*	430,700	35,000	-	**465,700**
K A Presser [5] *Chief Financial Officer*	505,200	25,000	-	**530,200**
R A Rayner *Group Executive Commercial*	482,400	35,000	-	**517,400**
M R Squire *Group Executive Corporate Development and Strategy*	395,000	30,000	-	**425,000**
Total	**3,062,918**	**196,338**	**131,427**	**3,390,683**

(1) *Other remuneration includes allowances paid under the terms and conditions of employment. Annual, long service and other leave are not included in the table*

(2) *Mr Kay became a KMP on 2 May 2016. His other allowances include a one-off relocation allowance*

(3) *Mr Dodd's remuneration has only been included from his commencement as a KMP from 16 September 2015 to 30 June 2016. He was Acting Chief Operating Officer from 16 September 2015 until 1 May 2016. He was also appointed Group Executive Exploration and Development on 16 March 2016*

(4) *Mr Gibbins was Chief Operating Officer/EVP Australian Oil and International until 30 November 2015 and Acting Chief Executive Officer from 19 August 2015 until 1 May 2016 and then Chief Operating Officer*

(5) *Ms Presser ceased to be a KMP on 2 July 2016 (as announced on 28 April 2016). The figures in this table do not include Ms Presser's termination payments which were made after the end of the reporting period. Those details are included in Table 10*

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 2016. 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 2016 and provides remuneration information in relation to the Company's directors, the Chief Executive Officer 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.

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 - see section 8;
- Explains Beach's remuneration policy for non-executive directors - see section 9;
- Details total remuneration for non-executive directors as required under the Corporations Act - see section 10;
- Details additional remuneration disclosures required by the law - see section 11; and
- Looks ahead to remuneration for FY17 – see section 12.

2. Beach's remuneration policy framework

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

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

- <u>Attract</u>, <u>motivate</u> and <u>retain</u> a skilled and talented senior executive team focused on achieving the Company's purpose by offering fixed remuneration that aligns the roles and responsibilities of the senior executive with market practice and prevailing economic conditions;
- <u>Link</u> 'at risk' performance based incentives to shorter term and longer term Company goals that contribute to the achievement of the Company's purpose; and
- <u>Align</u> 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 prohibition on 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 *www.beachenergy.com.au*.

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 about remuneration policy, fees and remuneration packages for non-executive directors and senior executives.

The committee's charter can be viewed on Beach's website at *www.beachenergy.com.au.* The committee comprises non-executive directors.

At the invitation of the committee, the Chief Executive Officer also attends its meetings in an advisory capacity. Other senior executives may also attend committee meetings to provide management support. Senior 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 practices. That work included providing data for the new Chief Executive Officer's remuneration package, TSR performance testing, share rights valuation work and information for enagagement with stakeholders. None of the work undertaken by Guerdon during FY16 was classified as a 'remuneration recommendation' under the Corporations Act.

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 the 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 Chief Executive Officer about remuneration packages for Beach's senior executive team (other than the Chief Executive Officer). 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 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 stakeholder groups.

5. 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 an equal proportion of cash and performance rights for Beach shares.

The following table shows Beach's gross revenue, net profit or 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. No incentives were awarded for the previous or the current year's performance.

Table 2: Shareholder wealth indicators FY12 - FY16

	FY12	FY13	FY14	FY15	FY16
Total revenue	$619.3m	$700.5m	$1,057.7m	$735.5m	**$564.6m**
Net profit / (loss) after tax	$164.2m	$153.7m	$101.8m	($514.1m)	**($588.8m)**
Underlying net profit after tax	$122.1m	$140.8m	$259.2m	$90.7m	**$35.7m**
Share price at year-end	94.0 cents	113.5 cents	168.0 cents	105.0 cents	**61.0 cents**
Dividends declared	2.25 cents	2.75 cents	4.00 cents	1.50 cents	**0.50 cents**
Reserves	93 MMboe	93 MMboe	86 MMboe	74 MMboe	**70 MMboe**
Production	7.5 MMboe	8.0 MMboe	9.6 MMboe	9.1 MMboe	**9.7 MMboe**

6. Senior executive remuneration structure

This section details the remuneration structure for senior executives

Remuneration mix

Remuneration for senior executives is a mix of a fixed cash salary component and an 'at risk' component. The 'at risk' component means that specific targets or conditions must be met before a senior executive becomes entitled to it.

What is the balance between fixed and 'at risk' remuneration?

The remuneration structure and packages offered to senior executives for the period were:

- Fixed remuneration;
- Performance based 'at risk' remuneration comprises:
    - Short term incentive (STI) - an annual cash and equity based incentive, which may be offered at the discretion of the Board, linked to Company and individual performance over a year; and
    - Long term incentive (LTI) - equity grants, which may be granted annually at the discretion of the Board, linked to performance conditions measured over a period of three years.

The balance between fixed and 'at risk' depends on the senior executive's role. The Chief Executive Officer has the highest level of 'at risk' remuneration reflecting the greater level of responsibility of this role.

Table 3 sets out the relative proportions of the three elements of the senior executives total remuneration packages for the 2015 and 2016 financial years that relate to performance and those that are not.

Table 3: Remuneration mix [1]				
	Fixed Remuneration	**Performance based remuneration**		**Total 'at risk'**
Position	**%**	**STI %**	**LTI %**	**%**
Managing Director / Chief Executive Officer [2]				
2016 *Cole/Kay*	**34/50**	**33/0**	**33/50**	**66/50**
2015 *Nelson/Cole*	34/50	33/0	33/50	66/50
Senior Executives				
2016	**51**	**23**	**26**	**49**
2015	51	23	26	49

(1) *The remuneration mix assumes maximum at risk awards. Percentages shown later in 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*

(2) *The 2015 details for the Managing Director are details for Mr Nelson who ceased as Managing Director effective 10 March 2015 and for Mr Cole who commenced on 10 March 2015 and was offered long term incentive 'at risk' remuneration for FY15. Mr Cole was offered short term and long term 'at risk' remuneration for FY16. Mr Kay commenced as Chief Executive Officer on 2 May 2016 and was offered long term incentive 'at risk' remuneration for FY16*

Fixed remuneration

What is fixed remuneration?	Senior executives are entitled to a fixed cash remuneration amount inclusive of the guaranteed superannuation contribution. The amount is not based upon performance. Senior executives may decide to salary sacrifice part of their fixed remuneration for additional superannuation contributions and other benefits.
How is fixed remuneration reviewed?	Fixed remuneration is determined by the Board based on independent external 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.

Fixed remuneration for the year

For the reporting period fixed remuneration did not increase for senior executives. Some changes in fixed remuneration were made due to a change in a role or responsibilities. These are detailed in Table 10.

Remuneration details for individuals are provided in Table 1 and Table 10. Table 10 reports on the remuneration for senior executives as required under the Corporations Act. Table 1 shows the actually realised cash 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 purpose. 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 has a retention component as half of the award is paid in cash with the remaining half issued as performance rights with service conditions attached.

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 purpose. Individual KPIs are also set for each senior executive to reflect their particular responsibilities.
	
	For the reporting period, the performance measures comprised:
	• Company KPIs (60% weighting)
	    o Operating costs (12%)
	    o Production (12%)
	    o Safety (12%) and
	    o Strategic objectives (24%).
	• Individual KPIs (40% 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 is based on a percentage of a senior executive's fixed remuneration. Typically, the Chief Executive Officer can earn from 25% to a maximum of 100% of his fixed remuneration. The Chief Executive Officer, Mr Kay did not participate in the FY16 STI as he commenced his employment with Beach in the last quarter of the performance period. 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?	The KPIs are reviewed against an agreed target. The Board assesses 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 Chief Executive Officer is made by the Board on the Chief Executive Officer's recommendation. The Board assesses the achievement of the KPIs for the Chief Executive Officer.
Is there a threshold level of performance or gate before an STI is paid?	Yes. 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 4: Two tiered test

Measures	Green	Yellow	Red
One 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.

What happens if an STI is awarded?

On achievement of the relevant KPIs, half of the STI award is paid in cash. Any cash that is earned pursuant to the STI is included in the financial statements for the financial year but paid after the conclusion of the financial year, usually in September after release of annual financial results.

The remaining half of the STI award value is issued in performance rights that vest progressively over the one and 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.

STI Performance for the year

At the completion of the financial year the Board tested each senior executive's performance against the STI performance conditions set for the year. As the return on capital and a one year relative total shareholder return against the ASX 200 Energy Index hurdles were not met, no STI was awarded.

The percentage of the STI that will be paid for the period for each senior executive was zero and correspondingly, the percentage of the maximum STI payable that was forfeited by each senior executive was 100%.

Although the hurdle or gates were not met, the outcomes of the testing of the Company related performance conditions that make up 60% of the STI KPIs are summarised below.

Table 5: Outcome of FY16 STI Company KPIs		
STI Measure and weighting	**Link to Beach's strategy**	**Performance and score**
Safety – measured by total recordable injury frequency rate (TRIFR) – 12%	Beach's key value is that 'Safety takes precedence in everything we do'. Beach is focused on ensuring it and its contractors operate in a safe manner. Other safety and reliability measures can be found in our annual Sustainability Report.	Beach's safety record in the financial year exceeded the threshold target with a TRIFR of 3.8. Beach was also Lost Time Injury (LTI) free for the year. Score - Met
Operating Costs – 12%	Beach's strategy is to maintain financial strength. It has planned its operations to adapt to an environment where oil prices remain lower for longer. This measure focuses on Beach maintaining its low cost and reliable operator status.	The target was set for this measure prior to the acquisition of Drillsearch Energy Limited in the last quarter of the year. The KPI was measured against full year operating costs which included the costs of both entities and did not meet pre-merger targets. It is noted that Beach also narrowly missed pre-Drillsearch merger targets. Score – Not met
Production – 12%	Production drives Beach's earnings and profit outcomes.	Production of 9.7 MMboe was at near record levels and exceeded target on both a pre-Drillsearch merger and post-Drillsearch merger basis. Score - Met
Strategic objectives – 24%	To align the STI with the strategic plan that is Beach's roadmap to delivering on its strategy, the Board set a pool of specific projects and activities to be delivered during the year.	The senior executives achieved a score between target and stretch. Score - Met

STI performance rights issued in 2012 and 2013 to various senior executives converted automatically to shares because they remained employed by the Company on 1 July 2015.

STI performance rights and CEO commencement rights issued or in operation in FY16

The fair value of services received in return for STI rights and the Chief Executive Officer's commencement rights (see Table 15) 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.

Table 6: STI performance rights and CEO commencement rights issued or in operation in FY16

	2012 Rights	2013 Rights	2013 Rights	CEO Rights	CEO Rights
	Retention met on 1 July 2015 and shares issued	*Retention met on 1 July 2015 and shares issued*	*Retention met on 1 July 2016 and shares issued*	*Retention to be tested on 2 May 2017*	*Retention to be tested on 2 May 2018*
Number of securities issued	146,141	202,211	202,207	565,956	414,547
Share price	1.130	1.710	1.710	0.665	0.665
Exercise price	-	-	-	-	-
Vesting period (years)	2.0	1.0	2.0	1.0	2.0
Term (years)	2.0	1.0	2.0	1.0	2.0
Dividend yield	1.970%	3.323%	3.323%	1.600%	1.600%
Fair value of security at grant date (weighted average)	1.091	1.672	1.618	0.654	0.644
Total fair value at grant date	**159,440**	**338,156**	**327,108**	**370,362**	**267,010**
Expensed/cancelled in prior period	(86,373)	-	-	-	-
Expensed FY15	(73,067)	(338,156)	(163,554)	-	-
Cancelled due to conditions not met FY16	-	-	(15,418)	-	-
Expensed FY16	-	-	(148,136)	(48,308)	(17,043)
Remaining expenditure in future years	**-**	**-**	**-**	**322,054**	**249,967**

Long Term Incentive (LTI)

What is the LTI?	The LTI is an equity based 'at risk' incentive plan. The LTI is intended to reward 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 purpose by aligning the longer term 'at risk' incentive rewards with expectations and outcomes that match shareholder objectives and interests by: • 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 performance condition is 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. Beach's TSR performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the performance period such that: • < the Index return - 0% vesting • = the Index return - 50% vesting; • Between the Index return and Index + 5.5% - a prorated number will vest; • = or > Index return + 5.5% – 100% vesting.
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 of rights on issue would result in minimal dilution. If all of the current performance rights vested at 30 June 2016, shareholders equity would have diluted by 0.36% (FY15 - 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	**2012, 2013, 2014 and 2015 Performance Rights including CEO 2015 LTI performance rights**
Type of grant	Performance rights
Calculation of grant limits for senior executives	Max LTI is 100% of Total Fixed Remuneration (TFR) for Chief Executive Officer Max LTI is 50% of TFR for other senior executives
Grant date	**2015 Performance Rights** 1 Dec 2015/ 19 May 2016 for Chief Executive Officer only **2014 Performance Rights** 1 Dec 2014 **2013 Performance Rights** 2 Dec 2013 **2012 Performance Rights** 21 Dec 2012
Issue price of performance rights	Granted at no cost to the participant
Performance period Note: the date immediately after the after the end of the performance period is the first date that the performance rights vest and become exercisable	**2015 Performance Rights** 1 Dec 2015 – 30 Nov 2018 **2014 Performance Rights** 1 Dec 2014 – 30 Nov 2017 **2013 Performance Rights** 1 Dec 2013 – 30 Nov 2016 **2012 Performance Rights** 1 Dec 2012 – 30 Nov 2015
Expiry / lapse	Performance rights lapse if vesting does not occur on testing of performance condition
Expiry date	**2015 Performance Rights** 30 Nov 2020 **2014 Performance Rights** 30 Nov 2019 **2013 Performance Rights** 30 Nov 2018 **2012 Performance Rights** 30 Nov 2017
Exercise price on vesting	Not applicable – provided at no cost
What is received on vesting?	One ordinary share in Beach for every performance right

Status	**2015 Performance Rights** In progress **2014 Performance Rights** In progress **2013 Performance Rights** In progress **2012 Performance Rights** Testing completed. Resulted in no vesting of performance rights.

Details of LTI performance rights (including CEO 2015 LTI performance rights) issued or in operation in FY 2016

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.

Table 8: Details of LTI performance rights (including CEO 2015 LTI performance rights) issued or in operation in FY16

	2011 Rights	2012 Rights	2013 Rights	2014 Rights	2015 Rights	2015 CEO Rights
	Lapsed	*Lapsed*	*To be tested in December 2016*	*To be tested in December 2017*	*To be tested in December 2018*	*To be tested in December 2018*
Number of securities issued	2,566,470	1,848,839	2,066,744	1,667,671	2,787,763	815,401
Share price	1.411	1.470	1.350	0.975	0.525	0.665
Volatility (average)	45.200%	44.925%	35.815%	35.100%	46.155%	46.155%
Vesting Period (years)	3.0	3.0	3.0	3.0	3.0	3.0
Term (years)	5.0	5.0	5.0	5.0	5.0	5.0
Risk free rate	3.475%	2.600%	2.990%	2.310%	2.160%	2.160%
Dividend yield	1.400%	1.560%	2.400%	3.080%	2.860%	2.860%
Fair value of security at grant date (weighted average)	1.411	0.772	0.672	0.471	0.257	0.326
Total fair value at grant date	**3,621,289**	**1,427,895**	**1,387,819**	**785,640**	**717,570**	**265,495**
Expensed/cancelled in prior period	(3,174,922)	(813,398)	(368,030)	-	-	-
Expensed FY15	(446,367)	(433,763)	(421,982)	(152,763)	-	-
Cancelled due to conditions not met FY16	-	(17,584)	(211,707)	(93,148)	-	-
Expensed FY16	-	(163,150)	(317,881)	(223,336)	(139,528)	(13,057)
Remaining expenditure in future years	**-**	**-**	**68,219**	**316,393**	**578,042**	**252,438**

LTI Performance and outcomes during FY16

LTI performance rights issued in December 2012 were measured. As the measure over a three year period, Beach's total shareholder return (TSR), was negative 62.0%, 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 Dodd and Mr Jamieson as they were not senior executives as the time of issue.

A total of $798,870 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 - $**
M R Dodd	5 Feb 2007	5 Feb 2017	91,250	108,587
	1 Jul 2008	1 Jul 2018	104,000	126,880
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
Total			**615,250**	**798,870**

If interest on the EIP loans in Table 9 was charged at arm's length based on the ATO statutory interest rate of 5.65%, the relevant interest charge in FY16 would be $45,136.

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:

Chief Executive Officer

The Chief Executive Officer's employment agreement commenced with effect 2 May 2016 and is ongoing until terminated by either Beach or Mr Kay on six months' notice. Beach may terminate the Chief Executive Officer'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 three months for issues concerning the Chief Executive Officer's performance that have not been satisfactorily addressed.

The Chief Executive Officer may also give one month's 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 Chief Executive Officer a retirement payment equal to six months' salary.

Other Senior Executives

Other senior executives have employment agreements that are ongoing until terminated by either Beach from between 3 and 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 one times their final annual salary.

8. Details of total remuneration for senior executives calculated as required under the Corporations Act for FY15 and FY16

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 1.

Table 10: Senior executives' remuneration for FY15 and FY16 as required under the Corporations Act										
		Short Term Employee Benefits [1]		Share based payments [2]		Termination	Other long term benefits			
Name	Year	Fixed Remuneration $	Annual Leave $	LTI Rights $	STI Rights $	Termination $	Long Service Leave $	Total $	Total at risk %	Total issued in equity %
M V Kay [3]	**2016**	**277,659**	**11,380**	**13,057**	**65,351**	**-**	**1,869**	**369,316**	**22**	**21**
	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M R Dodd [4]	**2016**	**402,532**	**2,576**	**-**	**-**	**-**	**27,067**	**432,175**	**0**	**0**
	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N M Gibbins [5]	**2016**	**772,192**	**(7,718)**	**131,879**	**16,582**	**-**	**14,375**	**927,310**	**16**	**16**
	2015	577,357	1,947	171,285	57,538	-	27,887	836,014	27	27
C L Oster [6]	**2016**	**465,700**	**(13,433)**	**110,969**	**14,564**	**-**	**11,727**	**589,527**	**21**	**21**
	2015	465,700	(3,281)	120,916	50,531	-	18,735	652,601	26	26
K A Presser [7]	**2016**	**530,200**	**6,180**	**126,347**	**16,582**	**637,940**	**(1,019)**	**1,316,230**	**11**	**11**
	2015	530,200	3,177	169,299	57,538	-	(12,790)	747,424	30	30
R A Rayner [8]	**2016**	**517,400**	**(18,869)**	**123,293**	**15,732**	**-**	**14,939**	**652,495**	**24**	**21**
	2015	517,400	18,869	165,203	54,774	-	11,758	768,004	30	30
M R Squire [9]	**2016**	**425,000**	**7,303**	**52,485**	**-**	**-**	**8,811**	**493,599**	**12**	**11**
	2015	247,917	1,056	18,844	-	-	3,410	271,227	7	7
Former Senior Executives										
R J Cole [10]	**2016**	**346,318**	**(28,500)**	**-**	**-**	**8,314**	**(2,492)**	**323,640**	**0**	**0**
	2015	473,659	28,500	-	-	-	2,492	504,651	0	0

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C G Jamieson[11]	**2016**	**177,083**	**584**	**52,485**	**-**	**-**	**3,646**	**233,798**	**24**	**22**
	2015	247,917	819	18,844	-	-	10,534	278,114	7	7
G M Moseby [12]	**2016**	**211,292**	**(18,742)**	**(195,830)**	**(15,418)**	**585,628**	**(13,452)**	**553,478**	**N/A**	**N/A**
	2015	509,027	11,573	161,901	53,679	-	17,163	753,343	29	29
TOTAL	**2016**	**4,125,376**	**(59,239)**	**414,685**	**113,393**	**1,231,882**	**65,471**	**5,891,568**	**9**	**9**
	2015	3,569,177	62,660	826,292	274,060	-	79,189	4,811,378	23	23

(1) *Fixed remuneration comprises base salary and superannuation and relocation and vehicle allowances. No STI was paid in cash in FY15 or FY16*

(2) *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 expensed 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 rights vest. The fair value of the rights as at the date of their grant has been determined in accordance with principles set out in Note 4 to the Financial Statements*

(3) *Mr Kay became a KMP on 2 May 2016. Figures shown for Mr Kay are for the period 2 May 2016 to 30 June 2016. Mr Kay's STI share based payments relate to the rights granted to him on commencement and described in Table 15. Mr Kay was not a KMP in FY15*

(4) *Mr Dodd became a KMP on from 16 September 2015 when he became Acting Chief Operating Officer until 1 May 2016. He was appointed Group Executive Exploration & Development on 16 March 2016. Figures shown for Mr Dodd are for the period 16 September 2015 to 30 June 2016. Mr Dodd was not a KMP in FY15*

(5) *Mr Gibbins was Chief Operating Officer/EVP Australian Oil and International until 30 November 2015 and Acting Chief Executive Officer from 19 August 2015 until 1 May 2016 and then Chief Operating Officer. Mr Gibbins ceased to be a KMP on 6 August 2016*

(6) *Ms Oster was General Counsel/Joint Company Secretary/EVP Sustainability until 30 November 2015, was General Counsel/Joint Company Secretary until 15 March 2016 and then General Counsel/ Company Secretary*

(7) *Ms Presser was Chief Financial Officer/Company Secretary/EVP Corporate Services until 30 November 2015, Chief Financial Officer/Company Secretary until 15 March 2016 and then Chief Financial Officer from 16 March 2016. Ms Presser ceased to be a KMP on 2 July 2016.*

(8) *Mr Rayner was Group Executive Commercial/EVP Australian Gas until 30 November 2015 and then Group Executive Commercial*

(9) *Mr Squire was Group Executive Corporate Development until 16 March 2016 and then Group Executive Corporate Development and Strategy*

(10) *Mr Cole ceased to be Managing Director on 14 October 2015 and became a non-executive director on 15 October 2015. Figures shown for Mr Cole are for the period 1 July 2015 to 14 October 2015. His remuneration details as a non-executive director are shown in Table 12*

(11) *Mr Jamieson was Group Executive External Affairs until he ceased to be a KMP on 1 December 2015 when he accepted a role as Corporate Development Manager. Figures shown for Mr Jamieson are for the period 1 July 2015 to 30 November 2015*

(12) *Mr Moseby was Group Executive Portfolio Management/EVP Planning Management until he ceased to be a KMP on 1 December 2015. Figures shown for Mr Moseby are for the period 1 July 2015 to 30 November 2015*

9. Remuneration policy for non-executive directors

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. Prior to 2015 no committee fees were paid to the chairman or members of the Risk Committee. From 2015 only the chairman was paid a fee. A fee of $15,000 (inclusive of superannuation) is also paid to Dr Schwebel as a sitting fee to attend Reserves Committee.

Mr Beckett was appointed the Deputy Chairman for which is he paid an additional $10,000 (inclusive of superannuation). This fee was formerly paid to the Lead Independent Director, a position that has been replaced by the role of Deputy Chairman. Other than 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 Table 11.

Table 11: Non-executive directors' fees and board committee fees per annum

Board [1]		Board Committee						
Chairman / Deputy Chairman $'000s	Member $'000s	Chairman Audit $'000s	Member Audit $'000s	Chairman Remuneration and Nomination $'000s	Member Remuneration and Nomination $'000s	Chairman Corporate Governance and Sustainability $'000s	Member Corporate Governance and Sustainability $'000s	Chairman Risk $'000s
250 / 10	**100**	**25**	**15**	**25**	**15**	**15**	**10**	**15**

[1] *The Chairman receives no additional fees for committee work. The fees shown are inclusive of the statutory superannuation contribution*

10. Remuneration for non-executive directors

Fees paid to non-executive directors for the financial year and the previous financial year are detailed in Table 12. No fee increases were made to director fees for both years. The differences in fees received are explained in the notes and reflect changes in roles and responsibilities through the period and superannuation payments. Directors do not receive share based payments.

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Table 12: Non-executive directors' remuneration for FY15 and FY16				
Name	**Year**	**Directors Fees (inc committee fees) $**	**Superannuation $ (1)**	**Total $**
G S Davis	**2016**	**250,000**	**-**	**250,000**
	2015	250,000	-	250,000
P J Bainbridge (2)	**2016**	**27,916**	**8,750**	**36,666**
	2015	N/A	N/A	N/A
C D Beckett (3)	**2016**	**112,183**	**10,657**	**122,840**
	2015	22,485	2,135	24,620
F R V Bennett (4)	**2016**	**136,225**	**12,942**	**149,167**
	2015	118,721	11,279	130,000
J C Butler (5)	**2016**	**93,333**	**35,000**	**128,333**
	2015	110,000	35,000	145,000
R J Cole (6)	**2016**	**34,593**	**3,286**	**37,879**
	2015	N/A	N/A	N/A
J D McKerlie (7)	**2016**	**35,007**	**3,326**	**38,333**
	2015	N/A	N/A	N/A
B C Robinson (8)	**2016**	**74,201**	**7,049**	**81,250**
	2015	114,155	10,845	125,000
D A Schwebel	**2016**	**132,420**	**12,580**	**145,000**
	2015	99,155	25,845	125,000
Total	**2016**	**895,878**	**93,590**	**989,468**
	2015	714,516	85,104	799,620

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

(2) *Mr Bainbridge commenced as a director on 1 March 2016 at which time he was appointed a member of the Corporate Governance and Sustainability Committee and the Risk Committee*

(3) *Mr Beckett was appointed Deputy Chairman and chairman of the Remuneration and Nomination Committee on 1 February 2016. He was appointed a member of the Corporate Governance and Sustainability Committee on 3 September 2015*

(4) *Ms Bennett was appointed chairman of the Audit Committee on 1 February 2016*

(5) *Mr Butler ceased to be Lead Independent Director and chairman of the Audit Committee on 1 February 2016 and a member of the Audit Committee and the Corporate Governance and Sustainability Committee on 1 March 2016. Mr Butler retired as a non-executive director on 20 July 2016 at which time Mr Stokes was appointed a non-executive director*

(6) *Mr Cole commenced as a non-executive director on 15 October 2015 and he retired from this role on 1 March 2016*

(7) *Mr McKerlie commenced as a director on 1 March 2016 at which time was appointed a member of the Audit Committee and the Risk Committee*

(8) *Ms Robinson ceased as chairman and as a member of the Remuneration and Nomination Committee on 1 February 2016. She retired as a non-executive director on 1 March 2016*

11. Other key management personnel disclosures

The following two tables show the movements during the reporting period in shares and performance rights over ordinary shares in the Company held directly, indirectly or beneficially by each KMP and their related entities.

Performance rights held by key management personnel

The following table details the movements during the reporting period in performance rights over ordinary shares in the Company held directly, indirectly or beneficially by each KMP and their related entities

Table 13: Movements in performance rights held by key management personnel

Rights	Opening balance	Granted (1)	Rights exercised / rights vested	Other (2)	Closing balance(3)
Senior executives					
R J Cole	-	-	-	-	-
M R Dodd (4)	-	-	-	-	-
N M Gibbins	691,188	545,541	(33,027)	(169,781)	1,033,921
C G Jamieson (5)	205,712	403,226	-	(608,938)	N/A
M V Kay (6)	-	1,795,904	-	-	1,795,904
G M Moseby (7)	639,197	-	(31,044)	(608,153)	N/A
C L Oster	588,005	441,841	(29,005)	(149,105)	851,736
K A Presser	669,504	503,037	(33,027)	(169,781)	969,733
R A Rayner	652,218	490,892	(31,678)	(165,673)	945,759
M R Squire	205,712	403,226	-	-	608,938
Total	**3,651,536**	**4,583,667**	**(157,781)**	**(1,871,431)**	**6,205,991**

(1) *Relates to 2015 LTI performance rights granted to senior executives as disclosed in Table 16 and the rights issued to the Chief Executive Officer on commencement of his employment as disclosed in Table 15.*

(2) *Relates to rights that did not vest due to performance conditions not being met and were forfeited during the year and changes resulting from individuals ceasing to be KMPs during the period*

(3) *No rights vested at the end of FY16, were vested and exercisable at the end of FY16 or had vested and were exercisable at the end of FY16*

(4) *Mr Dodd became a KMP on from 16 September 2015 when he became Acting Chief Operating Officer until 1 May 2016. He was appointed Group Executive Exploration & Development on 16 March 2016*

(5) *Mr Jamieson ceased to be a KMP on 1 December 2015 when he accepted a role as Corporate Development Manager*

(6) *Mr Kay became a KMP when he commenced as Chief Executive Officer on 2 May 2016*

(7) *Mr Moseby ceased to be a KMP on 1 December 2015*

The following table details the movements during the reporting period in ordinary shares in the Company held directly, indirectly or beneficially by each KMP and their related entities

Table 14: Shareholdings of key management personnel

Ordinary Shares	Opening balance	Granted	Purchased [1]	Sold	Other changes [2]	Closing balance
Directors						
P J Bainbridge [3]	-	-	-	-	97,250	97,250
C D Beckett	31,929	-	10,000	-	-	41,929
F R V Bennett	30,075	-	70,000	-	-	100,075
J C Butler	167,393	-	-	-	-	167,393
R J Cole [4]	-	-	-	-	-	-
G S Davis	122,139	-	-	-	1,099	123,238
J D McKerlie [5]	-	-	-	(300,000)	2,799,868	2,499,868
B C Robinson [6]	15,663	-	-	-	(15,663)	-
D A Schwebel	74,860	-	-	-	-	74,860
Senior Executives						
M R Dodd [7]	-	-	-	-	213,182	213,182
N M Gibbins	1,645,246	33,027	-	-	-	1,678,273
C G Jamieson [8]	151,386	-	25,000	-	(176,386)	-
M V Kay [9]	-	-	-	-	-	-
G M Moseby [10]	312,500	31,044	-	-	(343,544)	-
C L Oster	284,209	29,005	-	-	(241,666)	71,548
K A Presser	800,000	33,027	-	(233,027)	-	600,000
R A Rayner	174,479	31,678	-	(100,000)	-	106,157
M R Squire	-	-	-	-	-	-
Total	**3,809,879**	**157,781**	**105,000**	**(633,027)**	**2,334,140**	**5,773,773**

(1) *Includes purchases on market*

(2) *Dividend Reinvestment Plan allocations as well as changes resulting from individuals commencing or ceasing to be KMPs during the period*

(3) *Mr Bainbridge became a KMP when he commenced as a non-executive director on 1 March 2016*

(4) *Mr Cole ceased to be a KMP when he retired as director on 1 March 2016*

(5) *Mr McKerlie became a KMP when he commenced as a non-executive director on 1 March 2016*

(6) *Ms Robinson ceased to be a KMP when she retired as director on 1 March 2016*

(7) *Mr Dodd became a KMP on from 16 September 2015 when he became Acting Chief Operating Officer until 1 May 2016. He was appointed Group Executive Exploration & Development on 16 March 2016*

(8) *Mr Jamieson ceased to be a KMP on 1 December 2015 when he accepted a role as Corporate Development Manager*

(9) *Mr Kay commenced as a KMP when he commenced as Chief Executive Officer on 2 May 2016*

(10) *Mr Moseby ceased to be a KMP on 1 December 2015*

Mr Kay commenced as Chief Executive Officer on 2 May 2016. He was offered retention and commencement rights in partial recognition of incentives foregone from his previous employment. The rights are detailed in the table below and in the release to ASX in the announcement of his appointment on 12 January 2016.

Table 15: Commencement rights for CEO

	Granted		Vested		Lapsed
	Number	Maximum value	Number	Maximum value	
Retention and commencement rights in partial recognition of incentives forgone for previous employment					
M V Kay	565,956	$370,362	-	-	-
	414,547	$267,010	-	-	-
Total	980,503	$637,372	-	-	-

The rights were issued on 19 May 2016. The 565,956 rights are subject to a 12 month service condition starting on 2 May 2016 and ending on 2 May 2017 inclusive. The 414,547 rights are subject to a 24 month service condition starting on 2 May 2016 and ending on 2 May 2018 inclusive.

Specific details of the number of LTI and STI performance rights and CEO commencement and retention rights issued, vested and lapsed in FY16 for senior executives are set out below in Table 16.

Table 16: Details of LTI and STI Performance Rights and CEO rights

Name	Date of grant	Performance rights on issue at 30 June 2015	Fair Value $	Granted	Vested (1)	Lapsed (2)	Performance rights on issue at 30 June 2016	Date performance rights first vest and become exercisable
M V Kay	19 May 2016	-	0.326	815,401	-	-	815,401	1 Dec 2018
	19 May 2016	-	0.654	565,956	-	-	565,956	2 May 2017
	19 May 2016	-	0.644	414,547	-	-	414,547	2 May 2018
Total		**-**		**1,795,904**	**-**	**-**	**1,795,904**	
Total ($)				**902,866**	**-**	**-**		
N M Gibbins	21 Dec 2012	169,781	0.780	-	-	(169,781)	-	1 Dec 2015
	30 Aug 2013	12,754	1.091	-	(12,754)	-	-	1 July 2015
	2 Dec 2013	189,792	0.672	-	-	-	189,792	1 Dec 2016
	1 Sept 2014	20,273	1.677	-	(20,273)	-	-	1 July 2015
	1 Sept 2014	20,272	1.636	-	-	-	20,272	1 July 2016
	1 Dec 2014	278,316	0.471	-	-	-	278,316	1 Dec 2017
	1 Dec 2015	-	0.257	545,541	-	-	545,541	1 Dec 2018
Total		**691,188**		**545,541**	**(33,027)**	**(169,781)**	**1,033,921**	
Total ($)				**140,422**	**47,912**	**132,395**		
C G Jamieson	1 Dec 2014	205,712	0.471	-	-	(205,712)	-	1 Dec 2017
	1 Dec 2015	-	0.257	403,226	-	(403,226)	-	1 Dec 2018
Total		**205,712**		**403,226**	**-**	**(608,938)**	**-**	
Total ($)				**103,790**	**-**	**200,701**		
G M Moseby	21 Dec 2012	162,359	0.780	-	-	(162,359)	-	1 Dec 2015
	30 Aug 2013	12,196	1.091	-	(12,196)	-	-	1 July 2015
	2 Dec 2013	181,495	0.672	-	-	(181,495)	-	1 Dec 2016
	1 Sept 2014	18,848	1.677	-	(18,848)	-	-	1 July 2015
	1 Sept 2014	18,848	1.636	-	-	(18,848)	-	1 July 2016
	1 Dec 2014	245,451	0.471	-	-	(245,451)	-	1 Dec 2017
Total		**639,197**		**-**	**(31,044)**	**(608,153)**	**-**	
Total ($)				**-**	**44,914**	**394,949**		
C L Oster	21 Dec 2012	149,105	0.780	-	-	(149,105)	-	1 Dec 2015
	30 Aug 2013	11,201	1.091	-	(11,201)	-	-	1 July 2015
	2 Dec 2013	166,679	0.672	-	-	-	166,679	1 Dec 2016
	1 Sept 2014	17,804	1.677	-	(17,804)	-	-	1 July 2015
	1 Sept 2014	17,804	1.636	-	-	-	17,804	1 July 2016
	1 Dec 2014	225,412	0.471	-	-	-	225,412	1 Dec 2017
	1 Dec 2015	-	0.257	441,841	-	-	441,841	1 Dec 2018
Total		**588,005**		**441,841**	**(29,005)**	**(149,105)**	**851,736**	
Total ($)				**113,730**	**42,078**	**116,272**		

Name	Date of grant	Performance rights on issue at 30 June 2015	Fair Value $	Granted	Vested [1]	Lapsed [2]	Performance rights on issue at 30 June 2016	Date performance rights first vest and become exercisable
K A Presser	21 Dec 2012	169,781	0.780	-	-	(169,781)	-	1 Dec 2015
	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	20,273	1.677	-	(20,273)	-	-	1 July 2015
	1 Sept 2014	20,272	1.636	-	-	-	20,272	1 July 2016
	1 Dec 2014	256,632	0.471	-	-	-	256,632	1 Dec 2017
	1 Dec 2015	-	0.257	503,037	-	-	503,037	1 Dec 2018
Total		**669,504**		**503,037**	**(33,027)**	**(169,781)**	**969,733**	
Total ($)				**129,482**	**47,912**	**132,395**		
R A Rayner	21 Dec 2012	165,673	0.780	-	-	(165,673)	-	1 Dec 2015
	30 Aug 2013	12,445	1.091	-	(12,445)	-	-	1 July 2015
	2 Dec 2013	185,199	0.672	-	-	-	185,199	1 Dec 2016
	1 Sept 2014	19,233	1.677	-	(19,233)	-	-	1 July 2015
	1 Sept 2014	19,232	1.636	-	-	-	19,232	1 July 2016
	1 Dec 2014	250,436	0.471	-	-	-	250,436	1 Dec 2017
	1 Dec 2015	-	0.257	490,892	-	-	490,892	1 Dec 2018
Total		**652,218**		**490,892**	**(31,678)**	**(165,673)**	**945,759**	
Total ($)				**126,356**	**45,831**	**129,192**		
M R Squire	1 Dec 2014	205,712	0.471	-	-	-	205,712	1 Dec 2017
	1 Dec 2015	-	0.257	403,226	-	-	403,226	1 Dec 2018
Total		**205,712**		**403,226**	**-**	**-**	**608,938**	
Total ($)				**103,790**	**-**	**-**		

[1] *The rights that vested resulted in the issue of one share for each right as set out in Table 14. No amount was paid for the issue of those shares.*

[2] *Relates to rights that did not vest due to performance conditions not being met and were forfeited during the year and changes resulting from individuals ceasing to be KMPs during the period. 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 rights vest. The fair value of the 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 rights, if the performance conditions are not met, is nil. No rights that vested during FY16 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 rights issued during the year are issued with a zero exercise price.*

Related party disclosures

During the financial year ended 30 June 2016, Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a principal. Beach paid $248,039 during the financial year (FY15: $160,339) to DMAW lawyers for legal and advisory services, of which $3,879 related to FY15. In addition to fees paid during the year a further $22,771 (FY15: $3,879) is payable to DMAW Lawyers as at 30 June 2016 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 2016 of $250,000 (FY15: $250,000) were also paid directly to DMAW Lawyers.

During the current financial year Beach paid $41,250 (FY15: $33,000) to Energy Insights (a company owned by Mr Rayner) for office rental in Brisbane.

12. Looking ahead - Remuneration for 2017

Review of total fixed remuneration for 2017

The Board provided a CPI increase for all employees including senior executives for the coming year.

Review of non-executive directors fees

The Board did not increase Board or committee fees for the coming year.

Review of remuneration structure for FY17

In FY16 Beach reviewed the short term incentives offered to senior executives to better align them with shareholder expectations particularly that incentives should not be awarded when expected returns on investment are not achieved. A broader review of Beach's remuneration framework has commenced to ensure that it continues to meet current market practice and that there is an appropriate alignment between achievement of company goals, shareholder return and the ability to attract and retain the right skills to meet company goals. The review will consider all aspects of Beach's framework, including remuneration structure and incentive arrangements.

For the year ended 30 June 2016

Directors' Declaration

1. In the directors' opinion:

   (a) the financial statements and notes set out on pages 60 to 99 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 2016 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 Chief Executive Officer and the Acting 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
29 August 2016

For the year ended 30 June 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2016

	Note	Consolidated	
		2016 $million	2015 $million
Sales revenue	2(a)	**558.0**	727.7
Cost of sales	3(a)	**(477.8)**	(562.5)
Gross profit		**80.2**	165.2
Other revenue	2(a)	**6.6**	7.8
Other income	2(b)	**4.8**	6.7
Other expenses	3(b)	**(692.1)**	(828.1)
Operating profit/(loss) before financing costs		**(600.5)**	(648.4)
Interest income	15	**3.8**	8.5
Finance expenses	15	**(23.6)**	(15.1)
Profit/(loss) before income tax expense		**(620.3)**	(655.0)
Income tax (expense)/benefit	5	**31.5**	140.9
Net profit/(loss) after tax		**(588.8)**	(514.1)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		**(9.3)**	(24.2)
Net gain on translation of foreign operations		**2.1**	45.2
Tax effect relating to components of other comprehensive income	5	**0.6**	3.7
Other comprehensive income, net of tax		**(6.6)**	24.7
Total comprehensive income/(loss) after tax		**(595.4)**	(489.4)
Basic earnings per share (cents per share)	6	**(39.56¢)**	(39.64¢)
Diluted earnings per share (cents per share)	6	**(39.56¢)**	(39.64¢)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	Consolidated	
		2016 $million	2015 $million
Current assets			
Cash and cash equivalents		**199.1**	170.2
Receivables	17	**84.5**	125.4
Inventories	7	**77.3**	114.6
Derivative financial instruments	17	**4.1**	1.1
Other		**4.6**	8.1
Assets held for sale	25	**66.2**	22.2
Total current assets		**435.8**	441.6
Non-current assets			
Available-for-sale financial assets	17	**13.0**	46.1
Property, plant and equipment	8	**430.9**	448.1
Petroleum assets	9	**418.9**	588.2
Exploration and evaluation assets	10	**319.6**	305.3
Derivative financial instruments	17	**0.7**	0.2
Other financial assets		**6.6**	6.9
Total non-current assets		**1,189.7**	1,394.8
Total assets		**1,625.5**	1,836.4
Current liabilities			
Payables	17	**90.1**	128.5
Employee entitlements		**6.4**	8.5
Provisions	13	**12.4**	5.3
Current tax liabilities		**0.7**	6.6
Derivative financial instruments	17	**0.6**	-
Liabilities held for sale	25	**38.9**	2.2
Total current liabilities		**149.1**	151.1
Non-current liabilities			
Payables	17	**-**	4.0
Employee entitlements		**1.2**	0.9
Provisions	13	**253.2**	150.2
Deferred tax liabilities	5	**-**	26.9
Borrowings	15	**146.6**	148.5
Derivative financial instruments	17	**0.9**	-
Total non-current liabilities		**401.9**	330.5
Total liabilities		**551.0**	481.6
Net assets		**1,074.5**	1,354.8
Equity			
Contributed equity	18	**1,548.7**	1,250.1
Reserves	19	**283.3**	273.4
Retained earnings/(accumulated losses)		**(757.5)**	(168.7)
Total equity		**1,074.5**	1,354.8

The accompanying notes form part of these financial statements.

For the year ended 30 June 2016

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2016

	Contributed Equity $million	Retained Earnings / (Accumulated Losses) $million	Reserves $million	Total $million
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 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	-
Balance as at 30 June 2015	1,250.1	(168.7)	273.4	1,354.8
Loss for the year	**-**	**(588.8)**	**-**	**(588.8)**
Other comprehensive income	**-**	**-**	**(6.6)**	**(6.6)**
Total comprehensive income/(loss) for the year	**-**	**(588.8)**	**(6.6)**	**(595.4)**
Transactions with owners in their capacity as owners:				
Shares issued during the year	**298.6**	**-**	**-**	**298.6**
Disposal of available for sale financial assets	**-**	**-**	**(3.4)**	**(3.4)**
Change to reserves following Impairment of available for sale financial assets	**-**	**-**	**25.8**	**25.8**
Increase in share based payments reserve	**-**	**-**	**0.6**	**0.6**
Decrease in profit distribution reserve (Note 19)	**-**	**-**	**(6.5)**	**(6.5)**
Transactions with owners	**298.6**	**-**	**16.5**	**315.1**
Balance as at 30 June 2016	**1,548.7**	**(757.5)**	**283.3**	**1,074.5**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2016

	Note	Consolidated	
		2016 $million	2015 $million
Cash flows from operating activities			
Receipts from oil and gas operations		**642.2**	720.2
Operating and personnel costs paid		**(411.4)**	(428.4)
Interest received		**3.6**	11.2
Other receipts		**7.3**	7.8
Financing costs		**(16.1)**	(7.8)
Derivative payments		**8.5**	-
Income tax refund		**8.6**	-
Income tax paid		**(9.3)**	(74.5)
Net cash provided by operating activities	16	**233.4**	228.5
Cash flows from investing activities			
Payments for property, plant and equipment		**(66.4)**	(90.2)
Payments for petroleum assets		**(94.2)**	(216.7)
Payments for exploration		**(55.1)**	(141.0)
Payments for restoration		**(2.7)**	(5.2)
Acquisition of exploration interests		**-**	(2.5)
Acquisition of subsidiaries, net of cash	26	**182.0**	-
Proceeds from sale of non-current assets		**-**	0.4
Reimbursement of exploration expenditure		**-**	12.9
Net cash used in investing activities		**(36.4)**	(442.3)
Cash flows from financing activities			
Proceeds from drawdown of debt		**-**	150.0
Repayment of convertible notes		**(165.2)**	(150.0)
Repayment of Employee Incentive Loans		**1.7**	0.8
Dividends paid		**(5.2)**	(29.5)
Net cash used in financing activities		**(168.7)**	(28.7)
Net increase/(decrease) in cash held		**28.3**	(242.5)
Cash at beginning of financial year		**170.2**	411.3
Effects of exchange rate changes on the balances of cash held in foreign currencies		**0.6**	1.4
Cash at end of financial year		**199.1**	170.2

The accompanying notes form part of these 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. 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 2016 was authorised for issue in accordance with a resolution of the directors on 29 August 2016.

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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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.

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 2019:

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.

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.

AASB 9: Financial Instruments

AASB 9, approved in December 2015, 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.

Basis of preparation (continued)

Year ended 30 June 2020: AASB 16: Leases

AASB 16 Leases removes the lease classification test for lessees and requires all leases (including those classified as operating leases) to be brought onto the balance sheet (effective for financial years commencing on or after 1 January 2019). 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.

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 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 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 2016 and 30 June 2015 are set out as follows:

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2016

1. Operating segments (continued)

	Cooper Basin		Other Australia		International		Total	
	2016 $million	2015 $million	**2016 $million**	2015 $million	**2016 $million**	2015 $million	**2016 $million**	2015 $million
Segment revenue								
Oil and gas sales	**548.9**	716.8	**-**	-	**9.1**	10.9	**558.0**	727.7

During the year revenue from two customers amounted to $367.9 million (2015: $497.5 million from two customers) arising from sales from the Cooper Basin segment.

	Cooper Basin 2016	Cooper Basin 2015	Other Australia 2016	Other Australia 2015	International 2016	International 2015	Total 2016	Total 2015
Segment results								
Gross segment result before depreciation, amortisation and impairment	**230.2**	381.6	**(1.7)**	(1.9)	**2.0**	5.9	**230.5**	385.6
Depreciation and amortisation	**(150.4)**	(212.3)	**-**	-	**-**	(8.1)	**(150.4)**	(220.4)
Impairment Loss	**(581.6)**	(583.2)	**-**	-	**(27.2)**	(205.9)	**(608.8)**	(789.1)
	(501.8)	(413.9)	**(1.7)**	(1.9)	**(25.2)**	(208.1)	**(528.7)**	(623.9)
Other revenue							**6.6**	7.8
Other income							**4.8**	6.7
Net financing costs							**(19.8)**	(6.6)
Other expenses							**(83.2)**	(39.0)
Profit/(loss) before tax							**(620.3)**	(655.0)
Income tax expense							**31.5**	140.9
Net profit/(loss) after tax							**(588.8)**	(514.1)
Segment assets	**1,223.1**	1,336.2	**103.5**	98.0	**48.1**	55.1	**1,374.7**	1,489.3
Total corporate and unallocated assets							**250.8**	347.1
Total consolidated assets							**1,625.5**	1,836.4
Segment liabilities	**326.0**	218.8	**37.1**	34.2	**8.9**	5.3	**372.0**	258.3
Total corporate and unallocated liabilities							**179.0**	223.3
Total consolidated liabilities							**551.0**	481.6
Additions and acquisitions of non current assets								
Exploration and evaulation assets	**113.0**	99.4	**3.0**	19.1	**1.8**	18.9	**117.8**	137.4
Petroleum assets	**379.5**	213.2	**-**	-	**-**	8.3	**379.5**	221.5
Other land, buildings plant and equipment	**97.6**	68.7	**-**	-	**-**	3.8	**97.6**	72.5
	590.1	381.3	**3.0**	19.1	**1.8**	31.0	**594.9**	431.4
Total corporate and unallocated assets							**1.4**	15.0
Total additions and acquisitions of non current assets							**596.3**	446.4

	Australia		Egypt		Other Countries		Total	
	2016 $million	2015 $million	**2016 $million**	2015 $million	**2016 $million**	2015 $million	**2016 $million**	2015 $million
Non-current assets *	**1,160.1**	1,309.5	**-**	-	**9.3**	32.1	**1,169.4**	1,341.6

*excluding financial assets

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2016

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	
		2016 $million	2015 $million
(a)	**Revenue**		
	Crude oil	**376.1**	538.9
	Gas and gas liquids	**181.9**	188.8
	Sales revenue	**558.0**	727.7
	Other revenue	**6.6**	7.8
	Total revenue	**564.6**	735.5
(b)	**Other income**		
	Gain on sale of non-current assets	**0.1**	0.7
	Gain on revaluation of available for sale financial assets (Note 26)	**1.0**	-
	Gain on redemption of convertible notes	**2.4**	-
	Gain on commodity hedging	**-**	1.2
	Foreign exchange gains	**1.3**	4.8
	Total other income	**4.8**	6.7

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	
		2016 $million	2015 $million
(a)	**Cost of sales**		
	Operating costs	**178.1**	175.0
	Royalties	**41.3**	54.2
	Total operating costs	**219.4**	229.2
	Depreciation of property, plant and equipment	**54.6**	44.4
	Amortisation of petroleum assets	**95.8**	176.0
	Total amortisation and depreciation for operations	**150.4**	220.4
	Third party oil and gas purchases	**68.5**	138.1
	Change in inventory	**39.5**	(25.2)
	Total cost of sales	**477.8**	562.5
(b)	**Other expenses**		
	Impairment		
	Impairment of other financial assets	**25.8**	36.0
	Impairment of property, plant & equipment	**56.5**	21.6
	Impairment of petroleum assets	**469.7**	370.8
	Impairment of exploration and evaluation assets	**82.6**	360.7
	Total impairment loss (Note 12)	**634.6**	789.1
	Other		
	Employee benefits expense (Note 4)	**16.6**	20.0
	Priovision for doubtful debts	**7.7**	-
	Loss on commodity hedging	**7.0**	-
	Depreciation of property, plant and equipment	**2.9**	1.9
	Corporate development costs	**6.1**	3.2
	Merger costs	**7.7**	**-**
	Corporate expenses	**9.5**	13.9
	Other expenses	**57.5**	39.0
	Total other expenses	**692.1**	828.1

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. Rights 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
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**
Sold / loan repaid during the financial year	(2,832,993)
Balance as at 30 June 2016	**9,319,956**

No shares were issued to employees during the financial year, pursuant to this plan.

The closing ASX share price of Beach fully paid ordinary shares at 30 June 2016 was $0.61 as compared to $1.05 as at 30 June 2015.

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:

	2016 number	2015 number
Balance at beginning of period	**5,777,763**	7,526,330
Issued during the period	**4,583,667**	2,072,089
Cancelled during the period	**(3,104,566)**	(2,922,520)
Vested during the period	**(441,935)**	(898,136)
Balance at end of period	**6,814,929**	5,777,763

On 1 December 2015, Beach issued 2,787,763 LTI unlisted performance rights under the Executive Incentive Plan (EIP). These performance rights, which expire on 30 November 2020, are exercisable for nil consideration and are not exercisable before 1 December 2018.

On 19 May 2016, Beach issued various unlisted rights granted pursuant to the EIP and the employment contract between the Company and the Chief Executive Officer, as announced on 12 January 2016. 815,401 2015 LTI unlisted performance rights were issued which expire on 30 November 2020 and subject to meeting performance criteria, are not exercisable before 1 December 2018, and were issued for nil consideration. 565,956 unlisted rights were issued which are subject to a 12 month service condition starting on 2 May 2016 and ending on 2 May 2017 inclusive. A further 414,547 unlisted rights were issued which are subject to a 24 month service condition starting on 2 May 2016 and ending on 2 May 2018 inclusive.

	Consolidated	
	2016 $million	2015 $million
Employee benefits expense		
Short term benefits	**12.4**	14.3
Post employment benefits	**3.6**	3.6
Share based payments	**0.6**	2.1
Total	**16.6**	20.0

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	
	2016 $million	2015 $million
Recognised in the statement of profit or loss		
Current tax expense		
Current financial year tax expense	**8.1**	19.1
Over provision in the prior year	**(13.5)**	(8.7)
Other	**0.2**	5.2
Total current tax expense/(benefit)	**(5.2)**	15.6
Deferred tax expense		
Origination and reversal of temporary differences	**(177.5)**	(157.0)
Under provision in the prior year	**10.5**	0.8
Initial recognition of deferred taxes	**(18.4)**	-
Derecognition of deferred taxes	**159.1**	-
Other	-	(0.3)
Total deferred tax expense/(benefit)	**(26.3)**	(156.5)
Total income tax expense/(benefit)	**(31.5)**	(140.9)
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	**(620.3)**	(655.0)
Prima facie income tax expense/(benefit) using an income tax rate at 30% (2015: 30%)	**(186.1)**	(196.5)
Adjustment to income tax expense due to:		
Non-deductible expenses	**0.3**	0.9
Losses of controlled foreign entities not recognised	**9.9**	62.9
Derecognition of deferred taxes	**159.1**	-
Impairment of available for sale financial assets	**7.7**	-
Initial recognition of deferred taxes	**(18.4)**	-
Non-assessable income	**(1.0)**	-
Other	**-**	(0.3)
Over provision in the prior year	**(3.0)**	(7.9)
Income tax expense (benefit) on pre-tax profit	**(31.5)**	(140.9)

5. Taxation (continued)

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

	2016			2015		
Group	**Before tax amount**	**Tax benefit**	**Net of tax amount**	Before tax amount	Tax benefit	Net of tax amount
Available-for-sale financial assets	**(9.3)**	**0.6**	**(8.7)**	(24.2)	3.7	(20.5)
Exchange difference on translating foreign controlled entities	**2.1**	**-**	**2.1**	45.2	-	45.2

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 using the “Separate Taxpayer within Group” approach in accordance with Interpretation 1052, *Tax Consolidation Accounting*.

Movement in Group deferred tax balances ($million)

Current financial year	**Balance 1 July 2015**	**Recognised in income**	**Recognised in OCI**	**Balance 30 June 2016**	**Deferred Tax Asset**	**Deferred Tax Liability**
Oil & Gas Assets	**(78.8)**	**147.8**	**-**	**69.0**	**187.2**	**(118.2)**
Investments	**(0.6)**	**-**	**0.6**	**-**	**-**	**-**
Assets and Liabilities Held For Sale	-	**4.2**	-	**4.2**	**11.1**	**(6.9)**
Provisions	**46.7**	**30.9**	**-**	**77.6**	**77.6**	**-**
Employee benefits	**2.4**	**(0.1)**	**-**	**2.3**	**2.3**	**-**
Other Items	**1.1**	**2.9**	**-**	**4.0**	**9.3**	**(5.3)**
Inventories	**2.3**	**(0.3)**	**-**	**2.0**	**3.9**	**(1.9)**
Tax assets/(liabilities) before set-off	**(26.9)**	**185.4**	**0.6**	**159.1**	**291.4**	**(132.3)**
Set-off of deferred tax assets in Australia					**(291.4)**	**132.3**
Derecognise net deferred tax assets balance		**(159.1)**		**(159.1)**		
Net deferred tax assets/(liabilities)	**(26.9)**	**26.3**	**0.6**	**-**	**-**	**-**

Previous financial year	**Balance 1 July 2014**	**Recognised in income**	**Recognised in OCI**	**Balance 30 June 2015**	**Deferred Tax Asset**	**Deferred Tax Liability**
Oil & Gas Assets	(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)	(187.1)	156.5	3.7	(26.9)	-	(26.9)

5. Taxation (continued)

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. Beach has previously 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. Due to the substantial value of carry forward deductible PRRT expenditure at 30 June 2016, 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 2016.

	Consolidated	
	2016 $million	2015 $million
Deferred tax assets have not been recognised in respect of the following items:		
Temporary difference arising from Available-for-sale financial assets	**2.4**	1.9
Net temporary differences arising from all other Assets and Liabilities	**159.1**	-
Tax losses (capital)	**11.5**	11.5
Foreign tax losses (revenue)	**29.3**	24.0
PRRT (net of income tax)	**1,127.9**	1,057.3
Total	**1,330.2**	1,094.7

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 gross 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:

	2016 $million	2015 $million
Basic EPS and Diluted EPS	**(588.8)**	(514.1)

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

	2016 Number	2015 Number
Basic EPS	**1,488,275,435**	1,297,076,016
Share rights	**1,903,344**	1,379,865
Diluted EPS	**1,490,178,779**	1,298,455,881

6. Earnings per share (EPS) (continued)

4,911,585 (2015: 4,397,898) 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, 77,580 ordinary shares were issued upon vesting of unlisted performance rights issued pursuant to the 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	
	2016 $million	2015 $million
Petroleum products	**64.2**	98.7
Drilling and maintenance stocks	**26.4**	29.5
Less provision for obsolesence	**(13.3)**	(13.6)
Total current inventories at lower of cost and net realisable value	**77.3**	114.6
Petroleum products included above which are stated at net realisable value	-	80.7

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 are 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.

	Consolidated	
	2016 $million	2015 $million
Land and buildings		
Land and buildings at cost	**63.6**	58.9
Less accumulated depreciation	**(18.7)**	(15.1)
Total land and buildings	**44.9**	43.8
Reconciliation of movement in land and buildings:		
Balance at beginning of financial year	**43.8**	28.8
Additions	**3.7**	16.7
Depreciation expense	**(2.6)**	(1.7)
Total land and buildings	**44.9**	43.8

Production facilities, field and other equipment		
Production facilities and field equipment	**823.1**	801.6
Production facilities and field equipment under construction	**41.3**	37.5
Less accumulated depreciation	**(478.4)**	(434.8)
Total production facilities and field equipment	**386.0**	404.3
Reconciliation of movement in production facilities and field equipment:		
Balance at beginning of financial year	**404.3**	411.9
Additions	**55.9**	70.8
Acquisition of joint venture interests	**39.4**	-
Transfer to exploration and evaluation expenditure	**-**	(1.5)
Impairment of production facilities and field equipment (Note 12)	**(56.5)**	(21.6)
Reclassification to assets held for sale (Note 25)	**(2.2)**	(12.9)
Depreciation expense	**(54.9)**	(44.6)
Foreign exchange movement	**-**	2.2
Total production, facilities and field equipment	**386.0**	404.3
Total property, plant and equipment	**430.9**	448.1

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	
	2016 $million	2015 $million
Petroleum assets at cost	**1,300.8**	1,399.0
Petroleum assets under construction	**122.0**	167.1
Less accumulated amortisation	**(1,003.9)**	(977.9)
Total petroleum assets	**418.9**	588.2
Reconciliation of movement in petroleum assets		
Balance at beginning of financial year	**588.2**	872.1
Additions	**80.9**	212.1
Acquisition of joint venture interests	**211.6**	-
Increase in restoration	**87.0**	9.4
Transfer from exploration and evaluation expenditure	**21.4**	26.9
Reclassification to assets held for sale (Note 25)	**(4.7)**	(1.3)
Impairment of petroleum assets (Note 12)	**(469.7)**	(370.8)
Amortisation expense	**(95.8)**	(176.0)
Foreign exchange movement	**-**	15.8
Total petroleum assets	**418.9**	588.2

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	
	2016 $million	2015 $million
Exploration and evaluation areas at beginning of financial year (net of amounts written off)	**305.3**	541.7
Additions	**34.6**	131.3
Increase in restoration	**3.8**	3.6
Acquisitions of joint venture interests	**79.4**	2.5
Transfer to petroleum assets	**(21.4)**	(26.9)
Transfer from property, plant & equipment	**-**	1.5
Reclassification to assets held for sale (Note 25)	**(0.5)**	-
Reimbursement of exploration expenditure	**-**	(12.9)
Impairment of exploration expenditure (Note 12)	**(82.6)**	(360.7)
Foreign exchange movement	**1.0**	25.2
Total exploration and evaluation assets	**319.6**	305.3

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 2016	% interest 2015
Oil and Gas interests			
Abu Sennan	Oil production and exploration	**22.0**	22.0
Naccowlah Block	Oil production	**38.5**	38.5
North Shadwan	Oil production	**20.0**	20.0
PL 31,32,47	Oil production	**100.0**	100.0
Ex PEL 91 (PRLs 151-172)	Oil production	**100.0**	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 production and exploration	**100.0**	50.0
Ex PEL 513 (PRLs 191-206)	Gas production and exploration	**40.0**	-
Ex PEL 632 (PRLs 131-134)	Gas production and exploration	**40.0**	-
Ex PEL 218 (PRLs 33-49) (Permian)	Shale gas exploration	**100.0**	70.0
ATP 855	Shale gas exploration	**64.9**	46.9
ATP 299 (Tintaburra)	Oil production	**40.0**	-
SA Fixed Factor Area	Oil and gas production	**20.2**	20.2
SA Unit	Oil production	**20.2**	20.2
SWQ Unit	Gas production	**23.2**	23.2
Total 66 Block	Oil production	**30.0**	30.0

Details of commitments and contingent liabilities incorporating the Group's interests in joint operations are shown in Notes 14 and 27 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 CGUs 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$50/bbl in FY17, US$60/bbl in FY18, US$65/bbl in FY19 and US$70/bbl beyond FY19.
- A$/US$ exchange rate of 0.73 in FY17, 0.72 in FY18, 0.70 beyond FY18.
- 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 7.5% (FY15: 8.0%) 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 2016, 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 CGUs and some specific oil and gas assets were formally assessed, resulting in the recognition of an impairment loss of $608.8 million as detailed below. In the previous financial year, Cooper Basin assets were impaired by $583.2 million, Egypt was impaired by $173.7 million and Romania by $32.2 million.

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

	Note	Cooper	Tanzania	New Zealand	Romania	Corporate	Total
Property, plant and equipment	8	55.7	0.8	-	-	-	56.5
Petroleum assets	9	469.7	-	-	-	-	469.7
Exploration and evaluation assets	10	56.2	20.8	5.1	0.5	-	82.6
Total oil and gas assets		581.6	21.6	5.1	0.5	-	608.8
Other financial assets		-	-	-	-	25.8	25.8
Total impairment expense		**581.6**	**21.6**	**5.1**	**0.5**	**25.8**	**634.6**

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

Asset valuations are based on cash flow projections which require assumptions to be made and these assumptions are subject to change. The impact on valuations from a possible change in key assumptions (all other assumptions remaining the same) is shown below:

- +/- US$5/bbl change to the long term oil price would impact valuations by approximately $80 million.
- +/- 5 cent change to the long term exchange rate would impact valuations by approximately $100 million.
- +/- 1% change to the discount rate would impact valuations by approximately $30 million.

12. Impairment of non-financial assets (continued)

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	
	2016 $million	2015 $million
Current		
Other provisions on acquisition of Drillsearch	**8.1**	-
Restoration	**4.3**	5.3
Total	**12.4**	5.3
Non-Current		
Restoration	**253.2**	150.2

Movement in the Group's provisions are set out below:	**Restoration $million**	**Other $million**
Balance at 1 July 2015	**155.5**	**-**
Provision made during the year	**(4.4)**	**-**
Change in discount rate	**95.7**	**-**
Provision paid/used during the year	**(2.4)**	**-**
Unwind of discount	**12.8**	**-**
Acquisitions	**38.1**	**8.1**
Transfer to liabilities held for sale	**(37.8)**	**-**
Balance at 30 June 2016	**257.5**	**8.1**

14. Commitments for expenditure

	Consolidated	
	2016 $million	2015 $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	**20.9**	40.4
Due within 1-5 years	**2.1**	-
Due later than 5 years	**-**	-
	23.0	40.4
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	**85.6**	36.8
Due within 1-5 years	**112.8**	79.1
Due later than 5 years	**-**	-
	198.4	115.9

The Group's share of the above commitments that relate to its interest in joint arrangements are $21.3 million (2015: $39.5 million) for capital commitments and $124.9 million (2015: $108.3 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	**11.4**	15.7
Due within 1-5 years	**0.8**	-
Due later than 5 years	**-**	-
	12.2	15.7

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.

15. Finances and borrowings (continued)

	Consolidated	
	2016 $million	2015 $million
Net finance expenses/(income)		
Finance costs	**4.7**	4.8
Interest expense	**6.1**	6.0
Unrealised movement in the value of convertible note conversion rights	**-**	(13.3)
Discount unwinding on convertible note	**-**	5.8
Discount unwinding on provision for restoration (Note 13)	**12.8**	11.8
Total finance expenses	**23.6**	15.1
Interest income	**(3.8)**	(8.5)
Net finance expenses	**19.8**	6.6
Borrowings		
Non-current (bank debt)	**146.6**	148.5
Total borrowings	**146.6**	148.5

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 30 June 2016, $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 $19 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.

Prior to the merger between Beach and Drillsearch (refer Note 26), Drillsearch had US$125 million of Convertible Notes (Notes) on issue. Under the terms and conditions of the Notes, the Notes became repayable at face value and were fully repaid during March and April 2016.

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 the effective interest rate method where it is the Group's intention to hold them to maturity.

	Consolidated	
	2016 $million	2015 $million
Reconciliation of net profit to net cash provided by operating activities:		
Net profit after tax	**(588.8)**	(514.1)
Less items classified as investing/financing activities:		
- Gain on disposal of non-current assets	**(3.5)**	(0.7)
- Recognition of deferred tax assets/(liability) on items direct in equity	**0.6**	3.7
	(591.7)	(511.1)
Add/(less) non-cash items:		
- Share based payments	**0.6**	2.1
- Depreciation and amortisation	**153.3**	222.3
- Impairment expenses	**634.7**	789.1
- Unrealised hedging (gain)/loss	**15.4**	(0.2)
- Discount unwinding on convertible note	**-**	5.8
- Discount unwinding on provision for restoration	**12.8**	11.8
- Unrealised movement in the value of convertible note conversion rights	**-**	(13.3)
- Provision for stock obsolesence movement	**(0.2)**	2.0
- Other	**6.2**	2.9
Net cash provided by operating activities before changes in assets and liabilities	**231.1**	511.4
Changes in assets and liabilities net of acquisitions / disposal of subsidiaries:		
- Decrease/(increase) in trade and other receivables	**20.9**	(6.3)
- Decrease/(increase) in inventories	**38.6**	(24.8)
- Decrease/(increase) in other current assets	**3.5**	(4.4)
- Decrease/(increase) in other non-current assets	**0.4**	(3.3)
- Increase/(decrease) in provisions	**(12.2)**	(5.4)
- Increase/(decrease) in current tax liability	**(5.9)**	(58.9)
- Increase/(decrease) in deferred tax liability	**(26.9)**	(160.2)
- Increase/(decrease) in trade and other payables	**(16.1)**	(19.6)
Net cash provided by operating activities	**233.4**	228.5

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:

		Carrying amount									
		Fair value – derivatives		Loans and receivables		Available-for-sale		Other financial assets/liabilities		Total	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	Note	**$million**	$million	**$million**	$million	**$million**	$million	**$million**	$million	**$million**	$million
Financial assets											
Measured at fair value											
Derivatives		**4.8**	1.3	**-**	-	**-**	-	**-**	-	**4.8**	1.3
Available-for-sale		**-**	-	**-**	-	**13.0**	46.1	**-**	-	**13.0**	46.1
		4.8	1.3	**-**	-	**13.0**	46.1	**-**	-	**17.8**	47.4
Not measured at fair value											
Cash		-	-	-	-	**-**	-	**199.1**	170.2	**199.1**	170.2
Receivables		**-**	-	**84.5**	125.4	**-**	-	**-**	-	**84.5**	125.4
Other		**-**	-	**-**	-	**-**	-	**11.2**	15.0	**11.2**	15.0
		-	-	**84.5**	125.4	**-**	-	**210.3**	185.2	**294.8**	310.6
Financial liabilities											
Measured at fair value											
Derivatives		**1.5**	-	**-**	-	**-**	-	**-**	-	**1.5**	-
		1.5	-	**-**	-	**-**	-	**-**	-	**1.5**	-
Not measured at fair value											
Payables		**-**	-	**-**	-	**-**	-	**90.1**	132.5	**90.1**	132.5
Borrowings	15	**-**	-	**-**	-	**-**	-	**146.6**	148.5	**146.6**	148.5
		-	-	**-**	-	**-**	-	**236.7**	281.0	**236.7**	281.0

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.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2016 and there have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2016.

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.

17. Financial risk management (continued)

(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 costs and corporate costs by way of Australian dollar denominated oil options 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 2016

- Brent Crude oil monthly average collar for US$60-85/bbl for 51,667 bbls/month for the period July 2016–September 2016 and 20,000 bbls/month for the period October 2016–December 2016.
- Brent Crude oil monthly average fixed price floor for $45/bbl for 177,500 bbls/month for the period July 2016–September 2016, 130,000 bbls/month for the period October 2016–December 2016, 90,000 bbls/month for the period January 2017–March 2017 and 45,000 bbls/month for the period April 2017–June 2017.
- Brent Crude oil monthly average collar for $40-111/bbl for 50,000 bbls/month for the period October 2016–December 2016, 135,000 bbls/month for the period January 2017–March 2017, 120,000 bbls/month for the period April 2017–June 2017, 115,000 bbls/month for the period July 2017–September 2017 and 57,500 bbls/month for the period October 2017–December 2017.

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.

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	
	2016 $million	2015 $million
Fixed rate instruments:		
Financial assets	**125.1**	104.5
	125.1	104.5
Variable rate instruments:		
Financial assets	**74.0**	75.2
Bank loan facility	**(146.6)**	(148.5)
	(72.6)	(73.3)

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	
	2016 $million	2015 $million
Impact on post-tax profit and equity		
A$/$US - 10% increase in Australian/US dollar exchange rate	**(16.9)**	(27.2)
A$/$US - 10% decrease in Australian/US dollar exchange rate	**22.8**	32.8
US$ oil price – increase of $10/bbl	**46.5**	39.6
US$ oil price – decrease of $10/bbl	**(38.3)**	(37.5)
Interest rates – increase of 1%	**0.3**	1.6
Interest rates – decrease of 1%	**(0.3)**	(1.6)

(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 2016, Beach does not have any material trade and other receivables which are outside standard trading terms which have not been provided against.

	Consolidated	
	2016 $million	2015 $million
Ageing of Receivables :		
Receivables not yet due *	**84.5**	118.7
Past due not impaired	**0.4**	6.8
Considered impaired	**(0.4)**	(0.1)
Total Receivables	**84.5**	125.4

**This excludes a $7.5 million receivable in relation to international taxes which has been fully provided for.*

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2016

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 Note 15.

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

		Carrying amount							
		Less than 1 year		1 to 2 years		2 to 5 years		Carrying amount	
		2016	2015	2016	2015	2016	2015	2016	2015
	Note	$million	$million	$million	$million	$million	$million	$million	$million
Financial liabilities									
Payables		**90.1**	128.5	**-**	4.0	**-**	-	**90.1**	132.5
Borrowings	15	**-**	-	**-**	-	**146.6**	148.5	**146.6**	148.5
		90.1	128.5	**-**	4.0	**146.6**	148.5	**236.7**	281.0

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 2014	1,291,999,670	1,239.9
Issued during the FY15 financial year		
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
Issued during the FY16 financial year		
Shares issued on vesting of unlisted performance rights	**441,935**	**-**
Shares issued under the terms of the Dividend Reinvestment Plan		
Final 0.5 cent per share dividend	**2,286,529**	**1.3**
Shares issued on merger with Drillsearch	**557,826,555**	**295.6**
Repayment of employee loans and sale of employee shares	**-**	**1.7**
Issued and fully paid ordinary shares at 30 June 2016	**1,860,704,532**	**1,548.7**

18. Contributed equity (continued)

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 incentive 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 13.5% (2015: 11.0%). 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	
	2016 $million	2015 $million
Share based payments reserve	**28.4**	27.7
Available-for-sale reserve	**3.3**	(10.3)
Foreign currency translation reserve	**69.8**	67.7
Profit distribution reserve	**181.8**	188.3
Total reserves	**283.3**	273.4

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	
	2016 $million	2015 $million
Final dividend of 0.5 cents (2015 2.0 cents)	**6.5**	25.9
Interim dividend of nil (2015: 1.0 cent)	**-**	13.0
Total dividends paid or payable	**6.5**	38.9
Franking credits available in subsequent financial years based on a tax rate of 30% (2015 - 30%)	**71.2**	73.4

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2016

21. Subsidiaries

Name of Company	Place of incorporation	Percentage of shares held % 2016	% 2015
Beach Energy Limited [(1) (2)]	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 [(3)]	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 [(3)]	Victoria	**100**	100
Beach (Tanzania) Pty Ltd	Victoria	**100**	100
Beach Petroleum (Tanzania) Limited	Tanzania	**100**	100
Beach (USA) Inc [(4)]	USA	**-**	100
Beach Petroleum (NT) Pty Ltd	Victoria	**100**	100
Territory Oil & Gas Pty Ltd	Northern Territory	**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 [(1) (2)]	Victoria	**100**	100
Delhi Holdings Pty Ltd	Victoria	**100**	100
Delhi Petroleum Pty Ltd [(1) (2)]	South Australia	**100**	100
Impress Energy Pty Ltd [(1) (2)]	Western Australia	**100**	100
Impress (Cooper Basin) Pty Ltd [(1)]	Victoria	**100**	100
Springfield Oil and Gas Pty Ltd [(1)]	Western Australia	**100**	100
Mazeley Ltd	Liberia	**100**	100
Mawson Petroleum Pty Ltd	Queensland	**100**	100
Claremont Petroleum (USA) Pty Ltd [(3)]	Victoria	**100**	100
Tagday Pty Ltd [(3)]	New South Wales	**100**	100
Claremont Petroleum (PNG) Ltd	Papua New Guinea	**100**	100
Midland Exploration Pty Ltd [(3)]	South Australia	**100**	100
Shale Gas Australia Pty Ltd [(3)]	Victoria	**100**	100
Drillsearch Energy Pty Ltd [(2)]	Victoria	**100**	-
Circumpacific Energy (Australia) Pty Ltd	New South Wales	**100**	-
Drillsearch Gas Pty Ltd	Queensland	**100**	-
Drillsearch (Field Ops) Pty Ltd	New South Wales	**100**	-
Drillsearch (Finance) Pty Ltd	Victoria	**100**	-
Drillsearch SWQ Gas Pty Ltd	New South Wales	**100**	-
Drillsearch Energy (Canada) Inc.	Canada	**100**	-
Drillsearch Energy (PNG) Ltd	Papua New Guinea	**100**	-
Kun Yick International Ltd	Hong Kong	**100**	-
Drillsearch (513) Pty Ltd	New South Wales	**100**	-
Drillsearch (539) Pty Ltd	New South Wales	**100**	-
Drillsearch (549) Pty Ltd	New South Wales	**100**	-
Drillsearch (657) Pty Ltd	Queensland	**100**	-
Drillsearch (783) Pty Ltd	Queensland	**100**	-
Drillsearch (920) Pty Ltd	New South Wales	**100**	-
Drillsearch (924) Pty Ltd	New South Wales	**100**	-
Drillsearch (299) Pty Ltd	Queensland	**100**	-
Drillsearch (Central) Pty Ltd	Victoria	**100**	-
Ambassador Oil & Gas Pty Ltd	Victoria	**100**	-
Ambassador (US) Oil & Gas LLC	USA	**100**	-
Ambassador Exploration Pty Ltd	Victoria	**100**	-
Acer Energy Pty Ltd	Queensland	**100**	-
Great Artesian Oil & Gas Pty Ltd	New South Wales	**100**	-
Clean Gas Pty Ltd	New South Wales	**100**	-

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

[(1)] Company in Closed Group in FY15 (refer Note 22)
[(2)] Company in Closed Group in FY16 (refer Note 22)
[(3)] Company's in voluntary liquidation at 24 June 2016
[(4)] Voluntary dissolution of Beach USA Inc. authorised on 11 February 2016

22. Deed of cross guarantee

Pursuant to Class Order 98/1418, wholly-owned subsidiaries Australian Petroleum Investments Pty Ltd, Delhi Petroleum Pty Ltd, Drillsearch Energy Pty Ltd, Impress Energy Pty Ltd, Impress (Cooper Basin) Pty Ltd and Springfield Oil & Gas Pty Ltd (Subsidiaries) can be 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 that opted for relief during the year (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. Those companies in the Closed Group for each year are referred to in Note 21.

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	
	2016 $million	2015 $million
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Sales revenue	**476.4**	711.3
Cost of sales	**(402.6)**	(554.6)
Gross profit	**73.8**	156.7
Other revenue	**1.4**	0.4
Other income	**3.9**	0.7
Other expenses [(1)]	**(900.3)**	(742.5)
Operating profit / (loss) before financing costs	**(821.2)**	(584.7)
Interest income	**3.8**	8.4
Finance expenses	**(22.0)**	(28.0)
Profit before / (loss) income tax expense	**(839.4)**	(604.3)
Income tax benefit / (expense)	**17.3**	131.9
Profit / (loss) after tax for the year	**(822.1)**	(472.4)
Other comprehensive income/(loss)		
Net change in fair value of available for sale financial assets	**(9.3)**	(20.5)
Other comprehensive income / (loss), net of tax	**(9.3)**	(20.5)
Total comprehensive income / (loss) after tax	**(831.4)**	(492.9)
Summary of movements in the Closed Group's retained earnings		
Retained earnings at beginning of the year	**(173.0)**	526.6
Net profit / (loss) for the year [(1)]	**(822.1)**	(472.4)
Change in Closed Group entities	**(161.7)**	-
Transfer to profit distribution reserve	**-**	(188.3)
Dividends paid to shareholders from retained earnings	**-**	(38.9)
Retained earnings at end of the year	**(1,156.8)**	(173.0)

[(1)] *2015 includes reclassification of inter-company loan write-downs of $3 million*

22. Deed of cross guarantee (continued)

	Closed Group	
	2016 $million	2015 $million
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	**180.9**	146.5
Receivables	**76.0**	132.3
Inventories	**78.4**	114.1
Derivative financial instruments	**4.1**	1.1
Other	**4.5**	8.1
Assets held for sale	**23.4**	-
Total current assets	**367.3**	402.1
Non-current assets		
Available-for-sale financial assets	**13.0**	46.1
Property, plant and equipment	**370.5**	430.0
Petroleum assets	**211.9**	588.0
Exploration and evaluation assets	**146.1**	229.5
Derivative financial instruments	**0.7**	0.2
Other financial assets [(1)]	**161.4**	124.5
Other	**5.5**	7.0
Total non-current assets	**909.1**	1,425.3
Total assets	**1,276.4**	1,827.4
Current liabilities		
Payables	**82.2**	129.7
Employee entitlements	**4.8**	6.8
Provisions	**10.0**	5.3
Current tax liability	**0.7**	6.6
Derivative financial instruments	**0.6**	-
Liabilities held for sale	**33.4**	-
Total current liabilities	**131.7**	148.4
Non-current liabilities		
Payables	**304.0**	86.3
Employee entitlements	**0.9**	0.8
Provisions	**222.5**	144.7
Deferred tax liabilities	**-**	15.9
Borrowings	**146.6**	148.5
Derivative financial instruments	**0.9**	-
Total non-current liabilities	**674.9**	396.2
Total liabilities	**806.6**	544.6
Net assets	**469.8**	1,282.8
Equity		
Contributed equity	**1,548.7**	1,250.1
Reserves	**77.9**	205.7
Retained earnings/(accumulated losses) [(1)]	**(1,156.8)**	(173.0)
Total equity	**469.8**	1,282.8

[(1)] 2015 includes reclassification of inter-company loan write-downs of $3 million

23. Parent entity financial information

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

Financial performance

	Parent	
	2016 $million	2015 $million
Net profit/(loss) after tax	**(453.4)**	(531.3)
Other comprehensive income/(loss), net of tax	**3.3**	(20.5)
Total comprehensive income/(loss) after tax	**(450.1)**	(551.8)
Total current assets	**311.3**	1,387.0
Total assets	**1,018.0**	1,940.4
Total current liabilities	**34.2**	753.2
Total liabilities	**240.5**	1,015.8
Issued capital	**1,548.8**	1,250.1
Share based payments reserve	**28.4**	27.8
Available-for-sale reserve	**3.3**	(10.3)
Profits distribution reserve	**181.8**	188.3
Retained earnings	**(984.8)**	(531.3)
Total equity	**777.5**	924.6

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	**1.9**	1.2
Minimum exploration commitments	**94.2**	66.5
Operating commitments	**0.1**	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 27.

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 2016 $	2015 $
Short term benefits	**5,298,019**	5,542,783
Share based payments	**528,078**	1,581,622
Other long term benefits	**65,471**	103,576
Total	**5,891,568**	7,227,981

Subsidiaries

Interests in subsidiaries are set out in Note 21.

Transactions with other related parties

During the financial year ended 30 June 2016 , Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a principal. Beach paid $248,039 during the financial year (FY15: $160,339) to DMAW lawyers for legal and advisory services, of which $3,879 related to FY15. In addition to fees paid during the year a further $22,771 (FY15: $3,879) is payable to DMAW Lawyers as at 30 June 2016 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 2016 of $250,000 (FY15: $250,000) were also paid directly to DMAW Lawyers.

During the current financial year Beach paid $41,250 (FY15: $33,000) to Energy Insights (a company owned by Mr Rayner) for office rental in Brisbane.

25. Disposal group held for sale

On 17 August 2016, Beach announced it had completed the sale of Beach Petroleum (Egypt) Pty Ltd, whose core asset is a 22% interest in the Abu Sennan Concession, to Rockhopper Exploration plc. Transaction terms provide for cash consideration of up to US$20.5 million and a post completion adjustment to be agreed and settled by early Q2 FY17 to account for net cash flow attributable to the assets from 1 January 2016 to completion. A payment to Beach is expected in relation to this adjustment. Further details are provided in Note 29.

On 3 August 2016, Beach announced it had entered into a binding sale and purchase agreement with Bridgeport (Cooper Basin) Pty Ltd ("Bridgeport") in relation to the sale of various operated oil permit interests within the greater Kenmore-Bodalla area. The transaction is expected to complete by the end of Q2 FY17 and is subject to various conditions precedent, including joint venture consents and Queensland Government approvals. Transaction terms remain confidential. Further details are provided at Note 29.

As part of the merger with Drillsearch, Beach acquired a 40% working interest in the producing Tintaburra Block (ATP 299) operated by Santos. On 21 January 2016, Drillsearch announced a sale agreement in relation to its 40% interest in the Tintaburra Block, Queensland (ATP 299). Transaction completion is subject to certain joint venture consents and negotiations around these are ongoing.

Assets and liabilities of disposal group held for sale

	Egypt		Queensland oil		Tintaburra		Total	
	2016 $million	2015 $million	**2016 $million**	2015 $million	**2016 $million**	2015 $million	**2016 $million**	2015 $million
Receivables	**14.5**	8.0	**-**	-	**-**	-	**14.5**	8.0
Property, plant and equipment	**15.2**	12.9	**2.2**	-	**0.2**	-	**17.6**	12.9
Petroleum assets	**2.4**	1.3	**4.5**	-	**20.0**	-	**26.9**	1.3
Exploration	**6.8**	-	**0.4**	-	**-**	-	**7.2**	-
Assets held for sale	**38.9**	22.2	**7.1**	-	**20.2**	-	**66.2**	22.2
Payables	**0.8**	1.9	**-**	-	**0.3**	-	**1.1**	1.9
Provisions	**0.8**	0.3	**18.8**	-	**18.2**	-	**37.8**	0.3
Liabilities held for sale	**1.6**	2.2	**18.8**	-	**18.5**	-	**38.9**	2.2

There is cumulative income of $53.6 million for gains on translation of foreign operations included in OCI relating to the disposal group up to 30 June 2016 which will be realised on completion of the sale.

26. Business combination

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Transaction costs incurred in relation to the business combination are expensed as incurred to the Statement of Profit or Loss. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as an increase in the development / exploration assets acquired.

On 23 October 2015, Beach and Drillsearch Energy Limited (Drillsearch) announced they had entered into a binding Merger Implementation Agreement to create the leading mid-cap ASX oil and gas company through an all-scrip merger. Under the terms of the agreement, Beach agreed to acquire all of the shares in Drillsearch that it did not already own via a Scheme of Arrangement (the Scheme).

Following approval of the Scheme by the Federal Court of Australia in February 2016, the scheme was implemented on 1 March 2016 with Drillsearch shareholders receiving 1.25 Beach shares for each Drillsearch share held and Drillsearch became a wholly-owned subsidiary of Beach.

A gain of $1.0 million on the revaluation of Beach's initial 4.9% interest in Drillsearch to fair value was recognised in the Statement of Profit or Loss along with the expensing of merger costs of $7.7 million.

The acquisition had the following effect on the consolidated entity:

	$ million
Purchase consideration	**311.0**
Fair value of net assets acquired	**311.0**
Goodwill on acquisition	-

	Fair Value of assets acquired $ million
Assets and liabilities held at acquisition date:	
- Current assets	**257.6**
- Non current assets	**328.3**
- Current liabilities	**(82.8)**
- Non current liabilities	**(192.1)**
Net assets	**311.0**

The acquisition of Drillsearch resulted in a net cash inflow of $184.0 million for the Group comprising cash acquired on the acquisition of $185.5 million less a $1.5 million payment for Drillsearch options. The purchase consideration of $311.0 million comprised $295.6 million for the value of Beach shares issued (Note 18) and $13.9 million for the fair value of an initial shareholding the Company held in Drillsearch prior to the acqusition and the $1.5 million payment for Drillsearch options.

The fair value assigned to non-current assets of $328.3 million included $39.4 million for property,plant & equipment, $211.6 million for development assets and $77.3 million for exploration.

In the full year to 30 June 2016, Drillsearch contributed $61.3 million to group revenues and $3.9 million profit to the consolidated loss before tax.

Beach also acquired 100% interest in Territory Oil & Gas Pty Ltd during the year which owns a 45% interest in EP126. While the transaction is immaterial to Beach, terms of the transaction remain confidential.

Other information

Additional information required to be disclosed under Australian Accounting Standards.

27. 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 2016 under the service agreements for the other executive officers excluding the Chief Executive Officer (and the Managing Director for 2015) is $1,921,850 (2015: $2,807,900).

Bank guarantees

As at 30 June 2016, Beach has provided $22.2 million of bank guarantees or letters of credit as security for our environmental obligations, corporate leases and work programs.

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 (refer Note 15 for further details on the syndicated debt facility) with the remaining $2.7 million of bank guarantees being cash secured.

Parent Company Guarantees

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

28. Remuneration of auditors

	Consolidated	
	2016	2015[1]
	$000	$000
Audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- auditing or reviewing the financial statements of the group	**438**	307
- auditing the financial statements for overseas subsidiaries	**56**	16
- auditing of joint operation financial statements	**19**	-
- audit of royalty returns	**33**	8
	546	331
Amounts received or due and receivable by other firms for:		
- auditing or reviewing the financial statements of the group	**-**	17
- auditing the financial statements for overseas subsidiaries	**8**	12
- auditing of joint operation financial statements	**-**	16
- audit of royalty returns	**-**	8
Total audit services	**554**	384
Other services		
Amounts received or due and receivable by the auditor of Beach for:		
- information technology services	**20**	-
- tax services Australia	**83**	156
- tax and other services for overseas subsidiaries	**180**	180
- transaction services for Drillsearch merger	**189**	-
Total other services	**472**	336

[1] Audit services for 2015 has been restated to include tax services provided as part of the review or audit of financial statements which had previously been shown as other services.

Fees paid to KPMG have increased in FY16 mainly due to the additional non-recurring work associated with the merger with Drillsearch. Other services provided for overseas subsidaires is expected to fall as Beach completes its exit from certain overseas interests.

29. Subsequent events

Egypt divestment

On 17 August 2016, Beach announced it had completed the sale of Beach Petroleum (Egypt) Pty Ltd, whose core asset is a 22% interest in the Abu Sennan Concession, to Rockhopper Exploration plc. Transaction terms provide for cash consideration of up to US$20.5 million. An upfront payment of US$10.8 million was received on completion, and deferred consideration of approximately US$7.4 million is expected over the next 12 months subject to receipt of outstanding receivables. Payments received by Beach prior to completion include a deposit of US$1.1 million and outstanding receivables of US$1.2 million. In addition to cash consideration payments, a post completion adjustment will be agreed and settled by early Q2 FY17 to account for net cash flow attributable to the assets from 1 January 2016 to completion. A payment to Beach is expected in relation to this adjustment.

Sale of Queensland oil assets

On 3 August 2016, Beach announced it had entered into a binding sale and purchase agreement with Bridgeport in relation to the sale of various operated oil permit interests within the greater Kenmore-Bodalla area. The mature oil fields comprise Beach's only operated production in the Queensland area of the Cooper Basin and contributed 140 kbbl of net production in FY16. The transaction is expected to complete by the end of Q2 FY17 and will provide modest cash consideration, manage ongoing liabilities and increase the efficiency of Beach's Cooper Basin operations.

Other than the above matters, there has not arisen in the interval between 30 June 2016 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 2016, 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 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and 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 Company's and 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.

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 2016 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 33 to 57 of the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*

KPMG

Scott Fleming

Partner

Adelaide

29 August 2016

Glossary of terms

3D Oil	3D Oil Ltd
A$ or $	Australian dollars
1C	Contingent resource low estimate (1)
2C	Contingent resource best estimate (1)
3C	Contingent resource high estimate (1)
3D	3D Oil Ltd
1P	Proved reserve estimate (1)
2P	Proved and probable reserve estimate (1)
3P	Proved, probable and possible reserve estimate (1)
ASX	Australian Securities Exchange
ATP	Authority To Prospect (QLD)
bbl	Barrels
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
boepd	Barrels of oil equivalent per day
Beach	Beach Energy Ltd
Beach Egypt	Beach Petroleum (Egypt) Pty Ltd
Bridgeport	Bridgeport (Cooper Basin) Pty Ltd
Cooper	Cooper Energy Ltd
Cooper Basin	Includes both Cooper and Eromanga basins
CO_2-e	Carbon dioxide equivalent
Delhi	Delhi Petroleum Pty Ltd
Dover	Dover Investments Ltd
Drillsearch	Drillsearch Energy Ltd
EP	Exploration Permit (NT)
Ex PEL 91	PRLs 151 to 172 and various production licences
Ex PEL 92	PRLs 85 to 104 and various production licences
Ex PEL 101	PRLs 173 and 174 and various production licences
Ex PEL 104 / 111	PRLs 136 to 150 and various production licences
Ex PEL 106	PRLs 129 and 130 and various production licences
Ex PEL 107	PRLs 175 to 179
Ex PEL 218	PRLs 33 to 49
Ex PEL 513	PRLs 191-206 and various production licences
Ex PEL 632	PRLs 131-134 and various production licences
FY(16)	Financial year (2016)
Group	Beach and its subsidiaries
GSA	Gas sales agreement
GJ	Gigajoule
GRI	Global reporting initiative
H(1) (FY16)	(First) half year period (of FY16)
IPIECA	International Petroleum Industry Environmental Conservation Association

Glossary of terms (continued)

kbbl	Thousand barrels of oil
kboe	Thousand barrels of oil equivalent
km	Kilometre
kt	Thousand tonnes
KEE	Kuwait Energy Egypt Ltd
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
Mid Continent	Mid Continent Equipment (Australia) Pty Ltd
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalent
MMscfd	Million standard cubic feet of gas per day
NOPTA	National Offshore Petroleum Titles Administrator
NPV	Net present value
NPAT	Net profit after tax
NTNG	Nappamerri Trough Natural Gas
Origin	Origin Energy Ltd
Origin Retail	Origin Energy Retail Ltd
pcp	Prior corresponding period
PEL	Petroleum Exploration Licence (SA)
PEP	Petroleum Exploration Permit (NZ)
PL	Petroleum Lease (QLD)
PPL	Petroleum Production Licence (SA)
PJ	Petajoule
PRL	Petroleum Retention Licence (SA)
PRMS	Petroleum Resources Management System
Q(1) (FY16)	(First) quarter (FY16)
Rockhopper	Rockhopper Exploration plc
SACB JVs	South Australian Cooper Basin joint ventures which include 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%)
SACB and SWQ JVs	The Delhi operations, which incorporate the SACB JVs and SWQ JVs
Santos	Santos Ltd
Senex	Senex Energy Ltd
SPE	Society of Petroleum Engineers
SWQ JVs	South West Queensland joint ventures, incorporating various equity interests (Beach 20-40%)
Tcf	Trillion cubic feet
TJ	Terajoule
USA	United States of America
US$	United States $
WAC	Work area clearance

[(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.*

Corporate Information

Annual meeting

The annual meeting will be held as follows:	
Place	ADELAIDE CONVENTION CENTRE NORTH TCE, ADELAIDE SA 5000
Date	THURSDAY 10 NOVEMBER 2016
Time	10.30 AM
Approximate date the Annual Report will be available	7 OCTOBER 2016

Corporate Directory

Chairman

Glenn Stuart Davis
LLB, BEc, FAICD
Independent non-executive

Deputy Chairman

Colin David Beckett
FIEA, MICE, GAICD
Independent non-executive

Directors

Philip James Bainbridge
BSc (Hons) (Mechanical Engineering), MAICD
Independent non-executive

Fiona Rosalyn Vivienne Bennett
BA (Hons) FCA, FAICD, FAIM
Independent non-executive

James David McKerlie
BEc, Dip Fin Mgt, FCA FAICD
Independent non-executive

Douglas Arthur Schwebel
PhD BSc (Hons) (Geology)
Independent non-executive

Ryan Kerry Stokes
BComm, FAIM
Non-executive

Company Secretary

Catherine Louise Oster
BA (Jurisprudence), LLM (Corporate & Commercial),
FGIA, FCIS
General Counsel and Company Secretary

Registered Office

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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

Securities Exchange Listing

Beach Energy Limited shares are listed
on the ASX Limited
(ASX Code: BPT)

Beach Energy Limited

ABN 20 007 617 969

Website

www.beachenergy.com.au